

# NON-DELEGATED CORRESPONDENT LOAN PURCHASE AGREEMENT

THIS CORRESPONDENT LOAN PURCHASE AGREEMENT is effective as of \_\_\_\_\_, 202\_\_ (the "Effective Date"), and is made by \_\_\_\_\_ and \_\_\_\_\_ between \_\_\_\_\_ ("Seller") and Stockton Mortgage Funding ("Purchaser").

## WITNESSETH:

**WHEREAS**, Seller is in the business of originating Loans (as defined below); and

**WHEREAS**, Seller desires to sell and assign, and Purchaser desires to purchase, eligible Loans, in accordance with the terms of this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

## ARTICLE I DEFINITIONS

**Section 1.1 Definitions.** As used in this Agreement, the following terms shall have the meanings specified below:

**"Accepted Servicing Practices"** means with respect to any Loan, those customary mortgage servicing practices: (a) prescribed by Purchaser, Insurers or Investors; or (b) of prudent mortgage lending institutions that service mortgage loans of the same type and quality as such Loan in the jurisdiction where the related Mortgaged Property is located.

**"Adjustable Rate Loan"** means a Loan that provides for the adjustment of the Mortgage Interest Rate payable in connection with such Loan.

**"Advance"** means funds advanced by Seller or Purchaser to, or on behalf of, a Borrower under a Loan.

**"Affiliate"** with respect to any Person shall mean any other Person directly or indirectly controlling, controlled by or under common control with such Person, or an entity with a direct or beneficial ownership interest of more than 1 percent in another entity.

**"Agreement"** means this Correspondent Loan Purchase Agreement and all exhibits, schedules and addenda to this Agreement, including the Guides, as each may from time to time be amended or supplemented.

**"Applicable Requirements"** shall mean and include with respect to the Loans: (a) all contractual obligations of a Party, including, but not limited to, those contractual obligations contained in this Agreement, in any agreement with any Insurer or Investor or in the Loan Documents for which Seller was or is responsible; (b) all applicable federal, state and local legal and regulatory requirements (including statutes, rules, regulations and ordinances) binding upon a Party; (c) all other applicable requirements and guidelines of each governmental agency, board, commission, instrumentality or other governmental body or office applicable to, and having jurisdiction over a Party, including, but not limited to, those of any Insurer or Investor; and (d) all other applicable final judicial and administrative judgments, orders, stipulations, awards, writs and injunctions applicable to a Party.

**"Appraised Value"** means with respect to any Loan, the amount set forth in an appraisal as the value of the related Mortgaged Property.

**"Approved Flood Policy Insurer"** means a flood certification service provider as may be identified in or otherwise permitted by the Guides from time to time.

**“Approved Tax Service Contract Provider”** means a tax service contract provider as may be identified in or otherwise permitted by the Guides from time to time.

**“Assignment”** means, with respect to a Loan, an individual unrecorded assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to give record notice of the sale of the Mortgage to Purchaser, all in accordance with Applicable Requirements.

**“Borrower”** means any obligor under a Mortgage Note.

**“Business Day”** means any day other than a Saturday, Sunday, a holiday observed by the Purchaser as set forth in the Guide, or other day on which banking institutions in the State of Kentucky are required or authorized by Applicable Requirements or by executive order to be closed.

**“Commission”** means the United States Securities and Exchange Commission.

**“Confidential Information”** means with respect to a Party: (a) information, whether reduced to writing or not, disclosed by such Party or such Party’s agents, contractors, representatives and/or Affiliates relating to such Party’s product development strategy and activity, corporate assessments and strategic plans, Customer lists, financial and statistical information (past, current and future), accounting information, hardware, firmware, software (including, but not limited to, object code and source code), systems, processes, formulae, inventions, product specifications, data, know-how, graphs, samples, research and development (past, current and future), distribution methods (past, current and future), Customer requirements (current and future), price lists, market studies, business plans, recruiting targets or plans, marketing plans, marketing methods, discoveries, policies, guidelines, procedures, practices, disputes or litigation; (b) other confidential, proprietary or trade secret information of such Party that is identified in writing (including, but not limited to, electronically) as confidential at the time of its disclosure; or which, under the circumstances ought to be treated as confidential by the receiving Party (b) all other confidential, proprietary or trade secret information of such Party, which a reasonable person employed in the mortgage industry would recognize as confidential under Applicable Requirements; (c) Customer Information; (d) compilations, notes or summaries that contain or reflect Confidential Information; and (e) this Agreement. Confidential Information shall not include any (i) information that is or becomes part of the public domain or generally available to the public, other than as a result of a breach of the confidentiality provisions of this Agreement by Broker, or (2) information that is or becomes available to Broker on a non-confidential basis from a source other than Lender or any subsidiary or affiliate of Lender.

**“Customer”** means any customer or consumer of a Party, including, but not limited to, any person who: (a) applies to a Party or an Affiliate thereof, either directly or indirectly, for a financial product or service, including a loan applicant; (b) has obtained any financial product or service from a Party or an Affiliate thereof; and/or (c) has a Loan serviced or subserved by a Party or an Affiliate thereof.

**“Customer Information”** means any personally identifiable information or records in any form (written, electronic, or otherwise) relating to a Customer, including, but not limited to: (a) a Customer’s name, address, telephone number, loan number, loan payment history, delinquency status, insurance carrier or payment information, tax amount or payment information; (b) the fact that a Customer has a relationship with a Party; and (c) any other personally identifiable information; provided, however, that “Customer Information” shall not mean any such information that a Party has obtained independently or through publicly available sources.

**“Damages”** means any direct or indirect demand, claim, payment, obligation, action or cause of action, assessment, loss, liability, cost, damage, deficiency or expense, including, but not limited to, penalties, interest on any amount payable to a third Person as a result of the foregoing, and any legal or other expense reasonably incurred in connection with investigating, defending, or responding to same, including, but not limited to, reasonable attorneys’ fees, accountants’ fees, expert witness fees and related fees and court costs.

**“Early Payment Default” or “EPD”** means a Loan that becomes sixty (60) days delinquent within the first one hundred and twenty (120) days or the first four mortgage payments after consummation, whichever occurs later, or within such other time period as may be set forth in the Guides.

**“Early Payoff” or “EPO”** means a Loan that is paid in full or has aggregate curtailments in excess of 30% of the principal balance, within two hundred and seventy (270) days of closing, or within such other time period as may be set forth in the Guides.

**“FHA”** means the Federal Housing Administration of HUD, or any successor thereto

**“FHA Insurance”** means an insurance policy granted by the FHA with respect to a mortgage loan under the applicable section of the National Housing Act (the “Act”), as amended from time to time.

**“FHA Regulations”** means regulations promulgated by HUD and other HUD issuances, including, but not limited to, related handbooks, circulars, notices and mortgagee letters.

**“FHLMC” or “Freddie Mac”** means the Federal Home Loan Mortgage Corporation, or any successor thereto.

**“First Payment Default”** means the Borrower fails to make the first mortgage payment due following the origination of the Loan.

**“FNMA” or “Fannie Mae”** means the Federal National Mortgage Association, or any successor thereto.

**“GNMA”** means the Government National Mortgage Association, or any successor thereto.

**“Guides”** means the Correspondent Selling Guide published by Stockton Mortgage and all applicable conventional or government Selling Guides as published by the GSEs or Agencies, including but not limited to: the Freddie Mac Selling Guide, Fannie Mae Selling Guide, Ginnie Mae Handbooks, FHA Handbook, VA Lenders Handbook, and USDA Handbooks).

**“HUD”** means the U.S. Department of Housing and Urban Development, or any successor thereto.

**“Information Security Program”** shall mean a Party’s program or programs to: (a) ensure the security and confidentiality of Customer Information; (b) protect against any anticipated threats or hazards to the security or integrity of the Customer Information; and (c) protect against unauthorized access to or use of the Customer Information.

**“Insurer”** means the FHA, VA, USDA or any private mortgage insurer that insures or guarantees any of the Loans and providers of hazard, flood, title or other insurance with respect to any of the Loans or Mortgaged Property.

**“Interagency Guidelines”** shall mean the Interagency Guidelines Establishing Standards for Safeguarding Customer Information published on April 1, 2001, by the federal banking regulators as the same may be amended from time to time.

**“Investor”** means FNMA, FHLMC, GNMA and any investor to which Purchaser sells or with which Purchaser securitizes Loans.

**“Loan”** means a residential mortgage loan that is or will be secured by a Mortgage upon a one- to-four family dwelling (including condominiums, units in a planned unit development and manufactured homes).

**“Loan Documents”** mean, with respect to each Loan, the Mortgage, Mortgage Note, Mortgage File and Assignments.

**“Mortgage”** means any deed of trust, security deed, mortgage, security agreement, financing statement or any other instrument that constitutes a lien on the improved Mortgaged Property securing payment by a Borrower of a Mortgage Note.

**“Mortgage File”** means the file containing the credit and closing packages, custodial, servicing, escrow, and mortgage documents, and all other files, records and documents necessary to establish the eligibility of the Loans for purchase by Purchaser, insurance by an Insurer or purchase or pooling by an Investor.

**“Mortgage Interest Rate”** means the annual rate of interest borne on a Mortgage Note in accordance with the provisions of the Mortgage Note, whether fixed or adjusted from time to time with respect to Adjustable Rate Loans.

**“Mortgage Note”** means the mortgage note, deed of trust note, security deed note or other form of promissory note executed by an obligor and secured by a Mortgage evidencing the indebtedness of the obligor under a Loan.

**“Mortgaged Property”** as described in Section 4.8.

**“Parties”** means Seller and Purchaser and **“Party”** means either Seller or Purchaser, as the case may be.

**“Person”** means an individual, corporation, partnership, limited liability company, commercial banking institution, savings bank, other depository institution, joint venture, trust or unincorporated organization or a federal, state, city, municipal or foreign government or an agency or political subdivision thereof.

**“Privacy Requirements”** means the obligations imposed by: (a) Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801 *et seq.*; (b) the applicable federal regulations implementing such act and codified at 12 C.F.R. Parts 332, 573, and/or 1016; (c) the Interagency Guidelines; and (d) other applicable federal, state and local laws, rules, regulations, and orders relating to the privacy and security of Customer Information, including, but not limited to, the federal Fair Credit Reporting Act, 15 U.S.C. §§ 1681 *et seq.*, and similar state laws.

**“Purchase Price”** means the purchase price paid by Purchaser to Seller for one or more Loans, as determined in Section 2.2(a) hereof.

**“Purchase Terms Letter”** means the written purchase advice or other writing provided by the Purchaser to the Seller setting forth the agreed upon terms related to the Purchase Price of the applicable Loans.

**“Regulation AB”** means Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§ 229.1100 through 229.1125, as such may be amended from time to time, and subject to such clarification and interpretation as may be provided by the Commission or its staff from time to time.

**“Recourse”** means any arrangement under which Seller bears the risk of any ultimate credit losses relating to a default under or foreclosure of a Loan sold by Seller.

**“Sale Date”** means the date on which any Loan is sold by Seller to Purchaser hereunder.

**“Servicing Rights”** means the obligations to administer the Loans, pay taxes and insurance or ensure they are paid, provide foreclosure services, provide full escrow administration and any other obligations required by any owner of the Loans, collect the payments for the reduction of principal and application of interest, remit collected payments together with the right to receive the servicing fee income and any ancillary income arising from or connected to the Loans. Servicing Rights shall include administering any tax and insurance or escrow or impound accounts with respect to the Loans for, among other things, the deposit and retention of interest and principal, taxes, assessments or ground rents, hazard and mortgage insurance and other related escrow or custodial items.

**“Servicer”** means Purchaser, a representative or designee of Purchaser, or a later purchaser of mortgage Servicing Rights.

**“USDA”** means the United States Department of Agriculture, or any successor thereto.

**“VA”** means the United States Department of Veteran Affairs, or any successor thereto.

**“VA Guaranty”** means a loan guaranty certificate granted by the VA with respect to a mortgage loan under the Serviceman’s Readjustment Act of 1944, as amended from time to time.

**Section 1.2 Interpretive Principles.** Except as otherwise expressly provided or unless the context otherwise requires: (a) all Section, Article, Appendix, Exhibit and Schedule references used herein refer to Sections, Articles, Appendices, Exhibits and Schedules of this Agreement; (b) any Appendices, Exhibits and Schedules are part of this Agreement; (c) all Section, Article, Appendix, Exhibit and Schedule headings used herein are for reference purposes only and shall not be deemed to have any substantive meaning for interpretative purposes; (d) any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular; (e) whenever the words “include,”

“includes,” or “including” are used in this Agreement, they shall be deemed followed by the words “but not limited to;” (f) all pronouns and variations of pronouns shall be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the Person referred to may require; (g) whenever the words “herein” or “hereunder” are used in this Agreement, they shall be deemed to refer to this Agreement as a whole and not to any specific Section; (h) whenever a dollar figure (\$) is used in this Agreement, it will mean United States dollars unless otherwise specified; and (i) accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with generally accepted accounting principles.

## **ARTICLE II PURCHASE AND SALE OF LOANS**

### **Section 2.1 Purchase and Sale of Loans.**

(a) **Sale of Loans.** From time to time during the term of this Agreement, Seller shall offer to sell, and Purchaser may purchase, all right, title, and interest in and to eligible Loans and the related Servicing Rights in accordance with the terms set forth in this Agreement. Nothing in this Agreement shall be construed as obligating Purchaser to purchase or accept the assignment of any Loan. The Purchaser, in its sole discretion, reserves the right to reject any Loan for any reason.

#### **(b) Eligibility Criteria and Registration Procedures.**

(i) From time to time during the term of this Agreement, Purchaser may make available to Seller, certain eligibility criteria and procedures for the purchase and making of Loans, including requirements related to, among other things, factors such as type of loan, loan limits, interest rates, points and fees, payment features, documentation requirements, and credit standards. Each such Loan shall conform in all respects to all terms, conditions, representations, warranties and covenants in this Agreement, including, but not limited to, the Guides.

(ii) Purchaser reserves the right to amend any internal overlays or guidance from time to time in its sole and absolute discretion. All updates, amendments and supplements to the such overlays or guidance may be sent to Seller in writing via e-mail, postal mail, facsimile or other means.

(iii) In addition to the loan eligibility requirements set forth elsewhere in this Agreement and the Guides, each and every Loan that is intended to be insured by either the FHA, the VA or the USDA shall (i) be insured by FHA or guaranteed by the VA or USDA, as applicable, so as to be eligible for inclusion in pools of mortgage-backed securities fully guaranteed by GNMA and (ii) meet all requirements of the FHA, VA and USDA, as applicable, and GNMA for mortgage insurance and guaranty and pool eligibility, respectively. Each and every Loan that is intended to be sold to FNMA or FHLMC shall (i) be eligible for inclusion in pools for FNMA and FHLMC mortgage-backed securities and (ii) meet all requirements of FNMA and FHLMC, as applicable. Seller shall not submit any FHA Loan to Purchaser for underwriting or for purchase unless Seller is an approved FHA mortgagee with unconditional direct endorsement (DE) underwriting authority.

(c) **Underwriting.** Each Loan shall be underwritten by Purchaser in accordance with the underwriting standards established by Purchaser for the applicable loan program for which the particular Loan application was made (the “Underwriting Standards”) and the Guides. Promptly after receipt of a loan application from an applicant, Seller shall present the loan application package to Purchaser for its underwriting review, along with all property, applicant and credit information and documentation as specified in the Guides or as otherwise requested by Purchaser. If the application meets the Underwriting Standards and complies with the Guides, Purchaser may issue a loan approval or commitment to the applicant. If the loan terms requested by the applicant cannot be approved under the Underwriting Standards and the Guides, but an alternative set of loan terms can be approved, then Purchaser may issue a counteroffer to the applicant under such alternative loan terms. Each Party acknowledges that it has received and reviewed copies of the Underwriting Standards. In all circumstances, Purchaser shall inform Seller of its underwriting analysis within a reasonable and timely period of time. Decisions as to the acceptability of Mortgage Loans for purchase by Purchaser shall be solely at the discretion of Purchaser. Purchaser shall have no responsibility to purchase any Loan until all underwriting and closing conditions have been satisfied.

(d) **Closing.** All Loans sold by the Seller hereunder will be on forms acceptable to HUD, Fannie Mae or Freddie Mac, and will be closed, if applicable, in accordance with the terms and conditions set forth herein by settlement

agents that maintain errors and omissions insurance policies, closing protection letters and title insurance policies sufficient to indemnify Seller and Purchaser against losses due to the settlement agent's negligence, misconduct and/or failure to follow written closing instructions. Seller shall cause an insured closing protection letter to be obtained in connection with the closing of each Loan. Seller shall also maintain oversight via a vendor management program over its third-party title companies and settlement agents.

(e) **Seller Shall Fund.** At the settlement for each Loan, Seller shall have fully funded the Loan in the amount reflected in the Mortgage Note.

(f) **Best Efforts.** Pursuant to this Agreement, Seller agrees to sell and Purchaser agrees to purchase, on a best efforts basis, locked mortgage loans by a future date, subject to the funding and closing of such Loans. Once a Loan closes, Seller is required to deliver the loan and it becomes a mandatory delivery commitment.

## **Section 2.2 Purchase Price.**

(a) **Purchase Price.** The aggregate Purchase Price shall consist of: (i) the applicable purchase price percentage specified in the applicable Purchase Terms Letter or other purchase terms communication from Stockton, multiplied by the outstanding principal balance of the Loan(s) as of the applicable Sale Date; plus (ii) accrued but unpaid interest thereon up to, but not including, the Sale Date.

(b) **Payment of Purchase Price.** The Purchaser shall pay to Seller the Purchase Price relating to each Loan sold by Seller to Purchaser under the terms of this Agreement on the applicable Sale Date by wire transfer in immediately available funds.

(c) **Corrections.** If, subsequent to the applicable Sale Date, either Party determines that: (i) the principal balance of any Loan used in computing the amount of the Purchase Price is incorrect; or (ii) any item that impacts the Purchase Price is incorrect, the Parties shall work together to adjust the Purchase Price promptly, and adjustments shall be made to the appropriate Party.

## **ARTICLE III GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER**

As an inducement to Purchaser to enter into this Agreement and consummate each sale hereunder, Seller represents and warrants to Purchaser as follows (it being acknowledged that each such representation and warranty is in addition to and does not limit or qualify the representations and warranties set forth in the Guides, and is made to Purchaser as of both the Effective Date and each Sale Date):

**Section 3.1 Due Incorporation and Good Standing.** Seller is and shall continue to be duly organized, validly existing and in good standing under the laws of its state of incorporation during the time of its activities with respect to the making and selling of the Loans. Seller has and shall continue to maintain in full force and effect all licenses, registrations and certifications in all appropriate jurisdictions to conduct all activities performed with respect to the making and selling of the Loans. Seller and its Mortgage Loan Officers ("MLOs") are in full compliance with all licensing and registration provisions of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Act") and loan originator provisions of the Truth in Lending Act, as implemented by Regulation Z (12 C.F.R. § 1026.36). Seller is approved by and in good standing with each Insurer. Seller meets any and all of the eligibility criteria of the GSEs and Agencies under which its loan products fall and as specified in writing in the Correspondent Selling Guide.

**Section 3.2 Authority and Capacity.** Seller has all requisite corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement, and any related agreements or instruments and the consummation of the transactions contemplated hereby and thereby, each has been duly and validly authorized by all necessary corporate action. This Agreement and any related agreements or instruments each constitutes a valid and legally binding agreement of Seller enforceable in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting generally the enforcement of creditor's rights and the discretion of a court to grant specific performance of contracts.

**Section 3.3 Effective Agreement.** The execution, delivery and performance of this Agreement, and any related agreements or instruments by Seller, its compliance with the terms hereof and thereof, and consummation of the transactions contemplated hereby and thereby, will not violate, conflict with, result in a breach of, constitute a default under, be prohibited by, or require any additional approval under its articles of incorporation, bylaws, or any instrument or agreement to which it is a party or by which it is bound or which affects the purchase, pooling or servicing of the Loans, or any Applicable Requirement relating thereto.

**Section 3.4 Compliance with Contracts and Regulations.** Seller has complied with all Applicable Requirements with respect to its business and business practices.

**Section 3.5 Litigation.** There is no litigation, proceeding, claim, demand or governmental investigation pending or, to the knowledge of Seller, threatened, nor is there any order, injunction or decree outstanding against or relating to Seller, which could have a material adverse effect upon Seller's business or upon any of the Loans, result in liability to Purchaser, or materially impair the ability of Seller to perform its obligations hereunder. Seller is not in default with respect to any order of any court, governmental authority or arbitration board or tribunal, to which Seller is a party or is subject, and Seller is not in violation of any laws, ordinances, governmental rules or regulations to which it is subject.

**Section 3.6 Truth and Accuracy.** No representation, warranty or written statement made by Seller in connection with this Agreement or in any schedule, exhibit, report, written statement or certificate furnished to Purchaser in connection with the transactions contemplated hereby by Seller, contains, or will contain, any untrue statement of a material fact or omits, or will omit, to state a material fact necessary to make the statements contained herein or therein not misleading. The information contained in the application of Seller to Purchaser for approval to sell Loans continues to be true, accurate and complete, except as otherwise disclosed in writing to Purchaser.

**Section 3.7 Solvency.** The Seller does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in this Agreement. The Seller is solvent and the sale of the Loans will not cause Seller to become insolvent. The sale of the Loans is not undertaken with the intent to hinder, delay or defraud any of Seller's creditors.

**Section 3.8 Selection Process.** The Loans being offered for sale to Purchaser were not selected from among the outstanding mortgage loans originated by Seller as to which the representations and warranties set forth in Article IV could not be made and such selection was not made in any manner which could be considered adverse selection, where such Loan or Loans were unable to be sold to other purchasers or investors, or Seller believed it unlikely such loans would be purchased by other purchasers or investors.

**Section 3.9 Sale Treatment.** The disposition of the Loans pursuant to this Agreement will be treated by Seller for financial accounting and reporting purposes as a sale of assets. Seller and Purchaser both believe that a court of competent jurisdiction, under the Bankruptcy Code or similar state laws governing insolvency, would hold that the transfer of mortgage loans from Seller to Purchaser under this Agreement would constitute a "true sale" upon payment of the purchase price and delivery of the asset and its servicing rights."

**Section 3.10 Fair Consideration.** The consideration to be received by Seller upon the sale of the Loans under this Agreement constitutes fair consideration and reasonably equivalent value therefor.

**Section 3.11 No Consent Required.** No consent, approval, authorization or order, or registration or filing with, or notice to any court or governmental agency or body is required for the execution, delivery and performance by the Seller of or compliance by the Seller with this Agreement, the delivery of the Mortgage Files to Purchaser or the sale of the Loans or the consummation of the transactions contemplated by this Agreement, or if required, such consent, approval, authorization or order has been obtained prior to the related Sale Date.

**Section 3.12. Authorized User Access Under Lender License.** Seller understands Purchaser must indemnify and hold Fannie Mae and Freddie Mac (collectively, the "GSEs") harmless from any claims or liability resulting from authorized users' use of GSEs data and automated underwriting systems (the "Systems"). Seller must obtain written permission from Purchaser in order to access GSE Systems as an authorized user of Purchaser. Seller represents and warrants that (i) it will only use the Systems in accordance with GSE rules, Guides, and license restrictions; (ii) it will not permit any third party to use Purchaser's credentials or otherwise extend System access to any third party, and (iii) it will safeguard Systems credentials and data with information security protocol at least as

strong as what Seller uses to protect its own systems and nonpublic consumer information.

#### **ARTICLE IV SPECIFIC REPRESENTATIONS AND WARRANTIES AS TO LOANS**

As further inducement to Purchaser to enter into this Agreement and consummate the purchase of Loans hereunder, Seller represents and warrants to Purchaser as of the Sale Date of each Loan (it being acknowledged that each such representation and warranty is in addition to and does not limit or qualify the representations and warranties set forth in the Correspondent Seller Guide and in Article III above):

**Section 4.1 Guides and Insurer Requirements.** Each Loan conforms to the specifications set forth in this Agreement, any overlays published by Stockton, and the Guides.

**Section 4.2 Enforceability of Loan.** The Loan is not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Mortgage Note or the Mortgage, or the exercise of any right thereunder, render either the Mortgage Note or the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, as a result of any act, error or omission of Seller or of any other Person of which Seller is aware.

**Section 4.3 Disbursement.** All costs, fees and expenses incurred in making, closing or recording the Loans were paid to the appropriate parties. No Borrower is entitled to any refund of any amounts paid or due to any lender originator or third party pursuant to any Loan transaction.

**Section 4.4 Payments and Advances.** Seller has not advanced funds, or induced, solicited or knowingly received any advance of funds by a Person other than the Borrower, directly or indirectly, for the payment of any amount required under or to obtain the Loan. The Borrower has made any down payment required in connection with the Loan, and has received no concession from Seller, the seller of the Mortgaged Property or any other third Person, except as clearly disclosed in writing to Purchaser and as permitted under Applicable Requirements.

**Section 4.5 Regulatory Compliance.** Any and all Applicable Requirements, including, but not limited to, usury, truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, disclosure, and securities laws, applicable to the Loan have been satisfied, and Seller shall maintain in its possession, available for Purchaser's inspection, and shall deliver to Purchaser upon reasonable demand, evidence of compliance with all such requirements. Each Loan is not and cannot reasonably be deemed to be, and was not and could not previously have been deemed to have been, a "high cost," "higher priced" or "non-qualified mortgage" Loan under Applicable Requirements.

**Section 4.6 Mortgage Insurance.** There are no defenses, counterclaims, or rights of setoff, or other factor circumstances affecting the eligibility of the Loans for insurance by an Insurer, or affecting the validity or enforceability of any mortgage insurance or mortgage guaranty with respect to the Loan as a result of any act, error or omission of Seller, Borrower, or of any other Person (other than Purchaser).

**Section 4.7 Damage; Condemnation.** There is no proceeding pending for the total or partial condemnation of the Mortgaged Property and such Mortgaged Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty, so as to affect adversely the value of the Mortgaged Property as security for the Loan, the use for which the premises were intended or the eligibility of the Loan for full payment of insurance benefits, and there are no pending or threatened proceedings for total or partial condemnation of the Mortgaged Property. Seller has completed any required property inspection, and such inspections, if any, show no evidence of property damage or deferred maintenance.

**Section 4.8 Type of Mortgaged Property.** The Mortgaged Property consists of a single parcel of real property with a detached single-family residence erected thereon, or a two-to-four-family dwelling, a townhouse, or an individual condominium unit in a condominium, or an individual unit in a planned unit development, or an individual cooperative apartment unit or a manufactured home permanently affixed to real property (owned or leased land); provided, however, that any condominium unit or planned unit development conforms with Investor and Insurer requirements with respect to such dwellings, and that no residence or dwelling is a mobile home that has not been converted to real property.

**Section 4.9 Good Title.** The Loan has not been assigned or pledged, and Seller has good and marketable title

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thereto, without any basis for forfeiture thereof, and Seller is the sole owner and holder of the Loan free and clear of any and all liens, pledges, charges of security interests of any nature and has full right and authority, subject to no interest or participation of, agreement with, or approval of, any other Person, to sell, assign and transfer the same pursuant to this Agreement.

**Section 4.10 Mortgage File; Truth and Accuracy.** The Mortgage File contains each of the documents and instruments required by the Guides and all other documents and instruments required by Applicable Requirements and Insurer and Investor requirements, duly executed and in due and proper form and each such document or instrument is genuine and in form acceptable to Investors and Insurers and the information contained therein is true, accurate and complete. The Loan was originated in accordance with the applicable Purchaser, Investor and Insurer underwriting standards in effect at the time the Loan was sold, and otherwise in accordance with applicable Guides. Seller represents and warrants that all documents, instruments, information and agreements submitted to underwriting (or submitted in the loan package presented to Seller for purchase), were not falsified and contain no untrue statement of material fact, or omit to state a material fact necessary to make the information and statements therein not misleading.

**Section 4.11 Occupancy; Inspection.** Other than Loans designated for second homes or investment property, at the time that each Loan was originated, the Borrower represented that the Borrower would occupy the related Mortgage Property as the Borrower's primary residence, and Seller has no reason to believe that the Mortgaged Property will not be so occupied. As of the Sale Date for refinance transactions, or within sixty (60) days after the Loan closing date for purchase transactions, the Mortgaged Property will be lawfully occupied by the Borrower under Applicable Requirements, other than Loans designated for second homes or investment property. All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy, have been made or obtained from the appropriate authorities.

**Section 4.12 No Outstanding Charges.** There are no defaults in complying with the terms of the Loan, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid, or an escrow of funds or a tax and insurance set-aside has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed but is not yet due and payable.

**Section 4.13 Original Terms Unmodified.** The terms of the Mortgage Note and Mortgage have not been impaired, waived, altered or modified in any respect, except by a written instrument that has: (a) been recorded, if necessary to protect the interests of Purchaser; and (b) been delivered to the Purchaser. The substance of any such waiver, alteration or modification has been approved by the issuer of any related mortgage insurance policy and the title Insurer, to the extent required by the policy.

**Section 4.14 No Satisfaction of Mortgage.** The Mortgage Instrument has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would affect any such release, cancellation, subordination or rescission. Seller has not waived the performance by the Borrower of any action under the Note or Mortgage, nor has Seller waived any default resulting from any action or inaction by the Borrower.

**Section 4.15 Valid Lien.** With respect to a Loan that Seller purports to be a first-lien Loan, the Mortgage is a valid, subsisting, enforceable and perfected first lien on the Mortgaged Property including all buildings on the Mortgaged Property and all installations and mechanical, electrical, plumbing, heating and air conditioning systems located in or annexed to such buildings, and all additions, alterations and replacements made at any time with respect to the foregoing that are deemed fixtures to the same. The lien of the Mortgage is subject only to:

(a) the lien of current real property taxes and assessments not yet due and payable;

(b) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording that are generally acceptable to mortgage lending institutions and specifically referred to in the lender's title insurance policy, and: (i) referred to or otherwise considered in the appraisal relating to the Loan; or (ii) that do not adversely affect the Appraised Value of the Mortgaged Property set forth in such appraisal; and

(c) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value or marketability of

the related Mortgaged Property, and which will not cause a material adverse impact to the interest of the Purchaser in the subject Mortgage Loan or Mortgaged Property.

**Section 4.16 No Fraud.** The Mortgage Note, the Mortgage and the other Loan Documents are genuine, and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms. All parties to the Mortgage Note, the Mortgage and the other Loan Documents had the legal capacity to enter into the Loan and to execute and deliver the Mortgage Note, the Mortgage and the other Loan Documents, and the Mortgage Note, the Mortgage and the other Loan Documents have been duly and properly executed by such Persons. All Loan Documents, instruments and agreements submitted to Purchaser were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading. No fraud was committed in connection with any aspect of the origination of the Loan by any Person.

**Section 4.17 Title Insurance.** Each Loan is covered by an ALTA lender's title insurance policy or other generally acceptable form of a policy of insurance, issued by a title Insurer qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring Seller, its successors and assigns: (a) as to the first priority lien of the Mortgage with respect to a Loan purported by Seller to be a first-lien Loan; and (b) against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions of the Mortgage providing for adjustment in the Mortgage Interest Rate and Monthly Payment with respect to each Adjustable Rate Loan, subject only to the exceptions contained in clauses (a), (b), and (c) of Section 4.15. Where required by state law or regulation applicable to Seller, the Borrower has been given the opportunity to choose the carrier of the required mortgage title insurance. Additionally, such lender's title insurance policy affirmatively insures ingress and egress, and against encroachments by or upon the Mortgaged Property or any interest therein. The Seller is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect and will be in full force and effect upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such lender's title insurance policy, and no prior holder of the Mortgage, including Seller, has done, by act or omission, anything that would impair the coverage of such lender's title insurance policy. With respect to each manufactured home, a search for filings of financing statements has been made by a company competent to do same and such search has notfound anything which would materially and adversely affect the Loan secured by a manufactured home including, butnot limited to, the priority of lien or perfection of the Loan secured by a manufactured home.

**Section 4.18 Hazard Insurance.** For each Loan, pursuant to the terms of the Mortgage, all buildings or other improvements upon the Mortgaged Property are insured by a generally acceptable Insurer against loss by fire, hazards of extended coverage and such other hazards as are customary in the area where the Mortgaged Property is located. Borrower must obtain coverage in an amount which is at least equal to the full insurable value of the improvements on the Mortgaged Property. The policy must either include provisions for inflation adjustments or guaranteed replacement cost coverage of the Mortgaged Property. In the case of flood insurance, Borrower must obtain the amount of insurance that is required under the Applicable Requirements or the Guide, whichever is greater. If upon origination of the Loan, the Mortgaged Property was in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards (and such flood insurance has been made available), a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance & Mitigation Administration is in effect which policy conforms to all Applicable Requirements. All individual insurance policies contain a standard mortgagee clause naming Seller and its successors and assigns as mortgagee, and all premiums thereon have been paid. The Mortgage obligates the Borrower thereunder to maintain all insurance policies at the Borrower's cost and expense, and on the Borrower's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at such Borrower's cost and expense, and to seek reimbursement therefore from the Borrower. Where required by law or regulation applicable to Seller, the Borrower has been given an opportunity to choose the carrier of the required insurance, provided the policy is not a "master" or "blanket" insurance policy covering the common facilities of a planned unit development. The hazard insurance policy is the valid and binding obligation of the Insurer, is in full force and effect, and will be in full force and effect and inure to the benefit of Purchaser upon the consummation of the transactions contemplated by this Agreement. Seller has not engaged in, and has no knowledge of the Borrower having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either.

**Section 4.19 No Default.** There is no default, breach, violation or event of acceleration existing under the Mortgage or the Mortgage Note and no event that, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration, and neither Seller nor its predecessors have waived any default, breach, violation or event of acceleration.

**Section 4.20 No Mechanics' Liens.** There are no mechanics' or similar liens or claims that have been filedfor

work, labor or material (and no rights are outstanding that under the law could give rise to such liens) affecting the related Mortgaged Property that are or may be liens prior to, or equal or coordinate with, the lien of the related Mortgage.

**Section 4.21 Location of Improvements; No Encroachments.** All improvements that were considered in determining the appraised value of the Mortgaged Property lay wholly within the boundaries and building restriction lines of the Mortgaged Property and no improvements on adjoining properties encroach upon the Mortgaged Property. No improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation.

**Section 4.22 Customary Provisions.** The Mortgage is an agency or GSE approved model form, and contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security provided thereby, including: (a) in the case of a Mortgage designated as a deed of trust, by trustee's sale; and (b) otherwise by judicial foreclosure. Upon default by a Borrower on a Loan and foreclosure on, or trustee's sale of, the Mortgaged Property pursuant to the proper procedures, the holder of the Loan will be able to deliver good and merchantable title to the Mortgaged Property. There is no homestead or other exemption available to a Borrower that would interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage.

**Section 4.23 No Additional Collateral.** The Mortgage Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to above.

**Section 4.24 Deeds of Trust.** In the event the Mortgage constitutes a deed of trust, a trustee, duly qualified under Applicable Requirements to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by Purchaser to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Borrower.

**Section 4.25 Acceptable Investment.** Except as noted in writing by Seller to Purchaser, Seller does not know of any circumstances or conditions with respect to the Loan, the Mortgaged Property, the Borrower, or the Borrower's credit standing that could be reasonably expected to cause: (a) private institutional investors or an Investor to regard the Loan as an unacceptable investment; or (b) the Loan to become delinquent or adversely affect the value or marketability of the Loan.

**Section 4.26 Due on Sale.** The Mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the Loan in the event that the Mortgaged Property is sold or transferred without the prior written consent of the Mortgagee.

**Section 4.27 Origination and Servicing Practices.** The origination and servicing of the Loans have been in accordance with Applicable Requirements, Accepted Servicing Practices and the terms of the Mortgage and Mortgage Note, and have been in all respects legal, proper and prudent in the mortgage origination and servicing business. All Mortgage Interest Rate adjustments have been made in compliance with applicable state and federal law and the terms of the related Mortgage and Mortgage Note on the related adjustment date. Seller executed and delivered any and all notices required under applicable law and the terms of the related Mortgage Note and Mortgage regarding the Mortgage Interest Rate and any payment adjustments. Any interest required to be paid pursuant to applicable state, federal and local law has been properly paid and credited. All escrow deposits and escrow payments, if any, are in the possession of, or under the control of, Seller and have been collected and handled in full compliance with Applicable Requirements. No escrow deposits or escrow payments or other charges or payments due the Seller have been capitalized under the Mortgage Note.

**Section 4.28 Appraisal.** The Mortgage File contains an appraisal of the related Mortgage Property signed prior to the approval of the Loan application by a qualified appraiser who had no interest, direct or indirect, in the Mortgaged Property or in any loan made on the security thereof; and whose compensation is not affected by the approval or disapproval of the Loan, and the appraisal and appraiser both satisfy all Applicable Requirements in effect on the date the Loan was originated. The Appraised Value provides an accurate estimate of bona fide market value of the Mortgaged Property and was prepared by a qualified appraiser with no direct or indirect interest in the Mortgaged Property. Seller has no knowledge of any circumstances or condition which might indicate that the appraisal is incomplete or inaccurate.

**Section 4.29 Servicemembers Civil Relief Act.** The Borrower has not notified Seller, and Seller has no knowledge, of any relief requested or allowed to the Borrower under the Servicemembers Civil Relief Act.

**Section 4.30 Environmental Matters.** To the best of Seller's knowledge, the Mortgaged Property is free from any and all toxic or hazardous substances and there exists no violation of any local, state or federal environmental law, rule or regulation.

**Section 4.31 No Denial of Insurance.** No action, inaction, or event has occurred and no state of facts exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable pool insurance policy, special hazard insurance policy, private mortgage insurance, or other insurance policy, irrespective of the cause of such failure of coverage.

**Section 4.32 Conversion to Fixed Interest Rate.** With respect to each Adjustable Rate Loan, the Mortgage Note does not contain a provision permitting or requiring conversion to a fixed interest rate Loan.

**Section 4.33 Flood Certification Contract.** Seller has obtained a life of loan, transferable flood certification contract for each Loan with an Approved Flood Policy Insurer and such contract is assignable to Purchaser without cost.

**Section 4.34 Origination/Doing Business.** All parties that have had any interest in the Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable qualification and licensing requirements of the laws of the state wherein the Mortgaged Property is located. Seller is properly qualified and licensed in each jurisdiction where qualification and licensing is deemed necessary. Without limiting the foregoing, Seller has all licenses, permits, registrations or similar approvals in each state where Seller originates Loans, as necessary to engage in the mortgage origination business and to perform as set forth in this Agreement, and each such qualification, license, permit, registration and approval is in good standing. Each of Seller's employee loan originators who have any involvement with a Loan possesses all licenses, permits, registrations or similar approvals that are necessary with respect to the origination of mortgage loans and each such license, permit, registration or similar approval is in good standing.

**Section 4.35 Transfer of Mortgage Loans.** With respect to each Mortgage that is not recorded in the name of MERS or its designee, the Assignment with respect to each Loan is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the related Mortgaged Property is located; the Mortgage Note contains all necessary intervening endorsements showing a complete chain of endorsement from the Seller (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Mortgage Note).

**Section 4.36 Interest Calculation.** Interest on each Loan is calculated in accordance with related Loan Documents and the Applicable Requirements. None of the Loans are simple interest Mortgages.

**Section 4.37 Affiliated Parties.** Seller will disclose to Purchaser any parties to the Loan (including but not limited to the Borrower, seller, realtor, appraiser, or closing agent) that are affiliated with Seller. Affiliated parties are any person or entity under the control of, in control of or under common control with Seller or any of its officers, directors, employees, agents or investors.

**Section 4.38 FEMA Designations.** Except as otherwise disclosed in writing to Purchaser, no Mortgaged Property is in a zip code declared by the Federal Emergency Management Agency ("FEMA") as a federal disaster area.

**Section 4.39 Insurance; Guaranty.** All Loans that are intended to be insured by the FHA are fully insurable by the FHA and a mortgage insurance certificate will be issued by the FHA and delivered to Purchaser within sixty (60) days after the date the Loan closes. All Loans that are intended to be guaranteed by the VA are eligible for guaranty by the VA and a loan guaranty certificate will be issued by the VA and delivered to Purchaser within sixty (60) days after the date the Loan closes. All Loans that are intended to be guaranteed by the USDA are eligible for guaranty by the USDA and a loan note guarantee will be issued by the USDA and delivered to Purchaser with sixty (60) days after the date the Loan closes. All conventional Loans are insurable by private mortgage insurers acceptable to Purchaser, when required, and an appropriate certificate or other evidence of such insurance will be issued by the Insurer and delivered to Purchaser within sixty (60) days after the date the Loan closes. There are no defenses, counterclaims or rights of set-off affecting (i) the validity or enforceability of any private mortgage insurance, FHA insurance, USDA guaranty or VA guaranty, or (ii) the eligibility of such Loan for insurance or guaranty. All Loans that are intended to be insured by the FHA or guaranteed by the VA or USDA qualifies for inclusion in a GNMA pool, and

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such Loans and the related GNMA pool will not fail to receive any custodian's final certification.

**Section 4.40 Qualified Mortgage.** Each Mortgage Loan (i) is a "qualified mortgage" within the meaning of Section 1026.43(e)(2) of 12 C.F.R. Part 1026 ("Regulation Z") without reference to Section 1026.43(e)(4),(5), (6) or (f) of Regulation Z, (ii) complies with the total points and fees limitations for a qualified mortgage set forth in Section 1026.43(e)(3) of Regulation Z (including the inflation adjustments provided for in Section 1026.43(e)(3)(ii) of Regulation Z), (iii) is not a "higher-priced covered transaction" within the meaning of Section 1026.43(b)(4) of Regulation Z, (iv) only includes a prepayment penalty permitted by Section 1026.43(g) of Regulation Z, (v) does not provide for a balloon payment and (vi) qualifies for the safe harbor set forth in Section 1026.43(e)(1)(i) of Regulation Z.

**Section 4.41 Predatory Lending Regulations; High Cost Loans.** None of the Mortgage Loans are classified as "high cost," "threshold," "covered" or "predatory" or similar loans under any applicable federal, state or local laws. No Mortgage Loan is a predatory loan, a high-cost loan, or a loan specially regulated under any state law due to its interest rate or points paid. No predatory or deceptive lending practices, including, without limitation, the extension of credit without regard to the ability of the Borrower to repay and the extension of credit which has no apparent benefit to the Borrower, were employed in the origination of the Mortgage Loan. No Borrower was encouraged or required to select a loan product offered by an originator that was a higher cost product designed for less-creditworthy borrowers, unless at the time of the Mortgage Loan's origination, such Borrower did not qualify, taking into account credit history and debt-to-income ratios, for a lower cost credit product then offered by such originator or any affiliate of such originator. Each Mortgage Loan complies with the "ability to repay" standards as set forth in Section 129C(a) of the federal Truth-in-Lending Act and Section 1026.43(c) of Regulation Z. Each Mortgage Loan is in compliance with the anti-predatory lending eligibility for purchase requirements of Fannie Mae and the Guide.

## ARTICLE V GENERAL REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Seller to enter into this Agreement, Purchaser represents and warrants to Seller as follows (it being acknowledged that each such representation and warranty is made to Seller as of both the Effective Date and each Sale Date):

**Section 5.1 Due Incorporation and Good Standing.** Purchaser is duly organized, validly existing and in good standing under the laws of its state of organization. Purchaser is qualified to transact business in each jurisdiction in which such qualification is deemed necessary.

**Section 5.2 Authority and Capacity.** Purchaser has all requisite corporate power, authority and capacity to enter into this Agreement and to perform the obligations required of it hereunder. The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, each have been duly and validly authorized by all necessary corporate action. This Agreement constitutes a valid and legally binding agreement of Purchaser enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditor's rights generally.

**Section 5.3 Effective Agreement.** Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance with its terms and conditions, shall violate, conflict with, result in the breach of, or constitute a default under, be prohibited by, or require any additional approval under any of the terms, conditions or provisions of Purchaser's organizational documents, or of any mortgage, indenture, deed of trust, loan or credit agreement or instrument to which Purchaser is now a party or by which it is bound, or of any order, judgment or decree of any court or governmental authority applicable to Purchaser.

## ARTICLE VI COVENANTS

**Section 6.1 Delivery of Documents.** Seller agrees to perform, at its sole cost and expense, all acts necessary to perfect title to the Loans in Purchaser, and shall sell, assign and deliver (in the manner set forth in the Guide) to Purchaser the Loan Documents with respect to the purchase of each such Loan. All Loan Documents relating to the Loans and all other documents required to be delivered to Purchaser by Seller pursuant to this Section 6.1 that are in the possession or control of Seller and are not delivered to Purchaser, if any, are and shall be held by Seller in trust for the benefit of Purchaser. In the event any such original documents have not been delivered to Purchaser prior to ninety (90) days following the Sale Date, Seller shall, upon written demand of Purchaser, repurchase the related Loan, in the

manner and fashion contemplated by Section 7.3 for a breach of a representation and warranty. However, if an Insurer, recording office or municipality is solely responsible for a missing or trailing Loan Document, Seller shall give satisfactory written evidence thereof to Purchaser together with a representation that Seller is diligently trying to obtain such Loan Documents from such entity; provided, however, that if any such document is not delivered to Purchaser within one hundred twenty (120) days following the Sale Date, Seller shall, upon written demand of Purchaser, repurchase the related Loan, in the manner and fashion contemplated by Section 7.3 for a breach of a covenant of this agreement, and breach of relevant representations and warranties.

**Section 6.2 Attorney-in-Fact.** Seller hereby irrevocably appoints Purchaser as its true and lawful attorney, with full power of substitution, in its name and stead and on its behalf, for the purpose of taking any action with respect to, or effectuating any further sale, assignment, transfer or delivery of, any Loan, Mortgage, Mortgage Note, or Mortgaged Property or any part thereof or any interest therein, Seller is hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. If so requested by Purchaser, or any successor or assign of Purchaser, Seller shall ratify and confirm any such action, sale, assignment, transfer or delivery by executing and delivering all such instruments and other documents as may be designated in any such request.

**Section 6.3 Interim Servicing; Servicing Transfer Notices.** To the extent Seller services a Loan after the related Sale Date, Seller (or its designee, which designee shall be approved in writing by Purchaser) shall service the Loan in conformance with all Accepted Servicing Practices and Applicable Requirements until such time as the servicing of such Loan is transferred to Purchaser or its designee. Seller shall promptly follow Purchaser's instructions regarding the transfer of any such servicing. Seller shall, at its expense, mail an approved form of notification to Borrowers of the transfer of the Servicing Rights and instruct the Borrowers to deliver all mortgage and related payments and all tax and insurance notices to Purchaser after the Sale Date.

**Section 6.4 Supplementary Information; Further Assurances.** From time to time prior to and after the Sale Date, Seller shall furnish to Purchaser such information supplementary to the information contained in the documents and schedules delivered pursuant hereto which is reasonably available to Seller as Purchaser may reasonably request or which may be necessary to enable Purchaser to file any reports due in connection with the Loan or Servicing Rights or to determine the continuing eligibility of Seller to sell Loans to Purchaser. Seller shall, at any time and from time to time, promptly, upon the reasonable request of Purchaser or its representatives, execute, acknowledge, deliver or perform all such further acts, deeds, assignments, transfers, conveyances, and assurances as may be required hereunder.

#### **Section 6.5 Confidentiality and Non-Solicitation.**

(a) **In General.** Neither Party shall make use of, disseminate or in any way disclose any Confidential Information of the other Party or its Affiliates, except as necessary to perform its obligations under this Agreement or as may be required by Applicable Requirements or with the express written authorization of the disclosing Party or its Affiliates, and each shall keep Confidential Information confidential and will ensure that its Affiliates, employees, agents and representatives who have access to such Confidential Information comply with this non-disclosure obligation. Each Party shall maintain appropriate physical, electronic, technical, and procedural safeguards to receive, store, dispose of (if applicable), and secure all Confidential Information to protect it from unauthorized access, use, disclosure, alteration, loss, and destruction, and to protect against any anticipated threats or hazards to the security or integrity of such records or information which could result in substantial harm or inconvenience to any Customer of a Party. The safeguards used by each Party to protect Confidential Information of the other Party shall be no less than those used by such Party to protect its own Confidential Information.

(b) **Privacy of Customer Information.** Except as otherwise agreed by the Parties and permitted by the Privacy Requirements, each Party shall use Customer Information of the other Party only for the express purposes set forth in this Agreement and disclose Customer Information of the other Party to third Persons only as necessary to implement the provisions hereof in a manner consistent with the Privacy Requirements. Each Party shall maintain at all times an Information Security Program. Each Party shall assess, manage, and control risks relating to the security and confidentiality of all Customer Information, and shall implement the standards relating to such risks in the manner set forth in the Privacy Requirements. Each Party shall comply with the Privacy Requirements applicable to such Party.

(c) During the term of this Agreement, and for a period of one (1) year thereafter, Seller shall not, directly or indirectly, hire or solicit for employment any employee of Purchaser, or any person who was an employee of Purchaser within the six (6) months prior to any such attempted hiring or solicitation.

(d) During the term of this Agreement, and for a period of one (1) year thereafter, in connection with each Mortgage Loan, Seller shall not directly or indirectly solicit, and Seller shall prevent any affiliate from directly or indirectly soliciting, a Borrower for purposes of prepayment, refinance or modification of the Mortgage Loan within eighteen months of the date the Loan was originated.

(e) Seller expressly acknowledges and agrees that Purchaser's remedy at law for a breach or threatened breach of any of the provisions of this Section would be inadequate. In recognition of that fact, in the event of a breach or threatened breach by Seller of the provisions of this Section, it is agreed that, in addition to its remedy at law and without posting any bond, Purchaser shall be entitled to, and Seller agrees (if Purchaser establishes that a breach or threatened breach has occurred) not to oppose Purchaser's request for, equitable relief in the form of a temporary restraining order, a temporary or permanent injunction, or any other equitable remedy that may then be available. Nothing herein contained shall be construed as prohibiting Purchaser from pursuing any other remedies available to it for such breach or threatened breach.

**Section 6.6 Notice.** Seller shall give prompt written notice to Purchaser of any action, event or condition of any nature which may lead to or result in a material adverse effect upon the business, operations, assets, or financial condition of Seller, or the Loans or of any of the circumstances outlined in Section 7.1 hereof, including but not limited to: (a) termination by its warehouse lender, any Investor, mortgage insurance company, FHLMC, FNMA, GNMA, VA, USDA or FHA; or (b) suspension, enforcement action, investigation, or consent order from any licensing authority or government agency.

**Section 6.7 Governmental Approvals.** Seller shall obtain and maintain in full force and effect, and satisfy at all times, all related eligibility criteria in order to maintain in full force and effect, without material impairment, suspension or revocation, all federal and state governmental approvals, registrations, qualifications, permits and licenses necessary to perform its obligations.

**Section 6.8 Quality Control; Review of Loan Files.**

(a) Seller shall conduct periodic quality control reviews of its origination operations and, upon request of Purchaser, provide copies of its findings to Purchaser. Purchaser shall have the right, in its sole discretion, to review any and all of Seller's Loan files relating to the Loans and/or Servicing Rights to be sold or previously sold to Purchaser for quality control purposes. Seller agrees to make such files available to Purchaser for inspection upon receipt of five (5) Business Days prior written notice.

(b) The fact that the Purchaser or its designee has conducted or has failed to conduct any partial or complete examination of the Mortgage Files shall not affect the Purchaser's (or any of its successor's) rights to demand indemnification, repurchase, substitution or other relief as provided herein. Seller shall make Purchaser the loss payee of each mortgage guaranty insurance policy and hazard and flood insurance policy. Ownership of, and title to, a Loan will be vested in Purchaser when a Loan is accepted by Purchaser and payment of the purchase price is made to Seller.

**Section 6.9 Rescission.** If any Borrower rescinds a Loan originated by Seller and registered with and assigned or sold to Purchaser, Seller shall refund to such Borrower any and all fees it collected from the Borrower as if it were the "creditor" under TILA, and shall otherwise comply with the TILA rescission requirements.

**Section 6.10 Review Documentation.** Upon request of Purchaser, Seller shall timely provide to Purchaser documentation with respect to the financial and operational capacity of Seller, including, but not limited to, financial statements; lists of owners and employees, licenses, résumés of key personnel, quality control plan, E&O/Fidelity Bond, or other paperwork which would allow Purchaser to monitor and evaluate Seller's operations.

**Section 6.11 Exclusionary List.** Purchaser may provide to Seller a proprietary exclusionary list ("List") identifying individuals and companies (including but not limited to Borrower, seller, realtor, loan officer, broker, appraiser, closing agent, and underwriter) that are excluded from participating, either directly or indirectly, in Loans sold to Purchaser. Seller covenants that no Person included on the List will be involved in Loans that are sold by Seller to Purchaser after receiving the List. The List may be compiled from internal, Investor, and Insurer exclusionary lists, and is the Confidential Information of Purchaser. Seller, for itself and its current and former employees, agrees that it and they shall not distribute or share any information contained within the List with any third parties, including any

Person identified on the List. Seller will take appropriate measures to ensure compliance with these requirements, and agrees to indemnify Purchaser for any loss, damage, or expense resulting from Seller's failure to maintain the confidentiality of the List. Seller further covenants that it will check GSE and governmental exclusionary lists, including HUD Limited Denial of Participation, FHFA Suspended Counterparty and SAM/OFAC sanctions and exclusions.

**Section 6.12 HMDA Reporting.** Purchaser and Seller shall report transactions for HMDA purposes in accordance with the mandates of Regulation C.

**Section 6.13 Guide.** Notwithstanding anything herein to the contrary, and without limiting any obligations or duties of the Seller herein, Seller shall comply with and perform in accordance with the Guides. All obligations or duties of the Seller set forth in this Agreement are in addition to those set forth in the Guides. To the fullest extent possible, the Guides and this Agreement shall be read as setting forth a comprehensive set of requirements, obligations and duties of the Seller. For the avoidance of doubt, Seller understands and agrees that in the event of a conflict between this Agreement and the Guide, the terms of the Guides shall prevail.

**Section 6.14 Information Required under Regulation AB.** The Seller will provide to Purchaser such information as Purchaser shall reasonably request in order to enable Purchaser to comply with any applicable requirements of Regulation AB or any successor regulation. Such information shall be provided within five (5) days of request from Purchaser.

**Section 6.15 Tax Service Contract.** Seller shall pay to Purchaser a fee, as prescribed by Purchaser from time to time, for obtaining and maintaining a life of loan, transferable real estate tax service contract with an Approved Tax Service Contract Provider on each Loan.

## **ARTICLE VII REMEDIES**

**Section 7.1 Indemnification by Seller.** In addition to any other rights and remedies that Purchaser may have, Seller shall indemnify and hold Purchaser, its stockholders, Affiliates and respective officers, directors, employees and agents, harmless from and against, and shall reimburse it or them for, any Damages (including pair- off fees and loss of Servicing Rights due to Early Payoff) incurred before or after any Sale Date to the extent arising or resulting from the following:

- (a) any misrepresentation made by Borrower, Seller or Seller's employees, regardless of Seller's knowledge of the same;
- (b) breach of any representation or warranty by Seller contained in this Agreement, including, but not limited to, the Guides;
- (c) the non-fulfillment or non-performance of any covenant, obligation, condition or action required of Seller pursuant to this Agreement including, but not limited to, the Guides;
- (d) any fraud in the origination of any Loan, whether or not as a result of any act or omission of Seller, or any employee, representative or any agent of Seller;
- (e) any Loan that results in an Early Payment Default, an Early Payoff or a First Payment Default;
- (f) any repurchase or indemnification demand by an Investor or Insurer; and
- (g) any mortgage insurance rescission or indemnification demand by an Insurer.

**Section 7.2 Seller's Right to Cure.** In the event there exists a basis to demand indemnification under Section 7.1 hereof with respect to any Loan, in addition to any other rights and remedies that Purchaser may have, Purchaser, subject to any limitations of applicable Insurer or Investor requirements, may demand that Seller cure such breach. Seller shall have ten (10) days to cure any breach which is susceptible of cure after receiving demand from the Seller. Even if Seller cures such breach, it shall remain liable to Purchaser for the indemnification of any remaining claims pursuant to Section 7.1.

### **Section 7.3 Cure or Repurchase of Loans.**

(a) **In General.** In the event there exists a basis to demand indemnification under Section 7.1(a)-(g) hereof, Purchaser shall also have the right to demand repurchase of the subject Loan. Purchaser may choose to elect repurchase as a remedy in lieu of indemnification in its sole and unfettered discretion. Upon receiving a demand for repurchase from the Purchaser, Seller shall repurchase such Loan, including the Servicing Rights, from Purchaser or the applicable Investor or Insurer at the Repurchase Price within ten (10) calendar Days of Purchaser's request. Any repurchase of a Loan(s) pursuant to the provisions of this Section shall be accomplished by wire transfer of immediately available funds on the repurchase date to an account designated by Purchaser. The "Repurchase Price" under this Section for any purchased Loan or related Mortgaged Property shall equal the sum of each of the following (as applicable):

- (i) the aggregate unpaid principal balance of the Loan, net of any escrow balances, multiplied by the percentage of par originally paid by Purchaser for the Loan;
- (ii) all accrued and unpaid interest thereon through the date of the repurchase;
- (iii) all other unreimbursed costs, expenses and advances incurred by Purchaser in connection with such Loan after the Sale Date, including reasonable out-of-pocket costs, expenses and attorney's fees borne by the Purchaser in connection with any attempted cure of the breach or the repurchase of the Loan.

(b) **Repurchase Procedure.** Seller shall prepare the Assignment and pay all costs and expenses reasonably incurred by Purchaser in effecting the re-conveyance of a repurchased Loan including, but not limited to, the cost of recording the Assignment of the related Mortgage (if applicable). Upon completion of such purchase or repurchase by Seller, Purchaser shall forward to Seller all servicing records and all documents relating to such repurchased Loans.

**Section 7.4 Right of Offset.** Purchaser shall have the right to deduct any amounts owed by Seller to Purchaser for indemnification or the repurchase of a Loan(s) and all amounts owed by Seller to Purchaser for any penalties, fees or other charges or expenses of any kind from any and all amounts to be paid by Purchaser for any and all Loans purchased from Seller.

**Section 7.5 Examination/Endorsements.** Purchaser's examination or non-examination of any Mortgage File, and Purchaser's approval of any Loan for purchase, shall not limit any representations, warranties or covenants of Seller under this Agreement, or any rights or remedies of Purchaser under this Agreement or otherwise. In addition, and without limiting the foregoing, Seller's obligation to fully indemnify Purchaser under this Agreement shall not be affected by Purchaser taking any of the following actions with or without notice to Seller: (i) liquidation, repayment, retirement, or sale or resale of any Loan; (ii) foreclosure of any Loan; (iii) sale or resale of the property securing any Loan, or (iv) any other steps to mitigate its damages. The representations, warranties, covenants and agreements of Seller contained in this Agreement are not affected by any restrictive or qualified endorsement on any Mortgage Note or other Loan Document.

## **ARTICLE VIII TERMINATION**

This Agreement may be terminated at any time: (a) by mutual written agreement of the Parties; (b) by either Party, without cause, upon five (5) days prior written notice to the other Party; or (c) immediately by Purchaser if: (i) in Purchaser's sole discretion, any material adverse change occurs in the origination or business, operations, assets, senior officers, or financial condition of Seller or its quality of origination operations; or (ii) there occurs any of the circumstances outlined in Section 7.1(a)-(c) hereof, based on any act, error or omission of Seller; or (iii) the credit quality of loans originated by Seller or those Loans previously sold to Purchaser declines, as determined by Purchaser, in Purchaser's sole discretion. In the event of termination of this Agreement, Purchaser shall not be required to purchase any registered Loans for which Purchaser has not completed settlement at the time of notification, unless otherwise agreed to in writing by the Parties; provided, however, that termination of this Agreement pursuant to this Article VIII shall not release any Party from any liability hereunder.

## **ARTICLE IX MISCELLANEOUS**

**Section 9.1 Survival.** The representations, warranties, covenants and agreements contained in this Agreement

shall survive the applicable Sale Date and delivery of the Loans to Purchaser and shall not terminate, notwithstanding the termination of this Agreement, any restrictive or qualified endorsement on any Mortgage Note or Purchaser's examination or failure to examine any Mortgage File or Purchaser's approval of any Loan for purchase.

**Section 9.2 Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

**Section 9.3 Entire Agreement.** This Agreement, together with all exhibits, schedules and addenda to this Agreement, and any commitment executed in connection herewith contain the entire agreement between the Parties and supersede all prior agreements, arrangements and understandings relating to the subject matter thereof. There are no written or oral agreements, understandings, representations or warranties between the Parties other than those set forth herein and therein. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the Parties.

**Section 9.4 Rights Cumulative, Waivers.** The rights of the Parties hereunder are cumulative, may be exercised as often as any Party considers appropriate and are in addition to each such Party's rights under any other documents executed between the Parties or, except as otherwise modified herein, under law. The rights of each of the Parties hereunder shall not be capable of being waived or varied other than by an express waiver or variation in writing. Any failure to exercise or any delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right. Any defective or partial exercise of any of such rights shall not preclude any other or further exercise of that or any other such right. No act or course of conduct or negotiation on the part of any Party shall in any way preclude such Party from exercising any such right or constitute a suspension or any variation of any such right.

**Section 9.5 Notices.** All notices, requests, demands and other communications that are required or permitted to be given hereunder shall be in writing and shall be deemed given if delivered personally, transmitted by facsimile (and telephonically confirmed), mailed by registered or certified mail, return receipt requested, e-mailed (and telephonically confirmed), or sent by commercial overnight courier to the other Party at the following address:

If to Seller, to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attn: \_\_\_\_\_

Phone: \_\_\_\_\_

E-Mail: \_\_\_\_\_

If to Purchaser, to the below address or any later address(es) as may be specified in the Guide:

Stockton Mortgage Funding  
Attn: Legal Department  
88 C Michael Davenport Blvd, Suite 1  
Frankfort, KY 40601

With a copy to:  
Legal@stockton.com

**Section 9.6 Governing Law; Venue and Jurisdiction; Waiver of Jury Trial.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Kentucky without reference to the choice of law principles thereof. In the event of litigation between the Parties regarding this Agreement, the litigation may be commenced and maintained only in a court of competent jurisdiction in the Commonwealth of Kentucky. Unless prohibited by applicable law, or otherwise agreed to by the Parties, the Parties expressly agree and consent that the courts of Franklin County, Kentucky, shall have exclusive jurisdiction over all actions arising from, out of, or with respect to this Agreement. **PURCHASER AND SELLER EACH HEREBY ABSOLUTELY, IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LITIGATION, ACTION, CLAIM, SUIT OR PROCEEDING, AT LAW OR IN EQUITY, ARISING OUT OF, PERTAINING TO OR IN ANY WAY ASSOCIATED WITH THIS AGREEMENT, THE ACTIVITIES CONTEMPLATED HEREBY, THE RELATIONSHIP OF THE PARTIES HERETO, OR THE ACTIONS OF THE PARTIES HERETO IN CONNECTION WITH ANY OF THE FOREGOING.**

**Section 9.7 Severability.** In the case any provision in this Agreement shall be found by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been more narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

**Section 9.8 Successors and Assigns.** This Agreement shall be binding upon the Parties and their respective successors and assigns and shall inure to the benefit of the Parties and their respective permitted successors and assigns. Seller shall not assign this Agreement or any rights hereunder, including, but not limited to, the right to receive compensation or money due hereunder, without the prior express written consent of Purchaser. Seller shall not delegate any duty hereunder without the prior express written consent of Purchaser.

**Section 9.9 Relationship of Parties.** The relationship between the Parties is not one of employer and employee, or one of agent and principal. This Agreement shall be nonexclusive. Each of Seller and Purchaser is free to make loans for its own account or for sale in the secondary market, and each may sell loans to or purchase loans from other lenders at any time.

**Section 9.10 No Third-Party Beneficiaries.** Except as expressly provided herein, nothing in this Agreement is intended to confer any right, remedy, obligation or liability upon any Person other than the parties hereto and their respective successors and permitted assigns.

**Section 9.11 Purchaser's Attorneys' Fees if Enforcement is Required.** If the Purchaser commences an action against the Seller to enforce the repurchase or indemnification provisions of this Agreement, the Purchaser shall be entitled to an award of its costs of litigation, including reasonable attorney's fees.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

\_\_\_\_\_

**Stockton Mortgage Funding**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: President