

3 - Table of Contents

3 REPRESENTATIONS & WARRANTIES	3-1
OVERVIEW	3-1
<i>Description</i>	3-1
<i>Reliance of MSI</i>	3-1
<i>Survival of the Reps & Warranties</i>	3-1
<i>Seller Guide</i>	3-1
<i>Defined Terms</i>	3-1
SELLER’S GENERAL REPRESENTATIONS AND WARRANTIES	3-2
<i>Description</i>	3-2
<i>Qualifications</i>	3-2
<i>Authority</i>	3-3
<i>Binding Obligation</i>	3-3
<i>Adverse Action</i>	3-3
<i>No Consent Required</i>	3-3
<i>True and Correct Information</i>	3-4
<i>Compliance with Laws</i>	3-5
<i>Sole Source or Agent</i>	3-5
<i>Indemnification</i>	3-6
MISCELLANEOUS COVENANTS	3-7
<i>Overview</i>	3-7
<i>Notices</i>	3-7
<i>Agreement to Supersede</i>	3-7
<i>Assignment of Interest</i>	3-7
<i>Governing Law</i>	3-7
<i>Limitations</i>	3-8
<i>Rights of MSI</i>	3-8
<i>Current License</i>	3-8
<i>Early Pay-Off</i>	3-9
<i>MSI-Right to Offset</i>	3-9



NOTES

3 Representations & Warranties

Overview

Description

This chapter outlines the representations, warranties and covenants (reps/warranties) made by each Seller upon the “sale” (defined as the funding of the mortgage loan by MSI) of a mortgage loan to Mortgage Services III, LLC. (MSI), its successors and assigns, unless expressly waived in writing. The Seller makes such representations, warranties and covenants in order to induce MSI to fund/purchase the related mortgage loan.

Reliance of MSI

The Seller acknowledges that, with respect to each mortgage loan funded/purchased by MSI, the mortgage loan was funded/purchased in good faith and in reliance on the Seller’s compliance with each of the representations, warranties and covenants made by the Seller pursuant to the MSI Seller Guide.

Survival of the Reps & Warranties

All representations, warranties and covenants on the part of the Seller contained in this Agreement or given pursuant hereto shall survive any termination of this Agreement and the closing of the loan purchase transactions herein contemplated and shall remain in full force and effect, regardless of such termination or the closing dates of said transactions.

Seller Guide

By sale of the mortgage loan to MSI, the Seller represents and warrants that each loan meets all requirements as outlined in the MSI Wholesale Seller Guide (Seller Guide), which is a Contract Document added to the Mortgage Broker Agreement by Bulletin (hereafter known as “Announcement”).

Defined Terms

In this section, the following terms are used as noted:

- ✓ Broker – interchangeable with Seller and/or Mortgage Broker
 - ✓ Buyer – interchangeable with Mortgage Services III, LLC. (MSI)
-

Seller's General Representations and Warranties

Description The Broker (aka in this document as Seller) in connection with the sale of a loan to MSI represents and warrants the following:

-
- Qualifications** The Broker:
- ✓ Meets all of the eligibility requirements set forth in the Eligibility chapter of this Guide.
 - ✓ Is approved by MSI to sell loans to MSI
 - ✓ Is in Good Standing with MSI
 - ✓ Be duly licensed as a mortgage broker or equivalent where required by law, to engage in business of brokering residential mortgage loans in the States accepted by MSI for the Broker.

-
- Organization and Good Standing** In accordance with the laws of the jurisdiction under which it was organized, the Broker:
- ✓ Is in the business of being retained by and representing prospective borrowers as the agent of such prospective borrowers.
 - ✓ Is Duly organized
 - ✓ Is Validly existing
 - ✓ Is In Good Standing with all applicable investors and supervising entities and under the laws of the jurisdiction of its organization
 - ✓ Is qualified to do business, and has the corporate power and authority to perform its obligations under this Agreement.
 - ✓ Holds all applicable state or other licenses, authorizations or approvals required to do business as a Mortgage Broker (or equivalent) in the States accepted by MSI.

Continued on next page

Seller's General Representations and Warranties, Continued

Authority The execution, delivery and performance of this Agreement (including all instruments of transfer to be delivered pursuant to this Agreement) have been duly and validly authorized by all requisite action on the part of the Seller.

Binding Obligation This Agreement is the legal, valid and binding obligation of the Seller, enforceable against it in accordance with its terms, except as such enforcement may be limited by applicable liquidation, conservatorship, bankruptcy, insolvency, rearrangement, moratorium, reorganization or similar debtor relief laws affecting the rights of creditors generally.

Adverse Action There is no proceeding, action, investigation, or litigation pending or, to the best of the Seller's knowledge, threatened against the Seller which, individually or in the aggregate, may have a material adverse effect on this Agreement or on any action taken or to be taken in connection with the Seller's obligations contemplated herein, or which would be likely to impair materially its ability to perform under the terms of this Agreement.

No Consent Required No consent, approval, authorization or order or, registration or filing with, or notice to, any governmental authority or court is required (except with respect to the recordation of the assignment of the mortgages or deeds of trust) under federal laws, or the laws of any jurisdiction, for the execution, delivery and performance of, or compliance by the Seller with, this Agreement or the consummation of any other transaction contemplated hereby.

Continued on next page

Seller's General Representations and Warranties, Continued

True and Correct Information

- ✓ None of the statements or information contained in any document submitted with or included as part of the application package, or in any document reviewed in connection with MSI's underwriting decision, contains or will contain any misleading, false or erroneous statements, or omit facts necessary to make such statements or information accurate and understandable in every respect.
- ✓ All documents are genuine and each mortgage and mortgage note is the legal, valid and binding obligation of the maker thereof and is enforceable in accordance with its terms, except only as such enforcement may be limited by bankruptcy, insolvency, reorganization, and all parties to each loan had full legal capacity to execute all loan documents and convey the estate therein purported to be conveyed and each loan document has been duly and properly executed by all parties thereto and acknowledged, where required:
 - all certified copies of original documents are true copies of the originals;
 - the documents, instruments and agreements submitted for loan underwriting were not falsified and contain no untrue statement or 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 the origination of the loan.
- ✓ All other representations as to each such loan are true and correct and meet the requirements and specifications of all parts of this Agreement.

Seller Warranty Clarification:

Mortgage Broker understands that by making the warranty (above) it is warranting the accuracy of all information contained in any loan package submitted to MSI, whether or not submitted by Mortgage Broker and whether or not Mortgage Broker has knowledge of, or reason to suspect, any inaccuracy.

Continued on next page

Seller's General Representations and Warranties, Continued

**Compliance
with Laws**

Mortgage Broker represents and warrants that it has and will continue to comply with all State and Federal laws and regulations applicable to the conduct of its business, including but not limited to, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, Home Ownership Equity Protection Act, the Privacy Act, and the Federal Truth In Lending Act.

- ✓ The Mortgage Broker further warrants that it had the benefit of legal counsel in reviewing the Agreement, and is fully aware of its responsibilities as a Mortgage Broker and has executed this Agreement only after it had adequate opportunity to confer with its attorney.

**Sole Source or
Agent**

Mortgage Broker represents to MSI that MSI is not Mortgage Broker's only lender source and acknowledges that MSI does not require that a borrower use the Mortgage Broker in order to obtain a loan from MSI.

Mortgage Broker further warrants

- (a) that it will not represent to any party that it is an agent, servant or employee of MSI or
- (b) advise any prospective borrower that MSI is the lender unless such borrower's application is submitted to MSI by Mortgage Broker and is approved by MSI.

Continued on next page

Seller's General Representations and Warranties, Continued

- Indemnification** Mortgage Broker shall indemnify and hold MSI and its affiliates, shareholders, directors, officers, agents, employees, successors, and assigns harmless from and against, and shall reimburse the same with respect to, any and all losses, damages, demands, claims, liabilities, costs and expenses, including reasonable attorney's fees, (collectively "losses") from any cause whatsoever, incurred by reason of or arising out of or in connection with,
- (a) any breach of any agreement, covenant, representation or warranty contained in the Agreement;
 - (b) Mortgage Broker's failure to perform any obligation hereunder,
 - (c) any claim by a Borrower resulting from MSI's failure or refusal to fund a loan; or
 - (d) any claim by any third party that Mortgage Broker is a joint venturer, partner, representative, employee or agent of, or otherwise associated or affiliated with, MSI.

Mortgage Broker's obligation to indemnify MSI under this Agreement shall arise upon MSI's incurring a Loss.

Miscellaneous Covenants

Overview	MSI and the Seller shall comply with the following Miscellaneous Covenants.
Notices	All demands, notices and communications to the Seller shall be in writing and be deemed to have been given if electronically mailed (Emailed), posted on the MSI Web site (www.msiloans.biz), or mailed or delivered to the applicable party at the address shown in the Agreement, or such other address as may hereafter be furnished to the other parties by like notice.
Agreement to Supersede	This Agreement shall supersede and replace any prior written or oral agreement between the parties concerning the purchase of Loans by the Buyer, although any such Loans purchased by the buyer from the Seller prior to the date of this Agreement shall continue to be governed by the terms of any prior agreement pertaining thereto. No term or provision of this Agreement may be waived or modified unless in writing and agreed to by all parties hereto.
Assignment of Interest	The Seller shall not assign its interest in this Agreement without the prior written Consent of the Buyer.
Governing Law	The Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois. In the event of a dispute hereunder or any action to enforce or interpret the Agreement, the parties hereby consent to the exclusive jurisdiction of, and any action or proceeding shall be filed and maintained in, the Circuit Court for the Eighteenth Judicial Circuit, DuPage County, Illinois.

Continued on next page

Representations & Warranties



Miscellaneous Covenants, Continued

Limitations Nothing herein contained shall be deemed or construed to create a partnership or joint venture between the parties hereto, and the Seller shall not represent that it is the Seller's agent for any purpose.

Rights of MSI In reliance upon the representations and warranties made by Mortgage Broker in the Agreement based upon MSI's own credit, collateral and other lending criteria, MSI may, in its sole and unilateral discretion, from time to time accept and review applications from borrowers referred to MSI by Mortgage Broker. Mortgage Broker acknowledges that MSI has not, by its execution of this Agreement, agreed to make loans to borrowers referred to MSI by Mortgage Broker.

- ✓ Loan approvals will be determined solely in the discretion of MSI and MSI shall have no liability to Mortgage Broker or Mortgage Broker's client, based on MSI declining to approve any loan application or to make any loan.

Current License Annexed as a part of the Agreement the Broker provided copies of all mortgage broker or equivalent licenses held by Mortgage Broker, which authorize Mortgage Broker to engage in business of brokering residential mortgage loans. Mortgage Broker warrants that it will continue to maintain all such licenses in good standing at all times.

- ✓ MSI retains the right to annually request copies of current license to document Broker's authorization to continue doing business in the applicable State. Failure to provide evidence is cause for termination of the business relationship between the Broker and MSI.

Continued on next page



Representations & Warranties

Miscellaneous Covenants, Continued

Early Pay-Off In the event that any loan purchased by MSI hereunder is paid in full within 150 days of the date such loan was purchased or funded by MSI or current policy, the Mortgage Broker hereby agrees to repay to MSI the Gross Premium portion of the purchase price paid to the Mortgage Broker.

MSI-Right to Offset In the event Broker fails to pay MSI any sums, which are due, MSI shall be permitted to offset such sums from any amounts, which are due or become due to the Broker.

Representations & Warranties



This page is left intentionally blank.