

PROGRAM GUIDELINES

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PART TWO LOAN SERVICING

CHAPTER 10 - GENERAL SERVICING INFORMATION

10.100 INTRODUCTION

As a Program Participant ("Participant") in the Texas Veterans' Land Board (VLB) Housing Assistance Program, as evidenced by the execution of the Application to Participate, Participant has agreed to service the program Mortgage Loans in accordance with the Mortgage Origination, Sale and Servicing Guide, (the "Guide") and these Program Guidelines (the "Guidelines"), hereafter jointly called the Servicing Agreement.

These Guidelines have been prepared by the Master Servicing Division of Nationstar Mortgage LLC (Administrator) for use in the Veterans Housing Assistance Program (VHAP) and the Veterans Home Improvement Program (VHIP) of the VLB. These programs were created to provide veterans with low-interest long-term loans for use in home acquisition or home improvements.

These Guidelines in their current form and as amended, modified, or updated from time to time by Administrator, supersedes any prior instructions distributed by the VLB.

The Administrator has established the servicing procedures as outlined herein. The Administrator is available to consult with Participants on any matters requiring clarification. The procedures are intended to be straightforward and in conformity with industry standards for programs with similar objectives. Given the uniformity of these procedures, it is anticipated that full compliance will be accomplished with relative ease.

10.200 ADMINISTRATOR LOAN NUMBER

The Administrator assigned loan number must appear on all reports and correspondence received from Participant Servicers.

10.300 GENERAL RESPONSIBILITIES

Participant Servicers must maintain 1) minimum net worth requirements in accordance with these Guidelines, and 2) sufficient facilities and staff to service loans on behalf of the VLB in accordance with the Guidelines unless otherwise waived by the VLB.

In cases where issues are not addressed in sufficient detail in the Guide or the Guidelines, the Participant should consult with the Administrator in order to develop appropriate guidelines to follow until the Guidelines are updated or amended.

Participant Servicers' staff must be familiar with the Servicing Agreement,

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any mortgage pool insurance or guaranty requirements, and local, state, and federal laws.

Participant Servicer is responsible for and warrants that all local, state and federal laws and regulations governing mortgage servicing activities have been and will be satisfied and discharged with respect to each loan serviced on behalf of the VLB.

10.301 OWNERSHIP INTEREST FOR TWO NOTE LOANS

The ownership rights of the respective holders of the Program Loan and Participant Loan are equal. Rights associated with the funds received shall be proportionate to the outstanding principal balances of each loan. Payments received by the Participant Servicer for these loans are to be distributed on a pro-rata share basis in accordance with the respective participating interests in the loans.

The collections reported by the Participant Servicer to the Administrator shall reflect the VLB's participating interest, except where additional information is specifically requested.

10.302 MONTHLY REPORTS

The Participant Servicer must deliver Monthly Default and Accounting Reports in accordance with these guidelines outlined in Chapters 12 and 13 herein.

Reporting Penalties

The Administrator shall assess penalty fees **by bond program** for late, incomplete, or inaccurate reports, in accordance with these Guidelines or, if lacking specific guidance to the contrary herein, the Fannie Mae Guide.

10.303 MONTHLY REMITTANCES

The Participant Servicer must remit collections with respect to a Mortgage Loan in accordance with the guidelines outlined in Chapter 13 of the Guidelines.

Remittance Penalties

The Administrator shall assess penalty fees **by bond program** in accordance with the guidelines set forth in Chapter 13, Section 13.302 for late or inaccurate remittances.

10.304 EXPENSES

The Participant Servicer will be responsible for all out-of-pocket expenses involved in meeting VLB and Administrator requirements, including, but not limited to the cost of:

- Preservation and protection of the Mortgaged Property;

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- Any enforcement of judicial proceedings including foreclosures; and
- The management and liquidation of properties acquired through foreclosure or deed-in-lieu of foreclosure.

Depending on the circumstances such expenses may be eligible for Participant Servicer reimbursement from funds received from the Borrower, Liquidation Proceeds, Insurance Proceeds or other sources. Participant Servicers may recover expenses for a given loan only from proceeds, exclusive of principal and interest payments, received specifically for that loan.

10.305 CHANGES IN PARTICIPANTS ORGANIZATION

The Participant must send written notice to the Administrator of any major contemplated or completed changes in its organization. Additionally, the Participant must advise the Administrator of any changes in business address.

Notice is required for these major changes:

- Any mergers, consolidations or reorganizations by completing a Certification of Merger (See Form SG-7);
- Any substantial change in ownership, regardless of whether it is by direct or indirect means;
- Any change in corporate name, accompanied by a copy of the resolution by the Board of Directors and a filing with the Secretary of State;
- Any significant change in the Participant's financial position; and
- Any change in contact person responsible for Participant's actions with respect to the duties in the Servicing Agreement.

The Participant shall provide the Administrator with immediate notice if the Participant's regulatory agency assumes a participatory role in the management of the firm's operations.

10.306 SALE OR TRANSFER OF SERVICING

The Participant Servicer may not assign or transfer its servicing of VLB loans without the prior written permission of the Administrator. Any requests for such a transfer to another approved VLB Participant will be considered on an individual basis. For consideration, the Participant must complete and submit a Transfer of Servicing Agreement (See Form SG-6) and a list of the loans to be transferred, including their principal balance to the Administrator for review and approval at least thirty (30) days prior to the effective transfer date. The new Participant Servicer must be an approved Participant Servicer in the Program.

The original Participant will be liable to VLB for any servicing violation

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which may occur prior to, during, and until completion of the portfolio transfer.

10.307 SUB-SERVICING

With prior approval of the Administrator, a Participant may contract out the VLB Servicing if the Sub-Servicer is also an approved Program Servicer. In these cases, an executed Sub-Servicing Agreement (See Form SG-8) must also be submitted to the Administrator. The Participant remains responsible for all actions (or failures to act) by its Sub-Servicer.

10.308 TERMINATION OF SERVICING

A default on the part of a Participant may result in the termination of servicing privileges. Events of default include, but are not limited to the following:

- Failure to perform its obligations as stated in the Servicing Agreement.
- Participant ceases to be eligible as outlined in the Servicing Agreement executed between VLB and the Participant.
- Any change in the Participant's financial condition or organization which, in the VLB and Administrators opinion will adversely affect the Participant's ability to service the loans.
- Appointment of a receiver, trustee or liquidator for the Participant.
- Suspension, restriction, or discontinuation of Participant's business by a government agency.
- Impending or actual insolvency of the Participant.
- Failure to deliver any requested documents to the VLB, Administrator, or any other party so directed by the VLB or Administrator, such request being reasonable in nature.
- Sale of interests, rights or obligations without the Administrator's prior written consent.
- Filing for protection under any chapter of the United States Bankruptcy Code.

Generally, the Administrator will provide the Participant Servicer with thirty (30) days written notice of its intent to terminate servicing privileges. However, the Administrator specifically retains the right to act without notice if it is deemed necessary to protect VLB's interests.

Prior to issuing a formal notice of termination, the Administrator may elect to issue a warning, providing the Participant Servicer with the opportunity to initiate corrective action within a specified period of time.

10.309 REPRESENTATIONS & WARRANTIES

The Participant represents and warrants that it is licensed and authorized under all applicable federal, state and local laws to service the Mortgage Loans and to take all actions required under the Servicing Agreement and the Mortgage Documents with respect to the Mortgage Loans.

10.310 INDEMNIFICATION

The Participant agrees to indemnify the Administrator and VLB from any claims, losses, damages, fines, forfeitures, attorney fees and related costs, judgments and other expenses which may be incurred from:

- A breach by the Participant of any representation, warranty or responsibility described in the Servicing Agreement, or any other agreements between the Participant and VLB or its designees.
- Any failure to disclose inaccurate or misleading information furnished by the Participant.
- A breach in representation, warranty or responsibility made by any indemnified party in reliance upon such representation provided by the Participant.

This indemnification shall survive the transfer of any interest in a Mortgage Loan by any indemnified party, the liquidation of such servicing rights with respect to such loan or termination or expiration of any agreement between the Participant and the VLB.

10.311 PAYMENTS IN FULL

The Participant Servicer must remit collections with respect to a Mortgage Loan that pays in full in accordance with the procedures outlined in Chapter 13, Section 13.203 of these Guidelines.

10.312 REPURCHASE

The Participant must remit repurchase funds with respect to a Mortgage Loan in accordance with the procedures outlined in Chapter 13, Section 13.204 of these Guidelines.

10.313 ESCROW/ YEAR END REPORTS

The Participant Servicer shall provide the Borrower a statement at calendar year end indicating the amount of interest that the Borrower paid during the year and the amount of real estate taxes paid during the year. Such statement will be provided in a format and within the timeframes established by the IRS. In addition, the Participant Servicer will comply with the Escrow Requirements outlined in Chapter 11, Section 11.400 of these Guidelines.

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10.314 CUMULATIVE REMEDIES

All rights and remedies under the Servicing Agreement are distinct and cumulative not only as to each other but as to any rights or remedies afforded by law and equity. They may be exercised together, separately or successively. These rights and remedies are for the benefit of the VLB.

CHAPTER 11 - LOAN ADMINISTRATION

11.000 GENERAL

This Chapter details the VLB's loan servicing Guidelines exclusive of Default Management (See Chapter 12) and Investor Reporting and Remitting (See Chapter 13).

11.100 FILE/RECORD MAINTENANCE

The Participant must maintain a file for each Mortgage Loan serviced for the VLB. The file must be maintained throughout the VLB's or any other subsequent ownership investment in the Mortgage Loan. The file is to be retained in accordance with state statute and regulatory guidelines.

Mortgage payment records must be maintained on each Mortgage Loan serviced for the VLB. The system must be capable of producing an individual loan accounting that will:

- List in chronological order for the life of the loan the amount and due date of each payment, posting date, payment application, and other pertinent data regarding amounts due;
- Indicate outstanding balances of principal, taxes and insurance escrow amounts and unapplied payments in the Custodial and Escrow Accounts; and
- Provide immediate disclosure of any overdrafts in the Escrow Account.

Upon request from the Administrator, the Participant will deliver all documents requested in connection with any audit, inspection or review authorized pursuant to the Servicing Agreement. Further, in the event that the servicing obligations of the Participant are terminated, the Participant shall promptly provide to the Administrator or its designee all Files and Records, as well as the proper balance of Custodial and Escrow Account funds held in trust by the Participant relating to the VLB Mortgage Loans, along with an accounting of such funds.

All paper and documents may be condensed (i.e. microfiche, electronic media, etc.) for Participant convenience, provided such documents can be reproduced promptly and in their entirety at no cost to the VLB, or a designated successor Participant or the Administrator. The use of condensed media should not interfere with the servicing, liquidation or remittance processes. The Participant is responsible for evaluating all state and federal statutes to determine that such condensed media will not

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hinder the Participant's ability to produce documents that will be accepted in any legal proceeding as if the original document had been retained.

11.101 AUDITS AND INSPECTIONS

The Participant agrees to allow the Administrator, VLB, and or their designees to conduct reasonable audits and inspections with advance notice during normal working hours. The choice of the Participant's servicing office shall be at the Administrator's or the VLB's sole discretion as the case may be.

The Participant must allow the Administrator or VLB to inspect its records evidencing compliance with all regulatory, federal, state and local standards set forth in the Servicing Agreement.

The Participant must allow the Administrator or VLB to inspect its Files and Records relating to systems and procedures for servicing loans.

11.102 REQUEST FOR DOCUMENT COPIES

Participants are required to maintain copies of the original loan documents in their servicing files. As needed for servicing activities, the Participant may request copies of documents maintained in the Custodial File by paying a \$25.00 per loan copying and handling fee, remitted by ACH (Type 4), and submitting an Officer's Certification Statement (See Form SG-39) to the Administrator. The Administrator will then authorize VLB to forward the requested document copies directly to the Participant. Request for original loan documents needed for servicing, or foreclosure action will be handled on a case-by-case basis after receipt by the Administrator of a written justification.

11.103 RELEASES FOR PAYMENT IN FULL

When a loan is paid in full or repurchased, the Participant shall provide to the Administrator an Officer's Certification Statement (See Form SG - 39) within thirty (30) days for paid in full loans and five (5) days for repurchased loans, along with the appropriate release instrument (see forms Form SG-22, "Release of Lien for Two Notes Situation", and Form SG-23, "Release of Lien for One Note Situation") in an executable format. The Administrator will review the release instrument for completeness and, if deemed appropriate, execute on behalf of the VLB then return the document to the Participant. The VLB, or its designee, will return any original Mortgage Documents to the Participant for final disposition. Please note that the Participant must still forward a copy of the release instrument, even if the loan was registered with MERS and the release can be prepared and executed without the intervention of the VLB or the Administrator.

A penalty will be assessed in the amount of \$25.00 per month for releases instruments not received within sixty (60) days after payment in full or repurchase.

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The appropriate release instrument to be completed is determined as follows:

- Release of Lien for Two Notes Situation (See Form SG-22)
- Release of Lien for One Note Situation (See Form SG-23)
- Assignment of Lien (Veterans Land Board) (See Form SG-24)

If the current Borrower's name differs from the original Borrower, the Participant must provide supporting documentation (e.g. Assumption Agreement, Warranty Deed, and copy of the Deed of Trust with reference to property address. If copies of the documents listed are not available, an authorized officer of the Participant may sign a "Certification of Current Borrower" (See Servicing Exhibit SE-12 and Form SG-25).

See Section 11.504 for additional information on the release process for MERS registered loans.

11.104 PARTIAL RELEASE

Any matter relating to changes in the terms of the Mortgage Loan or the security for the loan requires the specific approval of the Administrator on behalf of the VLB.

See Section 11.504 for additional information on the partial release process for MERS registered loans.

Consideration will be given to requests for partial releases of the security, easements and taking or division of the security if 1) the consideration received by the Borrower is at least equal to the value of the property affected, 2) the amount of such consideration is applied to the outstanding principal balance, and 3) the value of the remaining security for the Mortgage Loan exceeds the resulting indebtedness.

The following are to be submitted to the Administrator for review:

- A survey or plat indicating the portion of the security to be released or affected by the easement showing the proper footage and its relation to the remaining security for the Mortgage Loan, including all improvements of the property.
- Restrictions to be imposed upon the property involved in the release or affected by the easement.
- A statement as to the future use of the property to be released or affected by the easement.
- The legal description of the remaining security of the Mortgage Loan.
- A current "on-site" appraisal of the portion to be released or affected by the easement in order to determine its market value. A statement must be included as to the effect the easement or the release of the

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security will have on the remaining security for the Mortgage Loan.

- A statement from the Borrower indicating his/her understanding that the entire consideration is to be applied towards the outstanding principal balance and of the effect the easement or the release of the security will have on the remaining security for the Mortgage Loan.
- A copy of the Deed of Trust or Easement Agreement that the Borrower will sign showing the amount of the consideration to be paid and the exact legal description of the property involved.
- A certificate or letter evidencing that the release or easement has been approved by the Primary Mortgage Insurer and that any subsequent claim for loss will not be affected.
- If, in the opinion of the Participant's counsel, such action could jeopardize the primacy of the VLB's interest, an endorsement to the Title Policy will be required reflecting the recording of the Release or Easement Agreement and assuring that the lien is not adversely affected. Since the endorsement cannot be obtained during the approval process, the Participant should seek in advance the title company's position on this matter.
- A statement concerning the outstanding loan balance, monthly payment amount, any unpaid taxes, special assessment, judgments or liens against the property and the payment habits of the Borrower.
- The Participant's recommendation concerning this matter, including a statement as to any extenuating circumstances which may affect the decision.
- The Release or Easement document, in duplicate, prepared by the Participant for execution by the Holder of Record.

If appropriate, the Participant shall inform the tax authority or property insurance carrier of the action taken and request that the necessary adjustment be made in the levy or premium.

With regard to the preparation of an instrument for execution by the VLB, such instrument must be styled as follows:

Veterans Land Board of the State of Texas

11.105 ASSUMPTIONS

Generally, the VLB will not permit Borrower(s) to be released of liability on an assumption. The Participant is responsible for making sure this is clearly communicated on all correspondence to the Borrower(s).

In cases involving a qualified assumption, the VLB will consider a request for release of liability.

To request the VLB's approval of a release of liability for the prior Borrower, a written request must be submitted to the Administrator establishing the

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hardship that would be imposed upon the Borrower and any benefits gained by the VLB by granting the release. **Please note the Participant should not grant a release without written consent of the VLB.**

A Program Loan may not be assumed until the original Veteran Purchaser has occupied the home as his principal residence for a period of three (3) years from the date of the home purchase.

VLB may waive the above three (3) year occupancy requirement upon receipt of satisfactory evidence of one of the following circumstances related to the Borrowers:

- 1) Death
- 2) Bankruptcy
- 3) Financial incapacity
- 4) Forced sale of the home due to:
 - (a) Divorce and property settlement
 - (b) Move required by change in employment of the Veteran or Veteran's spouse.
 - (c) Condemnation of the property through no fault of the Veteran
- 5) Any other circumstance for which the VLB deems a waiver is in the best interest of the program.

The Borrower must submit a written request to the Participant detailing one of the above circumstances in order to request a waiver of the three (3) year occupancy requirement.

The Participant shall forward the request for waiver to the Administrator for review prior to authorizing the sale of the property by assumption. The Administrator will inform the Participant in writing of the VLB's decision related to any such request.

Should the Participant allow an assumption within the three (3) year time frame without obtaining a waiver from the VLB, the Participant will be required, at the VLB's option; to either 1) repurchase the loan or 2) indemnify the VLB against any losses should the loan default in the future.

After the three (3) year period a home may be transferred, sold, or conveyed by an assumption subject to the terms of the mortgage and provided the payments are current and approval of the VLB has been obtained.

The Participant is responsible for underwriting the credit worthiness of the new purchaser on all assumptions. The following documentation is to be completed and submitted by the Participant to the Administrator for consideration approval:

- Recommendation of the Participant as to whether an assumption should be allowed or denied.
- Purchase Contract

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- Private Mortgage Insurance (PMI) Approval Letter, FHA or VA Letter as applicable.
- VLB Waiver of (3) year occupancy (if applicable)
- Change of Ownership (See Servicing Exhibit SE-1Form SG-1)
- Assumption Agreement (See Form SG-2) executed in triplicate by the Borrower and the new purchaser. If approved, the original will be signed and held by the VLB. The two copies will be executed and returned to the Participant.

In any case where property subject to a Program Loan has been or is about to be conveyed by the Borrower, the Participant shall ensure all insurance policies are endorsed to reflect the new ownership and take any action required to continue benefits under FHA insurance, VA guaranty, or PMI if applicable, without interruption.

The Participant must comply with the requirements of any applicable local, state or federal laws or regulations including, but not limited to, the federal Real Estate Settlement Procedures Act, the Consumer Protection Act, the Truth-in-Lending Act and any rules and regulations there under.

The Participant may charge and retain an assumption fee not to exceed the amount permitted by FHA, VA, Fannie Mae or Freddie Mac for similar transactions in connection with loans not in the Program. The Participant may also recover all reasonable and customary charges they have paid or incurred for attorney's fees, recording or registration charges, credit reports and similar charges customarily associated with mortgage assumptions, unless such charges are prohibited by FHA or VA with regard to mortgage loans subject to their regulation.

11.200 INSURANCE

As applicable, the Participant must ensure that each Mortgage Loan has the following insurance coverage or guaranty:

- FHA Insurance or VA Guaranty
- Primary Mortgage Insurance (PMI) as outlined in Section 11.201 of these Guidelines.
- Hazard and flood insurance as outlined in Section 11.202 and 11.203 of these Guidelines.

The Participant shall take all action necessary to comply with the requirements of any mortgage insurer, or guarantor and shall take all action necessary to maintain coverage in full force to protect the interest of VLB.

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11.201 PRIMARY MORTGAGE INSURANCE

The Participant is responsible for maintaining in full force and effect at all times PMI, if required at the time of loan origination. The policy must be with a Qualified Insurer. The VLB will consider a waiver of the PMI requirement if, 1) as a result of amortization or property appreciation, the Loan-To-Value (LTV) ratio (both notes combined, if a two note loan) is less than eighty percent (80%), the LTV will be calculated by using either a.) the lesser of the Appraised Value or the original sales price and or b.) a current appraisal of the property, and 2) the Borrower requests a waiver of the insurance requirement. The following conditions must be met:

- The Mortgage Loan has not been thirty (30) days or more delinquent within the preceding twelve (12) months.
- If required for approval, the Borrower must obtain a current appraisal at his/her own expense; and
- The Participant must provide a letter on their company letterhead stating the LTV and indicating if the Borrower is in good standing.

The Participant must provide the required documentation to the Administrator. The Administrator will respond to the Participant on VLB's behalf with either an approval or denial of the request for waiver.

For loans covered by PMI that are originated on or after July 29, 1999, the Participant will follow all provisions of the Homeowners Protection Act of 1998 and the American Homeownership and Economic Opportunity Act of 2000 related to automatic termination of PMI coverage.

11.202 HAZARD INSURANCE

The Participant shall maintain proof of Hazard Insurance to ensure that all Mortgage Properties are insured against loss or damage from fire and other hazards covered by standard extended coverage endorsement. The Participant shall be responsible for determining that the insuring company is qualified to do business in the State of Texas; and is approved by Fannie Mae or Freddie Mac pursuant to their guidelines.

Insurance Amount

The Participant shall observe applicable laws and regulations concerning the management of insurance policies; and shall take such action as required to assure continuance of benefits from any insurance policy covering the Mortgage Loan or Mortgage Property. Each policy shall be in an amount equal to, or exceeding, the lesser of:

- 100% of the insurable value of the improvements; or
- The unpaid Principal Balance of the Mortgage Loan, as long as it equals the minimum amount (eighty percent (80%) of the insurable value of the improvements) required to compensate for damage loss on a replacement cost basis. If it does not, then coverage that does

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provide the minimum required must be obtained.

Deductible amounts should not exceed those allowed by Fannie Mae or Freddie Mac pursuant to their guidelines.

Damage Procedure

To the extent that a Participant Servicer becomes aware of any damage or loss to the mortgaged premises, they shall assure that the insurance company concerned is immediately notified. All proceeds from the insurance claim shall be deposited and held by the Participant in the Custodial Account until disbursed. In the case of a Two Note loan, the Participant Servicer may deposit proceeds in the Custodial Account established for the Participant Loan.

Where only a Program Loan exists, proceeds must be deposited into the Custodial Account established for the VLB Program Loans.

Although a Participant is required to process insurance claim proceeds through a Custodial Account, a Participant may immediately endorse a draft or check and release it to the Borrower provided that 1) the repair for the damage or loss has been completed, 2) proper documentation has been received, 3) all other requirements have been met, and 4) the mortgage is not delinquent. If the draft or check is received before these criteria are met, the funds must be deposited into the appropriate Custodial Account.

The Administrator shall be available for consultation and advice in regard to any repairs or restoration of the damaged property. The Participant is required to report to the Administrator any loss or damage which exceeds \$2,000.00 and the action taken, using the Report of Hazard Insurance Loss (See Servicing Exhibit SE-10 and Form SG-20). The Participant is required to report to the Administrator, confirmation of the completed hazard repairs using the Mortgagor' and Contractor's Affidavit Form (See Servicing Exhibit SE-11 and Form SG-21).

Mortgage Clauses

All insurance policies that cover individual properties that secure first mortgages must contain (or have attached) a "standard" or "union" mortgage clause (without contribution) in the form customarily used in the area in which the property is located. When the VLB's lien position is other than a first mortgage, the mortgage clause in the hazard policy must be amended to recognize the existence of the junior lien, and VLB's interest must be clearly set out in the policy. A mortgage clause that amounts to a mere loss payable clause is not acceptable. We do not require that VLB be named in the mortgage clause, unless the coverage would be impaired by their not being named. If the VLB is named, the clause should read "Veterans Land Board of the State of Texas, in care of (insert Participant Servicer's name and address here)." This will assure that all matters related to the policy will be referred directly to the Participant Servicer.

When the VLB is not named in the mortgage clause, the Participant Servicer's name, followed by the phrase "its successors and assigns,"

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should be shown as the mortgagee. In all cases, the insurer should be instructed to send all correspondence, policies, bills, etc. to the Participant Servicer, rather than to the VLB or the Administrator.

Evidence of Insurance

The Participant Servicer of a first mortgage must keep the original insurance policy for the mortgage in its custody – unless it is covered by a mortgage impairment or mortgage interest insurance policy or uses other evidence of insurance that would be considered acceptable under Fannie Mae Guidelines.

Penalty Assessment

The Administrator will assess a penalty of \$200.00 per occurrence for the:

- Participant's failure to file a hazard claim;
- Participants failure to report any loss or damage that exceeds \$2,000.00 to the Administrator; and
- Participant claim filing and processing errors that result in a claim curtailment.

The penalty fee must be remitted by ACH (Type 4) within thirty (30) days of the penalty billing date.

In addition, Participants shall make the VLB whole for 1) any denied or curtailed claims that result from failure to properly file a claim, and 2) any loss as a result of failure to maintain coverage as required in this document.

Any residence subject to a mortgage loan under the VLB Program that is damaged by fire, wind, water or other cause shall be restored to its original condition unless otherwise directed by the VLB, or the Administrator. The Participant may take any action it deems necessary to affect this result, but is encouraged to consult with the Administrator if in doubt as to the appropriate course of action.

11.203 FLOOD INSURANCE

The VLB requires that any mortgage secured by a property located in a Special Flood Hazard Area have adequate flood insurance when the mortgage is originated and that the coverage is maintained for as long as the mortgage is outstanding. The VLB also requires flood insurance coverage for a mortgage if the remapping of a flood zone results in the security property being in a Special Flood Hazard Area (even though no flood insurance was required when the mortgage was originated). This means the Participant must actively monitor all flood maps and community status changes and take appropriate action as changes occur.

Participants may choose to monitor flood zone mappings themselves or

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use a flood zone determination company to perform the monitoring.

Participants must make sure the properties securing mortgages they service for the VLB are adequately protected by flood insurance when it is required, with no lapses of coverage for any reason. Because the maximum level of coverage available under the National Flood Insurance Program may increase from time to time, Participants will need to review the coverage of the mortgages they service for the VLB when such changes occur to determine whether additional coverage needs to be obtained for mortgages that are “underinsured” as the result of the coverage amount having been “capped” by the previous maximum limitations.

It is also important that Participants acquiring VLB owned mortgages through a transfer of servicing have in place appropriate procedures for performing due diligence with respect to flood insurance coverage and the monitoring of changes in flood maps and community designations.

Acceptable Flood Insurance Policies

Flood insurance should generally be in the form of the standard policy issued by members of the National Flood Insurance Administration (NFIA) Program. The Policy Declarations page of a NFIA program policy is acceptable evidence of flood insurance coverage. Other policies that meet NFIA’s requirements -- such as those issued by licensed property and casualty insurance companies that are authorized to participate in NFIA’s “Write Your Own” program -- will also be acceptable.

11.300 DEPOSITORY RATINGS

The Participant shall make sure that the depository institution it selects for its Custodial Accounts and Escrow Accounts at all times is a Qualified Depository.

11.301 CUSTODIAL ACCOUNTS

Participants shall establish separate deposit accounts for the VLB using the Letters of Authorization (See Forms SG-4 & SG-5) with a Qualified Depository.

11.400 ESCROW REQUIREMENTS

Except where prohibited by law or the loan documents, the Borrower will be required to deposit monthly into an escrow account sufficient amounts to pay estimated insurance premiums (including renewal premiums), taxes, ground rents, special assessments and other charges as they become due and payable. Payment of these items will be made from the Borrowers escrow account, or if insufficient, the Participant shall collect the deficiency from the Borrower. If the additional funds have not been received prior to the time the payment is due, the Participant must advance its own funds to ensure payment.

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The Participant assumes full responsibility for the administration of the Borrower's escrow account. Participants shall perform at a minimum, an annual escrow analysis to estimate, as accurately as possible, the monthly deposit requirement in order to ensure the balances on hand are adequate, but not excessive, and make any adjustments necessary to meet estimated future charges as they become due and payable.

When it is determined a deficiency exists in the escrow account, the Borrower may be requested to pay the shortage in full or the shortage may be taken into consideration in establishing the amount of the monthly deposit for the following year. When an escrow analysis reveals that excess funds are being held on deposit, the surplus may be applied as payment of one or more full installments of principal and interest or as a curtailment, or returned to the Borrower, provided such actions are consistent with applicable law and the terms of the Mortgage Loan documents.

As part of the escrow analysis, the Participant will provide the Borrower an annual statement setting forth, in summary form the balance at the beginning of the year, the total amount deposited into the account by the Borrower during the year, the amount and nature of disbursements made during the year and the final balance of the account at year end.

The Participant must maintain accurate records on the status of taxes, ground rents, homeowner association dues, assessments and other charges that are, or could become, a lien upon the property securing a Mortgage Loan. The Participant must also assure the timely payment of all taxes, assessments, hazard insurance, and mortgage insurance premiums to avoid penalties and to take advantage of any discounts offered.

Unless specific guidance to the contrary is provided within these guidelines or the guidelines of an applicable insurer or guarantor, Participants should administer escrow accounts in accordance with the Fannie Mae Guide as amended from time to time.

Since the Participant assumes full responsibility for the timely payment of such expenses, it shall hold the VLB and Borrower free from all penalties, loss or damage resulting from its failure to discharge the responsibility, unless, they are directly responsible for the imposition of the penalty or loss.

When a Participant Servicer waives the escrow deposit account for a specific Borrower, the Participant Servicer still remains responsible for the timely payment of all otherwise escrowable items. Therefore, if the Borrower fails to pay the taxes, ground rents, insurance, etc. the Participant Servicer must advance its own funds to pay them, revoke the waiver, and begin escrow deposit collections to pay future bills.

The Participant Servicer of a second mortgage does not have to pay the bills for taxes and ground rents, but it must satisfy itself that these items are paid when due -- either by the Borrower or the first mortgage servicer. In the event 1) the Borrower will not cooperate in providing the needed

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documentation of payment, and 2) the mortgage documents permit, the Participant Servicer may establish an escrow deposit account to assure that these expenses are paid promptly.

The Participant Servicer must comply with all applicable state laws related to the paying of interest to Borrowers on their escrow accounts. Likewise, the Participant shall comply with all IRS regulatory reporting requirements related to interest and other escrow items.

11.500 FIDELITY BOND & ERRORS AND OMISSIONS COVERAGE

The Participant Servicer shall maintain, at its own expense, a blanket Fidelity Bond and an Errors and Omissions Insurance Policy issued by responsible companies with broad coverage on all officers, employees or other persons acting in any capacity with regard to the Mortgage Loans or who handle funds, money, documents and papers relating to the Mortgage Loans.

The Fidelity Bond and Errors and Omissions Insurance Policy shall be in the form of the Mortgage Banker's Blanket Bond and shall protect and insure the Participant Servicer against losses, including forgery, theft, embezzlement, fraud, errors and omissions and negligent acts of such persons.

The minimum coverage under any such Fidelity Bond and Errors and Omissions Insurance Policy shall be at least equal to the corresponding amounts required by Fannie Mae in the Fannie Mae Guide.

The Participant shall deliver to the Administrator upon request and at least annually a certificate from the surety and the insurer as to the existence of the Fidelity Bond and Errors and Omissions Insurance Policy.

The Participant shall notify the Administrator within five (5) business days of receipt of notice that such Fidelity Bond or Errors and Omissions Insurance Policy will be, or has been, materially modified or terminated.

11.501 ANNUAL CERTIFICATION

The Participant will deliver to the Administrator an executed Annual Officer Certification stating the servicing has been performed in accordance with the Guidelines. This Certification is due on or before March 15th of each year. Annually the Participant will be mailed an Officer Certification for execution. One Officer Certification covers all Series within the Program (Form SG-3).

11.502 ANNUAL INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT REPORT

Not later than one hundred twenty (120) days after the end of the Participant's fiscal year end, the Participant, at its own expense, shall cause a firm of independent public accountants that is a member of the American Institute of Certified Public Accountants to furnish a statement to the Administrator to the effect that such firm has examined certain

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documents and records relating to the Participant's servicing of the Mortgage Loans, and that, on the basis of such an examination conducted substantially in accordance with the Uniform Single Attestation Program for Mortgage Bankers, such firm is of the opinion that the Participant's servicing has been conducted in compliance with the Mortgage Origination, Sale and Servicing Guide, the Texas Veterans Land Board Program Guidelines and any other agreements examined except for 1) such exceptions as such firm shall believe to be immaterial, and 2) such other exceptions as shall be set forth in such statement.

11.503 ANNUAL FINANCIAL REPORTS

Annually, a Participant in the program is to provide financial information to the Administrator for review. The financial information is due on or before one hundred twenty (120) days after the end of Participant's fiscal year end. At the Participant's expense, the following items are to be forwarded to the Administrator.

- An opinion by a firm of independent certified public accountants on the financial position of Participant at the end of its fiscal year and the results of operations and changes in financial position of Participant for such year then ended on the basis of an examination conducted in accordance with generally accepted auditing standards.
- A statement from the independent certified public accountants concerning compliance with servicing standards as documented by either a Uniform Single Attestation Program report or a report issued in compliance with SEC Regulation AB.

11.504 SERVICING OF MERS REGISTERED LOANS

Only Participants specifically approved by the Administrator may deliver Mortgage Loans into the VLB program with title held in the name of MERS. Participants will be considered for MERS delivery if they are in good standing as a member of MERS at the time they request authorization from the Administrator. If at any time a Participant Servicer ceases to be a member in good standing with MERS they will be required to immediately prepare and record assignments, as directed by the Administrator, transferring title out of MERS' name. The preparation and recording of such releases will be at the expense of the Participant. Further, if at any time, by act of law, statute or other means it is determined that it is illegal for lien to be held in a nominee capacity by MERS, the Participant will, at its own expense, prepare and record assignments as instructed by the Administrator.

The Participant agrees to indemnify and hold the Board and the Administrator harmless for any loss, charge, liability or expense, arising from or relating to any lawsuits, disputes or other problems associated with or arising from:

- its participation in MERS,

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- the use of MERS as lien holder of record for any loan it produces or services on behalf of the VLB,
- the performance of its duties (or failure to perform its duties) in accordance with the rules, regulations and recommended operating procedures as established by MERS.

The Participant agrees to accept responsibility to properly execute all documents as officers of MERS in order to convey lien within the requirements of all applicable laws, statutes, regulations or other requirements applicable to the proper servicing of loans under the VLB program.

In all instances, it is the Participant's responsibility to service loans in accordance with these Guidelines. In the event of conflict between guidelines as published by MERS and these Guidelines, these Guidelines will be the controlling document. So long as they are not in conflict with these Guidelines, the Participant Servicer will fully comply with the rules, regulations and recommended operating procedures as established by MERS.

Under no circumstances may loans originated under the Two Note Program be originated as a "MOM" loan or be otherwise registered with MERS.

Loans delivered to VLB under MERS registration must show the VLB as the owner of Beneficial Rights. The Org ID to be used for this purpose is 1014191. It is the Participant's responsibility to promptly record this information upon sale of the loan into the VLB program. Further, if errors in the Beneficiary information, or other MERS data, are identified by any of the VLB, the Administrator, or the Participant, it is the Participant's responsibility to promptly cure the error.

Changes in Investor

Generally, once the loan is recorded with VLB as the beneficiary, the Participant Servicer will not be required to record further changes in Beneficial Rights. However, subsequent re-sales of the ownership rights to the Mortgage Loans are possible. In this event, the Participant Servicer must follow the instructions of the Administrator to assure the loan is properly separated on the records of the Participant Servicer to reflect those ownership interests. This includes the proper segregation of custodial accounts and, if applicable, the updating of the loan record, (Transfer of Beneficial Rights (TOBR) in the MERS systems.

In the event of sale of a Mortgage Loan to a party who does not accept MERS registration, the Participant Servicer shall, at their own expense, follow the instructions of the Administrator to assure the preparation of an assignment out of MERS and to the new investor. Any costs associated with the recording of such assignment will be borne by either the VLB or the purchaser of the loan.

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Reporting Requirements

In addition to other reporting requirements established under these Guidelines –

- Within 30 days of receipt of a request from the Administrator, the Participant Servicer must provide a reconciliation of 1) its VLB owned portfolio, to 2) MERS' records of loans serviced by the Participant for which VLB shows as holder of the beneficial rights. This reconciliation must include an aging of the reconciling items and detail steps being taken by the Participant to cure reconciling items which have been outstanding for more than 30 days.
- Occasionally the Administrator may produce its own exception reports by comparing the Beneficial Rights data in MERS' system related to VLB to its records. From this comparison, the Administrator would provide a listing of aged exceptions to the Participant for loans it services. The Participant must promptly (within 30 days) review the exceptions and provide loan level detail documenting actions being taken by the Participant to cure the exceptions in a timely manner.
- In addition to other requirements under these Guidelines, as part of its annual Officer Certification, the Participant will certify that it is a member in good standing with MERS and has complied with all the rules, regulations and recommended operating procedures as established by MERS except as they might otherwise be in conflict with the provisions of these Guidelines.

Foreclosure

The holding of title in the name of MERS **does not, in any way, alter the requirement that the Participant Servicer seek the approval of the Administrator (via written authorization) prior to initiating foreclosure action against a borrower.** Upon any such breach of this provision, at the sole discretion of the Administrator, the Participant Servicer is subject to one or more of the following:

- penalties in the amount of \$500.00 per case;
- termination of their participation in the program; and/or
- any other remedy of law or in equity.

For loans where title is held in the name of MERS, title must be assigned to Veterans Land Board (VLB) in accordance with MERS guidelines, but in all cases prior to foreclosure start. Mortgage loans are no longer allowed to be foreclosed in the name of MERS. In the State of Texas, the foreclosure should be brought in the name of The Veterans Land Board of the State of Texas. The Participant Servicer should always contact the Administrator if unsure of the name in which title should be held if the property becomes REO.

Select employees of the Participant Servicer will need to be certifying officers of MERS. This means they are authorized to sign any necessary

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documents as an officer of MERS in order to complete the assignment process.

Subordinations, Partial Releases, Easements and Other Modifications

All matters relating to changes affecting the Mortgage Loan or the security for the Mortgage Loan continue to require the prior approval of the Administrator even if title is held in the name of MERS. Any request for changes of this type should be accompanied by the subordination/release/easement document prepared for execution by an officer of MERS (in the Participant's shop) following receipt of approval from the Administrator.

Transfers of Servicing

In addition to all other requirements contained within these Guidelines related to transferring the servicing of VLB owned loans, if the transfer includes MERS registered loans and the transferee is not an approved MERS member in good standing, the transferor and transferee will be jointly and severably liable for all costs associated with preparing and recording assignments out of MERS as directed by the Administrator.

Paid in Full Loans Registered with MERS

To obtain original documents for a paid in full loan, the Participant shall provide to the Administrator an Officer's Certification Statement (See Form SG - 39) within thirty (30) days of the payoff date. Please note that the MERS information must be reflected on the form to facilitate this process. The VLB, or its designee, will return the original documents to The Participant for final disposition. The Participant must assure the release instruments are properly prepared, executed and recorded, and the MERS database is properly updated per the guidelines and recommended operating procedures established by MERS.

A copy of the release that was prepared and executed by the Participant must be delivered to the Administrator at the time of payoff.

Repurchase of Loans Registered with MERS

To obtain original documents for a loan being repurchased, the Participant shall provide to the Administrator an Officer's Certification Statement (See Form SG - 39) within five (5) days of the repurchase date. Please note that the MERS information must be reflected on the form to facilitate this process. The VLB, or its designee, will return the original documents to the Participant for final disposition. The Participant must assure the MERS database is properly updated, per the guidelines and recommended operating procedures established by MERS, to reflect the change in beneficial interest holder and the removal of the Master Servicer as Associated Member.

Penalties Specific to MERS

In addition to all other remedies available to the VLB or the Administrator under these Guidelines, failure to submit timely and/or accurate reports as

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required under this section will result in the assessment of a penalty of \$100.00 per report.

Further failure, to cure issues related to either 1) the proper reflection of the VLB's interest in the note, or 2) the proper reflection of the Master Servicer as Associated Member, in the MERS system within sixty (60) days of notice of such issue by the Administrator will result in an ongoing monthly penalty of \$100.00 per occurrence until such time as the issue is resolved.

11.600 CONFIDENTIAL BORROWER INFORMATION

The Administrator requires that each Participant take action to protect Borrower's confidential information in compliance with both law and industry standard. All documents containing confidential borrower information should be provided to Nationstar using the Secure File Upload (<https://servicerupload.nationstarmtg.com>).

Compliance with this policy will be monitored and any exceptions may result in termination of user rights within the system.

CHAPTER 12 - DELINQUENCY / DEFAULT MANAGEMENT

12.000 GENERAL

This chapter details the VLB's loan servicing guidelines related to delinquency management, loss mitigation, foreclosure, bankruptcies, and REO administration.

The Participant should be familiar with and comply with the requirements of any of the following (as applicable):

- Primary Mortgage Insurers
- Federal Housing Administration
- Veterans Administration
- Mortgage Pool Insurers

12.100 DELINQUENCY CONTROL

Participants are expected to protect the interest of the VLB by establishing a system for identifying defaulted loans prior to the 30th day of delinquency in order to begin loss mitigation efforts for such loans. Participants are expected to employ all collection methods in accordance with standard industry practices, and to comply with all applicable laws.

Participants should treat each delinquency individually. Collection efforts should be based on the Participant's knowledge of the Borrower's credit history, employment status, unique personal circumstances, property location and condition, and the extent of delinquency.

Each delinquent account should be analyzed to determine:

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- the cause of Delinquency;
- the nature of the cause (i.e., temporary or permanent);
- the attitude of the Borrower toward the debt; and
- the Borrower's ability to bring loan current.

Since it becomes increasingly difficult to bring a loan current as the number of delinquent payments increase, particular attention should be paid to reducing the number of Borrowers whose delinquency would otherwise exceed one installment.

Participant collection efforts must comply with applicable laws and regulations. Participants are expected to attempt to contact the Borrower by telephone before the loan becomes thirty (30) days past due. In addition, Participants are expected to use notices, letters, and face to face contact to enhance their collection efforts.

Participant collection techniques should be tailored to each Borrower. A variety of methods should be used, especially with Borrowers who are repeatedly delinquent. Form letters are a common and useful collection method, but are generally not as effective as personal contact or customized letters. Participants are encouraged to rely heavily on telephone contact and on face-to-face interviews whenever possible.

12.101 MONTHLY DEFAULT REPORTING

Participants shall provide the Administrator Monthly Default Reports. The monthly reporting cycle begins on the first Business Day of the month and ends on the Reporting Cutoff Date. Reports shall be delivered in accordance with the timeframes below.

Days Delinquent	Status As Of	Report Due
60+ Days	Month End	10 th Calendar Day
Bankruptcy	Month End	10 th Calendar Day
Foreclosure	Month End	10 th Calendar Day
REO	20 th of Month	Month End
FHA/VA Conveyances/Claims	Month End	10 th Calendar Day

In addition to the above, Participants must provide other documentation as reasonably requested by the Administrator on any defaulted loan.

Reports must be submitted under separate cover and may not be attached to or submitted as part of the Monthly Accounting Reports. If during a reporting period the Participant has no delinquencies, notification must be provided to the Administrator reflecting such.

The VLB's name, loan number and Program Bond Series must be included on all reports and correspondence delivered to the Administrator.

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Participants will receive a written notice via e-mail for each loan where an incomplete or inaccurate delinquency status report was received. A corrected report must be submitted within five (5) days of notice.

Reports must be completed in their entirety and contain accurate and current information. Reports submitted with comments such as “no change”, “same as last month” will be considered incomplete.

A penalty of \$100.00 will be assessed if a Participant fails to provide a correct report within five (5) days after notice has been issued. The penalty will be assessed for every loan where the Participant fails to provide a corrected report as required by the Administrator.

Unless otherwise modified by the Guide, the Administrator shall assess penalty fees in accordance with the Fannie Mae Guide for late, incomplete, and inaccurate reports.

12.102 NOTICES OF DEFAULT

Participants are responsible for filing Notices of Default (NOD) with insuring agencies. Failure to file the NOD may negate insurance proceeds and constitutes non-compliance on the part of the Participant. As a result of non-compliance, the Participant may be required to repurchase the loan.

Notice of Default Filing

The Notice of Default should be filed as follows:

- Within forty-five (45) days of the default, should the Borrower default on the first payment due under the terms of the Mortgage Note; or
- Within ten (10) days of:
 - a) The date the loan becomes four months delinquent and defaults.
 - b) The initiation of any proceeding which affects the property, the insured or the borrower's interest in the property.

12.103 PROPERTY INSPECTIONS

The Participant Servicer is not required to inspect the property for delinquent mortgages where the borrower has been contacted and made arrangements to resolve their default. However, should the Participant Servicer be unable to contact a borrower, or no satisfactory arrangements have been made to resolve the default, a property inspection must be completed no later than the 135th day of delinquency.

Participant Servicers must carefully review all inspection reports for any indications of damage or vandalism to the property, abandonment, or any other circumstances that may result in the deterioration of the condition or value of the property.

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Once contact has been established with a borrower, monthly inspections are not required if the borrower is on a repayment agreement and is in compliance with their plan. However, inspections must resume as soon as a borrower fails their agreement.

Once a loan is approved for foreclosure, property inspections must be made every thirty (30) days until foreclosure sale is held. More frequent inspections may be necessary for abandoned properties, damaged properties, or those in high-risk areas. Prompt action must be taken to correct any problems discovered during the course of these inspections to prevent the deterioration of the property.

Additional inspections should be completed whenever a Participant Servicer learns of circumstances that indicate the property may be at risk for abandonment, vandalism, or other damage.

12.200 GENERAL LOSS MITIGATION

The Veterans Land Board is willing to extend every consideration to delinquent Borrowers provided they are cooperative, acting in good faith and are able to make arrangements to resolve the default. Participant Servicers must identify the nature of the hardship and determine whether it is temporary or permanent in nature in order to offer a loss mitigation option that will yield the most positive results.

Once contact is established with a defaulted homeowner, the Participant Servicer must provide the borrower with a full range of loss mitigation options in accordance with accepted industry servicing practices. Participant Servicers are allowed to deny loss mitigation options once they have fully reviewed the individual borrower's circumstances and determined there are no viable loss mitigation alternatives to resolve the default.

The Participant Servicer must be mindful to take no action that will negatively impact mortgage insurance coverage. The approval of the insurer must be obtained if required by the insurer's guidelines. Foreclosure must be initiated in accordance with applicable insurer guidelines while loss mitigation options are reviewed. Any interest curtailments due to late start or completion of foreclosure will be the responsibility of the Participant Servicer.

If the hardship is determined to be temporary in nature, six (6) months or less (i.e., short term illness, temporary loss of income, etc.) an informal repayment plan is usually the best option. In cases where the hardship is permanent in nature, six (6) months or more (i.e., death, long term disability, etc.) or the debtor is unlikely to be able to resolve the default or to continue making payments, a formal forbearance or a compromise sale, deed-in-lieu of foreclosure, or assignment to the insurer may be more appropriate. The Participant Servicer must carefully evaluate each situation using standard industry practices to mitigate the loss to the investor. Loss mitigation efforts can continue even after the loan has been referred for foreclosure if there is reason to believe the default can be

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successfully resolved prior to the foreclosure sale being held.

Chapter 12, Section 12.201 provides several standard loss mitigation options. However, Participant Servicers are reminded this does not cover all possible loss mitigation options and scenarios. Participant Servicers are encouraged to consider other options that are accepted practice in the industry, and to contact the Administrator to discuss possible loss mitigation alternatives that are not specifically addressed herein if circumstances warrant. The Participant Servicer must, at all times, obtain approvals of insurers and the Administrator as required by their guides, policies, and procedures.

12.201 RELIEF AND FORBEARANCE PLANS

The Participant may approve a repayment plan that will cure the default in less than six (6) months. The Participant must monitor the payment performance of the borrower. A Foreclosure Recommendation (See Servicing Exhibit SE-4 and Form SG-11) must be submitted to the Administrator immediately upon the failure by the borrower to make any agreed upon payment. Once approved, foreclosure may not be halted for less than full reinstatement without the approval of the Administrator.

The following guidelines should be used in determining whether a borrower's circumstance meets the criteria for a temporary indulgence, informal or a formal/Special Forbearance Agreement.

Temporary Indulgence

Temporary indulgence may be granted only under circumstances where the Participant determines that the Borrower will be financially able to bring the account current by paying delinquent installments within thirty (30) days. Temporary indulgence may be appropriate under the following circumstances:

- A sale or rental of the property is pending;
- An insurance settlement is being negotiated;
- Assistance from a social agency has been arranged, but funds have not been received;
- Additional time is needed to formalize a repayment plan under other relief provisions;
- The mortgage payments were lost in transit and need to be traced; or
- Time is needed to correctly reapply previous payments that were erroneously applied as principal prepayments (when that is permitted).

A Participant Servicer does not need to obtain approval from the Administrator before granting temporary indulgence, nor do they need to

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notify the Administrator that it has been done.

Informal Forbearance/Liquidating Plan

Under a liquidating plan, the Borrower must make payments in addition to their regular monthly installments to cure the delinquency. A Participant could consider a liquidating plan when the delinquency resulted from a temporary hardship that no longer appears to be a problem.

When the delinquency involves fewer than three (3) monthly payments, liquidating plans may be oral agreements; however, the Participant should document the agreement in its mortgage files. Formal written agreements are required if the delinquency is greater than three (3) months. Each agreement should clearly set out the amount and due date of each additional payment, and the date by which the total delinquency must be cured. A liquidating plan for a second mortgage must also include a provision for automatic termination of the relief plan if the first mortgage goes into foreclosure.

Liquidating plans may require:

- Monthly payments that are multiples of the regular installment;
- Regular payments one month and multiple payments the next;
- Payments to be made more often than monthly; or
- Any other variation in the timing or amount of the payment that will cure the delinquency in the shortest possible time.

The Participant should report its approval of a liquidating plan in the first delinquency status report (See Servicing Exhibit SE-2 and Form SG-9) it provides to the Administrator after the plan is approved.

Special Forbearance

Under special forbearance, the Participant can agree to reduce or suspend the Borrower's monthly payments for a specified period. After that, the Borrower must agree to resume his or her regular monthly payments and to pay additional money toward the delinquency at scheduled intervals. Special Forbearance should be considered when the default is a result of:

- The Borrower's death or the death of a family member who made significant contribution toward the monthly payment;
- Illness or some natural disaster that the Borrower was not insured against;
- A substantial reduction in income that the Borrower could not prevent; or

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- Some other unusual circumstance that warrants the use of a relief provision and is well documented. (For example, individuals who are not eligible for relief under the Service member Civil Relief Act (F/K/A Soldiers' and Sailor's Civil Relief Act), but who are nonetheless affected by a call-up of reservists - - such as individuals who rent their properties to reservists; reservists who are on part-time active duty; individuals who receive a substantial portion of their monthly payment from a reservist who has been called-up, but who is not party to the mortgage, etc. - - should be considered favorably.)

The Participant must obtain the approval of the Administrator for any repayment plan of six (6) months or longer. No repayment plan exceeding eighteen (18) months will be approved, unless the Administrator obtains approval from the VLB. The Participant must obtain written documentation of the cause of the default and complete current financial data to verify the borrower's ability to meet payments under the proposed repayment plan.

The Participant should review the required information and submit an analysis and request for approval to the Administrator. The Participant may deny a repayment plan if the borrower fails to document their hardship or their ability to make proposed plan payments.

After approval is obtained from the Administrator, the Participant must obtain a signed agreement from the borrower. This agreement must clearly list the date and amount of all payments to be made under the plan. All payments under a formal repayment agreement must be made in *certified funds*. The Participant must verify the loan will be fully reinstated once all payments required by the plan have been made. The plan should contain language that the plan is void if any of the required payments are not made as specified. If foreclosure was in process at the time the plan was approved, language must also be incorporated to allow foreclosure to restart without a new breach notice to the borrower if the plan fails.

The borrower must sign the forbearance plan within seven (7) days of the date the approval was granted by the Administrator. The Participant is required to provide a copy of the plan to the Administrator within fourteen (14) days of the approval date.

Failure to provide a copy of the signed repayment agreement as required will result in a penalty of \$100.00 per month until received.

If the borrower fails a written forbearance plan, the Administrator must be notified and a Foreclosure Recommendation submitted. A new foreclosure approval is not required if approval had been granted at the time the forbearance plan was approved. The Administrator still must be notified the plan was failed and foreclosure has been restarted.

Borrowers who have substantial equity in their property may list it for sale as a means of avoiding foreclosure and the resultant loss of their equity in the property. In such cases, the Participant Servicer may grant special forbearance during the listing period. The Participant should base the length of the forbearance period on, the value of the property, the amount

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of the Borrower's equity, the time that will be needed to complete the sale of the property considering current market conditions, the amount of any payments the Borrower can make during the forbearance period, and the effect the granting the special forbearance may have on the likelihood of the VLB incurring a loss if the property is not sold and foreclosure proceedings have to be initiated.

Special forbearance agreements must always be in writing. They should clearly set out the period of reduced or suspended payments, the schedule for making additional payments, when the Borrower resumes regularly scheduled monthly payments, the date on which the forbearance will end, whether the forbearance was granted to enable the Borrower to sell the property, and the terms and requirements for paying off the mortgage.

When forbearance has been granted to provide the Borrower with an opportunity to sell his or her property as a means of avoiding foreclosure, the special forbearance agreement must include a provision that permits the Participant to initiate foreclosure proceedings at the end of the forbearance period if the property is not sold. The special forbearance agreement for a second mortgage must also contain a provision for automatic termination of the relief plan if the first mortgage goes into foreclosure.

Typically, the term of special forbearance should end no later than eighteen (18) months from the date of the first reduced or suspended payment. In any instance in which the forbearance period will extend beyond eighteen (18) months, the Participant should send its recommendation, along with a copy of the special forbearance plan, a letter from the Borrower documenting his or her financial hardship and requesting assistance, and evidence of the mortgage insurer's or guarantor's approval of the proposed forbearance to the Administrator.

Military Indulgence

The Service members Civil Relief Act (F/K/A Soldiers' and Sailors' Civil Relief Act) provides protection and relief to civilians who are mobilized into the military. Mortgage debts are covered under the Act to the extent that the Borrower was a civilian when he or she became obligated under the mortgage and subsequently entered the military service, either voluntarily or involuntarily. The relief begins when the individual receives his or her orders to report to active duty and ends a short period of time after he or she is separated from active duty.

One of the provisions of the Act requires the mortgage interest rate to be reduced to six percent (6%) during the service member's active duty period, unless the creditor applies to the court for permission not to reduce the interest rate because it can demonstrate that the service member's ability to repay the mortgage obligation has not been materially affected by his or her military service. As an added benefit the Veterans Land Board further reduces the interest rate to zero percent (0%) on loans where 1) it is the investor, 2) the borrower is otherwise entitled to the 6% rate under SSCRA, and 3) the loan meets the provisions established in the Program Guidelines (See Section 13.304 for more information).

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Another provision allows for a complete stay in the enforcement of the mortgage terms if the service member obtains a court order finding that his or her ability to maintain the obligation has been materially affected by entry into the military service. Rather than granting a complete stay, the court could require the service member to make regular partial payments during his or her period of military service.

The VLB's military indulgence relief provision follows the intent of the Service member Civil Relief Act (F/K/A Soldiers' and Sailors' Civil Relief Act), except that the VLB will apply most forbearance terms without the service member having to petition the court. See Section 13.304 for further enhanced benefits related to a reduced interest rate offered on VLB loans. VLB encourages service members to pay as much as possible toward their mortgage obligation during their active duty tour to keep the accumulated arrearages manageable. If a service member is unable to repay accumulated arrearages within ninety (90) days after his or her separation from active duty, the VLB will consider entering into an appropriate repayment plan or modifying the mortgage, if that is necessary.

12.202 VA REFUNDS/HUD ASSIGNMENTS

Both VA and FHA have the option of taking ownership of defaulted mortgage loans where the Participant is unable to cure the default through loss mitigation. VA calls this process "refunding". FHA calls it "assignment". This FHA Program is currently inactive but could be reinitiated in the future. It is the responsibility of the Participant to be familiar with the requirements of both VA and FHA in completing the claim and transferring ownership of the defaulted loan to the respective insurer.

The approval of the Administrator is not required when a Participant receives notice from VA that it has agreed to accept refunding of a loan. A copy of the VA/FHA approval letter from the insurer along with a request to release the original loan documents must be immediately emailed to the Administrator upon receipt.

The Participant must submit monthly reports of their activities by the 7th Calendar Day of each month using the Conveyance/Refund Status Report (See Servicing Exhibit SE-20 and Form SG-14).

The Participant is required to follow all of VA's written instructions and procedures in filing the refunding claim. The Participant will be responsible for any loss resulting from 1) a failure to assign a loan to VA where VA instructed it to do so, or 2) errors in the claim process itself.

Similarly, the Administrator's approval is not required if FHA agrees to accept assignment on a loan. Again, the Participant is responsible for meeting all requirements in the filing of the assignment claim and shall be responsible for any loss caused by errors in completing the assignment process.

The Participant must submit any documents requiring signature by VLB to the Administrator. Typically, this will include an assignment of the

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mortgage from VLB to the insurer and the endorsement of the note from VLB to the insurer.

12.203 LOAN MODIFICATIONS

A Participant Servicer may not modify the terms of any mortgage loan without the written approval of the Administrator. Changes to a loan's interest rate, monthly P&I payment amount, or maturity date are not allowed. Delinquent mortgage payments, fees, costs, or advances may not be capitalized without prior written approval of the Administrator. Prior principal curtailments cannot be reversed and used to make delinquent mortgage payments without the approval of the Administrator.

The Participant Servicer may consider modifications as part of the loss mitigation process if the hardship is long term and beyond the control of the borrower. Before submitting any request for modification to the Administrator, the Participant must obtain the approval of the loan insurer or guarantor, if applicable. Once the approval of the insurer has been obtained, the Participant should submit a copy of the approval letter along with a copy of the complete modification package that was submitted to the insurer.

For conventional, uninsured loans, the Participant must provide the Administrator with a package that includes the following:

- Written documentation of hardship from the borrower(s)
- Current BPO or appraisal
- Complete current financial information (including but not limited to current pay stubs and employment/income verification)
- Summary of all loss mitigation options offered and collection efforts
- The terms of the proposed modification
- Other data as may be required to support the request.

The following further clarifies the conditions under which the Administrator will consider a loan modification for approval:

- No change in note rate or maturity date
- Only P&I may be capitalized
- Borrower must pay all corporate / escrow advances up front prior to modification approval
- Hardship must be resolved and borrower must show income to support monthly payment going forward (nature of the hardship may determine whether VLB will require it to be resolved prior to modification).
- VLB reserves the right to require additional support/data at any time

The Administrator will issue a written decision with specific instructions

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on how to process the modification within ten (10) days after receiving a complete package, along with any additional documentation requested.

The Administrator specifically reserves the right to request any additional documentation it deems reasonable and necessary as part of the review process. If a modification is approved, the borrower must execute a formal modification document. The original modification document must be delivered to the Administrator at the time the modification is executed by both parties unless recording of the instrument is required under state regulations. If recording is required, the original instrument must be forwarded to the Administrator following the recording. **DO NOT** include the original documents with either accounting or default reporting. Please deliver the originals to the following address:

Nationstar Mortgage
Master Servicing Division
Document Control
8740 Lucent Blvd, Suite 600
Highlands Ranch, CO 80129

See Chapter 11, Section 11.504 for additional information related to the modification of MERS registered loans.

12.204 PREFORECLOSURE SALES AND DEED-IN-LIEUS

VA/FHA Loans

If a pre-foreclosure sale or deed-in-lieu of foreclosure is approved by VA/FHA, the Participant is not required to obtain the approval of the Administrator. The Participant must follow all VA/FHA requirements and there must be no resulting loss to the program. The approval by VA/FHA must be reported with the next month-end Foreclosure Status Report submitted by the Participant. The Participant must continue with foreclosure in accordance with VA/FHA guidelines until instructed otherwise by VA/FHA.

The Participant must provide written notice to the Administrator via email within twenty-four (24) hours after the pre-foreclosure sale is closed or a deed-in-lieu is recorded.

For pre-foreclosure sales, a copy of the HUD settlement statement must be included with this notice. *Failure to provide notice to the Administrator within twenty-four (24) hours as required will result in a \$100.00 penalty being assessed.*

Conveyance packages and/or claims for loss must be filed with VA/FHA in accordance with their respective guidelines. *Failure to submit conveyance packages and/or claims for loss within the time frames required by VA/FHA guidelines will result in a \$100.00 penalty being assessed.*

Conventional Loans (General)

Both pre-foreclosure sales and deeds-in-lieu of foreclosure should be

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considered once all other loss mitigation efforts have failed. The Participant should review each defaulted borrower's circumstances and manage the pre-foreclosure sale and deed-in-lieu process in accordance with Accepted Servicing Practices.

For conventional loans, the approval of the Administrator is required for all pre-foreclosure sales or deeds-in-lieu of foreclosure. The Participant shall be required to repurchase the loan should they approve without the prior written approval of the Administrator. If the loan is covered by PMI, the Participant must submit to the Administrator a copy of the package submitted to the insurer along with a copy of the PMI insurer's written approval. The PMI insurer must have agreed to pay the full claim due under the policy or the amount required to make VLB whole, whichever is lesser.

Pre-Foreclosure Sales (Conventional Loans)

Foreclosure activity must continue while a loan is being reviewed for a pre-foreclosure sale, unless permission to delay the process is received from the PMI insurer or the Administrator. To request approval for the preforeclosure sale from the Administrator, the Participant must submit a package for review that includes the following:

- Copy of the private mortgage insurer approval (if applicable)
- Written documentation of hardship from the borrower(s)
- Current BPO from listing broker with both "as is" and "repaired" values
- 2nd BPO from non-listing broker with "as is" and "repaired" values
- Complete current financial information (including but not limited to current pay stubs and employment/income verification)
- Summary of all collection efforts and loss mitigation options offered
- Copy of executed sales contract
- Detailed itemization of Participant expenses and costs to date

Borrowers will not be permitted to receive any proceeds from the sale. Borrowers may be required to make a contribution towards the loss. The Administrator will issue a written decision within five (5) days of the receipt of a complete package. The Administrator reserves the right to request additional documentation as they deem necessary.

Deed-In-Lieu of Foreclosure (Conventional Loans)

Participants must submit all the required documentation for a pre-foreclosure sale as outlined above (excluding the executed sales contract). Prior to considering the deed-in-lieu, the property must have been listed

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for sale at fair market value for three (3) months with no reasonable offer being received. The borrower must be able to convey clear title (with a title insurance policy), the property must be free of all other liens, and the property must be vacant. The acceptance of a deed-in-lieu of foreclosure will allow the Program to acquire title quicker than a foreclosure action. Participants are instructed to contact the Administrator regarding any circumstances that make a deed-in-lieu the most beneficial option to the Investor.

12.205 VETERANS HOME IMPROVEMENT LOANS

This Chapter applies only to Participants with Veterans Home Improvement Loans (VHIP) in their servicing portfolio.

VHIP loans are typically originated as true second liens. However, in some cases VLB may be in First lien position (where there is no existing First lien).

VHIP loans are covered by insurance under the HUD Title-1 Program. They are generally not foreclosed. If they become delinquent a FHA insurance claim is to be filed. If HUD rejects the claim, the Participant is allowed six (6) months to re-file the claim. If the re-filed claim is also rejected, foreclosure may be an option if the first lien has not been foreclosed. Please refer to the Claim Denied by HUD (Final) section below.

If a VHIP loan becomes delinquent, the Participant will use standard collection efforts as required under Title-1 Servicing Guidelines, including phone calls and written correspondence to the borrowers. No later than the ninetieth (90th) day of delinquency, the Participant is required to file a loss claim with HUD in accordance with HUD guidelines. The Participant must submit a written request for the original loan documents needed to complete the claim package to the Administrator.

Claim Approved by HUD

If HUD approves the claim, the Participant will receive a claim payment from FHA. *The claim payment funds must be remitted directly to VLB via ACH (Type 3) within fifteen (15) days of receipt.* A Foreclosure Remittance Summary (FRS) must be emailed to the Administrator when these funds are remitted. A copy of the HUD claim payment advice must be included with the FRS.

Claim Denied by HUD (Initial)

If HUD is unable to approve a claim, they will return the claim to the Participant with a denial letter listing any items needed to correct the claim. HUD's denial letter provides the Participant a six (6) month period from the date of the denial letter to submit the required corrections to HUD.

The Participant must provide a copy of the denial letter to the Administrator within fifteen (15) days of receipt. If the Participant is

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unable to address any of the corrections required, the Participant must include a written explanation along with a request for any documentation or information needed to re-file the claim. The Participant must notify the Administrator when the claim has been re-filed. HUD will re-review the claim once a completed correction package has been provided.

Claim Denied by HUD (Final)

If HUD issues a final denial of the Title-1 claim, the Participant is required to notify the Administrator within fifteen (15) days of the final denial. If the HUD denial is due to errors or omissions by the Participant, the Administrator will issue a repurchase demand to the Participant.

If the denial relates to origination/underwriting issues, the Participant will be required to provide documentation to the Administrator for review to determine if foreclosure of the lien may be appropriate. The Participant will provide the following within thirty (30) days of the final denial letter:

- Current title search to determine status of the first lien
- Current BPO
- Payoff quote from first lien Participant (if applicable)
- Status of first lien, including estimated sale date if in foreclosure

The Participant will be reimbursed for the cost of the title search and BPO at the final reconciliation of the loan. Upon receipt of this package, the Administrator will provide instructions to the Participant within fifteen (15) days. The options at this point will be to continue loss mitigation efforts, start foreclosure proceedings, or charge off the unpaid loan balance. The Administrator will provide specific written instructions to the Participant on a case-by-case basis.

Subordination of Second Mortgages

Subordinations of the lien agreement in order to permit refinancing of a superior lien are permitted by the VLB as long as a) all applicable insurance on the property remains enforce, b) the subordination is processed within the guidelines as published by HUD under the Title-1 Program, and c) the VLB's lien position is no less after the refinancing than it was prior thereto.

The Participant Servicer will forward a copy of the borrower's request for subordination along with a completed Subordination Agreement to the Administrator. The borrower's letter must indicate that they are only refinancing for the balance on the loan and nothing greater. The Administrator will forward the Subordination Agreement to Texas Veterans Land Board for execution.

Exceptions to the above require the approval of the Administrator and VLB. VLB reserves the right to amend their qualifying requirements outside of HUD's published guidelines at VLB's discretion.

12.300 BANKRUPTCY REPORTING

Participants are required to submit a Bankruptcy Status Report (See Servicing Exhibit SE-3 and Form SG-10) for all loans in bankruptcy by the 10th Calendar Day of each month. All applicable information must be completed. The Administrator loan number must be on all reports.

The contractual due date and post-petition due date for Chapter 13 cases are particularly important. If any loan is reported to be ninety (90) or more days delinquent post petition, the Participant must include a comment regarding any relief efforts. The date relief was requested, relief hearings scheduled, and the results of relief hearings must be reported. Other information and/or documentation as reasonably requested must be provided to the Administrator.

Participants will receive a written notice via e-mail for each loan where an incomplete or inaccurate bankruptcy report was received. A corrected report must be submitted within five (5) days of this notice.

A penalty of \$100.00 will be assessed if a Participant fails to provide a corrected report within five (5) days after notice has been issued. This penalty will be assessed for every loan where the Participant fails to provide a corrected report if required by the Administrator.

12.301 BANKRUPTCY SERVICING REQUIREMENTS

Bankruptcy servicing must be performed in accordance with Accepted Servicing Practices and must meet any additional requirements imposed by these Guidelines.

Participants must have written procedures to control and monitor bankruptcy proceedings effectively. The Participant (or their attorney) must maintain copies of all bankruptcy documents and provide them to the Administrator on request. These documents include but are not limited to:

- Borrower's Petition for Bankruptcy
- Notice of the First Meeting of Creditors
- Proof of Claim
- Debtor's Plan
- Motions for Relief
- Agreed orders, dismissals, or discharges
- Asset and liability schedules on multiple filers

Participants must notify the Administrator immediately upon receiving notice that a Borrower has filed a bankruptcy petition. Subsequently, Participants must submit Bankruptcy Status report every month (per

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Chapter 12, Section 12.300) until the loan comes out of bankruptcy.

VLB does not require Participants to use Fannie Mae approved bankruptcy attorneys but strongly suggests they do. The Participant is responsible for monitoring the performance of their attorney, and they will be required to reimburse the VLB for any losses that result from deficiencies in the attorney's performance, up to and including repurchasing loans if the attorney is deemed negligent.

The Participant and/or their bankruptcy attorneys are required to complete the following "key steps" in the bankruptcy management process:

- Suspending Debt Collection Efforts
- Filing a Notice of Appearance
- Obtaining and Reviewing Statements and Schedules
- Reviewing Bankruptcy Reorganization Plans
- Preparing and Filing a Proof of Claim
- Attending Initial Meeting of Creditors
- Monitoring Payments and requesting relief as needed if default occurs
- Insuring the debt owed to the VLB is included on the proof of claim.

For Chapter 7 bankruptcies, the Participant should monitor the loan for discharge within one hundred eighty (180) days of the filing date, and should contact the court for a status if no discharge has been entered.

For Chapter 13 bankruptcies, the post petition performance of the borrower must be closely monitored. If a loan becomes ninety (90) days delinquent, the Participant's attorney should be instructed to file a motion for relief. If the borrower is placed under an agreed order, the performance of the borrower under the terms of the order must be verified. Should the borrower fail to comply with the terms of the order, relief must be requested as soon as permitted by the order.

Special care must be taken by the Participant to monitor loans for multiple bankruptcy filings. Participants must instruct their attorney to file for relief with a one hundred eighty (180) day bar against future filings as soon as possible once it is apparent the borrower is delaying foreclosure by misusing the bankruptcy courts. Every effort should be made to obtain relief and complete foreclosure on these properties as soon as possible.

Participants must immediately notify the Administrator when it becomes aware of a borrower filing a petition for a bankruptcy "Cramdown" or any other petition that may affect the terms of the note or mortgage. They

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should immediately contact their bankruptcy attorney to verify they are experienced in handling Cramdown petitions, and should contact the Administrator for a recommendation regarding counsel if necessary.

The Cramdown petition must be monitored until the court either approves or rejects the proposed Cramdown and, again, the Participant must immediately notify the Administrator. An approved Cramdown must be closely monitored for performance, and the Administrator must be notified promptly of any default of thirty (30) or more days in payments.

If the Borrower is delinquent in their payments upon discharge or dismissal by the bankruptcy court, the Participant should confirm with their attorney the property has been abandoned or otherwise released from the jurisdiction of the bankruptcy court. Upon confirmation that the property is released, the Participant should immediately initiate loss mitigation and/or foreclosure proceedings as appropriate.

12.400 FORECLOSURE REPORTING

Participants are required to submit a Foreclosure Status Report (See Servicing Exhibit SE-5 and Form SG-12) for all loans that have been approved for foreclosure by the Administrator. The report is due by the 10th Calendar Day of each month. All applicable information must be completed. The Administrator's loan number must be on all reports.

Foreclosure in the State of Texas should take no more than three (3) months from the date the foreclosure is approved. If a loan was approved for foreclosure two (2) months ago and foreclosure sale is not scheduled to occur in the third (3rd) month following approval, the Participant must provide a detailed explanation for the delay.

Participants will receive a written notice via e-mail for each loan where an incomplete or inaccurate foreclosure report was received. A corrected report must be submitted within five (5) days of this notice.

A penalty of \$100.00 will be assessed if a Participant fails to provide a corrected report within five (5) days after notice has been issued. This penalty will be assessed for every loan where the Participant fails to provide a corrected report if required by the Administrator.

12.401 FORECLOSURE SERVICING REQUIREMENTS

Before a Participant requests foreclosure approval, they are required to exhaust all loss mitigation efforts in accordance with Accepted Servicing Practices and the terms of these Guidelines. If no arrangements have been made to cure the default, Participants are required to submit a recommendation for foreclosure approval for any defaulted loan in accordance with the timelines established by Accepted Servicing Practices. In all cases, the recommendation must be submitted no later than the 150th day of default, but not prior to expiration of the demand letter, unless otherwise approved by the Administrator. If a MERS registered loan, title must be re-assigned in the name of The Veterans Land Board prior to foreclosure start.

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The foreclosure recommendation package must include the following:

- Fully completed Participant Foreclosure Recommendation (See Servicing Exhibit SE-4 and Form SG-11)
- Copy of recorded assignment to The Veterans Land Board from MERS where applicable
- Copy of VALERI screen prints reflecting date loan entered for VA (VA loans only)
- Copy of demand (breach) letters
- 12 months payment history
- 12 months collection history
- Electronic Default Notification entered on Valerie/VA Electronic Reporting Interface (VA loans only)
- Copy of NOD/NOI filed with FHA/PMI
- An explanation of all loss mitigation opportunities that have been offered to the Borrower.

The Administrator will issue foreclosure approval within ten (10) days of receipt of a complete recommendation package. The Participant is expected to refer the loan to a foreclosure attorney within fifteen (15) days of foreclosure approval being issued. The Participant is responsible for all actions taken by the attorney they select, including any costs or interest curtailments incurred due to the non-timely completion of foreclosure.

A non-contested foreclosure in the State of Texas should be completed within ninety (90) days after foreclosure referral. A Participant must present justification if any loan does not proceed to foreclosure within this time period. If the Administrator determines that the delay was avoidable, the Participant may be required to repurchase the loan. The Participant is responsible for filing all documents required to complete foreclosure within this two-month period. This responsibility extends to those documents filed by their foreclosure attorney. These documents may include, but are not limited to:

- Breach or demand letters to all parties responsible for payment of the note
- All required notices to insurers (NOD / NOI)
- All required notices to Valerie (Electronic Default Notification) VA loans only
- Substitutions of Trustee (must be executed by Veterans Land Board)
- Posting notices

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- Foreclosure and/or conveyance deeds

See Chapter 11, Section 11.504 for more information related to the foreclosure of MERS registered loans.

12.402 LOAN DOCUMENTS ON FORECLOSURE PROPERTIES

No original collateral documents need to be produced in the State of Texas in order to complete the typical non-judicial foreclosure. The Administrator will not request and VLB will not release original loan documents for the purpose of completing a foreclosure sale.

The Administrator will instruct VLB to ship original loan documents to the Participant upon receipt of a fully completed VLB Notice of Acquisition (NOA). The Participant is required to submit the NOA to the Administrator within twenty-four (24) hours after foreclosure sale is held. The loan documents will be delivered within five (5) days after the order is placed.

12.403 LOSS MITIGATION ACTIONS DURING FORECLOSURE

Participants are encouraged to continue loss mitigation efforts once foreclosure has been approved. However, the Participant must continue the foreclosure process unless instructed to stop by the insurer or the Administrator, or until the borrower fully reinstates the loan. Participants are not to place an approved foreclosure on hold or agree to any loss mitigation proposal short of full reinstatement or payoff. Any loss mitigation must meet the terms outlined in Chapter 12, Sections 12.200 through 12.204 of these Guidelines. The approval of the insurer or Administrator to any loss mitigation must be obtained just as it would have been required prior to the approval of foreclosure.

Participants must fully comply with all statutory requirements. They must also take all required actions to complete foreclosure in a timely manner so as to mitigate the loss to the Program.

The VLB will not backdate any legal document. Documents requiring signature by VLB must arrive at the Administrator at least three (3) business days prior to the date the signature is required. This most commonly affects the Substitution of Trustee (See Form SG-17). The Participant is strongly encouraged to notify their attorney of the three (3) business day requirement. The Participant does not have delegated authority to sign Substitutions of Trustee documents on the behalf of the Veterans Land Board.

If a Participant receives notice of a bankruptcy filing at any time during the foreclosure process, they must immediately cease foreclosure actions and notify the Administrator of the filing. The chapter filed, filing date and case number must be provided.

Participants are required to complete monthly inspections of the property as required under Chapter 12, Section 12.103 of these Guidelines, and are reminded to promptly notify the Administrator of any factor, which may affect the value, or security of the mortgaged property.

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12.404 BIDDING INSTRUCTIONS / VA “NO-Bid” WRITE-OFF/ NEGATIVE LOSS/ GUARANTY LOSS

Bid instructions for VA and FHA insured loans must be obtained from the insurer in accordance with their guidelines.

If the VA refuses to issue a specified bid amount (ie, they are going to “no-bid” the loan), the VA “No-Bid” Write-Off is an option offered to Participants which allows them to convey the property back to the VA. Participants must protect the interest of the VLB by considering a VA “No-Bid” Write-Off option if a “no-bid” is going to be issued. Participants must obtain VLB approval through the Administrator prior to notifying the VA that a write-off has been finalized. In order to request VA “No-Bid” Write-Off approval, the Participant must submit the following documentation to the Administrator for review:

- The VA Liquidation Appraisal
- A copy of the VA’s no-bid letter
- Participant calculations for the total VA “No-Bid” Write-Off
- Participant calculations for the total VA “No-Bid” Write-Off / guaranty loss.

Upon receipt of these items, the Administrator will review the request and will provide a written response within ten (10) days. This written approval means the VLB has agreed to accept their pro-rata share of the loss/write-off.

If the Participant processes a VA “No-Bid” Write-Off without the prior written approval of the Administrator, the Participant will be required to make the VLB whole for all resulting losses to the program.

Bid instructions for *conventional, insured loans* should be obtained from the private mortgage insurer. Should the private mortgage insurer fail to provide bidding instructions, Participants must provide information as required for conventional, uninsured loans below.

For *conventional, uninsured loans*, bid instructions will be issued by the Administrator. Participants are hereby required to provide a Broker’s Price Opinion (BPO) and total debt due to the Administrator ten (10) calendar days prior to the date foreclosure sale is scheduled. If the property is vacant, the property must be secured and repair bids provided as well. The Administrator will review the information provided and provide bidding instructions to the Participant five (5) days prior to the scheduled sale. Failure to obtain bidding instructions from Administrator prior to foreclosure sale will result in repurchase.

For Two Note situations, the approval of both the Program and Participant note holders must be obtained. Should the Participant note holder decline the proposed specified bid, the Participant should notify the Administrator prior to foreclosure sale with the Participant note holder’s bid recommendation. Should the two note holder’s not agree on a specified

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bid prior to foreclosure sale, the Participant is instructed to bid total debt.

Should a Participant bid in excess of the specified bid amount, the Participant shall be required to purchase the resulting REO from VLB. The purchase price will be equal to the specified bid amount less otherwise reimbursable foreclosure expenses incurred. Purchase proceeds must be remitted to VLB via ACH (Type 3) within thirty (30) days after foreclosure sale. A late remittance penalty of \$100.00 per day will be assessed for late remittance of these proceeds.

12.405 NOTICE OF FORECLOSURE SALE HELD

The Participant must provide the Administrator with written notification within twenty-four (24) hours after foreclosure sale is held or a deed-in-lieu is recorded. Notice is to be provided to the Administrator by emailing a NOA (See Servicing Exhibit SE-6 and Form SG-13).

The NOA is required for all conventional, VA and FHA mortgages regardless of whether the property is sold to a 3rd party, becomes REO, or will be conveyed to FHA or VA. If any foreclosure sale is held or deed-in-lieu of foreclosure is recorded, and a NOA is not received within twenty-four (24) hours as required, a \$100.00 per day penalty will be assessed against the Participant until the NOA is received.

If a scheduled foreclosure sale is not held for any reason, the Participant must still provide the Administrator a completed NOA or other written notice with a complete explanation why the foreclosure sale was not held as scheduled. If sale was rescheduled, the new sale date should be provided if available.

When a property is purchased at foreclosure sale by another party, it is considered a Third Party Sale. Funds are collected and the Trustee's Deed upon sale is recorded in the new owner's name.

The Participant Servicer will report the Third Party Sale within 24 hours of the scheduled sale date. The Participant Servicer is required to email notification to MSTVLBLLRequests@nationstarmail.com.

The results should indicate property sold Third Party and the sale amount. The Participant Servicer is to collect the proceeds in full, within fifteen (15) business days from the date the sale was held and remit to VLB within fifteen (15) days of receipt. Expenses are to be withheld at the time of remittance to VLB. On FHA/VA insured loans, only expenses allowed by insurer may be withheld for reimbursement. A Foreclosure Remittance Summary is to be submitted to MSD within five (5) days of remittance of proceeds to VLB.

Participant Servicer should file claims within thirty (30) days of sale date.

12.406 REPORTING OF CONVEYED PROPERTIES

After foreclosure sale is held, if the property is to be conveyed to VA, FHA, or a Third Party, Participants must immediately begin the conveyance and claim process and complete all required filings within the time frames specified by the insurer. In Two Note situations, the Participant must immediately contact the Non-Program Loan holder and obtain all information needed to file the claim.

For any foreclosed loan that is conveyed to HUD/VA or sold Third Party, the Participants must submit a Conveyance/Refund Status Report (See Servicing Exhibit SE-7 and Form SG-14) by the tenth (10th) day of each month until the final claim proceeds due are received and the Participant has received permission from the Administrator to remove the loan from their system. A penalty of \$100.00 per loan will be assessed for incomplete or inaccurate reports.

The Participant must provide the Administrator with the date the transfer of custody (TOC) was filed in Valerie (VA loans only) and/or claim upon filing. Documents that require execution by the VLB must be submitted to the Administrator.

The Participant must maintain regular contact with the respective insurers and follow up no later than thirty (30) days after a conveyance is made or claim filed for payment. The Participant Servicer will be held liable for any losses incurred as a result of an insurer/guarantor showing a filing to have not been received timely.

12.500 REO MANAGEMENT

Generally, the Participant is responsible for the management and marketing of REO properties as outlined in Chapter 12, Section 12.504 of these Guidelines.

The Participant is to follow generally accepted servicing practices as amended by these Guidelines in fulfillment of those duties.

Failure to comply with these guidelines as specifically outlined may result in the Participant Servicer being required to repurchase the loan.

Two Note Situations

See Chapter 12, Section 12.703 for guidance of managing a REO property in a Two Note situation.

12.501 REO REPORTING

Participants are required to submit an REO Status Report for all active REO properties by the end of each month (See Servicing Exhibit SE-9 and Form SG-15). The reporting cut-off for REO properties is the 20th of each month. All applicable information must be completed. The Administrator's loan

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number must be on all reports.

Participants will receive a written notice via email for each loan where an incomplete or inaccurate REO report was received. A corrected report must be submitted within five (5) days of this notice.

A penalty of \$100.00 will be assessed if a Participant fails to provide a corrected report within five (5) days after notice has been issued. This penalty will be assessed for every loan where the Participant fails to provide a corrected report if required by the Administrator.

12.502 REO SERVICING REQUIREMENTS

If the property becomes REO as a result of foreclosure sale and is occupied, VLB will require the property be vacated as soon as possible. Participants are instructed to offer "cash for keys" to occupants in order to avoid the delay and expense of eviction.

Cash for Keys Prior to Start of Eviction

If a property is not vacant at foreclosure sale, the Participant must send written notice to the occupant via regular and certified mail within seven (7) days after foreclosure sale offering the occupant up to \$500.00 to vacate the property. The Participant has delegated authority to negotiate an offer up to \$500.00 without prior approval prior to the start of eviction. Any payment in excess of \$500.00 without the prior approval of the Administrator will not be reimbursed.

If the occupant refuses the offer or fails to respond within the ten (10) days of the "cash for keys" notice, or if the offer is refused within that time period, the file must be referred to the eviction attorney within the next five (5) days.

If occupant agrees to accept the offer, they must submit the executed agreement to the Participant within the ten (10) day period specified above. The written agreement must state that the occupant agrees to vacate the property on a specific date not later than forty-five (45) days from signing date. They must also agree to leave the property in broom clean condition. Eviction must be started within five (5) days if the occupant violates any of these terms.

Cash for Keys after Eviction is Started

If the occupant contests eviction, the Participant must submit a summary of issues to the Administrator with the attorney's estimate of fees and costs to complete eviction. The Participant should instruct the eviction attorney to contact the occupant or their counsel to inquire if they would consider "cash for keys". If they are interested, the Participant must provide a recommendation to the Administrator of a reasonable amount based on the circumstances and costs to complete the eviction. No specific amount should be offered to the occupant without the prior approval of the Administrator. The Administrator will notify the Participant of any approved offer amount. If the occupant agrees to accept, they must

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submit the executed agreement to the Participant within ten (10) days.

The agreement must state the occupant agrees to vacate the property by a specific date not later than forty-five (45) days from their signing date. They must agree to leave the property in broom clean condition. Eviction must be resumed within five (5) days if the occupant violates any of these terms.

Requirements for Completing Cash for Keys

Prior to releasing the “cash for keys” payment to the occupant, the Participant must obtain written confirmation from their Property Preservation Company that the property is vacant, secure, in broom clean condition, and re-keyed.

Extensions to Specified Time Frames

Participants may submit a request to the Administrator to extend any specified time frames. Requests must include a specific extension date with a detailed explanation why the extension is needed. Failure to meet required time frames will result in penalties being assessed.

Required Documentation

Participant will forward the Administrator copies of the following executed documents:

- Agreement for Surrender of Possession of Property
- Release (acknowledgment of receipt of funds)

Penalties

Penalties of \$100.00 per day will be assessed for missing specified time frames unless the Administrator approved an extension in writing. Penalties will be assessed for (but not limited to) the following violations:

- Failure to offer “cash for keys” to the occupant within seven (7) days after foreclosure sale.
- Failure to start eviction within five (5) days as required, if the occupant refuses the “cash for keys” offer or fails to respond within the ten (10) days allowed.
- Failure to start eviction within five (5) days if the occupant fails to vacate when required.
- Participant reimbursement for “cash for keys” payments will be limited to \$500.00 unless a higher amount was pre-approved.
- No reimbursement will be made for any “cash for keys” payment made if eviction was started unless prior approval was obtained from the Administrator.

12.503 REO MARKETING PACKAGE

A complete REO Marketing Package is due within fifteen (15) days after the later of foreclosure sale or date of first vacancy. If you are unable to meet this deadline, please email a written extension request to the Administrator. This request must include an explanation of the delay and the estimated date the package will be submitted. The Administrator will provide a written response within fifteen (15) days. A penalty of \$100.00 per day will be assessed for any REO Marketing Package received more than fifteen (15) days after foreclosure sale, first vacancy, or extension date, whichever is later.

The complete REO Marketing package must include the following information:

- A Current Appraisal by a state certified appraiser with "As Is " and "Repaired" Values for "Normal" and "90-120 Days" Marketing Time with Two (2) Sets of Original Photos.
- Two (2) Broker's Price Opinions (BPO's) with "As Is " and "Repaired" Values for "Normal" & "90-120 Days" Marketing Time, Interior and Exterior Photos. One BPO must be from the listing broker and a second from an independent broker.
- If the value per the appraisal and the non-listing broker's BPO are within ten percent (10%) of each other, but the listing broker's value varies by more than the lesser of \$6,000.00 or (10%) from the appraisal, please review the variances to determine causes that should be considered in setting the list price. Include this explanation as a part of your recommendation of the list price.
- Copy of the mortgage insurance claim (if applicable)
- Copy of hazard insurance claim (if applicable), along with an evaluation of whether any noted damage is eligible for claim under the hazard policy.
- Copy of the origination appraisal
- Copy of the Substitute Trustee's Deed
- For a REO property obtained as a result of foreclosure or deed- in-lieu of foreclosure of a loan registered with MERS, a copy of the deed transferring ownership from MERS in accordance with the instructions of the Administrator. See Chapter 11, Section 11.504 for further information.
- Two repair bids for any repairs indicated in the appraisals/BPO's along with a recommendation of what repairs should be completed. This recommendation must include a cost/benefit analysis of the repair costs against the anticipated increase in sale value if the repairs are completed. If the recommendation is to sell the property

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“as is”, please include an explanation why repairs are not warranted or cost effective.

- Provide a summary of both the real estate firm’s and the listing broker’s experience with disposing of REO properties.

12.504 REO MARKETING REQUIREMENTS

The Administrator will provide the Participant with written listing instructions within fifteen (15) days after a complete REO Marketing Package has been received. Listings are to be for a period of ninety (90) days with a six-percent (6%) commission unless specified otherwise.

If the Participant is unable to locate a broker at the standard six percent (6%) commission, please contact the Administrator with an explanation of the circumstances and to discuss possible alternative commission structures.

The Participant must provide a copy of the executed listing agreement to the Administrator within five (5) days after listing instructions are issued. Please provide two (2) photos showing both the listing signage and the subject property with the next REO status report.

Please note, VLB requires brokers be changed every ninety (90) days. To consider a waiver of this requirement, please provide a written notice to the Administrator request to our office with justification to support allowing the listing to remain with the broker.

The Participant is required to provide a monthly status report to the Administrator by the end of each month. The report must include the number of showings, the amount and number of offers, any comments from potential buyers, and the broker’s recommendation regarding future marketing efforts.

The Participant must submit *all* offers received to the Administrator for review. The Administrator will accept, deny, or counter the offer within five (5) days. If the offer is accepted, the Participant should notify the buyer and provide a copy of the signed contract to the Administrator within five (5) days.

The Participant will execute all closing documents in their capacity as Servicing Agent except for the Special Warranty Deed, which must be executed by the VLB. The deed must be delivered to the Administrator at least seven (7) days prior to the scheduled closing date.

12.600 REMITTANCE REQUIREMENTS

Participants are required to remit the following types of proceeds directly to VLB within fifteen (15) days of receipt via ACH (Type 3)*.

- VA conveyance or refund proceeds
- VA claim proceeds

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- FHA partial proceeds
- FHA final proceeds
- Private Mortgage Insurance (PMI) proceeds
- Preforeclosure Sale proceeds
- Third Party Sale Proceeds
- Any supplemental claim proceeds

Exception: Participants are required to remit REO sale proceeds to the VLB *within thirty (30) days of closing via ACH (Type 3)**.

** Participants will be assessed a \$100.00 penalty for any remittance made by check.*

Please refer to Chapter 12, Section 12.601 for the expense reimbursement procedures and Chapter 12, Section 12.602 for preparation of the Foreclosure Remittance Summary (FRS).

12.601 EXPENSE REIMBURSEMENT

Participants receive reimbursement for their foreclosure and/or REO expenses by retaining permitted expenses from insurance or sale proceeds they receive as outlined below.

For VA loans

Participants should deduct the expenses approved by VA from the VA final claim payment proceeds received. Participants may not deduct any expense that did not appear on the VA final claim or was denied by VA.

For FHA loans

Participants may deduct their expenses from the FHA partial payment as the final payment will not be sufficient to cover all expenses due to the 1/3 FHA curtailment of certain expense types. Participants may not deduct any expense that did not appear or was denied on the FHA claim.

For Conventional, Insured loans

Participants may deduct foreclosure expenses approved by the PMI insurer from the mortgage insurance proceeds they receive. Participants may not retain any expense denied by the insurer. Future expenses associated with the marketing of the property may be retained from REO sale proceeds.

For Conventional, Uninsured loans

Participants may deduct their foreclosure/REO expenses from REO or compromise sale proceeds they receive.

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Please refer to Chapter 12, Section 12.602 for instructions on preparing the Foreclosure Remittance Summary (FRS) and the documentation required for expenses retained by the Participant.

12.602 FORECLOSURE REMITTANCE SUMMARY

Participants must submit a FRS to the Administrator to document any VA, FHA, PMI, REO, Third Party Sale, or compromise sale funds remitted to VLB (See Servicing Exhibit SE-8 and Form SG-16).

To Prepare the FRS

The top section provides general loan information. All blocks must be fully completed. The Program and Participant loan due dates and Default Principal Balances are critical.

SECTION A - Liquidation Proceeds: Fully complete ALL blocks.

This identifies the amount and type of funds received. Documentation required:

- FHA proceeds – copy of the FHA Advice of Payment
- PMI proceeds – copy of the PMI Payment Advice
- VA proceeds – copy of the VA claim analysis
- Third Party Sale proceeds – copy of title company check evidencing funds were obtained within 15 days of the sale date
- REO/Comp Sale proceeds -copy of HUD Settlement Statement

SECTION B – Expenses: Fully complete blocks for any applicable category & total.

This identifies expenses being retained by the Participant. Please refer to Chapter 12, Section 12.601 for allowable expenses and when to claim expenses. Documentation required:

- VA loans – copy of the VA final claim
- FHA loans – copy of the FHA final claim
- PMI proceeds – copy of the PMI claim
- REO/Comp Sale proceeds – Copies of all invoices paid. For taxes and insurance payments, copies of the Participant history with tax/insurance payments noted.

SECTION C – Credits: Fully complete applicable blocks and total.

This identifies the escrow balance at default and subsequent funds received.

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SECTION D – Net Advances: Total of Line B less Total of Line C.

This represents the net amount of expenses advanced by the Participant.

SECTION E – Remittance to the Veterans Land Board

This section calculates the actual remittance due to the VLB.

For One Note situations, subtract Line D from Line A and enter this as the Amount of Liquidation Proceeds Remitted

For Two Note situations, the share of proceeds due to the VLB will vary from loan to loan. The VLB Program percentage is calculated as follows:

- Add the Program and Participant Default Principal Balances (from top of FRS)
- Divide the Program principal balance by the total Default Principal Balances
- The resulting fraction is the VLB share. This should be carried out to 4 decimals.

EXAMPLE:

Program Loan Default Principal Balance	\$47,125.75
Participant Loan Default Principal Balance	<u>\$37,915.89</u>
Total both Default Principal Balances	\$85,041.64

Divide VLB Unpaid Principal Balance (UPB) by the total (\$47,125.75 / \$85,041.64). The result is 55.42%. This is the pro-rata share due VLB on remittances

Enter the resulting fraction to the FRS on the VLB PROGRAM PERCENTAGE line. To calculate the remittance due VLB, subtract Line D from Line A and multiply by the VLB program percentage calculated.

To continue the above example, if Line A was \$10,000.00 and Line D was \$500.00, VLB would be due \$5,264.90. ($10,000.00 - 500.00 = 9,500.00$ x 55.42% = \$5,264.90)

Funds must be remitted to the VLB via ACH (Type 3) and the Foreclosure Remittance Summary with required documentation submitted to the Administrator.

12.603 FINAL RECONCILIATION AND REMOVAL

Once the Administrator has received all expected proceeds for a loan, they will complete a final reconciliation of funds received from and expenses retained by the Participant.

If this reconciliation is satisfactory, the Administrator will send a letter to the

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Participant requesting written confirmation of the following:

- the Participant has received and remitted all funds due to VLB
- the Participant has requested all expenses they are due and agrees to release the Administrator and the VLB from any future expense obligations, and
- the Participant is instructed to remove the loan balance from their system.

If the reconciliation reveals any additional funds are due to the VLB, the Administrator will invoice the Participant. The Participant will be invoiced for (but not limited to) the following items:

- Any expense claimed by the Participant that was denied by FHA/VA/PMI
- Any expense claimed by the Participant that was not claimed with FHA/VA/PMI (if applicable)
- Any interest curtailed by FHA/VA/PMI
- Remittance errors

Payment of this final reconciliation billing is due to the VLB via ACH (Type 3) within fifteen (15) days of the date of the invoice. *The Participant will be assessed a \$100.00 penalty for late remittance of invoiced amounts.*

Upon receipt of payment of this final reconciliation, the Participant will be sent a removal letter as outline above.

Removal letters must be signed by the Participant and returned to the Administrator within thirty (30) days. If the Participant objects to any of the stated conditions, they must notify the Administrator within thirty (30) days. After thirty (30) days the Administrator will consider the file closed.

12.700 STANDARD OF CARE

Each Participant shall perform its duties for the VLB with due care, diligence, reasonable promptness, and shall use at least the same degree of care in servicing Program Mortgage Loans as it would employ in servicing loans on behalf of Fannie Mae, Freddie Mac or itself. They must also meet all terms and conditions as detailed in these Guidelines. Failure to meet this standard of care will be remedied by the Administrator applying one of the following:

- Penalties
- Repurchase Demands
- Loss indemnification

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- Termination of the Participant from the Program.

Please refer to the Chapter 12, Sections 12.701 and 12.702 for specific details on each remedy.

12.701 REPURCHASES/INDEMNIFICATION

If at any time the Administrator determines a Participant violated the provisions of these Guidelines, and the violation resulted (or in the judgment of the VLB will result) in additional loss to the VLB, the Participant will be required to repurchase the loan, or indemnify the VLB

If a violation is detected, Administrator will issue a repurchase or indemnification letter requiring funds be remitted within forty-five (45) days.

The repurchase amount due will include the unpaid principal balance plus interest at the note rate from the last paid installment (LPI) date through the date of repurchase, plus any expenses previously paid by the VLB less any proceeds previously remitted by the Participant. If repurchase funds are not received by the required date, interest will continue to accrue at the note rate and a \$100.00 per day penalty will be assessed. All repurchase funds must be remitted directly to VLB via ACH (Type 3). A FRS must be emailed to Administrator at MSTVLBLLRequests@nationstarmail.com, the day funds are remitted to VLB.

Once repurchase funds have been remitted to VLB, the Participant must prepare an Assignment of Lien (See Form SG-24) (or Special Warranty Deed Form SG-18 for an REO repurchase) from the VLB to the Participant. This document must be forwarded to the Administrator for execution. The cost to prepare and record this document is the responsibility of the Participant. See Chapter 11, Section 11.504 for modifications to this process for MERS registered loans.

Repurchase is not an option for a servicing breach which occurs after foreclosure sale has been held if the property was sold to a 3rd party at foreclosure sale, or conveyed to FHA/VA, or if the REO has been subsequently liquidated. In these instances, the Participant will be required to indemnify and make the VLB whole for any loss incurred due to the breach.

12.702 PENALTIES

Penalties will be assessed against the Participant if the Administrator determines loans have not been serviced in accordance with Accepted Servicing Practices or the terms of these Guidelines. Penalties will be assessed for violations including, but not limited to, the following circumstances:

Offense	Occurrence	Fee
Late submission of required Delinquency Reports	1 st	\$500
	2 nd	\$750
	3 rd and Subsequent	\$1,000

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Missing VLB Loan Numbers on Delinquency Reports	N/A	\$100 per report
Incomplete and/or inaccurate Delinquency Reports	N/A	\$100 per report
Late submission of NOA	N/A	\$100 for each day late
Late on eviction or cash for keys deadline	N/A	\$100 for each day late
REO package	N/A	\$100 for each day late
Remittance of any Delinquency related proceeds by check	N/A	\$100 per check

12.703 SERVICING OF TWO NOTE VHAP LOANS

The Texas Veterans Housing Assistance Program is unique in that it contains some loans where the borrower(s) executed two notes that are secured by a single Deed of Trust. The holders of the two notes are co-first lien holders. Each has equal legal rights under the Deed of Trust securing their respective notes regardless of the relative size of the two notes. These are typically referred to as “Two Note” loans.

The Two Note program was closed on July 27, 2006, other than for commitments that were outstanding at that time.

In order to properly service VHAP loans, the Participant Servicer must recognize if the loan they are servicing is a single note VHAP loan or is one side of a Two Note VHAP loan. If it is a Two Note situation, the Deed of Trust and VHAP Rider will clearly identify the amount of the Program Note and Participant Note. If no Non-Program Loan is referenced in the Deed of Trust or Rider, the loan is a One Note VHAP loan.

The two notes may be held by a single Investor or may be split between two investors (Program Noteholder and the Non-Program Noteholder). Any breach of the terms of the Deed of Trust or default on the payment of either note impacts both noteholders. All servicing actions needed once any breach or default occurs must take into account the status of both notes and the terms of the Deed of Trust and Rider(s).

In instances where there are Two Notes with two investors, one note is typically set up with escrow accounts like a standard One Note mortgage. The second note is not escrowed. There is no program requirement that specifies which of the notes is escrowed. On non-escrowed, Two Note loans the Participant Servicer should never advance funds for payment of taxes, insurance, or other reason without consulting with the Non-Program Noteholder to avoid the duplicate payment of any item payable under the terms of the Deed of Trust and Rider(s).

The VHAP Deed of Trust Rider for notes held by two different investors

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require all funds received by either noteholder be split on a pro-rata basis between the two note holders. This has the net effect of preventing a borrower from paying on one note but not the other. If it is discovered the due dates on the Program Note and Participant Note do not match, payments must be reversed off the note that is paid further ahead and the funds applied as payments on the note that was further behind until the due dates on both notes match.

Below are additional guidelines to be followed for Two Note situations.

Loss Mitigation

The Participant Servicer of a Program Note in a Two Note situation must determine the status of the Non-Program Loan before agreeing to any type of loss mitigation. In two investor situations, both must agree on type of loss mitigation to be offered. The Participant Servicer of the Program Note must ensure all loss mitigation proposals comply with the provisions of these Guidelines and the requirements of the loan insurer or guarantor. The Participant Servicer of the Program Note must also obtain the approval of the Administrator when required.

Bankruptcy

If the Participant Servicer of a Program Note in a Two Note loan situation receives notice of a bankruptcy filing, they must determine the status of the Non-Program Loan. In a two-investor situation, the Participant Servicer of the Program Note must assure that efforts are coordinated with the Non-Program Noteholder in hiring of joint bankruptcy counsel in the administration of the bankruptcy proceedings. If the due dates on the two notes do not match, funds must be exchanged to bring both notes due dates even in accordance with the VHAP Rider before a proof of claim is filed. If a Proof of Claim was filed with mismatched due dates, an amended POC should be filed after any needed corrections are made. If the borrower defaults on bankruptcy payments, the Program Servicer must assure compliance with requirements of these Guidelines while coordinating with actions as required by the Non-Program Noteholder.

Foreclosure

Before requesting foreclosure approval from the Administrator, the Participant Servicer of the Program Note in a Two Note situation must determine the status of the Non-Program Loan. If the due dates on the two notes do not match, funds must be exchanged to bring both notes due dates even in accordance with the VHAP Rider. Updated breach letters may be needed if the due dates changed in this process. As there is only one deed of trust to be foreclosed, only one attorney should be engaged to complete the foreclosure on both notes. Insurers will only reimburse one set of attorney fees for the foreclosure. Any debt information provided to the foreclosure attorney must incorporate both notes and both Noteholders will need to execute all documents needed to complete foreclosure and/ or the liquidation of the property.

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Claims

Any claim filed with VA, FHA, or a private insurer must include all amounts due under both the Program and Non-Program Loans. These total debt figures are combined and only one claim is filed.

REO

The Program and Non-Program Noteholders may be operating under different servicing guidelines. It is important to note the Investors are co-owners of the property. Neither party has any legal rights above the other, both have an equal right in the decision making process. VLB is aware that a circumstance may arise where the servicing requirements of each of the investors may conflict. Servicing agreements do not entitle either of the Investors to sell a co-owned property without the permission of the other. Should conflict arise, the Participant Servicer of the Program Note should contact the Administrator.

Split Servicing Requirements

The VLB strongly recommends that the servicing of the Two Notes not be split between different servicers. However, in those circumstances where servicing has been split, the Participant Servicer of the Program Note is still responsible for coordinating with the Non-Program Note Servicer of the Non-Program Loan to assure compliance with these Guidelines and all applicable regulatory and insuring agencies. The following additional guidance is provided to assist in these situations.

Typically, whichever investor is handling the escrow payments will contact the foreclosure attorney. Immediately after a property becomes REO, the Participant Servicer of the Program Note should contact the servicer of the Non-Program Loan to request permission to market the REO. The marketing process in Two Note situation will require a significant degree of cooperation between both Noteholders, and this should be established immediately after a property becomes REO.

If the Non-Program Noteholder holds the larger share of the loan balances, the Participant Servicer of the Program Note may permit the marketing of the property by the entity established in their guidelines. However, the Participant Servicer of the Program Note remains responsible for providing the Administrator with all information required in Chapter 12 of these Guidelines. This includes (but is not limited to) submitting a complete REO marketing package, monthly status reports, etc. The Participant Servicer of the Program Note must send a letter to the Non-Program servicer notifying them of the documentation requirements of the VLB. This letter must also inform the Non-Program Noteholder that the signature of the VLB will be required on the closing deed when the property is sold. VLB will not sign any deed unless they have received the required documentation package and pre-approved the offer for the sale of the property. The Non-Program Noteholder must be further instructed that on a property sold without the prior approval of the VLB, they must indemnify VLB against any resulting loss.

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If the Program Noteholder (VLB) has the larger share and you are marketing the property, you must extend the Non-Program Noteholder similar cooperation and documentation if requested. The Participant Servicer of the Program Note should not accept any offer without prior approval of Non-Program Noteholder.

If the Non-Program Noteholder is Fannie Mae or Freddie Mac, and they wish to market the property even though they have the smaller share of the loan balances, the Participant Servicer of the Program Note should request approval from the Administrator before releasing the marketing. This request should be accompanied by a written commitment from the Participant Servicer of the Program Note to provide all the required information and a commitment from Fannie Mae/Freddie Mac that they will not accept any offer without the approval of the Administrator.

With regard to filing of claims in a split-servicing situation, the Participant Servicer of the Program Note must communicate with Non-program Noteholder. Per the terms of the Deed of Trust Rider, any funds received are split between the two Noteholder on a pro-rata basis.

Failure to comply with these guidelines as specifically outlined may result in the Participant Servicer being required to repurchase the loan or otherwise indemnify the VLB.

12.704 HOMESTEAD EXEMPTION FOR DISABLED VETERANS

Military veterans who are totally disabled or cannot work because of service-related injuries will pay no property taxes on their homes under the tax exemption approved by the legislature under House Bill 3613 Section 11.131 to the Texas Tax Code. The tax law is effective for the 2009 tax year. Eligible disabled veterans must apply for the tax exemption through their county appraisal district. An application form for veterans to use can be found on the Comptroller's Website at:

<http://www.window.state.tx.us/taxinfo/taxforms/50-114.pdf>

To get the exemption, the veteran must fill out and return (to their County appraisal district office) Form 50-114 Application for Residence Homestead Exemption along with the required documentation.

Documentation required is:

- A copy of the VA award letter

Qualifications for the new exemption are:

- A veteran owns a home and occupies it as their residence;
- A veteran has a disability rating from VA of 100% disabled or of individual unemployability; and
- A veteran is receiving 100% disability compensation from the US Department of Veterans Affairs for a service-connected disability.

If a veteran qualifies, his or her home will be totally exempt from property taxes in all jurisdictions, regardless of the home's value. If the home is

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co-owned with someone other than their spouse, the veteran's share of the home's value will be exempted.

Participant Servicers are required to 1) inform appropriate personnel in their tax and/or escrow analysis departments of this change, 2) ensure eligible veterans who properly apply for the benefit receive proper adjustment of their escrow accounts and 3) distribute information to call centers regarding House Bill 3613 so that veterans' inquiries are promptly and accurately addressed.

12.705 EXECUTION OF AFFIDAVITS, VERIFICATIONS AND OTHER LEGAL DOCUMENTS

It is the Participant Servicer's responsibility to ensure compliance with all local, state and federal laws and regulations on the mortgage loans being serviced under the Veterans Land Board Housing Assistance Program.

Nationstar Mortgage LLC, as Administrator of the Veterans Land Board of the State of Texas ("VLB") program, is aware of the publicity that has surfaced regarding the processing and notarization of foreclosure affidavits and other documents in connection with the foreclosure process. Particularly, the Participant Servicers should be aware of Fannie Mae Lender Letter LL-2010-11. As the VLB Guidelines incorporate by reference the servicing requirements as published by Fannie Mae, this letter is specifically applicable to your VLB servicing.

12.706 AD VALOREM PROPERTY TAX EXEMPTION

The Attorney General of Texas, Greg Abbott, issued an opinion dated March 4, 2003, stating that homes owned and held by the VLB pending resale are tax-exempt because they are used for public purposes (Opinion #GA-0026).

As a result of the opinion Participant Servicers are required to take any needed action to assure the VLB does not incur charges for property taxes for the period that they are the owners of real estate as a result of default liquidation processes. This includes assuring appropriate modification of the Participant Servicer's and any applicable vendor's policies and procedures, communications as needed with foreclosure attorneys and taxing authorities, and the provision of proper instructions for any closing of a REO sale.

Particularly, please assure:

- Taxes are paid only up to the point of foreclosure sale at which time Veteran Land Board "VLB acquires ownership
- No further taxes are paid during the period VLB holds title to the property including assuring there is no proration of taxes charged to the VLB at the closing of the REO sale

Buyers of VLB REO properties must be informed in writing at closing that they should not be liable for taxes associated with the period of VLB's ownership. They should be directed to contact their local taxing authority for direction. The Participant Servicer is to assist the purchaser as needed

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to assure they are not asked to bear the burden for the taxes related to the period of VLB's ownership.

Participant Servicers are required to inform appropriate individuals of this requirement including tax processors, foreclosure attorneys, REO management personnel and any associated vendors.

CHAPTER 13 - ACCOUNTING, REPORTING AND REMITTING

13.000 GENERAL

The accounting requirements for reporting and remitting on loans serviced on behalf of the VLB are outlined in this chapter. The Participant must comply with these Guidelines as written.

In cases where a matter is not addressed in sufficient detail in the Guide or Guidelines, the Participant should consult with the Administrator in order to develop appropriate guidelines to follow until the Guidelines are updated or amended.

13.100 ACCOUNTING METHOD

Participants shall report actual principal and actual interest collected from the borrower in their monthly accounting reports.

13.101 REPORTING REQUIREMENTS

Participants shall generate Monthly Accounting Reports as outlined in Section 13.104 of this Chapter for each Program Bond Series.

13.102 REPORTING PERIOD

The reporting period for the Participants monthly accounting reports must cover collection activity from the first Business Day of the month through the Reporting Cutoff Date (which is the last Business Day of the month).

13.103 REPORT DELIVERY

The Administrator must receive all accounting reports in hardcopy form or in a mutually agreed upon electronic format deposited to the Administrator's secure Website: (<https://servicerupload.nationstarmtg.com>). (User registration is required) within five (5) Calendar Day's following the Reporting Cutoff Date. If such fifth (5th) day is not a Business Day, the reports should be delivered the first Business Day immediately following such fifth (5th) day.

Hardcopy reports must be delivered to:

Nationstar Mortgage LLC
Master Servicing Division
VLB Investor Reporting
8740 Lucent Blvd., 6th Floor
Highlands Ranch, CO 80129

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The VLB's name and Bond Program Bond Series must be reflected on all reports and correspondence delivered to the Administrator.

13.104 MONTHLY ACCOUNTING REPORTS

The format for submission of the Monthly Accounting Reports shall be as follows:

Participant Servicers with twenty five (25) or more Mortgage Loans must report payment activity in electronic format, using the exact specifications provided by the Administrator. Files can be submitted to the Master Servicer's secure portal at (<https://servicerupload.nationstarmtg.com>). (User registration required for secure file transfer).

The specifications for reporting payment activity in an electronic format are provided in the Servicing Exhibits (See Exhibits SE-13 and SE-14) of these Guidelines.

Participants servicing less than twenty five (25) Mortgage Loans under the VLB Program Guidelines have the option to report with hard copy reports only.

All monthly accounting reports with the exception of the Analysis of Custodial Accounts Report are due on the fifth (5th) Calendar Day following the Reporting Cutoff Date or the following Business Day if the fifth (5th) Calendar Day falls on a weekend or holiday. The Analysis of Custodial Accounts Report should be prepared each month and made available upon request by the Administrator. The Monthly Accounting Reports shall include the following reports for each bond program serviced:

- Participant Collection Report (SE-22 and Form SG-29)
- Prepaid Installment Report (SE-23 and Form SG-30)
- Curtailment Report (SE-24 and Form SG-31)
- Delinquency Report (SE-25 and Form SG-32)
- New Loan and Loan Removal Report (SE-26 and Form SG-33)
- Trial Balance Report (SE-27 and Form SG-34)
- Consolidated Remittance Reconciliation (SE-28 and Form SG-35)
- Monthly Remittance Summary (SE-29 and Form SG-36)
- Statement of Paid In Full (SE-30 and Form SG-37)
- Analysis of Custodial Accounts Report (SE-31 and Form SG-38) ***(This report should be prepared each month and made available upon request by the Administrator).***

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All Monthly Accounting Reports shall contain totals for all dollar amounts reported.

Interim Monthly Accounting Reports reflecting Borrower collection activity from the first (1st) through the tenth (10th) should be included with the delivery of the Monthly Accounting Reports.

Participant computer generated reports are acceptable in lieu of using the above referenced Administrator forms, provided the Participant's reports capture all information required by the Administrator and are presented in the order outlined above.

If during a reporting period the Participant did not experience payment activity pertinent to one of the above forms, notification must be provided to the Administrator reflecting such. For example, if there are no delinquent loans, the Participant must report "no delinquent loans during this reporting period".

13.105 REPORTING PENALTIES

The Administrator shall assess penalty fees **by bond program** for late, incomplete, or inaccurate Monthly Accounting Reports as follows:

The lesser of \$150 for each bond program, or one times the service fee collected by the Participant Servicer on all VLB loans for the related Reporting Cutoff Date, with a minimum aggregate penalty per instance in accordance to Fannie Mae Single Family Servicing guidelines for late submission of investor reports.

13.200 ACCOUNTING PROCEDURES

All monthly installments applied to Mortgage Loan balances must equal or exceed the full monthly principal and interest payment. The payment should be applied in strict accordance to an amortization method based upon monthly interest calculations using a thirty (30) day month, three hundred sixty (360) day year.

13.201 PARTIAL PAYMENTS

Monthly principal and interest installments of an insufficient amount may not be applied until such time as a full payment is received. The incomplete payment should be held in a suspense account, temporarily applied to escrow, returned to the Borrower for a complete payment, or applied as a curtailment if instructed by the Borrower.

13.202 RE-AMORTIZATION OF PROGRAM LOANS

Re-amortization of VLB-owned mortgage loans are allowable following substantial curtailments if the remaining payments can be recast without affecting any applicable VA guaranty or insurance coverage (FHA or private mortgage insurance guidelines). The Participant Servicer is responsible for obtaining all required prior approvals of those agencies and for the full and accurate submission of all documentation required to

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insure continued coverage under their programs.

When a Borrower makes a substantial principal curtailment, he or she may request that the mortgage balance be re-amortized to reduce the monthly payment. If this happens, the Participant Servicer should treat the request as a request for a formal mortgage modification, requiring the Borrower to submit their request in writing. The new payment must fully amortize the remaining principal balance (after the application of the curtailment) within the remaining contract term per the original note as calculated using the current interest rate.

The following criteria must be met:

- Participant Servicer must put the modification agreement in writing and provide a copy to the Administrator prior to the effective date. This notification must include the written approval of the applicable insurer or guarantor;
- The terms cannot be extended beyond the original term of the mortgage;
- Curtailment must be applied in compliance with terms of the note and these Guidelines. Generally, the Participant Servicer must first apply any payments which are due at or prior to the date of receipt before the application of the curtailment;
- Curtailments that were received and processed in prior accounting cycles may not be reversed and reapplied as scheduled monthly payments (in order to bring the loan contractually current and eligible to be recast) without the explicit written approval of the Administrator.

In addition, to the above requirements, the prior written approval of the Administrator will be required if the loan being modified has been thirty (30) days delinquent more than once within the prior 12 month period.

It is the Participant Servicer's responsibility to assure that any modification it processes (including amortization under this section) does not result in any loss of insurance or guaranty coverage. To the extent a Participant Servicer's action results in such loss, at the option of the Administrator, the Participant Servicer must repurchase the loan or reimburse the VLB for any loss it incurs.

13.203 PREPAYMENTS AND CURTAILMENTS

In a situation where the Borrower has executed two separate Mortgage Notes (A Program Note and a Participant Note) and one Deed of Trust, both notes constitute co-first liens. Neither note has priority over the other.

As long as both Mortgage Notes are current, all curtailments shall be applied in accordance with the Deed of Trust and Riders. Generally, they require a pro rata application of any such funds based upon the outstanding principal balance.

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When a Mortgage Loan is paid in full, whether such payment is a Principal Prepayment in full or a scheduled final installment payment, the Participant shall submit to the Administrator a Statement of Paid in Full (See Form SG-37) *within five (5) calendar days following liquidation*. The Participant shall provide to the Administrator a completed release instrument in accordance with Chapter 11, Section 11.103. The Administrator, or its designee, will execute such original Mortgage Documents and return them to the Participant for final disposition.

Payment in Full Interest Calculation

The type of Mortgage Loan and the payoff date determines the amount of interest required to be collected when a Borrower liquidates a loan. The Program Servicer must follow the loan documents. However, generally:

- A full month of interest is based on a three hundred sixty (360) day year while a partial month is based on a three hundred sixty-five (365) day year.
- For VA, Conventional, and FHA Title I loans, the interest should be computed from the last paid installment date up to, but not including, the date the payoff funds are received using this calculation:

$$(Prior\ Month's\ UPB \times Pass-through\ Rate) / 12 = One\ Month's\ Interest$$

$$(Prior\ Month's\ UPB \times Pass-through\ Rate) / 365 = One\ Day's\ Interest$$

$$One\ Month's\ Interest \times Number\ of\ Full\ Months\ of\ Interest\ Due\ (if\ mortgage\ loan\ is\ delinquent) = Accrued\ Interest\ Due$$

$$One\ Day's\ Interest \times Number\ of\ Days\ of\ Partial\ Month\ of\ Interest\ Due = Accrued\ Daily\ Interest\ Due$$

$$Accrued\ Monthly\ Interest\ Due + Accrued\ Daily\ Interest\ Due = Total\ Payoff\ Interest$$

- For FHA loans, the interest should be computed from the last paid installment due date up to the date of the payoff (if the funds are received on an installment due date) or through the end of the month due date* (if the funds are received after an installment due date) using this calculation:

$$(Prior\ Month's\ UPB \times Pass-through\ Rate) / 12 = One\ Month's\ Interest$$

$$One\ Month's\ Interest \times Number\ of\ Full\ Months\ of\ Interest\ Due\ (if\ mortgage\ loan\ is\ delinquent) = Total\ Payoff\ Interest$$

If a Participant pays off a loan in error, the payoff reversal must be completed within two reporting periods from the month in which the loan was liquidated. Failure to meet this timeframe will result in the Administrator considering the loan a repurchase. The Administrator will assist the Participant Servicer in obtaining and executed assignment of lien to the Participant. The Participant Servicer will be responsible for curing any issues associated with any releases of lien which were recorded in error.

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13.204 REPURCHASES

The Administrator will require the repurchase of a Mortgage Loan (or of acquired property) as the result of the Participant's breach of any contractual representations and/or warranty under the terms of the Servicing Agreement, contract provision, or because of servicing deficiencies that have a materially adverse effect on the value of the mortgage note, the security property, or the VLB's interest therein.

When the Administrator requests a Participant to repurchase a Mortgage Loan, the Repurchase Price will be at par.

Repurchase Calculation

Generally, the proceeds for a repurchase are determined by adding the unpaid principal balance outstanding at the time of repurchase the appropriate adjustments for interest, attorney fees, legal expenses, court costs and other expenses that may have been incurred. Interest shall be calculated through the effective repurchase date for VA and conventional loans, and through the end of the month for FHA loans.

However, if a repurchase occurs as a result of a loan having been modified without the Administrators approval, the repurchase principal is the loan balance prior to the loan modification. Interest due is to be computed using the pre-modification principal and interest payment and interest rate. The total repurchase amount must include all outstanding servicing expenses which were funded to the Participant Servicer as a result of the modification.

The Participant shall report and remit repurchases to the Administrator under the same general procedures as paid-in-fulls. However, if the repurchase relates to an acquired property, the Administrator will instruct the Participant on how to report and remit proceeds.

The Participant shall provide to the Administrator a Request for Release of Documents in accordance with Chapter 11, Section 11.103.

13.300 REMITTANCE METHOD

Participants shall remit actual principal and actual interest collected from the Borrower since the prior months Reporting Cutoff Date.

The Participant via the Automated Clearing House (ACH) shall remit all funds due to the VLB. The VLB will draft the Participants Custodial

ACH set-up Participants will need to complete **ACH Authorization** Forms (See Servicing Exhibits SE-19 through SE-21 & Forms SG-26 through SG-28), and forward them to the VLB or Administrator for processing. Once access has been granted Participants can call-in their remittances using either the PC/Modem or touch-tone phone method. The PC/Modem method is preferable. Instructions for utilizing either method can be found in Servicing Exhibits SE-16 through SE-18.

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13.301 REMITTANCE REQUIREMENTS

All funds due the VLB must be made available for their use by the Remittance Date. If the Remittance Date is on a non-business day, the funds must be available on the preceding Business Day. Participants shall follow the guidelines outlined below to determine the Remittance Date.

- On or before the fifteenth (15th) day of each month for funds deposited to the Custodial Account from the 1st through the tenth 10th day of the month.
- On or before the fifth (5th) Business Day of each month, remit to the VLB all remaining collections deposited to the Custodial Account during the preceding month.
- Regardless of the above, payments received, as a result of a payment in full shall be remitted to the VLB within five (5) business days of receipt.

Each Participant shall remit funds received using the guidelines established for ACH remittances in Chapter 13, Section 13.300.

13.302 REMITTANCE PENALTIES

A penalty fee shall be assessed on the amount of the late remittance if funds are not remitted in accordance with the requirements outlined in Section 13.301. The penalty will be calculated for **each bond series** by multiplying the amount of the remittance shortage by the prime interest rate plus 3 percent, for each day that the remittance is late. For purposes of calculating the penalty, the rate used will be the rate published in the Wall Street Journal's prime rate index on the 1st Business Day of each month following the month in which the late remittance occurred. There is a minimum penalty of \$250 per bond series per month for the first instance of late remitting. For the second instance of late remitting, if it occurs within one year of the first instance, there is a minimum penalty of \$500 per bond series per month. For all subsequent instances of late remitting, if they occur within one year of the most recent instance, there is a minimum penalty of \$1000 per bond series per month. All penalties must be remitted via ACH to the VLB on or before the last Business Day of the month in which the penalty notice is received. Penalties are to be remitted to the VLB by Bond Series, with a type code 4.

13.303 PARTICIPANT SERVICER DISCREPANCIES

The Administrator shall deliver to the Participants by the tenth (10th) Business Day of each month a Servicer Discrepancy Report (SDR) in the form of Servicing Exhibit SE-32.

The SDR report lists all loans where a variance exists between the Participants reported principal and interest and the principal and interest due according to the Administrator's calculations.

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For corrections required by the Administrator, the Participant shall explain each difference, providing enough information (and supporting documentation) so the correction can be processed with the Participant's cutoff report immediately following the delivery of the SDR report.

If the Participants records are in error, they should simply process the necessary correction before the investor cutoff immediately following the delivery of the SDR report.

The Participants failure to correct loan variances reported on the SDR within 60 days of notification (two reporting periods) may result in the assessment of a penalty of \$50 per loan per month until the loan is corrected.

13.304 MILITARYINDULGENCE

Servicemembers Civil Relief Act

The VLB has deemed any borrower who 1) is a member of a recognized reserve of the U.S. Armed Forces or a member of the National Guard ,2) Active Reserves called back to active duty military, 3) is eligible for interest rate reduction to 6% under the Servicemember Civil Relief Act (F/K/A Soldiers and Sailors Civil Relief Act of 1940), and 4) whose loan is owned by the VLB, is entitled to receive the enhanced benefit of an interest rate reduction to zero percent (0%) while the eligible veteran is on active duty. This enhanced benefit will be allowed based on the date the borrower enters active duty (not based on the date of the notice calling the borrower to active duty). The reduction of the SCRA allowed 6% interest rate to 0% interest for veterans who otherwise qualify will be available even if the eligible veteran's credit review at origination was based on full or partial military pay. As an added benefit to the veteran who qualifies, the VLB has also granted a three- month grace period after the service member is deactivated before regular interest payments resume. **In the case of two-note situations, the rate reduction applies to only the VLB note.**

Another provision allows for a complete stay in the enforcement of the mortgage loan terms if the servicemember obtains a court order finding that his or her ability to maintain the obligation has been materially affected by entry into the military service. Rather than granting a complete stay, the court could require the servicemember to make regular partial payments during his or her period of military service.

Indulgence relief provisions follow the intent of the Servicemembers Civil Relief Act, except that VLB will apply most forbearance terms without the servicemember having to petition the court. VLB encourages the servicemember to pay as much as possible toward the mortgage obligation during his or her active duty tour to keep the accumulated arrearages manageable. If a servicemember is unable to repay accumulated arrearages within 90 days after his or her separation from active duty, VLB will consider entering an appropriate repayment plan. Arrearages do not include any amounts attributable to the excess of the note rate over 0% during the time of active duty.

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Members of the National Guard are covered by the Act and by the VLB's military indulgence policies if they are called up by the President or Secretary of Defense in connection with a national emergency, the deployment is supported by federal funds, and they serve for at least 30 consecutive days. If a state governor calls members of the National Guard or other state-supported military unit to active duty—and those individuals are eligible for state-mandated relief provisions—the Participant should follow VLB's guidelines for military indulgence. When adapting these guidelines to accommodate the provisions of the state-mandated relief, the Participant must comply with all of the provisions of the applicable state law—such as those related to eligibility criteria, specific forms of relief, the extent of the relief, etc.—even if the provisions differ from VLB's usual requirements.

If a Participant places a mortgage under military indulgence, it agrees to accept payments of less than the usual monthly installment. Pursuant to the Servicemembers Civil Relief Act, if the fixed mortgage interest rate exceeds the applicable new rate (6% or 0%), the monthly installment of P&I owed must be reduced to reflect interest at that rate while the borrower is in active U.S. military service (provided that the loan obligation was incurred prior to such service), regardless of whether military service is voluntary or involuntary. *Once the borrower's active duty status is terminated, the applicable rate cap will be extended three months after the termination of active duty.*

Initiating Relief

Before granting military indulgence, the Participant should ask the Borrower to provide a copy of his or her orders to military duty. If the borrower is being deployed immediately, the Participant should prepare and sign the form with as much of the information as the servicemember can provide over the telephone, requesting that additional information be provided as soon as possible.

The reduction in the interest rate to the applicable level should be automatic. It must be granted to any eligible servicemember whose first-lien or second-lien mortgage is secured by a one- to four-unit property, regardless of his or her occupancy status or percentage of ownership interest in the property. The Participant does not need to determine whether the servicemember's entry into active duty materially affected his or her ability to pay interest at the note rate. VLB will not exercise its right to petition the court to reinstate the higher mortgage interest rate.

Civil Relief Act does not specify the actions that a servicemember must take to notify a mortgage holder that he or she qualifies for the reduced interest rate. Most mobilization instructions advise the servicemember to notify his or her mortgage holder before beginning to make payments at a reduced rate. Most individuals will probably do that to make sure that they can determine the exact payment they should make. However, some may reduce their payments without notifying the Participant in advance. To confirm a borrower's eligibility under the Act, the Participant should consider including with any partial payments that are returned to borrowers a form letter explaining the provisions of the Act and providing instructions on how eligible persons can obtain benefits. The Participant

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also may be able to obtain information from its origination files that will help it determine a borrower's military status.

Reduction of Interest Rate

The reduction in the mortgage interest rate to the appropriate rate is required regardless of whether the mortgage status is prepaid, current, delinquent, or in foreclosure. Any prepaid installments with due dates during the period of active duty must be reapplied at the appropriate rate. Installments that are delinquent when the servicemember enters active duty status must be paid with interest at the rate that was in effect when the payments came due. If the servicemember fails to notify the Participant when he or she initially enters active duty status, but subsequently provides evidence of the active duty status, the Participant must reapply, using the reduced applicable interest rate, any payments made after military service began. The servicemember should be given an option regarding the treatment of any remaining funds after the reapplication—application as a monthly payment (if sufficient), application as a principal curtailment, or a refund to the borrower.

The reduced interest rate becomes effective when the servicemember reports for active duty. Rather than change the mortgage interest rate during the month, the Participant should make the new interest rate effective with the first payment due after the servicemember enters active duty. Since interest is paid in arrears, a servicemember will receive the benefit of the lower interest rate for the entire month, including any part of the month that precedes the date he or she entered active duty.

Under the terms of the Servicemembers Civil Relief Act, the difference between the full mortgage interest rate and the new applicable rate is not deferred; rather, it is forgiven. VLB, as the mortgage holder, will absorb the cost of this interest rate reduction.

The Participant must retain in its records copies of any written correspondence with the servicemember that indicates the new payment amount, the date it becomes effective, and the date it will be discontinued. VLB does not specify a particular form or document for this notification. If the servicemember also is being granted additional military indulgence, the Participant should have a copy of the repayment plan in its records.

Although the reduction in the interest rate to changes the terms of the mortgage, VLB does not require the servicemember to execute an addendum to the note and a rider to the mortgage, or a formal mortgage loan modification agreement, to reflect the reduced interest rate. Of course, if the mortgage is modified once the servicemember is no longer on active duty, a mortgage loan modification agreement will be required at that time.

VLB expects the Participant to follow up with the servicemember periodically to determine when his or her active duty status will end, or whether there has been a change in his or her financial situation (if additional military indulgence was granted). At a minimum, the Participant should contact the servicemember or his or her family every three months to obtain a status report.

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Determining Monthly Payment Amounts

Active Duty Payment - The standard amortization method for determining monthly payment amounts owed for loans for which the interest rate is reduced is based upon a recalculated amortization schedule with the interest at the applicable rate and the actual remaining term of the loan. The Participant must change the installment to reflect the full interest rate as of the fourth payment due after the borrower is no longer on active duty. This will ensure that the borrower is charged interest at the reduced rate during whatever portion of the month he or she was on active duty.

Post Active Duty - The borrowers post active duty loan payment is to return to the payment amount prior to the servicemember's call to active duty, and is to begin 90 days after the borrower is released from active duty.

Servicing Fee

If the interest rate has been reduced to 0%, the Participant should calculate its servicing fee on the principal balance of the mortgage at the beginning of each month (and not use a percentage-of-interest factor to determine the fee). This will ensure that the Participant will continue to receive the same, or nearly the same, servicing fee that it would have received had the interest rate not been reduced to 0%.

If the Participant's loan servicing system does not support the computing service fee using the principal balance, they must manually calculate the fee and retain it from their monthly remittance. The total servicing fee retained must be reported on the Monthly Remittance Summary and appropriate documentation provided. If a Participant elects not to retain service fee for SCRA loans, please complete the Waiver to Retain Service Fee Notice (Form SG-41).

Reporting to Program Administrator

The Participant must provide the following information to the Administrator as evidence of the borrower's eligibility to receive the SCRA benefit:

- 1) Copy of the servicemember's orders to report to full-time active duty.
- 2) An executed Statement of Mortgagor Acknowledgement (Form SG-40) of the reduced interest rate terms, or a comparable document.

If additional Military Indulgence has granted to the servicemember, under the terms of the Servicemember Civil Relief Act, copies of any agreed upon repayment plan should also be submitted.

Nationstar Mortgage LLC
8740 Lucent Blvd. Suite 600
Highlands Ranch, CO 80129

PROGRAM GUIDELINES

PART THREE LOAN SERVICING CONTACTS

Name	Title	Phone	E-mail Address
Michele Olds	Division Manager	303-515-8152	Michele.Olds@nationstarmail.com
Deb Karr	Default Servicing Manager	303-515-8133	Deb.Karr@nationstarmail.com
Joseph King	Investor Accounting Manager	303-515-8134	Joseph.King@nationstarmail.com
Nikki Scott	Investor Accounting Supervisor	303-515-8165	Nikki.Scott@nationstarmail.com
Joyce Vincent	Annual Compliance Supervisor	303-515-8182	Joyce.Vincent@nationstarmail.com
Chris Baker	Servicer Oversight Manager	303-515-8102	Chris.Baker@nationstarmail.com
Danny Xu	Doc Control Supervisor	303-515-8106	Danny.Xu@nationstarmail.com
Joseph King	Cash Control Supervisor	303-515-8134	Joseph.King@nationstarmail.com

Group Mailboxes	E-mail Address
Default Loan Level Requests and Notification/Document Execution and Ordering/MERS	MSTVLBLLRequests@nationstarmail.com
Loan Level Requests (not collateral related) on Current Loans	MSServicer.HelpDesk@nationstarmail.com
Annual Compliance Documentation	MasterServicingCompliance@nationstarmail.com

These contacts may be updated from time to time by notice from the Administrator.

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PART FOUR GLOSSARY OF TERMS

The following terms when capitalized in the Program Guidelines, possess the following meanings unless context otherwise indicates.

Accepted Servicing Practices With respect to any Mortgage Loan, those mortgage-servicing practices (including collection procedures) that are in accordance with the requirements of FHA, VA, any applicable Private Mortgage Insurance Policy and the Fannie Mae Guide.

Administrator In regards to Chapters 1 through 9 of the Guidelines the term shall reference Gateway Mortgage Group LLC or its successors in interest or assigns, or any successor under the governing documents appointed as herein provided.

In regards to Chapters 10 through 13 of the Guidelines the term shall reference Nationstar Mortgage LLC or its successors in interest or assigns, or any successor under the governing documents appointed as herein provided.

The Administrator shall have all rights as designee of the VLB to enforce the representations and warranties, and all other covenants and conditions set forth by the governing documents, and the Participant shall follow and shall be entitled to rely on the instructions of the Administrator under this Agreement as if such instructions were the instructions of the VLB. The Administrator shall have the right to give any waivers or consents required or allowed under this Agreement on behalf of the VLB, and the Participants shall have the right to rely on all such waivers and consents.

Both Gateway Mortgage Group LLC and Nationstar Mortgage LLC, each in its role as Administrator, is empowered to enter into and execute and deliver any amendments or modifications to these Guidelines as the VLB's designee hereunder, and such amendments or modifications shall be binding upon the VLB as if the VLB had executed and delivered the same. The Participant shall treat the Administrator as "Owner" hereunder until the Participant receives written notice from the Owner that the Owner has terminated or replaced the Administrator.

Amortization Gradual reduction of the mortgage debt through periodic payments scheduled over the mortgage term.

Appraisal Report A report setting forth the fair market value of a Mortgaged Property as Determined by an appraiser who, at the time the appraisal was conducted, met the minimum qualifications of Fannie Mae or Freddie Mac for appraisers.

Appraised Value As to any Mortgage Property, the lesser of 1) the appraised fair market value of such Mortgaged Property based upon the appraisal made at the time of the origination of the related Mortgage Loan, of 2) the sales price of the Mortgaged Property at such time of origination, except in the case

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	<p>of a Mortgaged Property securing a refinanced or modified mortgage Loan, as to which it is either the appraised fair market value determined as in clause (l) above or the appraised fair market value determined in an appraisal at the time of refinancing or modification, as the case may be.</p>
Assignment or Assignment of Mortgage	<p>An assignment of the Mortgage Loan, notice of transfer or equivalent instrument, in recordable form, sufficient under the laws of the jurisdiction where the related Mortgage Property is located to reflect of record the sale and assignment of the Mortgage Loan.</p>
Assumption	<p>A method of selling real estate wherein the property purchaser agrees to take over the primary liability for payment of an existing mortgage.</p>
Authorized Officer	<p>An officer of the Participant named in the Board Resolution as authorized to execute documents on behalf of the Participant and to enter in to purchase Commitments.</p>
Automated Clearing House	<p>An electronic drafting system that debits a Participant's authorized bank account and electronically transfers funds to a designated payee account.</p>
Bankruptcy	<p>A proceeding in a federal court in which a debtor who owes more than his or her assets can relieve the debts by transferring his or her assets to a trustee. This affects the borrower's personal liability for mortgage debt, but not the lien of the mortgage.</p>
Bankruptcy Cramdown	<p>A process by which a bankruptcy court divides a Borrower's debts into secured and unsecured portions. For a mortgage debt, the secured portion is equal to the current appraised value of the property and the unsecured portion is equal to the difference between the unpaid principal balance of the mortgage and the appraised value of the property. The borrower is placed under a payment plan that will result in some of the unsecured debt being paid off in three (3) to five (5) years. If the borrower successfully completes the repayment plan, the remainder of the unsecured debt is discharged.</p>
Best Efforts Commitment	<p>The obligation on the part of the Participant to deliver an eligible Mortgage Loan to TVLB via Gateway Mortgage Group LLC.</p>
Board Resolutions	<p>Resolutions of the Participants Board of Directors authorize the Participant to execute and deliver Mortgage Loans to VLB.</p>
Borrower	<p>The individual or individuals obligated to repay a Mortgage Loan.</p>
Business Day	<p>Any day other than 1) a Saturday or Sunday, or 2) a legal holiday or a day on which banks in the States in which the offices of the Participant Servicer or Administrator are located are authorized or obligated by law or executive order to be closed.</p>
Calendar Day	<p>The actual calendar day of the month.</p>

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Co-Borrower	Any individual who shares the legal obligation to repay a Mortgage Loan. Non- Occupying Co-Borrower(s) are not allowed.
Commitment	The Administrator's issuance of a rate lock confirmation is called a Commitment A Commitment binds the VLB and the Primary Lender to the terms of the applicable VLB Application to Participate, VLB VHAP Program Guides, and the Commitment issued pursuant thereto.
Commitment Date	The date on which the Primary Lender agrees to deliver an eligible Mortgage Loan to The Administrator for purchase on behalf of the VLB at an agreed upon rate and price at some point in the future.
Commitment Expiration Date	The date as established in the commitment, by which the Administrator must have, received a complete, purchasable loan file on an eligible Mortgage Loan in an amount sufficient to fill the terms of the Commitment.
Commitment Period	The duration of the Commitment, stated in calendar days.
Condemnation Proceeds	All awards or settlements in respect of a Mortgaged Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation, to the extent not required to be released to a Borrower in accordance with the terms of the related Mortgage Loan Documents.
Conventional Mortgage	A mortgage that is not insured or guaranteed by the federal government. Generally, this is any loan that is not FHA insured or VA guaranteed.
Cramdown	A bankruptcy "cramdown" is the act of obtaining confirmation of a reorganization plan over the objection of the creditors. A "cramdown" of the mortgage debt is an attempt to involuntarily modify any of the terms of the Security Deed, Mortgage, or Note by court order.
Critical Information	Veteran's Name, Social Security Number, Property Address, Loan Term and Eligibility Status* *The Administrator will verify that the Veteran's eligibility as to restricted/unrestricted funds usage has not changed at the time the commitment is issued. It is the Primary Lender's responsibility to verify that the Veteran's Texas residency status has not changed since the Notice of Eligibility was issued.
Curtailment	Any principal payment in excess of the principal portion of a scheduled Mortgage payment.
Custodial Account	The separate demand account or accounts created and maintained pursuant to Chapter 11, Section 11.301 at a Qualified Depository.
Deed-in-lieu	A deed given by a Borrower to the mortgagee to satisfy a debt and avoid foreclosure; also called a voluntary conveyance.

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Deed of Trust	A type of Security Instrument conveying title in trust to a third party related to a particular piece of property. It is used to secure the payment of a Note.
Due Date	The day of the month on which the Monthly Payment is due on a Mortgage Loan, which is the first day of each month exclusive of any days of grace.
Due-On-Sale Clause	The clause in a Security Instrument requiring the payment of the entire loan balance upon sale or transfer of an interest in the mortgaged premises.
Eligible Mortgage	A Mortgage Loan, which conforms to the product and loan characteristics set forth in the Commitment Confirmation, and guidelines for that product as set forth in the VLB Program Guidelines.
Errors and Omissions Coverage	A type of indirect loss insurance used to cover losses that occur because of an error or neglect on the part of an employee to whom a specific responsibility was assigned
Escrow Account	A trust account that is established to hold funds allocated for payment of real estate taxes, hazard or mortgage insurance premiums, etc, as they are received each month until such time as they are disbursed to pay the related bills.
Fannie Mae	Formerly known as the Federal National Mortgage Association, or any successor thereto.
Fannie Mae Guide	The Selling and Servicing Guides and all related announcements, letters, guidelines, amendments or additions thereto.
FDIC	The Federal Deposit Insurance Corporation, or any successor thereto.
FHA	The Federal Housing Administration of HUD, and any successor thereto.
FHA Insurance	Those types of FHA mortgage insurance on residential properties issued under the National Housing Act of 1934, as amended.
FHA Mortgage	A mortgage that is insured by the Federal Housing Administration.
Freddie Mac	Federal Home Loan Mortgage Corporation (also called Freddie Mac), or any successor thereto.
Freddie Mac Guide	The Selling and the Servicing Guide and all related announcements, letters, guidelines, amendments or additions thereto.
Fidelity Bond:	A fidelity bond to be maintained by the Administrator pursuant to Chapter 11, Section 11.500.
First Mortgage	A mortgage that is a primary lien against a property.

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Fixed Rate Mortgage	A mortgage that provides for only one interest rate for the entire term of the mortgage. If the interest rate changes because of enforcement of a due on sale provision, the mortgage is still considered a fixed rate mortgage.
Flood Insurance	Insurance that compensates for physical property damages resulting from flooding. It is required in federally designated Special Flood Hazard Areas.
Foreclosure	The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves the forced sale of a property at public auction with the proceeds of the sale being applied to the mortgage debt.
GAAP	Generally accepted accounting principles, consistently applied.
Ground Rent	The amount of money that is paid for the use of land when title to property is held as a leasehold estate, rather than as fee simple.
Hazard Insurance	Insurance coverage that compensates for physical damage – by fire, wind, or other natural disasters.
HUD	Department of Housing and Urban Development, or any successor thereto.
Insurance Proceeds	With respect to each Mortgage Loan, proceeds of insurance policies insuring the Mortgage Loan or the related Mortgaged Property.
Lender	An entity which has executed an Application to Participate in the VLB Housing Program and been approved by the VLB.
Liquidation Proceeds	Cash received in connection with the liquidation of a defaulted Mortgage Loan, whether through the sale or assignment of such Mortgage Loan, trustee's sale, foreclosure sale or otherwise, other than amounts received following the acquisition of an REO Property.
Loan-to-Value Ratio:	With respect to each Mortgage Loan, the original principal balance of such Mortgage Loan divided by the Appraised Value of the related Mortgaged Property.
Loss Payee	Party entitled to participate in Insurance Proceeds in the event of a loss.
Master Servicer	Nationstar Mortgage LLC, as Administrator
MERS	Mortgage Electronic Registrations Systems, Inc. is an electronic registry designed to track servicing rights and ownership of mortgage loans in the United States.
Monthly Accounting Reports	Those reports required to be submitted by the Participant Servicer on a monthly basis as set forth in Chapter 13 of these Program Guidelines.

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Monthly Payment	With respect to each Mortgage Loan, all moneys received by the Participant Servicer representing principal and interest payments by a Borrower under the related Mortgage Note, including Principal Prepayments, Insurance Proceeds, condemnation proceeds or proceeds received in connection with a taking under power of eminent domain or a conveyance in lieu of condemnation and Liquidation Proceeds.
Mortgage	The mortgage, deed of trust or other instrument securing a Mortgage Note which creates a first lien on an unsubordinated estate in fee simple in real property securing the Mortgage Note.
Mortgage Documents	The Legal File and such other documents, instruments and papers prepared, held or maintained by the Participant with respect to the origination, processing and/or servicing of the Mortgage Loans as of and including the date such Mortgage Loans are funded by VLB.
Mortgage File	The Mortgage Loan Documents pertaining to a particular Mortgage Loan and any additional documents required to be added to the Mortgage File.
Mortgage Loan	An individual mortgage loan and all rights with respect thereto, evidenced by a Mortgage and a Mortgage Note, and which is the subject of this Agreement. The Mortgage Loans subject to the Guide as identified on the Mortgage Loan Schedule attached to each Purchase Confirmation.
Mortgage Note	The note or other evidence of the indebtedness of a Borrower secured by a Mortgage.
Mortgaged Property	The property securing a Mortgage Note.
MSD Loan Number	The unique Mortgage Loan identification number assigned by VLB to each Mortgage Loan following delivery.
Note Rate	The rate disclosed to the Veteran and reflected on the Note.
Net Worth	The value of all of a company's (or individual's) assets – including cash – net of its total liabilities.
Non-Program Loan	Exists when a veteran borrows more than the maximum loan amount under the VLB Program through a Two Note Option. The portion "not" financed and owned by the VLB is considered the Non-Program Loan. This indebtedness is evidenced by the Participant Note. (Note: the Two Note Option has been discontinued for new originations.)
Non-Program Noteholder	The owner of the Non-Program Loan.
Non-Program Note Servicer	The servicing entity responsible for servicing the Non-Program Loan.
Note	The document(s) executed by the Borrower which legally establishes their indebtedness.

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Notice of Default	A certified written notice which advises the mortgagor (or all persons obligated for the debt) of the right to cure the default by paying the amount due. Prior to the acceleration of a delinquent loan and commencement of foreclosure, the Participant Servicer must give a certified written notice as required by the terms of the mortgage instrument, law or any applicable party who is either insuring or guaranteeing the loan.
Officers' Certificate	A certificate signed by the Chairman of the Board, the Vice Chairman of the Board, the President, an Executive Vice President, a Senior Vice President, a First Vice President or a Vice President or by the Treasurer or the Secretary or one of the Assistant Treasurers or Assistant Secretaries of the Administrator, and delivered to the Owner as required by this Agreement.
One Note	The typical loan in a VLB Program where there is a single note secured by the Deed of Trust. Please see the definition of "Two Note" for comparison.
Owner Occupied	The status of a Mortgaged Property that is the Principal Residence of the owner of record.
Owner-Occupied Property	Property which is the Primary Residence of the owner of record.
Par	The price paid for a mortgage when its face value (unpaid principal balance) equals its selling price (100%) – there are no discounts or premiums.
Participant	An entity that has executed an Application to Participate and agreed to originate and/or service the program Mortgage Loans in accordance with the Mortgage Origination, Sale and Servicing Guide, and the Program Guidelines.
Participant Loan	See definition for Non-Program Loan.
Participant Note	In a Two Note situation, the note evidencing the indebtedness of a Borrower to a party other than the VLB. This indebtedness is secured by a Deed of Trust which also secures a Program Note. The loan evidenced by the Participant Note is also referred to as a Non-Program Loan.
Participant Servicer	A Participant approved by the Administrator to service Program Loans on behalf of the VLB.
Planned Unit Development (PUD)	A parcel of real estate that contains property and improvements owned and maintained by a homeowner's association, corporation or trust for the enjoyment and use of individual PUD Unit owners within that parcel of land. This parcel of land is known as common property.
Prepayment	The payment in full of a Mortgage Loan, either by an unscheduled payment of the entire remaining principal balance or by a scheduled final installment payment.

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Principal Residence	The principal and permanent residence of the Borrower and of which the Borrower is the predominant occupant.
Private Mortgage Insurance Policy (PMI)	Any policy of private mortgage insurance pertaining to a Mortgage Loan insuring the holder of the Mortgage Note against certain losses upon a payment default by the Borrower.
Program Loan	The Mortgage Note financed and owned by the VLB.
Program Noteholder	The Texas Veterans Land Board (VLB).
Published Weekly Rate	The weekly mortgage rates published by the VLB.
Qualified Depository	Any depository that is an eligible custodial depository meeting all of the eligibility criteria set forth in the Fannie Mae Guide for custodial accounts established with respect to mortgage loans sold to Fannie Mae.
Rate Reduction	The total percentage amount deducted from the Published Weekly Rate as a result of eligibility in one or more of the following Programs: Greenbuilding, Teacher, and/or Veterans with Disabilities.
Remittance Date	Remittances required to be made by the Participant Servicer on a monthly basis as set forth in Chapter 13, Section 13.301.
Real Estate Owned (REO)	A term frequently used by lending institutions to describe ownership of real property acquired as a result of foreclosure or a deed-in-lieu.
REO Disposition	The final sale of any REO Property.
REO Disposition Proceeds	Amounts received in connection with a related REO Disposition.
REO Property	A Mortgaged Property acquired on behalf of the VLB
Reporting Cutoff Date	The last Business Day of the month.
Second Mortgage	A Mortgage that has subordinate rights to collateral which also secures a First Mortgage.
Servicing Advances	All customary, reasonable and necessary out-of-pocket costs and expenses incurred in the performance by the Participant Servicer of its servicing obligations including, but not limited to, the cost of 1) the preservation, restoration and protection of the Mortgaged Property, 2) any enforcement or judicial proceedings, including foreclosures, 3) the management and liquidation of REO Property, 4) taxes and assessments on the Mortgaged Properties subject to the Mortgage Loans, and 5) compliance with the obligations stated in the Guide.
Servicing Agreement	See Chapter 10, Section 10.100.

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Servicing Fee	The income the Participant Servicer receives for the collection of payments and management of operational procedures related to a mortgage. It includes a base fee, plus late charges, and fees charged for special services.
Servicing Fee Rate	As to each Mortgage Loan, that annual percentage rate approved in writing by VLB to be retained by the Participant Servicer of such Mortgage Loan as servicing compensation.
Special Flood Hazard Area	An area identified by the Secretary of HUD or the Director of the Federal Emergency Management Agency as a flood zone.
Sub-Servicer	A servicer that has sub-contracted with the contractually responsible Program Servicer of a mortgage to perform the on-going servicing activities for the mortgage. A Sub-Servicer must also be approved as a Participant Servicer to qualify for this role.
Supplemental Information	<p>The VLB offers Veterans several enhancements to the Program. Supplemental Information is defined as the documentation required (per VLB Program Guidelines) for the Primary Lender and the Administrator to verify that the Veteran is eligible to participate in the following:</p> <p>Veterans with Disabilities Program</p>
Third Party	A purchaser of a loan at foreclosure sale who is anyone other than the mortgagee or the Borrower.
Third Party Sale	A foreclosure sale at which the successful purchaser of the property is someone other than the mortgagee or Borrower or their representative.
Title Insurance	A type of insurance that insures against defects in title that were not listed in the title report or abstract.
Two Note	Loans generated under a historical VLB loan program where two notes were secured by a single Deed of Trust. One of the notes was generally sold to the VLB and is referred to as the "Program Note". The other loan was either held by the Participant or sold to a third party investor (in either case referred to as the "Participant Note". The VLB announced they were concluding new issuances under the Two Note program on July 27, 2006 but agreed to honor any outstanding commitments.
VA	The Veterans Administration of the United States of America, and any successor thereto.
VA Guaranty	A guaranty of a Mortgage Loan by the VA under the Servicemen's Readjustment Act of 1944, as amended.
VA Mortgage	A mortgage guaranteed by the Department of Veteran affairs.

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VA “No-Bid” Write-Off

Formerly known as either a “VA buy down”. The mortgage holder’s agreement to waive or satisfy a portion of the mortgage indebtedness on a VA guaranteed mortgage thereby reducing it to an amount that would result in the net value of the property exceeding the unguaranteed portion of the indebtedness (which would result in VA establishing a bid price for foreclosure sale when it otherwise would not). The waiver may take the form of a reduction in the unpaid principal balance; a credit to the borrower’s escrow or unapplied funds account; a forgiveness of unpaid, accrued interest; or any combination of these credits.

PART FIVE FORMS

Forms related to the program can be found on our website: <https://masterservicing.nationstarmtg.com/>

PART SIX EXHIBITS

Exhibits related to the program can be found on our website: <https://masterservicing.nationstarmtg.com/>