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A. SPECIFIC CLOSING INSTRUCTIONS PREVAIL.

A.1. Any instruction contained in these General instructions can be overridden by a provision in the Specific Closing Instructions for the Loan to be Closed.

B. GENERAL CONDITIONS.

B.1 Definitions.

As used in these Closing Instructions, capitalized terms are as defined in the Specific Closing Instructions, the MISMO Data Dictionary or as defined within these General Closing Instructions.

- a. “Borrower” means the person or persons set out in the **Borrower Information** section of the Specific Closing Instructions.
- b. “Borrowers Certification” means the document attached to the Specific Closing Instructions and referenced in the **Required Documentation** section of the Specific Closing Instructions.
- c. “Close” or any derivative of the word means the act of Borrower signing the Loan Documents.
- d. “Closing Instructions” mean these General Closing Instructions together with the Specific Closing Instructions provided the Settlement Agent with each Loan to be Closed.
- e. “Closing Protection Letter” means the document from the Title Insurer protecting the Lender from Settlement Agent errors and omissions.
- f. “Disburse” or any derivative of the word means the act of Settlement Agent or any other authorized party releasing the Loan Proceeds to the appropriate persons.
- g. “Disbursement Date” means the date the funds are actually Disbursed.
- h. “Fund” or “Funding Approval” or any other derivative of the word means the act of Lender authorizing Settlement Agent to Disburse the Loan Proceeds.
- i. “HOA” means homeowner’s association.
- j. “Lender” means the entity set out in the **Lender Contact Information** section of the Specific Closing Instructions.
- k. “Loan” means the Loan described in the **Loan Information** section of the Specific Closing Instructions.
- l. “Loan Proceeds” means the Loan Amount described in the **Loan Information** section of the Specific Closing Instructions to be Disbursed.
- m. “Mortgage Broker” means the entity set out in the **Mortgage Broker Contact Information** section of the Specific Closing Instructions.

- n. “Non-Borrowers Acknowledgment” means the document attached to the Specific Closing Instructions and referenced in the **Required Documentation** section of the Specific Closing Instructions.
- o. “NORTC” means the document attached to the Specific Closing Instructions and referenced in the **Required Documentation** section of the Specific Closing Instructions.
- p. “Person with Rights” as defined in Section B.8. of these General Closing Instructions.
- q. “POC” means paid outside of Closing.
- r. “Property” means the property identified in the **Property Information** section of the Specific Closing Instructions.
- s. “Security Instrument” means the Mortgage or Deed of Trust securing the Lender’s Loan in the Property.
- t. “Seller” means the person or persons or entity set out in the **Seller Information** section of the Specific Closing Instructions.
- u. “Settlement Agent” means the entity set out in the **Settlement Agent Contact Information** section of the Specific Closing Instructions.
- v. “Settlement Statement” means the HUD-1 or HUD-1A form.
- w. “TIL” means the Truth In Lending disclosure required by federal law.
- x. “Title Insurer” means the entity issuing the Title Policy required in the **Title Insurance** section of the Specific Closing Instructions.
- y. “Title Policy” means the policy of title insurance issued in compliance with Section C of these General Closing Instructions.

B.2 Agreement to Comply.

By conducting the Closing, Settlement Agent affirms that Settlement Agent has read, understands and agrees to strictly comply with and satisfy all conditions of these Closing Instructions, including all attachments. Lender will hold Settlement Agent liable for any losses resulting from Settlement Agent’s failure to follow these Closing Instructions. Settlement Agent must not change, modify or waive any provisions of these Closing Instructions without Lender’s prior written consent. Settlement Agent must sign the last page of the Specific Closing Instructions and return the original to Lender with the Closing Documents.

B.3 Closing Expiration.

The Loan must Close on or before the earliest of:

- a. when the Closing Documents expire as provided in the **Closing Document Information** section of the Specific Closing Instructions,
- b. when the interest rate lock-in expires as provided in the **Closing Document Information** section of the Specific Closing Instructions, or
- c. within the time provided in the **Required Documentation** section of the Specific Closing Instructions after Settlement Agent receives Lender's funds (the "Loan Proceeds").

B.4 Failure to Close.

If this Loan does not Close on or before the earliest date prescribed above, Settlement Agent must immediately notify the Lender's Contact Person as provided in the **Lender Contact Information** section of the Specific Closing Instructions and return the Closing Documents and the Loan Proceeds to Lender unless otherwise instructed.

B.5 Verification of Identity.

Because Settlement Agent has face-to-face contact with Borrower and other signatories (as designated in the **Borrower Information** section of the Specific Closing Instructions), and Lender may not, Settlement Agent must ascertain and verify the true identity of all parties signing as required by the USA Patriot Act. Settlement Agent must perform the following activities for each Borrower and other signatories:

- a. **Explain.** Settlement Agent is to explain to signatories that their information is being obtained to verify identity.
- b. **Identity Affidavit and Certification.** Settlement Agent must
 - (i) require each Borrower to complete and sign the Borrower's Certification containing the Borrowers' name, date of birth, social security or other ITIN number, and type, date of issue and expiration of ID Document reviewed,
 - (ii) verify that the information provided by each Borrower in the Certification matches the identifying information provided by Borrower to the notary public at Closing, and
 - (iii) sign the Certification at the bottom.
- c. **Closing Agent/Notary Public Certification.** Settlement Agent must complete and sign the Borrower's Certification to certify that the information provided in the Borrower's Certification matches the identifying information provided by Borrower to the notary public at Closing.
- d. **U.S. Residents.** Obtain a copy of an unexpired government-issued identification that bears a photograph or similar safeguard, but do not forward copies of photographs or copies of driver's licenses to Lender.

- e. Non-U.S. Residents. Obtain a copy of one or more of the following:
 - i. Unexpired government-issued document evidencing nationality or residence and bearing a photograph.
 - ii. Unexpired passport with passport number and country of issuance.
 - iii. Unexpired alien identification card.

Do not forward copies of the photographs or passports to Lender.

- f. Structured Organizations. Obtain a copy of the government-issued business license, if available, and:
 - i. For corporations, a current (less than 30 days old) certificate of good standing from the state of incorporation and a duly certified authorizing resolution.
 - ii. For partnerships, a copy of the partnership agreement.
 - iii. For trusts, the trust agreement.
 - iv. For DBAs, the assumed name certificate.

- g. Seller. If Seller is a business entity, confirm that Borrower does not directly or indirectly control Seller, and is not related to Seller's owner.

- h. Copies to Lender. Return to Lender clear and legible copies of all identifying information provided by Borrower, copies of all documents relied on to establish Borrower's true identity, and all documents used to resolve any discrepancy in the identifying information obtained. Do not forward copies of photographs or Driver's Licenses to Lender.

B.6 Unauthorized Practice of Law (UPOL).

Settlement Agent must comply with all UPOL laws and rulings of the jurisdiction where the property is located, and ensure that all activities related to the Loan transaction conform with these laws and rulings.

B. 7 THE NOTICE OF RIGHT TO CANCEL (also known as the **NOTICE OF RIGHT OF RESCISSION**) on loans subject to rescission (see **Required Documentation** section of the Specific Closing Instructions) **IS SIGNATURE AND DATE SENSITIVE**. Settlement Agent must ensure that the instructions below are followed when the Notice is required.

- a. **BEFORE COMPLETING THE CLOSING, the following persons:**
 - i. all persons on title;
 - ii. Borrower; and
 - iii. if state law requires, the non-borrower spouse of Borrower or other Person with Rights
(See Section B.8 below);

must sign the following documents:

- i. Security Instrument.
 - ii. Notice of Right to Cancel or Right of Rescission Notice (“NORTC”).
 - iii. Truth in Lending Disclosure Statement (“TIL”).
- b. Copies. Each person who is required to sign the NORTC must be given the following documents at the time of closing for them to retain:
 - i. TWO copies of the NORTC
 - ii. ONE copy of the TIL
- c. HELOC loans. If the loan is designated a HELOC loan in the **Loan Information** section of the Specific Closing Instructions, Borrower must sign the HELOC Credit Agreement, but **MUST NOT** sign the Non-Borrower Acknowledgment. All other persons on title and the non-borrower spouse must sign only the Non-Borrower Acknowledgment if such a document is required in the Required **Documentation** section of the Specific Closing Instructions.
- d. Rescission Date.
 - i. Settlement Agent must ensure that the rescission expiration date on the NORTC is correct when each person signs. If the date is incorrect, Settlement Agent must draw a line through the incorrect date, write in the correct date, and have the correct date initialed by all persons signing the NORTC. If more than one person is to sign the NORTC and they do not sign on the same date, each person should sign his/her own copy of the NORTC and the dates on the form must be correct as to that signer.
 - ii. Each person who signs must date the NORTC in his or her own handwriting.
 - iii. **DO NOT** correct the rescission expiration date to reflect a date earlier than the date printed on the NORTC. The rescission period can only begin to run on or after the printed date. Therefore, any correction made to the date must reflect a date later in time to the printed date.
 - iv. If the rescission expiration date on the NORTC is blank and Settlement Agent has been instructed to fill in the blank, **DO NOT** have the Borrower initial the date. Only corrections or changes made to the NORTC are to be initialed by Borrower.
- e. Beginning of Rescission Period. The rescission period will begin at midnight on the date the Notary Public acknowledges the last signature on the Security Instrument or the date printed on the Closing Documents, whichever is later.
- f. Changes to Closing Documents. If any changes are made to the Closing Documents, the TIL, or the NORTC after the rescission period has begun, the

rescission period must begin again at midnight on the date all persons have initialed the changes on the Closing Documents, the TIL, or the NORTC.

g. End of Rescission Period. At the end of the 3-day rescission period, the Lender must be contacted by the Settlement Agent to confirm neither the Settlement Agent nor the Lender has any information that any person has rescinded the loan. If the loan is not rescinded, Settlement Agent must obtain Lender FUNDING APPROVAL.

B.8 Non-Borrower Spouse, Registered Domestic Partner, Civil Union Party, etc.

If Borrower is married to a person of opposite sex or same sex, or is in a Registered Domestic Partnership, a Civil Union or any other relationship recognized by applicable State Law (a "Person with Rights"), Settlement Agent agrees to take all necessary actions to ensure that Lender's lien is superior to any legal or equitable rights, title or interest the Person with Rights may have in the Property.

B.9 Lender's Successors and Assigns.

Settlement Agent agrees and understands that Lender may sell the Loan in the secondary market and all of Lender's rights and privileges under these Closing Instructions inure to the benefit of Lender's successors and assigns.

C. TITLE INSURANCE.

C.1 Closing Protection; Loan Proceeds to Title Insurer

a. Settlement Agent must have provided Lender with a valid and current Closing Protection Letter, Approved Attorney Letter, or Errors and Omission Coverage and Fidelity Bond, acceptable to Lender. Settlement Agent must be an approved agent of the title insurance company whose name appears on the Title Commitment or Binder. The Title Commitment or Binder must be issued by the same Title Insurer that issued the Closing Protection Letter to Lender.

b. If Lender Funds the Loan Proceeds directly to Title Insurer, no portion of the Loan Proceeds may be forwarded to Settlement Agent (or a non-agent escrow company) unless all conditions of these Closing Instructions have been satisfied or as required by law to consummate the transaction.

C.2 Gap Coverage.

Settlement Agent must update the title commitment to the exact time of Closing to ensure that no changes in title to the property have occurred between the issuance date of the commitment and the date of Closing.

C.3 Coverage.

The Title Policy coverage must be equal to the full Loan Amount or, if the Loan has a negative amortization feature, the coverage must equal the percent of the Loan Amount as provided in the **Title Insurance** section of the Specific Closing Instructions. For HELOC loans requiring title insurance, the coverage must secure future advances up

to the maximum credit line as provided in the **Title Insurance** section of the Specific Closing Instructions.

C.4 Name of Insured.

The insured named on the Title Policy must read as set forth in the **Title Insurance** section of the Special Closing Instructions, immediately followed by "and/or its assigns, as their interest may appear," or substantially similar language permitted in the Settlement Agent's jurisdiction.

C.5 Loan Number.

Lender's loan number as provided in the **Loan Information** section of the Special Closing Instructions must appear on the Title Policy.

C.6 Lender's Title Policy.

A Title Policy must be issued if required by the **Title Insurance** section of the Special Closing Instructions, otherwise, only a title search must be delivered to and approved by Lender. When required, Settlement Agent unconditionally commits to issue a Lender's Title Policy ("Title Policy") to Lender within 30 days from Disbursement, as follows:

- a. The Title Policy must be a standard long form ALTA Lender's Title Policy (or the state-specific equivalent). Lender will accept a short form if all the terms of the standard long form are incorporated therein.
- b. Iowa Only: Lender will accept a Certificate of Title (Opinion of Title) in lieu of a Title Policy, if the following conditions are met:
 - i. An opinion of title must be provided to Lender by an attorney licensed to practice law in the State of Iowa.
 - ii. The attorney must be insured against malpractice in rendering opinions of title in an amount commonly prevailing in the State of Iowa, taking into account the volume of opinions rendered by the attorney.
 - iii. The opinion must be addressed as provided in the **Lender Contact** section of the Specific Closing Instructions.
 - iv. The opinion must provide the following statement: "[Attorney's name] agrees to indemnify Lender, and its successors and assigns to the full extent of any loss attributable to a breach of [attorney's name] duty to exercise reasonable care and skill in the examination of the title and the giving of this opinion."
 - v. The opinion must not take exception to survey matters. If the attorney will not issue a title opinion without a survey exception, a Title Policy including the ALTA Form 9 endorsement (or its equivalent) must be obtained.

- c. For a home improvement or new construction loan, Settlement Agent must issue an ALTA LP-10 (with ALTA Rewrite) Title Policy (or the state-specific equivalent).

C.7 Ratings.

On the day of Closing, Title Insurer must have one of the following ratings:

- a. Demotech - "Financial Stability Rating" of "S" (Substantial) or better, or a "Statutory Accounting Rating" of "C" (Average) or better
- b. Standard and Poor's - "BBB" or better
- c. Moody's Investor Service - "Baa" or better
- d. LACE Financial Corporation - "C" or better
- e. Duff and Phelps Credit Rating Company - "BBB" or better

C.8 Lien Position.

- a. **Validity.** Except for the exceptions shown in Section C.9 below, Lender's security instrument must create a valid lien on the Property. The secured interest must be in the lien position provided in the **Title Insurance** section of the Specific Closing Instructions. All other liens must be extinguished, except for a junior lien created after this Loan. Any lien superior to Lender's lien must have the express permission of Lender.

- b. **Subordination.** Settlement Agent must obtain Lender's prior written consent for the subordination of any existing lien. Settlement Agent must provide Lender with the proposed subordination agreement, which must be on a form acceptable to Lender. If Lender approves the subordination and the subordination agreement, Settlement Agent must record the subordination agreement as specified in these Closing Instructions.

- c. **Pay-offs and Releases.** Settlement Agent must obtain a written pay-off statement for each existing lien to be paid in full and extinguished.

C.9 Exceptions. Except as otherwise as provided in the **Title Insurance** section of the Specific Closing Instructions:

- a. Only the following marked exceptions may appear in the Title Policy:
 - i. Duly recorded covenants and restrictions against the land
 - ii. Public Utility Subsurface Easements
 - iii. Above Surface Public Utilities
 - iv. Mutual Easement Agreements
 - v. Taxes not yet due or payable
 - vi. Any other exceptions approved in writing by lender
- b. The following exceptions are NOT PERMITTED:
 - i. Bond liens
 - ii. Assessment liens

- iii. Tax liens
- iv. HOA dues/assessments liens beyond State Law "Superlien" amounts
- v. Judgment liens
- vi. Survey easements and encroachments
- vii. Taxes due within 60 days after Closing (must be paid at Closing)
- viii. Prior lines of credit (must be closed and confirmation obtained)
- ix. Junior liens

C.10 Power of Attorney.

If a Power of Attorney is used to Close the Loan, the Title Policy must include affirmative endorsements as to the authority of the attorney-in-fact and the enforceability of the security instrument.

C.11 Restrictions.

Restrictions shown in the Title Policy are not permitted unless acceptable to Lender as provided in the **Title Insurance** section of the Special Closing Instructions. If a particular restriction is acceptable to Lender, the following language must appear in the policy: "Restrictions are not violated as of the date of this policy and any future violation will not result in forfeiture or reversion of title."

C.12 Reissue Rate. Settlement Agent is required to charge the borrower the most appropriate Title Insurance rate for the type of Loan being Closed. Settlement Agent agrees to indemnify Lender against any claim by borrower that an inappropriate rate was charged.

D. PROPERTY INSURANCE.

D.1 Flood Insurance.

Flood insurance is required for all properties located in a Special Flood Hazard Area Zone A or V as provided in the Specific Closing Instructions. Unless state law requires a higher deductible amount, the maximum allowable deductible is as provided in the **Hazard Insurance** section of the Specific Closing Instructions. If the Property is already covered under an existing flood insurance policy, Settlement Agent must obtain the necessary endorsements to satisfy the below requirements. The amount of coverage for each property must be at least equal to the lesser of:

- a. First Lien.
 - i. the principal balance of the first lien (for a HELOC loan, coverage must include the maximum credit line);
 - ii. the maximum coverage available under the appropriate National Flood Insurance Program (currently \$250,000 for 1-4 SFR); or
 - iii. the value of improvements determined by the amount of coverage shown on the declaration page of the hazard insurance policy.
- b. Junior lien.

- i. the combined principal balance of the first and junior liens (for a HELOC loan, coverage must include the maximum credit line);
 - ii. the maximum coverage available under the appropriate National Flood Insurance Program (currently \$250,000 for 1-4 SFR); or
 - iii. the value of improvements determined by the amount of coverage shown on the declaration page of the hazard insurance policy.
- c. Flood Coverage and Acknowledgment.
Adequate flood coverage must be obtained prior to Closing, and Borrower must sign the Notice of Flood Hazard Acknowledgment of Receipt.
- d. Loss Payee Clause.
The name of the insured must appear exactly as title is vested at Closing. The loss payee clause must read: LENDER "and/or its assigns as their interest may appear (A.T.I.M.A.)."

D.2 Hazard Insurance.

Settlement Agent must confirm that Borrower has obtained property insurance coverage. Coverage must be at least fire and extended coverage with a "special form" coverage endorsement, i.e., fire only - DP1 or DF1, homeowners policy -HO1). The "Broad" form - H02 is not acceptable, except in Texas.

- a. No Exclusions.
The insurance must not limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement.
- b. Amount.
The amount of insurance coverage must be at least the lesser of:
 - i. 100% of the insurable value of the improvements as established by the Property insurer (replacement value); or
 - ii. the unpaid balance of the mortgage, with a replacement cost endorsement to compensate for the full amount of damage or loss to improvements.
- c. Deductible.
Unless state law requires a higher deductible amount, the maximum allowable deductible is as provided in the **Hazard Insurance** section of the Specific Closing Instructions.
- d. License.
The insurer must be licensed to transact insurance business in the jurisdiction where the Property is located.
- e. Rating.
The insurer must satisfy one of the following ratings:

- i. A or better in Demotech, Inc.'s Hazard Insurance Financial Stability Ratings;
- ii. B or better (or have a minimum Financial Performance Index of 6) as reported in Best's Insurance Reports;
- iii. BBB or better (or have a BBB qualified solvency ratio) in Standard & Poor's Insurer Solvency Review;
- iv. If the insurer is not admitted in the jurisdiction where the Property is located: (a) A.M. Best's rating of A or better as reported in Best's Insurance Reports; or (b) AA or better as reported in Standard & Poor's Insurer Solvency Review;
- v. An Aaisi rating as reported in Standard & Poor's International Confidential Rating Service;
- vi. Underwritten by a state's FAIR Plan or through state insurance plans, but only if this is the only insurance available to the borrower; or
- vii. If the insurer does not meet any of the above requirements, the insurer is covered by reinsurance with a company that meets either of the A.M. Best's or Standard & Poor's ratings set forth above, provided that the reinsurance agreement contains a "cut-through" endorsement that provides for the re-insurer to become immediately liable for 100% of any covered loss payable but unpaid by reason of the insolvency of the primary insurer.

e. Policy Term.

Unless covered by an Insurance Binder considered sufficient under applicable State Law, if the loan is for a purchase, the term must be at least one year, prepaid. If a refinance, the remaining term must be for at least three months. If less than three months, the policy must be renewed for a term of at least one year.

f. Loss Payee Clause.

The name of the insured must appear exactly as title is vested at Closing. The loss payee clause must read: LENDER "and/or its assigns as their interest may appear (A.T.I.M.A.)."

D.3 Other coverages may be required. See the **Hazard Insurance** section of the Specific Closing Instructions.

E. SETTLEMENT STATEMENT

E.1 RESPA.

Settlement Agent must prepare a HUD-1/HUD-1A Settlement Statement ("Settlement Statement") in accordance with the Real Estate Settlement Procedures Act and Regulation X (24 CFR 3500) and in accordance with the instructions set forth in the Specific Closing Instructions.

E.2 Lender Approval.

Settlement Agent must obtain Lender's approval of the final Settlement Statement prior to Closing the Loan. Once Lender has approved the Settlement Statement, Settlement Agent must not make any subsequent changes to the Settlement Statement without first securing Lender's written approval of such changes. If Lender returns the Settlement Statement to Settlement Agent with corrections to be made, final approval has not been given and will not be given until Lender receives a completely accurate Settlement Statement.

E.3 Execution.

Settlement Agent must sign and date the Certification Addendum to the Settlement Statement and provide a copy to Borrower and Seller.

E.4 No Cash Out.

Borrower must not receive any cash proceeds unless approved by Lender.

E.5 Payoffs.

Settlement Agent must obtain current payoff statements from existing lien holders, and verify the content for accuracy. The Settlement Statement must reflect the correct amount of any outstanding debt to be paid-off with Lender's Loan Proceeds. Settlement Agent agrees to be liable for incorrect or short payoff amounts.

E.6 Home Equity Line of Credit (HELOC).

Only the charges disclosed in the Specific Closing Instructions may be charged on the Settlement Statement. Excess Loan Proceeds must be wired to the location set forth in the **Lender Contact** section of the Specific Closing Instructions .

E.7 Taxes.

Contact Lender if the Property tax assessment is 10% or more of the appraised value.

E.8 Escrows.

Settlement Agent must pass all monies through escrow and disclose them on the Settlement Statement.

E.9 Commissions.

Contact Lender if any real estate sales commission appears to be excessive for the market area prior to disbursement.

E.10 FHA.

The Loan Amount is based on Borrower paying allowable closing costs (excluding prepaid escrows and interest) set forth in the **Conditions to be Satisfied Prior to Disbursement of Loan Proceeds** section of the Specific Closing Instructions . If Borrower's actual closing costs are LESS than this amount, Settlement Agent must suspend the Closing and notify Lender immediately. The Settlement Statement must accurately reflect any monies contributed on behalf of Borrower or deposited with Lender.

E.11 Certification.

Settlement Agent must complete the **Certification** at the end of the Specific Closing Instructions and return it to Lender. Settlement Agent must not charge any undisclosed fee or increase any disclosed fee on the Specific Closing Instructions.

E.12 Fees and Charges.

The exact charges shown must be reflected and described on the appropriate line item in the Settlement Statement and paid as indicated. These amounts cannot be changed from the amounts shown on the **Loan Fees, Charges, Reserves and Payoffs** section of the Specific Closing Instructions without the prior written consent of Lender. Charges paid outside of Closing must be marked POC. If the Closing consists of a first and junior lien, all fees must be disclosed separately and must be clearly identified as to which loan the fee was applied.

E.13 Lender-Paid Mortgage Broker Fee.

The lender-paid mortgage broker fee, if applicable, must be disclosed on the Settlement Statement as a POC item and paid directly to the Broker.

F. CLOSING CONDITIONS.

F.1 Compliance with General and Specific Closing Instructions.

All applicable conditions of the General and Specific Closing Instructions must be satisfied.

F.2 Homeowners' Association (HOA) Dues.

Any HOA dues and assessments on the Property must be paid current, and subsequent HOA liens must be subordinate to Lender's lien, except as permitted by applicable State Law for HOA "Superliens".

F.3 Manufactured Housing.

If the Loan will be secured by a manufactured home as provided in the **Property Information** section of the Specific Closing Instructions, Settlement Agent represents having read and complied with all requirements in Section I hereof, Closing Instructions for Manufactured Housing.

F.4 Power of Attorney.

If a Power of Attorney will be used to sign Closing Documents, Settlement Agent must ensure that the Power of Attorney has been or will be filed in the county recorder's office prior to recording any other Closing Documents. Settlement Agent must collect a recording fee, if necessary. Settlement Agreement must not allow Borrower's attorney-in-fact to sign Closing Documents on behalf of Borrower until the Power of Attorney document has been reviewed and accepted by Lender. Settlement Agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction. If Lender accepts the Power of Attorney, Settlement Agent must ensure that all documents are

executed properly and in accordance with applicable state law requirements. On VA Loans, an Alive & Well Statement is also required.

F.5 Survey.

If a survey is provided to meet a requirement of the **Title Insurance** section of the Specific Closing Instructions, the legal description, lot size and street address on the survey must agree with the appraisal, title commitment and Closing Documents. Any governmental agency waivers must be furnished to Lender.

F.6 Repair and Termite Clearance.

All repairs required by the appraisal or the termite report must be completed (except for an FHA 203(K) or construction-to-permanent loan), including repairs or certifications required of other licensed contractors (i.e. roofing, plumbing, electrical, etc.). Settlement Agent must obtain a final inspection report certifying completion of all such repairs. For VA loans, the following certification must appear on the termite report, signed by the veteran: "I hereby certify that I have received a copy of the termite report and completion, if applicable, and all work completed, if any, was completed to my satisfaction and at no cost to me". For FHA Loans, the termite report must be signed by Borrower.

F.7 Other Required Documents.

If the purchase contract or the **Required Documentation** section of the Specific Closing Instructions requires other documentation, it must be obtained and Lender must be given a copy of the results.

F.8 Copies to Borrower.

A copy of the Closing Documents must be provided to Borrower.

F.9 Source of Money.

a. FHA Purchase. Borrower must pay FHA-required closing costs, earnest money and down payment from Borrower's own money.

b. All Loans. Settlement Agent must:

i. Ensure that Borrower's money come from the source specified in the **Source of Funds** section of the Specific Closing Instructions.

ii. Provide Lender with copies of down payment and funds check(s) used by Borrower to Close. The name and address on the deposit check must match Borrower's name and address as provided in the **Borrower Information** section of the Specific Closing Instructions.

F.10 Document Completion.

Settlement Agent must examine the Closing Documents and determine that:

a. All Closing Documents are completed (no blanks).

- b. No pages, riders, addenda or exhibits are missing.
- c. The Property's legal description on the Title Commitment or Binder matches the legal description on the Survey and all Closing Documents.

F.11 Document Execution.

Borrower may sign the Closing Documents before or after the date printed on the Closing Documents. Borrower may sign Closing Documents in a different month or year than the document date so long as the Closing Documents have not expired pursuant to the **Document Information** section of the Specific Closing Instructions. Closing Documents will be effective the later of (a) the date printed on the Closing Documents, or (b) the date Borrower signs the Closing Documents. Any rescission period will begin to run on the later date. Settlement Agent **MUST NOT** change the date printed on the Closing Documents or Disburse the Loan prior to the date printed on the Closing Documents.

G. DISBURSEMENT CONDITIONS.

G.1 Compliance with General and Specific Closing Instructions.

Settlement Agent must not Disburse the Loan Proceeds unless and until each and every one of the applicable conditions in the General and Specific Closing Instructions have been satisfied. If Settlement Agent is the Title Insurer that will Disburse the Loan Proceeds and issue title, but did not conduct the Closing of the Loan, Settlement Agent is not relieved of its obligation to sign and ensure compliance with these Closing Instructions.

G.2 Document Completion.

All Closing Documents are completed (no blanks), properly signed, and properly acknowledged where applicable. The Disbursement Date must be scheduled to occur on or after the date printed on the Closing Documents.

G.3 Prior Authorization Required.

Under no circumstances may Settlement Agent Disburse the Loan Proceeds **PRIOR TO OBTAINING LENDER AUTHORIZATION**. Settlement Agent must obtain a Funding number from Lender, and Loan Proceeds must be Disbursed in strict compliance with the Specific Closing Instructions, these General Closing Instructions and the Settlement Statement. Failure to comply will result in Settlement Agent being removed from Lender's Approved Settlement Agent List and an action for damages.

G.4 Additional Funding Conditions.

See the **Conditions to be Satisfied Prior to Disbursement of Loan Proceeds** section of the Specific Closing Instructions.

G.5 Rescission.

If a NORTC is required in the **Required Documentation** section of the Specific Instructions, the Loan Proceeds must not be Disbursed to anyone until the 3-day

rescission period has expired and all of the conditions of Section B.7 have been complied with.

G.6 Sufficient Borrower Funds to Close.

Settlement Agent must have received from Borrower cash or other good funds sufficient to pay all amounts shown on the Settlement Statement as payable by Borrower.

G.7 Table Funded Loans and Concurrent Closings.

Regardless of whether Lender is the named lender on the Closing Documents, if Lender's Loan Proceeds are used to Disburse the Loan, then all conditions in these Closing Instructions must first be satisfied by Settlement Agent.

G.8 Excess Loan Proceeds.

If Lender's Loan Proceeds exceed the amount needed to complete the transaction, Settlement Agent must return the excess Loan Proceeds to Lender. Loan Proceeds must be returned by wired to the location identified in the **Lender Contact Information** section of the Specific Closing Instructions, or returned in the form of a check by mail to the location identified in the **Lender Contact Information** section of the Specific Closing Instructions. If the excess Loan Proceeds are returned by mail, Settlement Agent must include the loan number and a copy of the Settlement Statement with the check.

G.9 Settlement Statement.

If state law permits, Settlement Agent must deliver the final, executed Settlement Statement and all payoff statements to the address in the **Lender Contact Information** section of the Specific Closing Instructions at least 24 hours prior to Funding.

G.10 Document Delivery.

Without exception, Settlement Agent must deliver the following documents, if applicable, to the address in the **Lender Contact Information** section of the Specific Closing Instructions within 24 hours after Closing:

- a. Originals. The original of all Closing Documents except legal documents to be sent for recording.
- b. Conventional Loan. One copy of each Closing Document sent for recording, certified to be a "True Copy of the Signed Original" with the notary acknowledgement section completed in its entirety.
- c. Government Loan. Two copies of each Closing Document sent for recording, each copy certified to be a "True Copy of the Signed Original" with the notary acknowledgement section completed in its entirety.
- d. Settlement Statement. The original final Settlement Statement signed by all parties.

- e. Termite Standard Inspection Report & Completion. On a VA or FHA Loan, Borrower must sign as provided in the **Required Documentation** section of the Specific Closing Instructions.
- f. Hazard Insurance. If purchase, the original policy and paid receipt or acceptable Binder. If refinance, evidence of paid premium and endorsement showing Lender's Loan number and Lender as loss payee.
- g. Survey. The original and one copy of a Survey that includes a flood evaluation and is acceptable for the issuance of clear title if required in the **Required Documentation** section of the Specific Closing Instructions.
- h. Flood. If required in the **Required Documentation** section of the Specific Closing Instructions an original executed application for a flood policy/NFIP or an executed NFIP "Certification of Purchase of Flood Insurance" and proof of payment (unless written by CIS). If the Loan is a junior lien, include an original policy endorsement with increased coverage to include this Loan, showing Lender as an additional loss payee. If Lender is not the first lien holder, provide Lender with copies of the documents described in this paragraph together with the original endorsement.
- i. Escrow Instructions. Certified copy of escrow instructions and any amendments. necessary
- j. Title Commitment. A copy of Title Commitment or Binder and all restrictions mentioned in the Title Commitment.
- k. Tax and assessment searches. Must include account numbers.
- l. Borrower's Payment. A copy of the instrument (e.g., money order or cashier's check) by which Borrower paid the earnest money deposit, down payment and closing costs.

G. 11 Loan Payment Instructions.

Settlement Agent must provide the Borrower with instructions on when, where and how the Borrower is to make the Loan Payments as set out in the **Lender Contact Information** and **Loan Information** sections of the Specific Closing Instructions.

H. POST-DISBURSEMENT CONDITIONS

H.1 Loan Document Delivery.

Settlement Agent must deliver all executed Closing Documents to the address in the **Lender Contact Information** section of the Specific Closing Instructions.

H.2. County Filings.

Instruments must be recorded in the official records of the county where the Property is located in the following exact order, or in the order required by the Title Insurer issuing the Title Policy:

- a. Deed or any other instrument used to convey title
- b. Power of Attorney
- c. First Lien Security Instrument with all Riders attached
- d. Junior lien Security Instrument with all Riders attached
- e. Subordination Agreement
- f. Other recordable documents

H.3 Recorded Document Delivery.

Settlement Agent must return the original recorded Closing Documents to Lender immediately upon Settlement Agent's receipt of the recorded Closing Documents from the county recorders office.

H.4 Title Policy.

Settlement Agent must deliver the Title Policy to Lender no later than 30 days from the date of Disbursement.

H.5 IRS Filings.

Settlement Agent must file Form 1099B with the IRS in compliance with the 1986 Tax Reform Act.

H.6 Document Requests.

Settlement Agent must provide Lender with any and all documents requested by Lender in relation to the completion of the Loan Closing not later than seven days from the request.

I. Manufactured Housing Instructions

If the Loan is designated as a manufactured housing unit in the **Property Information** section of the Specific Closing Instructions, the following conditions are required:

I.1 Settlement Agent must verify that this is a manufactured housing transaction. If this is not a manufactured housing unit contact Lender immediately.

I.2 Settlement Agent must ascertain, verify and ensure the home will be taxed as real estate. Settlement Agent is responsible to ensure that any delinquent personal property taxes on the manufactured home, plus any unpaid sales and/or use taxes are paid prior to or at closing.

I.3 The final Lender's Title Policy must contain an **ALTA 7** or its equivalent (in Texas issue the T-31.1 endorsement), for manufactured housing, notating the make, model serial number and year the home was manufactured.

I.4 Manufactured Home Transaction Requirements. If the subject transaction involves the financing of a manufactured home, Settlement Agent must verify the home is permanently attached to the land and take all steps necessary to insure the lien on the land and the manufactured home is a real property lien and that it is legally classified and taxed as real property. Depending on where the property is located, such steps may include:

- a. the surrender of the Certificate of Title, filing a UCC-1 Financing Statement;
- b. obtaining the Manufacturer's Statement of Origin, and
- c. filing an Affidavit of Affixation.

I.5 The land on which the manufactured home is situated must be owned by Borrower in fee simple, unless the manufactured home is located in a cooperative or condominium project. Leasehold estates and investment properties are not allowed. Settlement Agent must provide documentation to verify the acquisition and transfer of ownership of the land to Borrower.

I.6 Confirm that the Appraisal Report Addendum (Form 1004C) is completed by the appraiser and included in the return loan package on conventional loans only.

I.7 The manufactured home must be permanently attached to a permanent foundation system and be connected to necessary utilities in accordance with local and state requirements, including sewer, water, electricity, gas service. The manufactured home must have a HUD label or state seal attached to each section. Do not close the loan if these conditions are not met.

I.8 Settlement Agent must obtain and provide documentation evidencing that the manufactured home is attached to a permanent foundation on the land. If state law requires a UCC-1 financing statement filing in order to perfect a security interest in the manufactured home then Settlement Agent must make such filing in any and all appropriate locations.

I.9 Settlement Agent must take all actions necessary to make sure the manufactured home together with the land is legally classified as real property. Chattel liens are unacceptable. **IF SETTLEMENT AGENT CAN NOT INSURE THE TRANSACTION AS REAL PROPERTY, DO NOT PROCEED WITH THE CLOSING AND CONTACT LENDER'S CLOSER IMMEDIATELY.**

I.10 Settlement Agent must obtain a Certificate of Title to the manufactured home, or to obtain any Certification of Title that has previously been issued, and perform all necessary procedures to assure that the Certificate of Title to the manufactured home is properly cancelled, or the manufacturer's statement of origin properly surrendered, and provide Lender with supporting documentary evidence of full performance. Settlement Agent must take all actions necessary to ascertain that the manufactured home has been affixed to the land, and assure that the Affidavit of Affixation (if required) is recorded and the Certificate of Title surrendered in accordance with applicable law. If an Affidavit

of Affixation is not included in the closing package, Settlement Agent must provide one in accordance with applicable law and have it properly executed and recorded. Settlement Agent must take all actions necessary to assure the home is converted to real property and Lender's lien is properly evidenced as a real property lien.

I.11 If under state law the manufactured home is exempt from Certificate of Title requirements (for instance, where a home is attached initially to a permanent foundation system), Settlement Agent must ensure that the manufactured home qualifies for exemption, including monitoring of property installation procedures and the related documentation, and Settlement Agent must provide Lender with documentary evidence of the exemption and documentation showing that the manufactured home is real property that does not require a Certificate of Title, including documentation that the manufactured home has been permanently installed.

I.12 For new manufactured home purchases, the retailer/dealer must surrender to the Closing Agent the manufacturer's certificate/statement of origin, unless the manufacturer's statement of origin is required to be surrendered to a state agency, no later than the date of closing. Include this document in the returned loan package.

I.13 If the transaction involves trade equity from Borrower's existing manufactured home, the trade equity must be documented by a lien search in the appropriate real property or personal property records to verify ownership and existence of liens on the manufactured home and land, if included. Settlement Agent must obtain from the seller of the new manufactured home proof of title transfer and satisfaction of any existing liens on the traded manufactured home and include this documentation in the loan package.

I.14 The purchase, conveyance, and financing (or refinancing) of the land and the manufactured home must be evidenced and secured by a single valid and enforceable note and first lien Mortgage or Deed of Trust that is recorded in the land records. If a single lien is not legally recognized under state law, then Settlement Agent must take the necessary steps to make sure the manufactured home is evidenced on the Certificate of Title, or other document, and the land lien is properly documented by a Mortgage or Deed of Trust. The note and Security Instrument used must be Fannie Mae/Freddie Mac Uniform Instruments.

I.15 The legal description must contain the HUD label number, model year, make, model, width, length and Vehicle Identification Number, and Manufacturer's Identification Number of the manufactured home followed by "which, by intention of the parties, shall constitute a part of the realty and shall pass with it," or similar or additional language as required by applicable law.

I.16 Settlement Agent must provide proof of the elimination of the vehicle/chattel title to Lender at the address provided in the **Lender Contact** section of the Specific Closing Instructions within 90 days of the closing.

I.17 Title Company must ensure that any encumbrance noted on the Certificate of Title, including any liens of record in the county, state or applicable jurisdiction where the property is located, or any other security, lien or encumbrance noted on the Certificate of Title is satisfied out of the proceeds at closing.

I.18 If this is a purchase transaction Borrower must make a minimum 5% down payment which must come from Borrower's own funds, and Borrower may not receive any cash back. Items of personal property (non-realty items) purchased in conjunction with the home must be deducted from the sales price and can not be financed as part of the Mortgage.

I.19 Two powers of attorney executed by each Borrower naming Lender as attorney-in-fact for completion of any documentation relating to the manufactured home must be notarized and returned with the Closing Documents.

I.20 State Specific Requirements: If the property is located in one of the states listed below, Settlement Agent must adhere to the additional requirements indicated.

California: Settlement Agent (escrow agents, including but not limited to, independent escrow companies or title company or bank-affiliated escrow agents) must confirm that the local building enforcement agency has complied with the requirements concerning recording the HCD Form 433A. If this is a refinance transaction or the home has been previously owned, then a UCC search must be run as part of the title clearing activities and any UCC-1 that is located must be cleared.

North Carolina: Settlement Agent must record the Affidavit for Removal of Manufactured Home from Vehicle Registration Files, the Affidavit of Affixation, and the Certificate of Title surrendered.

Oregon: Settlement Agent must assure compliance with the statutory time requirements for recordation and delivery of documents required for exemption from registration and titling under Oregon law. Settlement Agent should conduct physical inspection of the property to verify that the manufactured home is affixed to the land.

Tennessee: For loans Settlement on or after January 2004, Settlement Agent must confirm that the appropriate "permit decal" is affixed to the inside of the electrical box. Duly complete the Affidavit of Affixation with exhibits and properly file with the County Register's office where the manufactured home and land are located, and surrender any Certificate of Title that may have been issued.

Texas: Settlement Agent to add the following language to the Deed of Trust if it is not included in the DOT or in a separate instrument:

Land and Home Matters. Owner acknowledges that the land and manufactured home covered by this Security Instrument are to be

treated as real property for all purposes under Texas law and that the parties have elected not to be governed by Chapter 347 of the Texas Finance Code.

The Settlement must take place at the office of a federally-insured financial institution, a title company or an attorney at law. Settlement Agent must take all actions necessary to file for a Statement of Ownership and Location with the Manufactured Housing Division of the the Texas Department of Housing and Community Affairs and, once issued, record a certified copy in the land records of the county in which the real property is located. Include proof of utility connection and mechanics lien documentation as necessary.

Washington: Settlement Agent is responsible for completing the process for elimination of the Certificate of Title; the loan may not be closed until all documentation is present to process the Certificate of Title elimination. Title Insurer must issue the ALTA 7 endorsement and bear all risk that the process is not properly completed or the title elimination document is not ultimately approved by the Washington Department of Licensing.

J. FRAUD PREVENTION.

Lender is committed to taking the strongest action, including criminal referrals, against settlement agents and attorneys who, by their acts, create an increased risk of loss to Lender and a bad reputation for the mortgage lending industry. Such acts include altering title documents, back-dating Closing Documents, falsifying settlement statements, facilitating identity theft, committing notary fraud, turning a blind eye to false down payments or fraudulent checks, creating false payoff figures, etc.

If any one or more of the following circumstances exist during any stage of this transaction, Settlement Agent must immediately contact Lender and postpone Closing or Disbursement of the Loan until Settlement Agent receives permission to proceed from Lender's designated Contact Person in the **Lender Contact Information** section of the Specific Closing Instructions

J 1 Property Transfers.

a. Settlement Agent has knowledge or a belief that this transaction will occur in conjunction with, or simultaneously with, any other sale, transfer or financing of the Property (e.g., double escrow, double closing, flip sale, pass through, equity skimming, etc.), except for the following:

- i. a junior loan provided or approved by Lender;
- ii. the Property was acquired through inheritance;
- iii. the Property is a single-family residence and Seller is a federal government agency, other than Fannie Mae or Freddie Mac.
- iv the Lender has approved the existence of multiple concurrent transactions in the Specific Instructions.

b. The Property has been conveyed within 6 months preceding the Closing Date and/or the new Loan represents an increase of over 25% of a previous Security Instrument recorded in that same time period, unless the conveyance or Security Instrument was noted in the preliminary title report and accepted by the Lender in the **Title Insurance** section of the Specific Closing Instructions.

c. A full or partial transfer of the Property has occurred or will occur on or after the issuance date of the Conveyance Document, except for the transfer to Borrower by the vested owner shown in the Conveyance Document.

d. The Loan is for purchase money and Borrower has acquired record title to the Property prior to the Closing Date.

e. The Loan is for a refinance and Borrower has not acquired record title to the Property prior to the Closing Date.

J.2 Material Facts.

Settlement Agent has knowledge of any material fact that may have an impact on Lender's decision to make the Loan. A material fact includes but is not limited to, any significant information on changes in the value or title of the Property, changes to the sales contract (if a purchase), changes to the financing, bankruptcy, enforcement of creditor's rights, or any knowledge or indication of suspicious activity. Lender is relying on Settlement Agent to communicate any of these or other material facts which it knows or should have known in the normal course of its business.

J.3 Fraud, Misrepresentations, Falsehoods.

Settlement Agent has knowledge or a belief that:

a. a fraud or scheme related to the transaction has been or may be committed.

b. any party to the transaction, including but not limited to Borrower, Seller, Real Estate Broker, Builder, Mortgage Broker, Title Insurer, Appraiser or Settlement Agent has made a material misstatement or committed a falsehood.

c. a loan document or invoice has been tampered with, falsely generated, bears any incorrect or falsified data, bears different names or addresses for the same party, or bears a fictitious name.

d. a party's handwriting or signature is inconsistent on the Closing Documents.

e. Borrower is being paid to lend credit or identity to the transaction.

J.4 Property Condition.

Settlement Agent has knowledge or a belief of recent changes to the condition of the Property, including fire, flood, regional disaster, or other damage.

J.5 Parties to the Transaction.

Settlement Agent or anyone in Settlement Agent's office has a conflict of interest, is a party to the transaction, or is a family member, a relative or a close personal friend of any party to the transaction. "Relative" includes spouse, parent, child, brother, sister, aunt, uncle, niece, nephew, cousin, grandparent, fiancé or life partner, as well as corresponding in-law and step relations.

J.6 Incomplete Closing Documents.

Any attachment referenced in the **Required Documentation** section of the Specific Closing Instructions is not attached.

J.7 FHA.

Borrower's actual costs are less than the allowable closing costs set forth in the **Conditions to be Satisfied Prior to Disbursement of Loan Proceeds** section of the Specific Closing Instructions (excluding prepaid interest and escrows).

J.8 Title Commitment.

- a. Any information on the preliminary Title Commitment or Binder is incorrect.
- b. The title owner shown on the Title Commitment does not match the Seller on the purchase contract. (Note: Except in a Contract for Deed refinance, the transaction cannot be subject to the Seller acquiring title to the Property.)

J.9 Closing Documents.

The Closing Documents are incomplete or inconsistent with other information in the closing file.

J.10 Identity.

Settlement Agent cannot determine the true identity of any signatory, or any signatory is unable to produce an unexpired form of government issued identification.

J.11 Silent Second.

Settlement Agent has knowledge or a belief that a "silent second mortgage" has been or will be placed on the Property.

J.12 Source of Borrower Funds.

Borrower's funds are paid from a source other than a source specified in the **Source of Funds** section of the Specific Closing Instructions.

J.13 Mortgage Broker.

The Mortgage Broker is the same person or is owned or controlled by the same person as the Seller, Borrower, Appraiser, Escrow Company, or any other interested party to the transaction.

J.14 Prior Interest.

Borrower, Real Estate Agent, Mortgage Broker, Appraiser, Settlement Agent or any other person with an interest in the transaction, except Seller, has had a prior interest in the Property.

J.15 Coercion, Undue Influence, Incapacity.

Borrower or Seller appears to be coerced, under undue influence, or incapable of reading and understanding the nature of the transaction.

J.16 Sales Price.

There are any changes to the sales price or the escrow opening instructions.

J.17 Closing Fees.

The amounts disclosed in the **Loan Fees, Charges, Reserves and Payoffs** section of the Specific Closing Instructions for services provided by Settlement Agent are incorrect.

J.18 Non-Occupied.

Settlement Agent has knowledge or a belief that Borrower owns and occupies another residence not subject to this transaction and does not intend to occupy the Property (unless this is an investment property).

J.19 Payments.

Any request for a payment from Loan Proceeds is ambiguous, has missing or incomplete information, lacks a clear description, or appears unusual in any manner.

END