

BROKER AGREEMENT ADDENDUM FOR FHA SPONSORSHIP

This Addendum for FHA Sponsorship (“Addendum”) supplements amends and is made part of the Wholesale Broker Agreement (“Agreement”) between Frontier Investment Co. dba Rainland Mortgage Company (“Lender”) and _____ (“Broker”).

WHEREAS, Broker wishes to originate Mortgage loan application packages for mortgage loans insured by the Department of Housing and Urban Development (“HUD”) through the Direct Endorsement Program under Sections 203(b) and 234(c) of Title 24 of the Code of Federal Regulations (“Insured Mortgage Loans” or “FHA Loans”); and

WHEREAS, Lender agrees to act as Sponsor of Broker as a Loan Correspondent for the origination and processing of applications for Insured Mortgage Loans, where such loans have been delivered to Lender for underwriting and where such applications have had HUD Case Numbers assigned to Lender; and

WHEREAS, Lender and Broker wish to define the conditions pursuant to which Lender is willing to sponsor Broker and to make available the funds necessary to finance Insured Mortgage Loans submitted to and accepted by Lender pursuant to this Addendum.

NOW THEREFORE, Lender and Broker hereby agree that in addition to all provisions of the aforesaid Agreement the following agreements shall apply to all loans submitted or requested to be funded under Lender’s FHA loan programs:

1. **FUNDING AGREEMENT.** Broker shall originate, process and submit to Lender applications for Insured Mortgage Loans to be underwritten by Lender, all in accordance with the provisions specified in the Agreement. Lender agrees to fund Insured Mortgage Loans which meet Lender’s then-current underwriting criteria and which meet all requirements for insurance under HUD’s Direct Endorsement program. Approved Insured Mortgage Loans must be underwritten and closed in either Lender’s or Broker’s name in accordance with Federal, State, and Local requirements. At the closing of the Insured Mortgage Loan, Lender shall advance to the closing agent the amount necessary to fund the Insured Mortgage Loan.
2. **BROKER REPRESENTATIONS AND WARRANTIES.** In addition to the Broker representations and warranties in the Agreement, Broker hereby makes the following representations and warranties to Lender at the time Broker delivers each FHA loan application to Lender. Lender shall be deemed to have conclusively relied on these representations and warranties, regardless of any independent investigation Lender may have made or may hereafter make:
 - (A) Broker has the power, authority and legal right to make, deliver and perform under this Addendum, and all of the transactions contemplated hereunder; and has taken all necessary action to authorize the execution, delivery and performance of this Addendum. The execution of this Addendum has been duly authorized and executed by Broker and is, or upon delivery will be, a legal, valid and binding obligation of Broker enforceable in accordance with its terms, subject only to applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditor rights generally. Such action does not, and will not, violate any corporate charter, partnership, certificate, agreement or similar document, by-laws or similar document, contract, agreement of understanding by which Broker is bound or to which Broker is a party, and such execution is not a violation of any licensing requirements, other applicable laws or regulations that require consent of any governmental authority unless such consent has been obtained, or render Broker insolvent.
 - (B) Broker is authorized under applicable FHA regulations to originate FHA loans and has fully complied with all requirements, standards and guidelines under applicable FHA regulations as amended from time to time. Broker will maintain appropriate HUD approval at all times and shall

forthwith advise Lender of any application broker submits to HUD to change its status with HUD and any notices from HUD of any actual or intended changes in status.

- (C) Broker is authorized to act as Lender's Loan Correspondent solely for the purpose of processing, originating and insuring FHA Loans submitted to Lender for underwriting and funding. Broker has and will continue to comply with all of the requirements for approval by the Department of Housing and Urban Development ("HUD") as a Loan Correspondent mortgagee as set forth in 24 CFR Sections 203 (b) and 234 (c) as amended from time to time, HUD Handbook 4060.1 REV-1, as updated by applicable Mortgagee Letters, and Mortgagee Letter 94-47. Prior to delivery of any loan application to Lender, Broker shall be acting as an independent mortgage broker when performing all functions with respect to such loan.
- (D) Neither this Addendum nor any statement, report, or other document furnished or to be furnished pursuant to this Addendum or in connection with the transactions contemplated hereby contains any untrue statement of fact or omits to state a fact necessary to make the statements contained therein not misleading.
- (E) To the extent that the mortgage activities contemplated in this addendum require federal, state or local licensing, registration or other approval, Broker has obtained such license, registration or approval and will maintain them in good standing at all times during the term of this Addendum.
- (F) Broker has performed all loan origination functions with respect to processing applications for Insured Mortgage Loans to be underwritten by Lender, other than those which are authorized by HUD to be performed by third parties.
- (G) Broker is authorized by HUD to originate and process applications for Insured Mortgage Loans in the jurisdiction where the property securing the Insured Mortgage Loan is located.
- (H) Broker shall be responsible for the submission of all paperwork and payment of any application fees, annual fees and territorial fees that are required by HUD in order to obtain and maintain Broker's status as an authorized FHA Loan Correspondent Mortgagee in all territories in which the property securing an Insured Mortgage Loan is located.
- (I) Lender shall deduct from the Loan proceeds the mortgage insurance premium and shall forward to HUD such premium together with the completed mortgage insurance package. In the event that Broker receives from HUD the OTMIP Statement of Account, the MIC or a suspense letter with regard to the issuance of a MIC, Broker shall forward same to Lender immediately.
- (J) Broker agrees to assist Lender in resolving any issues relating to the non-issuance or suspension of HUD insurance.
- (K) Each loan to be closed and funded hereunder shall be on loan documentation specified by Lender. Any documents required by Lender to be executed, either by buyer, seller, or third party, shall be properly executed and contain authentic signatures. All loans shall be closed in accordance with then current Lender and FHA guidelines.
- (L) Broker will reimburse Lender the yield spread premium plus \$1,500 for any FHA loan which utilized a seller funded down payment assistance program and becomes 60 or more days delinquent on any of the first four payments of the mortgage. For purposes of this paragraph the source of funds for all payments must be the borrower and may not originate from Broker or any interested party.
- (M) Broker agrees to cooperate fully with Lender with respect to providing any information Lender may request regarding any loan originated by Broker hereunder, whether said loans is funded by Lender or not.

3. **LENDER REPRESENTATIONS AND WARRANTIES.** Lender is a mortgagee which holds a valid origination approval agreement with HUD, is approved to participate in the Direct Endorsement program and meets the applicable net worth requirements established by HUD.
4. **QUALITY REVIEW.** Lender shall have the right to perform a quality control review of Broker's business activities related to the origination and processing of applications for Insured Mortgage Loans pursuant to this Addendum. Broker will, upon request, provide Lender with any documentation, including but not limited to financial records and audit reports, which Lender considers necessary to verify Broker's compliance with federal and state requirements. Lender may, upon providing 5 days notice, conduct periodic on-site audits of Broker's business activities related to this Addendum. The audit will be conducted in compliance with normal and customary procedures and policies outlined by HUD.
5. **WITHDRAWAL OF HUD APPROVAL.** Broker agrees to promptly notify Lender in the event that HUD terminates Broker as a Loan Correspondent or in the event that a loan correspondent agreement entered into between Broker and another Sponsor is terminated for any reason.
6. **INDEMNIFICATION.** Broker agrees to indemnify, defend and hold Lender harmless from and against any claims, penalties, loss, cost or damage, including but not limited to, reasonable attorney's fees and expenses incurred by Lender (or any successor or assign), arising out of Broker's failure to comply with any federal or state requirements, including but not limited to HUD/FHA requirements, for qualification and approval as a Loan Correspondent for origination and processing of applications for Insured Mortgage Loans, or arising out of Broker's failure to comply with each of its obligations for maintaining its status as an approved Loan Correspondent. This indemnification obligation shall be in addition to any obligation to indemnify Lender pursuant to the Agreement.
7. **TERMINATION.** The termination of the Agreement shall automatically terminate this Addendum. This Addendum may, in addition, be terminated in writing at any time by either party upon 10 days written notice; provided, however, that in the event that Lender, in its sole discretion, deems Broker to be in breach of any of the representations and warranties made herein, Lender may immediately terminate this Addendum without prior notice to Broker. However, the termination of this Addendum shall not automatically terminate the Agreement. In the event of a termination of this Addendum, Lender and Broker shall promptly notify HUD of such termination.
8. **ASSIGNMENT.** Broker may not assign this Addendum.

Subject to the modifications set forth herein, all other terms, conditions, and provisions of the Agreement are affirmed, incorporated herein by reference and shall remain in full force and effect. All terms not otherwise defined herein shall have the meaning specified in the Agreement

IN WITNESS WHEREOF, this Addendum has been executed this _____ day of _____, 20____.

BROKER: _____

**Frontier Investment Co.
dba Rainland Mortgage Company**

By: _____
Name/Title: _____
Date: _____ FHA ID: _____

By: _____
David Shirk, President
or Scott Hirschhorn, Sr. Vice President
Date: _____