

American International Companies®

Name of Company to which application is made: _____
(herein called the Company)

**MORTGAGE BANKERS/MORTGAGE BROKERS ERRORS AND OMISSIONS INSURANCE
AND/OR FINANCIAL INSTITUTION BOND, STANDARD FORM NO. 15 APPLICATION**

**IF AN ERRORS AND OMISSIONS POLICY IS ISSUED, IT WILL BE ON A CLAIMS MADE BASIS
IF A BOND POLICY IS ISSUED, IT WILL BE ON A DISCOVERY BASIS**

NOTICE: IF A PROFESSIONAL LIABILITY POLICY IS ISSUED, IT WILL BE ON A CLAIMS MADE FORM, EXCEPT TO SUCH EXTENT AS MAY OTHERWISE BE PROVIDED HEREIN. THE COVERAGE OF THIS POLICY IS LIMITED GENERALLY TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED AND REPORTED IN WRITING TO THE INSURER WHILE THE POLICY IS IN FORCE. PLEASE REVIEW THE POLICY CAREFULLY AND DISCUSS THE COVERAGE HEREUNDER WITH YOUR INSURANCE AGENT OR BROKER.

NOTICE: THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR DEFENSE COST. AMOUNTS INCURRED FOR DEFENSE COSTS SHALL BE APPLIED AGAINST THE DEDUCTIBLE AMOUNT.

PLEASE ATTACH THE FOLLOWING INFORMATION TO THE APPLICATION

- Annual Audited Financial Information on Applicant
- Latest Resumes of the Principals
- Copy of latest audit of internal controls and procedures along with management's response
- Marketing/Promotional Literature

1. NAME OF APPLICANT (List all Insureds): _____

PRINCIPAL ADDRESS: _____
(Including Employee Benefit Plans for Bond Form 15 coverage)

WEB SITE ADDRESS: _____

2. Year Established _____

3. Desired coverage
a) E & O: Limits: \$300,000 \$500,000 \$1,000,000 Other: _____
Deductible: \$10,000 \$15,000 \$25,000 Other: _____

b) Bond: Limits: \$300,000 \$500,000 \$1,000,000 Other: _____
Deductible: \$10,000 \$15,000 \$25,000 Other: _____

4. Applicant is a (check all appropriate boxes): a) Corporation Partnership Individual
b) Net Branch Yes No
c) Mortgage Banker Mortgage Broker Both
If "Both", approximately what percentage of gross revenues is Applicant:
Mortgage Banker: _____%
Mortgage Broker: _____%
d) Title Company Escrow Company

5. Is the Applicant controlled, owned or associated with any other firm, corporation or company including Title and Escrow companies? Yes No If "Yes", please attach an explanation.

Are any Mortgage Banking Activities provided to these enterprises? Yes No
If "Yes", approximately what percentage of gross revenues? _____%

6. Employees:
- a) Number of professionals _____
 - b) Number of non-professionals (clerks, secretaries, etc.) _____
 - c) Number of temporary or leased employees _____
 - d) Total number of all employees including owners _____
 - e) Total number of independent contractors: W2 _____ 1099 _____
- How many are working exclusively with the applicant, under a valid contract, as a Loan Originator: _____
- Other (Specify): _____

7. Locations:
- a) Number of locations (**other** than the Home Office) in the U.S., Canada, Puerto Rico and Virgin Islands _____
 - b) Number of locations outside the U.S., Canada, Puerto Rico and Virgin Islands, _____
 - Please list locations: _____
 - c) Total number of locations, **including** the home office, with underwriting authority: _____
 - d) Does the Applicant have any Net Branches? Yes No
 - If "Yes", please answer the following:
 - 1) How many Net Branches does the Applicant have? _____
 - 2) Do the Net Branches have underwriting authority? Yes No
 - 3) What is the percentage of ownership in the Net Branches? _____%
 - 4) Do the Net Branches operate under the Applicant's name? Yes No
 - If "No", list the separate name(s) or d/b/a name(s): _____
 - 5) Are all managers and employees of the Net Branches considered to be employees of the Applicant and paid by W2? Yes No
 - If "No", describe how employees are compensated: _____
 - 6) Does the Applicant handle all accounting and payroll services? Yes No

8. To what professional association(s) does the applicant belong?

9. Names of Key Officers/Employees	Years with Applicant	Years in Mortgage Industry
_____	_____	_____
_____	_____	_____
_____	_____	_____

10. Complete the following:

(a) As of latest Dec. 31 Total Assets

(b) As of latest June 30 \$ _____

\$ _____

11. List the total gross receipts for the past three years derived from Mortgage Banking and/or Mortgage Brokering Activities.

	YEAR	AMOUNT
a)	Current Projected	_____
b)	_____	_____
c)	_____	_____
d)	_____	_____

For the receipts listed above, please give the approximate receipts derived from the following

	% OF GROSS RECEIPTS
Loan Originating	_____
Loan Servicing	_____
Loan Sales	_____
Interest Income	_____
Other (Specify) _____	_____
TOTAL	100%

12. ORIGINATION: If None, please check here
- a) Are mortgages funded directly by the Investor? Yes No
- Does the Applicant have authority to approve loans on the lender's or investor's behalf? Yes No

b) Does the applicant obtain funds using a Warehouse Line of Credit facility? Yes No

If "Yes", please list all Warehouse Lenders and the corresponding Limit on the Line of Credit:

Do all company warehouse lenders hold the original mortgage and note as collateral? Yes No

c) Are mortgages funded directly by the applicant funded only after obtaining an advance written purchase commitment from investors? Yes No

d) First Mortgage Loans Originated during past 12 months

<u>Loan Portfolio</u>	<u>Dollar Value</u>	<u>Number</u>	<u>%Construction</u>
1-4 Family	_____	_____	_____
Multi-family	_____	_____	_____
Commercial	_____	_____	_____
Other (Specify)	_____	_____	_____
Total	_____	_____	_____

e) Second Mortgages _____

f) What percentage (if any) of the above Loan Originations were funded by the Applicant's Warehouse Line of Credit?
_____ %

g) What percentage (if any) of the above Loan Originations were:

Sub-Prime*	_____ %
Reverse	_____ %
Refinances	_____ %
Manufactured Homes	_____ %
Above 100% LTV	_____ %
VA Loans	_____ %

* (Sub-Prime is defined as below "A" or "Alt-A" quality paper)

h) What is the average FICO score for all loans originated? _____

i) Does the Applicant provide Wholesale Lending? Yes No

1) If "Yes" to question i), does the Applicant pay fees or yield spread premiums to Mortgage Brokers that are not based on actual services rendered? Yes No If "Yes", provide details: _____

2) If "Yes" to question i), Is due diligence performed on the corresponding Mortgage Brokers? Yes No

j) What percentage of Loans Originated is underwritten by the Applicant? _____ %

k) What percentage of Loans Originated is closed in the name of the Applicant? _____ %

l) List five largest loans originated during past 12 months

	<u>Name of Project/Client</u>	<u>Loan Amount</u>
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

m) What percentage (approximately) of loan applications taken do not result in a closed loan? _____ %

- n) Are appraisals performed by in-house appraisers? Yes No
 Are in-house reviews of appraisals done? Yes No
 Does Applicant have an approved list of appraisers? Yes No
 Are appraisals provided on a rotating basis? Yes No
 Does Applicant use non-approved appraisers? Yes No
- n) What procedures are followed to insure that proper hazard/flood insurance is in place at closing? _____

- o) Describe how denials of credit are handled by the Applicant: _____

13. SERVICING: If None, please check here

a) <u>Loan Portfolio</u>	<u>Dollar Value</u>	<u>Number</u>	<u>ARM's</u>
1-4 Family	_____	_____	_____%
Multi-family	_____	_____	_____%
Commercial	_____	_____	_____%
Other (Specify)	_____	_____	_____%
Total	_____	_____	_____%

b) List five largest loans serviced:

	<u>Name of Project/Client</u>	<u>Outstanding Balance</u>
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

c) Percentage of loans in servicing portfolio where Applicant sub-services loans for other entities: _____ %
 Percentage of loans in servicing portfolio that are sub-serviced by other entities: _____ %

d) Estimated % of loans in the Applicant's servicing portfolio that requires the collection of:

Hazard Flood Insurance Escrow	_____
Real Estate Tax Escrow	_____
Life, A&H or AD&D Insurance Premium	_____
PMI Premium	_____

e) Does the Applicant require that it be named as "mortgagee" in a Standard Mortgage Clause on all hazard/flood insurance? Yes No If "No", please explain

f) Does the Applicant annually verify hazard/flood coverage on all mortgages serviced? Yes No If "No", what procedures are in place to maintain the adequacy of hazard/flood coverage? _____

g) When necessary does the Applicant "force place" coverage using a "forced place" insurance company? Yes No

h) What are the procedures to determine if real estate property taxes have been paid?

i) How many properties have been foreclosed on within the past 12 months? _____

j) What percentage of the servicing portfolio is more than 30 days delinquent? _____ %

14. GEOGRAPHIC BREAKDOWN OF LOANS
List the five states where the most loans are originated and/or serviced:

	STATE	APPROXIMATE % OF TOTAL
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

Identify the remaining states you are licensed to do business in: _____

15. SELLING/MARKETING
a) Approximate percent of loans sold during the past twelve months that are guaranteed by the following entities?

FNMA _____
GNMA _____
FHLM _____
Private Investors _____

b) What percent of the loan portfolio has been sold "with recourse"? _____

c) Has the Applicant been required to repurchase any loans originated over the past 12 months?
Yes No If "Yes", # of loans _____, aggregate principal amount \$ _____

16. Were any recommendations or criticisms made in the most recent audits and have all recommendations or criticisms been corrected?

	Recommendations	Corrected
Internal	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
External	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

a) Is a complete external audit made in accordance with generally accepted auditing standards and so certified?
Yes No If "No", explain the scope of the CPA's examination. _____

b) Name and location of CPA _____

c) Date of completion of the last audit by CPA _____

d) Is the audit report rendered directly to all partners if a partnership or to the Board of Directors if a corporation? Yes
No

e) Is there a continuous internal audit by an Internal Audit Department? Yes No
If "Yes", are monthly reports rendered directly to all partners if a partnership or to the Board of Directors if a corporation? Yes No

f) Are money and securities actually counted and verified? Yes No

g) How often are loan balances verified? _____

17. INTERNAL CONTROLS (Other than External Audit Procedures)

a) Is there a formal, planned program requiring segregation of duties so that no single transaction can be fully controlled from origination to posting by one person? Yes No

b) Are bank accounts reconciled by someone not authorized to deposit or withdraw?
Yes No If "No", please explain _____

c) Is countersignature of checks (including escrow accounts) required? Yes No
If "No", please explain what controls mitigate this risk _____

d) Are monthly statements (whether or not there was activity in the account) mailed directly to all customers?
Yes No If "No", please explain _____

e) Does the Applicant have formal written Quality Control procedures? Yes No
What percentage of all loans originated go through Quality Control reviews? _____%

f) Are escrow funds and operating accounts maintained in separate accounts? Yes No

g) Does the Applicant's computer system allow different levels of security for each user depending on their job description? Yes No

If "Yes", is the security system activated for all employees including owners? Yes No

h) Do the Applicant's professionals all hold proper licensing and/or certifications? Yes No

18. Has there been any change in ownership or management within the past three years?
Yes No If "Yes", please explain _____

19. Has any similar insurance been declined or canceled? Yes No If "Yes", please explain _____

(Missouri applicants are not required to answer this question)

20. Is similar coverage currently in force? Yes No If "Yes", please provide:

<u>E&O</u>		<u>BOND</u>	
Name of Carrier	_____	_____	_____
Expiration Date	_____	_____	_____
Limit of Liability	_____	_____	_____
Deductible	_____	_____	_____
Premium	_____	_____	_____
Length of time in force	_____	_____	_____

21. Have any of the Applicants principals ever been the subject of disciplinary action by authorities as a result of their professional activities? Yes No If "Yes", please explain _____

22. Has the Applicant or its predecessors in business or any person proposed to be insured ever been the subject of any claim or lawsuit? Yes No If "Yes", attach details.

23. During the past twelve months, have any allegations been made against the applicant for violations of the Truth-In-Lending-Act, the Equal Credit Opportunity Act, Home Ownership and Equity Protection Act or the Real Estate Settlement Procedures Act? Yes No If "Yes", attach details.

24. Does any person to be insured have knowledge or information of any act, error or omission which might reasonably be expected to give rise to a claim under an E&O Policy and/or Financial Institution Bond Standard Form No. 15 Policy? Yes No If "Yes", please attach full particulars.

25. Attach a list and status of all errors and omissions/professional liability claims made against any proposed Insured(s) during the past three years. Check if none

26. Attach a detailed list of all bond losses sustained during the past three years, whether reimbursed or not, from _____ to _____. Check if none
(month, date, year) (month, date, year)

27. It is agreed with respect to questions #23, #24, #25, and #26, that if such knowledge or information exists any claim or action arising therefrom is excluded from this proposed coverage.

THIS APPLICATION DOES NOT BIND THE APPLICANT OR THE COMPANY TO COMPLETE THE INSURANCE BUT IT IS AGREED THAT THIS FORM SHALL BE THE BASIS OF THE CONTRACT SHOULD A POLICY/BOND BE ISSUED, AND IT WILL BE ATTACHED TO AND MADE PART OF THE POLICY/BOND. THE UNDERSIGNED APPLICANT DECLARES THAT TO THE BEST OF HIS KNOWLEDGE THE STATEMENTS SET FORTH IN THIS APPLICATION ARE TRUE. THE APPLICANT FURTHER DECLARES THAT IF THE INFORMATION SUPPLIED ON THIS APPLICATION CHANGES BETWEEN THE DATE OF THIS APPLICATION AND THE TIME WHEN THE POLICY/BOND IS ISSUED, THE APPLICANT WILL IMMEDIATELY NOTIFY THE COMPANY OF SUCH CHANGE.

NOTICE TO NEW YORK APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME, AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

NOTICE TO OHIO APPLICANTS: ANY PERSON WHO, WITH INTENT TO DEFRAUD OR KNOWING THAT HE IS FACILITATING A FRAUD AGAINST AN INSURER, SUBMITS AN APPLICATION OR FILES A CLAIM CONTAINING A FALSE OR DECEPTIVE STATEMENT IS GUILTY OF INSURANCE FRAUD.

NOTICE TO KENTUCKY APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.

NOTICE TO PENNSYLVANIA APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.

NOTICE TO NEW JERSEY APPLICANTS: ANY PERSON WHO INCLUDES ANY FALSE OR MISLEADING INFORMATION ON AN APPLICATION FOR AN INSURANCE POLICY IS SUBJECT TO CRIMINAL AND CIVIL PENALTIES.

NOTICE TO FLORIDA APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO INJURE, DEFRAUD, OR DECEIVE ANY INSURER FILES A STATEMENT OF CLAIM OR AN APPLICATION CONTAINING ANY FALSE, INCOMPLETE, OR MISLEADING INFORMATION IS GUILTY OF A FELONY IN THE THIRD DEGREE.

PRODUCER: _____ APPLICANT'S SIGNATURE _____
ADDRESS: _____ TITLE: _____
DATE: _____

NEW YORK APPLICANTS: PLEASE READ THE FOLLOWING STATEMENT CAREFULLY AND SIGN BELOW WHERE INDICATED. IF A POLICY/BOND IS ISSUED, NEW YORK INSURANCE DEPARTMENT REGULATIONS REQUIRE THAT THIS SIGNED STATEMENT BE ATTACHED TO THE POLICY.

The insured hereby acknowledges that he/she/it is aware that the limit of liability contained in this policy/bond shall be reduced, and may be completely exhausted, by the costs of legal defense and, in such event, the insurer shall not be liable for the costs of legal defense or for the amount of any judgment or settlement to the extent that such exceeds the limit of liability of this policy/bond.

The Insured hereby further acknowledges that he/she/it is aware that legal defense costs that are incurred shall be applied against the deductible amount.

INSURED: _____
BY: _____
TITLE: _____
DATE: _____

ExecutivePerils