

**SACRAMENTO MORTGAGE, INC.
THE BROKER**

Policies and Procedures Manual

A Guide for Success in Mortgage and Real Estate

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Introduction

Every organization has certain methods of operation designed to allow the company to efficiently achieve its objectives.

Sacramento Mortgage, Inc. is the Broker for all Loan & Real Estate transactions for contracted agents. Clients can best be served if the Broker's business philosophy, policies and practices and the procedures to be used in carrying out those policies are established in writing.

For these reasons, and because we know that our employees and associates will need guidelines and direction, we have prepared this *Policies and Procedures Manual* for your reference and use.

While we have attempted to provide detailed guidelines in this Manual, there will be times when problems arise that must be resolved by management decision guided by the principles of fairness, integrity and good communication.

This is a living document and will be expanded and revised when appropriate. We hope that you will become well acquainted with this Manual and refer to it often. **It is the responsibility of the Agent to keep informed of any changes to this document. This document is always available at any office.**

Scott P. Williamson, President

Company Philosophy

Sacramento Mortgage, Inc.'s philosophy for company success is to be forthright and clear in conducting all business transactions. The following beliefs are the foundation of the company.

Integrity. No other single attribute of a person or a business can have such an impact on success or failure. Every action must be taken with truth and honesty, and if we must ask ourselves if it is all right to do something, it probably is not. There must be honesty in every action, truth in every word. We expect honesty from our employees and our agents.

Service. Our clients and customers have a right to expect outstanding service. We are paid for our service. To be well paid, the highest level of service available must be provided. All employees and agents are expected to provide excellent service.

Hard Work. No organization can grow and prosper unless each member of the team puts forth the maximum effort. Often we feel a tendency to "let down" and to do less than our best. We expect hard work from our employees and our agents.

Professional Competence. We should never undertake an assignment for a client or customer unless we have the training and experience to do the job. We believe in continuing education, for only by learning better ways to provide service can we enhance our reputation. We expect our employees and agents to continue learning.

Cooperation. An organization can be great when all members are working together for a common purpose. This is called Synergy. It can be only mediocre when some are rowing in a different direction. Helping one another when possible will bring harmony and wealth to us all. We expect cooperation from our employees and agents.

Accountability. Our clients must be happy with the transaction or we will not get repeat business. If we make a mistake, we must be accountable and make it right with the client. We expect our agents to be accountable for mistakes if a client is dissatisfied.

Professional Ethics. The *Code of Ethics* of the National Association of Realtors® is a guide for our daily business operations. The laws of this State are clear as to our obligations to our clients.

These commitments, above all else, are important to all of us. We shall not vary from these principles under any circumstances.

Facts about Sacramento Mortgage, Inc. and the Founder

Sacramento Mortgage, Inc. is a California Corporation initially founded in Elk Grove, California on December 11, 1997. Beginning in a residential facility, Sacramento Mortgage, Inc. soon expanded to the office located at 2782 21st Street in Sacramento, California.

The Company has prospered and grown because of the strong belief in service, integrity, and a “can do” attitude toward the mortgage and real estate industry.

Scott P. Williamson, CEO and Founder, was born in Sacramento on December 23, 1953. A Burbank High School graduate, he attended Sacramento College choosing the medical field for his career goal. He spent many summer vacations in his youth at the current location helping his Grandparents, Charles and Mary Drago, in their clothier/sport apparel shop, which they owned and operated for 60 years. The building, built by Charles Drago in 1942 still remains in its original form.

Electing to switch careers, Scott became an Manager in the food industry for 15 years until his interest turned to the real estate industry in 1989. His commitment to help the general public achieve the goal of home ownership inspired his expectation for high standards and excellent customer service.

Company Policy

Purchases/Loans

Consumers are sometimes confused about whom the Broker represents in a purchase or loan transaction. First and foremost maintain clarity to the client in all facets of any real estate transaction.

The following policies are to be followed during the course of any business conducted while under the employ of Sacramento Mortgage, Inc.

Sacramento Mortgage, Inc. can be employed by the borrower, seller, or buyer, or both seller and buyer. Whoever is represented in a transaction, we must perform our duties as described in California state law.

Agents should always remember who has employed them and never allow the pursuit of a commission to circumvent the clear-cut responsibilities to their clients.

Clients must be informed of any material facts or rumors that might affect their decision of a purchase, sale, or loan along with the source of these facts or rumors.

Sellers should not be asked to accept an offer until all other offers are shown.

When representing the seller, never suggest that a buyer offer less than the asking price of a property, although all offers must be presented when made. Do not disclose to the buyer what price a seller may accept, or our seller's motivation for selling.

When representing the buyer, never suggest that a seller should counteroffer more than the price offered in the contract. Do not disclose to the seller what price a buyer may be willing to pay, or our buyer's motivation for buying.

When representing the borrower, always have their best interests in mind. Always give full disclosure to the borrower upon origination and again at the end of the loan process near the close of escrow.

Treat the business of our clients with confidentiality, and never disclose facts to the other party that might work to the disadvantage of our clients.

Be extra cautious when becoming financially interested in a listed property and disclose any facts or rumors of which you may have knowledge. Warn the seller when you no longer represent his or her interests.

When asked to represent a buyer in a transaction, you may become an intermediary between the parties when showing a property listed by our office. The Broker **must** be informed of this situation and both parties to the transaction must agree in writing so that we do not have an undisclosed dual agency.

The best way to represent our clients is to treat them as though they are valued family members—do the best job you can do.

Advertising

Advertising is an ongoing necessity for every business to succeed. It is important to get your name, telephone number and services available out to the public. All advertising must comply with all local, state, federal, Fannie Mae, Freddie Mac, HUD/FHA, and DRE law and regulations and all other laws and regulations that govern our industry. ***All advertising must be approved in writing by the Broker prior to publication.*** This includes but is not limited to business cards, letterhead, envelopes, newspaper ads, magazine ads, billboards, radio, television and Internet.

Antitrust

Brokers do not have a “standard” commission in this industry. Each office establishes its commissions independently through negotiation with the seller or the buyer. Accordingly no agent should suggest to a borrower, seller or buyer that there is a “standard” rate charged in this area.

Under no circumstances should an agent with Sacramento Mortgage, Inc. discuss with any individual employed by another office suggested commission rates charged to sellers or buyers.

No agent should suggest to competitors that if they perform or refuse to perform a certain act that the brokerages in our area will “boycott” them.

Any of the aforementioned acts could be construed as a violation of antitrust laws and could subject the agent and the Broker, Sacramento Mortgage, Inc., to severe civil and criminal penalties.

Broker—Appointments With

The Broker is available to all agents for assistance and consultation through e-mail, voice mail, telephone, and office visitation. Requests for office appointments will be met in a timely manner.

Provide reasonable lead-time for the Broker to respond to your specific request. Scheduled appointments should be punctual, otherwise notify the Broker immediately of any delays or cancellations.

Broker—Assistance From

The Broker will provide assistance to the agents whenever necessary, however the Broker should not have to perform the duties of the agent. Counsel from the Broker should supplement the agents' efforts.

If an agent has a problem, he/she should provide the Broker with his/her recommendation for a solution to the problem. This approach will benefit both the agent and the Broker.

Commissions—Taking Back a Note Instead of Cash

Oftentimes, deferring the Broker commission as a note can save a sale that might otherwise be lost. The seller may then receive more cash at closing, or the buyer may be able to have a lower down payment. If a sale cannot be put together any other way, we may agree to take back a note using the following guidelines.

1. Agents shall not agree to accept a note without the written approval of the Broker.
2. The Broker must approve the interest rate charged.
3. Notes should be in the name of the buyer, secured by a mortgage of the property.
4. A bookkeeping fee of \$10.00 per check will be charged to the agent.

Commission—Overages

Sacramento Mortgage, Inc. does not allow overages on FHA loans. The combined percentage of discount and yield spread premium cannot exceed 2%. In the event an overage is charged to the client, the amount charged will be deducted from the agents' commission and returned to the client. The SWM Wholesale rate sheet will be used to price all loans whether they are funded in house or brokered. If brokered, the deference in pricing between the lender rates (shown on the HUD-1) and SWM rates will be kept by SWM.

Commissions—Payment to Agents

Commissions will be paid to agents within two working days after the Broker has received the gross commission check provided the file is complete and signed off by the quality control officer. (See Processing page 18)

Commissions—Offset for Expenses

If there are transaction expenses to the Broker—whether or not these expenses have been billed to the agent—the expense will be deducted from the Commission, then the commission paid to the agent with a statement of accounting. Company policy has always been to collect C.O.D. on appraisals. The are only two acceptable ways to order an appraisal:

1. Have the borrower pay for it COI (cash on inspection)
2. The agent pays the appraisal COI

If an appraisal gets charged to the company, there will be a \$50.00 bookkeeping fee charged to the agent.

Commissions—Agreement with Other Brokers

Commission splits between brokerage offices may be adjusted from time to time by the Broker. Agents should not discuss commission splits with other offices.

Commissions—Legal Action for Collection

Occasionally a client may refuse to pay a fee that the Broker has earned. The Broker will have sole discretion as to the legal remedies to be taken to collect the commission and will not be bound to do so. If the Broker elects to take legal action, the costs of the action will be borne by the Broker and the agent in the same proportion as the commission would have been split.

Commissions—Schedule of Rates Charged SAMPLE

Occasionally offices have several different rates on similar types of properties depending upon financing, pricing, or negotiating skills of the seller. Such policies have been found to be destructive of goodwill and require that all Broker listings be taken at the rates quoted below:

Residential	6%
Building sites	6%
Acreage	6%
Commercial	7%
Rentals (residential)	10% of first month's rent and 4% of each monthly rent collected
Rentals (commercial)	10% of first months rent And 3% of each monthly rent collected
Residential Loans	1% to 3% Depending on the type
Commercial	1% to 5%
Multi Family	2% to 6%
Private Money	5% to 8%
Sub Prime	2% to 4%

Minimum Commission

Because of the liability and the company's minimum gross broker check shall be no less than \$2600 on any loan unless there is written authorization from the designated broker. Point are always based on the actual loan amount and/or Sales Price.

Brokering Loans

Any loan that is brokered to another lender will be assessed a charge equal to one quarter point of the loan amount. If SMI can match the pricing of a loan and the loan is still brokered to another lender there will be a fee of \$1,500.00 charged to the agent and paid to SMI. Payment due at time of closing. The SWM Wholesale rate sheet will be used to price all loans whether they are funded in house or brokered. If brokered, the deference in pricing between the lender rates (shown on the HUD-1) and SWM rates will be kept by SWM.

Conduct

Agents should always conduct themselves in a professional manner. To be a professional, one must act professional.

A professional atmosphere is necessary for the most effective representation of our clients and for building trust with the general public, which can ultimately enhance business and income.

A professional atmosphere includes: respect, sensitivity, privacy, cooperation, and noise control.

Cooperation

Few agents are successful without a spirit of cooperation. Agents are encouraged to give help to others, both within and outside our company.

Volunteer your assistance in a pleasant manner, not grudgingly.

Appraisers remember a company with a record of being helpful.

Lenders always appreciate cooperation from agents.

Practice cooperation and receive the rewards of satisfaction, happiness and wealth.

Disputes—Arbitration

Agents will occasionally disagree about prospects or commission splits. This is to be expected and, if handled promptly and fairly by the agents, will usually be settled to the satisfaction of all concerned.

If the two agents are unable to resolve the dispute, they should meet the Broker and provide the facts so that the Broker can assist in reaching resolution.

In the event the Broker cannot help resolve the dispute, the parties will submit to arbitration by their peers. Three agents will be appointed to the arbitration panel, one by each of the disputing parties, and one by the Broker.

The parties will present the facts of their case to the panel, and the decision of the panel will be final and binding on the parties.

Disputes—Between Buyer and Seller

Buyers and sellers often have differing interests, needs and personalities. The result of these differences is occasionally a dispute over the terms of the contract.

We believe in the moral and legal validity of properly drawn real estate contracts. We do not believe that litigation is the way to resolve these disputes. Litigation is costly, time consuming and often results in both parties suffering.

Agents should try to move buyers and sellers toward the “center” to a common ground and encourage reason, flexibility and compromise.

Education

“If I saw farther it is because I stood on the shoulders of giants.” –Isaac Newton

Broker representatives should not undertake an assignment for a client or a customer unless properly trained to do the job well. We cannot expect to be called a “professional” without making an investment of time and money on education. Agents are encouraged to continue learning better ways to provide service.

There are many educational resources available including: Real estate seminars; sales meetings; Board of Realtors meetings; State and National Association Conventions; books; magazines (*Real Estate Today*, *Mortgage Originator*); University courses.

Invest in your education. It will pay you back tenfold.

Expectations

We believe we have the finest agents in the industry. We have high expectations of the representatives of the Broker.

1. We expect each agent to serve clients and customers with integrity, competence and courtesy.
2. We expect each agent to understand, accept, and abide by our Company philosophy, policies and procedures.
3. We expect each trained agent to strive to attain the following objectives:
 - a. Originate and close at least two transactions each month (not to be construed as quotas).
 - b. Continuous update of your education to enable you to provide informed service to all clients
4. We expect each agent to understand that Sacramento Mortgage, Inc. must be profitable if it is to remain viable. This means that everyone should strive to enhance revenues and keep costs in line. A profitable Broker provides an environment of success for all.

Forms Required

Sacramento Mortgage, Inc. maintains and makes available forms that are required for real estate and loan transactions. Agents can access and download these forms via the web site or at the main office.

Critical questions will occasionally arise about a listing or a contract when the agent is not available. At such times it is helpful to be able to find the necessary information. Agents must fully complete all necessary paperwork during the listing and sales process as specified on the web site at www.sacramentomortgage.com.

If an agent has suggestions for improving a Company form, submit your suggestions to the Broker.

If an agent knows that the supply of a specific form is low, Company office staff should be informed.

Hours of Operation

Normal business hours of the main office are 9:00 a.m. to 5:00 p.m. Monday through Friday. Successful agents are frequently at work before and after the normal office hours.

Messages

All messages should be carefully taken by everyone in the Company and promptly related to the appropriate agent.

Resource Library Training

Books, tapes, and magazines on various industry subjects are available for our agents to read and enjoy. We hope that all associates will take advantage of this self-improvement opportunity.

When utilizing any resource materials in the main office sign out the materials with office staff and return them within 10 days. Agents will be responsible for the replacement cost of any book or tape not returned.

The main office maintains onsite a complete and updated HUD library for reference use.

Training is available Monday thru Friday at designated times at both the main and branch offices

Office—Equipment and Supplies

Equipment and supplies shall not be removed from the office for any reason. They are available for use during the course of normal business onsite. In no manner shall they be used for personal use. Computers and the use of the internet shall be for business use only. This includes during breaks and/or before and after you shift.

Upon termination, agents will return any supplies and reference materials in his/her possession.

Office Housekeeping

Clients and customers develop their first impressions from the appearance of the office. We ask all Sacramento Mortgage, Inc. representatives to help in keeping the office neat and clean. This includes reception area, desks, file cabinets, conference areas, and parking lot.

Clean up any strewn paperwork before leaving to ensure confidentiality of the clients and consideration of your fellow agents. Garbage can be placed in the large garbage cans located in the back parking lot.

Agent Operating Procedures

Advertising

All advertising must comply with all local, state, federal, Fannie Mae, Freddie Mac, HUD/FHA, and DRE law and regulations and all other laws and regulations that govern our industry. ***All advertising must be approved in writing by the Broker prior to publication.*** This includes but is not limited to business cards, letterhead, envelopes, newspaper ads, magazine ads, billboards, radio, television and Internet.

Absence—Compensation to Another Agent

Agents must occasionally leave town for education seminars, business or vacation. Our clients should not experience any decrease in service during this period.

The Broker should not be expected to assume the workload. Another agent should be selected to serve our clients and the agent who takes care of the absent agent's work must be compensated. If the Broker must handle the agent's work, the Broker will be compensated at a rate of 50% of the need commission. The broker may also assign the file to another agent at 50%.

A standard has been established for compensation to be paid by the absent agent; this does not preclude a different written agreement between two agents.

Work Performed	Compensation
Taking a listing	50%
Writing a contract	50%
Presenting a contract	10%
Presenting a contract (sold)	20%
Closing a Transaction	20%
Taking a Loan App	50%

The agent who will be absent should arrange with another agent to handle any business required. The complete package must be kept at the main or assigned office.

Appointment Calendar

It is our experience that the most successful agents have a written plan of action for each day. It is strongly recommended that agents keep a daily calendar for appointments, for completing necessary tasks, and for prospecting effectively.

Appointments

It is imperative that we maintain the good reputation of our Company by making and keeping appointments. Punctuality for set appointments is extremely important in fostering good client-business relationships.

Before showing any listing to a prospective buyer, call the seller to make a showing appointment so that the seller can be prepared. This will result in a property that shows better and a seller who respects our professionalism.

If an agent makes an appointment to show a property, the appointment should be kept, or in the event of a missed appointment, the seller should be called with an explanation of why the property was not shown.

Face-to-face contact with your client is very important in developing a good relationship. It is imperative in the mortgage loan business that every client be given an opportunity to have a face-to-face interview with his or her agent.

Attitude

Probably the single most important attribute of a successful agent is attitude. It is said that the act of smiling releases a chemical into the blood stream that brings on a feeling of happiness.

Whether or not this is true, good things clearly come to those with good attitudes. A positive attitude allows us to do difficult tasks more easily. A negative attitude renders difficult tasks impossible.

Attitude, good or bad, cannot be concealed. A smile can be “heard” by phone. Caring for others will be easily recognized by clients and customers.

Automobile

First impressions are lasting impressions.

The appearance of an agent’s automobile is as important as his or her personal appearance. Your automobile should be in good mechanical order. Reliability is very important. Safety is everything.

The automobile is a traveling office and should be stocked with tools of our business, such as, maps, business cards, forms, contracts, tape measure, flashlight, hammer, screwdriver, pliers, WD-40, “under contract” signs, and nuts and bolts for signs.

Automobile—Insurance

Each agent must carry automobile liability insurance in an amount not less than \$100,000 for each person and \$300,000 for each accident. Sacramento Mortgage, Inc. must be included on the policy as an additional insured. Every agent must provide a copy of the paid insurance policy to the Broker annually.

Business Cards

Business cards must be in the format prescribed by the Broker and may be ordered through the main office to take advantage of printing discounts. The agent should make payment at the time of delivery. All forms of advertising must have company approval prior to publication.

Checks

When an agent receives a check, as an earnest money deposit on a real estate transaction, the check **shall** be made payable to the escrow company and delivered by the buyer to that company immediately. A copy of the check and the receipt from escrow shall be delivered to Sacramento Mortgage, Inc. with appropriate contract forms **within three days** of origination. If a check is accepted by an agent and the check is for \$1000. or more, the check is to be delivered by the next business day to the main office and logged in on a Trust log form.

Under no circumstances will an agent accept, as an earnest money deposit, a “postdated” check.

Checks for a client credit report must be made payable to Old Republic Credit and delivered to the main office within three business days.

Appraisal checks should be made payable to the appraiser and delivered to the appraiser at the time the appraiser is at the property (COD). No appraisals shall be ordered without payment or payment due at close of escrow.

Confidentiality

Confidentiality of all information provided by a client is company policy. Our clients and place their trust in our integrity and good business practices to protect their privacy. We must protect that privacy at all times. NO information on any file is to be shared with anyone other than employees of the company. Any distribution of information to anyone outside company employees is to be preceded by a signed authorization from the client.

Discrimination

Federal law prohibits discrimination based on race, color, religion, sex, or national origin, family status or disability. We expect all agents to assist all customers who choose to purchase the home of his or her choice. Discrimination will not be tolerated and is grounds for immediate termination.

Dress

The way we dress frequently shapes the attitude of the general public about our industry and us. While we cannot cite a specific instance when a sale was lost because an agent was not professionally dressed, we do know from feedback that many customers have been put off by “sloppy”, “over-casual”, or “sexy” clothing. When we expect clients to trust us with what could be the largest single transaction of their lives—the purchase of real property—we must understand why they expect us to dress and act as if we are serious and professional.

The well-know book entitled *Dress for Success* by says it all. You may want to read this book at your earliest opportunity.

Expenses

Expenses resulting from a real estate transaction will be paid for by Sacramento Mortgage, Inc. and deducted from the gross Broker check. The agent will not obligate the Company unless he/she has prior written authorization from the Broker.

Holidays

The main office will be closed on the following holidays.

- New Year’s day
- Memorial day
- Independence day
- Labor day
- Thanksgiving day
- Christmas Eve day, at 12:00 Noon
- Christmas day
- New Year’s Eve day, at 12:00 Noon

Integrity

A prospect who wants to make a purchase, but the process is based on half-truths will probably not close the transaction. If there is any property defect, reveal it to your client. If you would have to lie to the client to sell the property, do not show it. Total disclosure of all fees must be disclosed in its entirety to the client.

Be sure to keep all commitments to your client and never deviate from the truth.

A good rule to follow is to “under commit and over produce.”

Independent Contractor

Agents are considered to be independent contractors, not employees. All independent contractors will receive a 1099 annually for tax filing purposes. Sacramento Mortgage, Inc. does not withhold income taxes or social security taxes. Sacramento Mortgage, Inc. and the agent will execute an Independent Contractor Agreement that defines the relationship in detail.

Keys

When a client entrusts the keys for his/her property to a Sacramento Mortgage, Inc. representative, that trust must never be violated.

Always request the client's permission to make extra copies of keys if they are needed.

Keys should never have an address tag attached. Instead, use a coded tag to identify the key. Thus, if the key is lost, the property will remain secure.

Keys are never to be given to anyone. They must be put into the lock box.

Under no circumstances should keys be given to buyers or tenants until the transaction is final and closed.

After showing the property, the agent should be careful to see that all windows and doors are locked and the lights are off.

Loans

All loan applications (1003) must be delivered to the main office within 3 days of origination along with a fully executed Mortgage Loan Disclosure Statement (MLDS)—good faith estimate—DRE Form 882. The policy is to prepare a MLDS at origination making the best estimate of cost that you can. The client must sign both the MLDS and the 1003. Once the loan is in process, if there are any material changes, a revised MLDS is to be delivered to the client and the main office **no later than 72 hours before the close of escrow.**

SMI has first right of refusal to fund all loans generated by licensed agents unless agent has a written waiver issued and signed by an officer of the corporation. If an Originator closes a loan with another lender without giving first right of refusal the Originator will be penalized the cost for the loss of such action. That cost will include all moneys loss from said transaction including by not limited to lender fees and ½ point on conforming A paper and ¾ point on alt-A paper and Jumbo loan .In any case the maximum it will cost the Originator is \$2,000.

Loan Processing

Loans can be processed only at an approved processing office. A professional processor with adequate knowledge to perform the job without flaw must be used. Every loan file must be delivered to the main office in its entirety before commissions will be released.

All files processed outside the main office are to follow these procedures.

- At Origination, Fax to main office MLDS, 1003 and transaction request form
- Once Docs are drawn ship complete file (at this point the only missing items should be the final MLDS, 1003 and HUD-1) to main office for QC. File can be shipped, delivered or emailed.
- The HUD-1 should come with the Broker check and title can fax the executed finals.

- It is the loan officer's responsibility to make sure the file is complete. Your commission will be put in line to be issued once the QC file is complete and signed off by the QC officer.
- Pre-qualification and Approval letters must be issued using SMI format only.
- All correspondence made to the client must be copied to the main office immediately

It is required that all escrow signings be attended by the agent. Make sure to arrive early and be prepared to professionally answer all the clients' questions. At least 24 hours prior to the signing time, the agent is required to go over the settlement sheet with the client and explain all settlement costs. The settlement sheet can be obtained from the Title Officer.

Before closing, it is required that all clients receive a HUD settlement booklet and a HUD discrimination booklet, Form HUD-903.1. Both of these booklets are available at the main office and on the Sacramento Mortgage, Inc. web site at www.sacramentomortgage.com as well as the HUD web site at www.hud.gov/.

Listings

Listings are the lifeblood of the real estate business. Without listings, the phone does not ring, our name is not known, and our income will decrease substantially.

Sales agents should devote at least two-thirds of their time listing real property using an Exclusive Right of Sale Agreement. With this Agreement, you have a monopoly on a property that all other agents in our area will try to sell. No matter who has the buyer, you will earn a commission.

A listing well taken is half-sold. Agents who take listings within 5% of market value, who are candid with the seller about necessary repairs or cleaning, and who prepare the seller for an offer, will sell more of their listings.

Listings—Files

All listing contracts and Transfer Disclosure Statements (TDS) are to be delivered to the main office within three (3) days of the listing date in complete form. A listing file will be made, labeled and filed in the agent's file. All forms should be completed and filed with the listing, including:

1. Market report
2. Seller's net sheet
3. Seller's personal information sheet
4. Property profile
5. Listing agreement
6. Correspondence
7. Advertising clippings
8. Earthquake and Environmental Hazard booklet*

9. HUD Consumer Home Inspection Kit*
10. Lead Based Pint booklet*

*Available at the main office and on the web site, www.sacramentomortgage.com as well as the HUD web site, www.hud.gov/.

Listing files are for reference for all agents and Sacramento Mortgage, Inc. They should **never** be removed from the main office.

Listing—Servicing Suggestions

It is imperative that we maintain regular contact with the seller who has entrusted the sale of his property with our Company. An agent who does not service his/her listings properly will find referral business substantially reduced and sellers will not renew.

Agents are recommended to set aside one evening each week as “servicing” night. Call each of your sellers and discuss your efforts. If you are not able to reach them, write a note or letter to them immediately. A contact reminder should be placed on your calendar for the following day.

Calling a seller each week is often difficult because we do not know what to say week after week. Don’t feel uncomfortable. Call! Nothing is worse than not calling for several weeks and feeling guilty about your performance.

We suggest that you clip the seller’s advertisement and mail it to the seller. Ask the seller to call if another agent shows the property so that you can follow up.

Our business is built on service. Be sure to service your listings.

Listings—Term

Agents should list properties for a minimum of three months. A shorter term does not give us a fair chance to sell the property and could result in an unfortunate interruption of service to the seller. Do not take listings for less than six months without the permission of the Broker.

Files

The agent is responsible for all client files, contract files, general information files, and other documents that are necessary for Sacramento Mortgage, Inc. to serve our customers and clients properly. A lost file or lost information could result in a loss to the agent and to the Company.

All files should be returned to the proper storage area in the proper sequence. A regular, periodic inventory of the files should be made to ensure that all files in the proper order and are accounted for.

Client Files – Loan and Real Estate

When an agent submits a contract, several items should be included in the file. It is the agents' responsibility to ensure that all of the required documents are contained in the file. See "Stacking Order for Loans and real Estate Originations" available at the main office or on the web site at www.sacramentomortgage.com for the most up to date information.

Newspaper—Ad Copy to Seller

The agent should regularly clip ads on listings and mail them to the client. A postcard also works well with wording such as:

"Just thought you might like to see a recent advertisement that was in the newspaper Sunday, July 16. Wee are doing our best to market your home."

Newspaper—Ad Promises

Agents should use caution in promising an owner that we will do extensive newspaper advertising. Such promises can cause ill will and resentment if we do not follow through.

Newspaper Advertising—Display

Display advertising is used to supplement classified advertising and is often the only way to show a property to its full advantage.

Besides the institutional advertising placed by the Company, such display advertising is the responsibility of the agent and must adhere to Company requirements. To be effective, advertising must be

- Attention getting
- Brief
- Attractive
- Professional

ALL FORMS OF ADVERTISING MUST HAVE WRITTEN APPROVAL OF THE BROKER PRIOR TO PUBLICATION.

Personal Assistants

A personal assistant can help an agent be more productive in every aspect of his or her business. Personal assistants can do any of the tasks which do not require marketing and sales skills, such as preparing brochures on properties for sale, inserting advertising, measuring listed properties, placing signs on properties and, when properly trained, comparative market analyses.

If an agent of Sacramento Mortgage, Inc. engages a personal assistant the following requirements apply.

- A. The Company, the agent, and the personal assistant must enter into a written agreement which
 1. States that the assistant is an employee of the agent and not the Company.
 2. States that the personal assistant is an employee, not an independent contractor, for income tax purposes. The agent must agree to withhold taxes and FICA contribution as well as make all required payments to IRS for those taxes. The agent agrees to abide by additional laws, including unemployment compensation taxes and workmen's compensation insurance, and to hold the Company harmless from any claims for State and Federal tax requirements.
 3. Sets forth the compensation to be paid to the assistant, including any bonuses.
 4. Outlines the duties of the personal assistant as well as a list of activities that cannot be performed by an unlicensed personal assistant.
 5. Gives the Company the right to approve the continued employment of the assistant from time to time. The approval shall not be unreasonably withheld, but if the assistant is creating problems in the operations of the Company, the assistant will not be allowed to continue to work in the offices of the Company.

Agents may decide to hire licensed personal assistants to do additional duties that can be performed. Often the licensed assistant will work under a split commission basis. An agent may not pay a portion of the commission to the assistant. The Broker must pay commissions that are split between the agent and the personal assistant.

Personal assistants use office space, office facilities, parking areas, plat books, telephones and supplies. Because of the additional expense to the Company, the Company shall charge the agent rent, per assistant for the assistant's use.

Personal Sales and Purchases

Real estate is one of the best investments, and we encourage our agents to buy real estate for investment. We have several important policies regarding the purchase and sale of real estate by our agents.

1. Full Disclosure

When an agent buys or sells real estate for personal use, the seller or buyer must be informed about the agent's license status and must be aware that the agent is not representing the interests of any other party. To protect us, this fact should be clearly revealed in the contract for sale and purchase and in all discussions.

2. Commission to the Office

Many purchases and sales involve office prospects, office listings, or potential listings and supplies as well as potential liability to the office. Therefore, the Company must be paid its share of the scheduled brokerage commissions whenever an agent buys or sells any property. The agent should take this fact into consideration at the time of purchase. At closing, the agent shall pay to the Company its share of the scheduled brokerage commission as if the purchased property were listed.

3. Training Prerequisite

All Originators new or seasoned in the industry are required to attend appropriate Training classes as a prerequisite to working with Sacramento Mortgage, Inc.

Referrals—Out of Town Brokers

Referrals can be a substantial source of income to alert agents.

Send a referral on **every** client or customer who is leaving our area.

When you meet a buyer who intends to move from another city, send a “reverse” referral to a Broker in that city if the property is not yet listed.

Out of town referrals should be handled by the Broker. Sacramento Mortgage, Inc. should receive a minimum of 30% on referrals sent. A maximum of 30% is paid by the Company on the listing or the selling side of the transaction of referrals received from another Broker.

Agents should prepare an explanatory memorandum and place it in the referral files on all referrals sent and received. The Company can then follow up on prospects that have been referred so that referring Brokers can be paid promptly.

Referral Fees—Inter-office

Agents are encouraged to refer customers to each other if doing so will provide greater service to the customer.

When there is an inter-office referral, if compensation is involved, the agents must develop a written agreement as to agreed upon compensation due. The original shall be placed in the files, and each agent should keep a copy. Before the commission is paid, the agent must give the Broker a copy of the agreement so that commission checks can be properly prepared.

Referral Fees—Outside Sources

Referral fees can be paid to anyone that is unlicensed. Referral fees can never be paid in conjunction with a HUD/FHA loan or sale.

Sales Contracts

Until an agent has been told otherwise, the Broker must review sales contracts before presenting them to the seller. This procedure has saved time and litigation and is a protection to the buyer, seller, and agent.

Before signing the sales contract, the buyer must sign a cost disclosure statement that itemizes the amount of the down payment, closing costs and prepaid costs, and the monthly payment. The buyer must receive a copy. While the wording of the statement might show that it is an “estimate”, the agent should be sure the information is correct. It is Company policy that if a customer incurs loss from an agent’s negligent estimate of costs, the agent must repay the loss.

The agent should prepare an information sheet showing the personal information of the buyer including the name of the mortgage company, title closing, agent’s name, temporary address of the buyer, etc.

The buyer must be given the following information during every transaction:

- Earthquake and Environmental Hazard Booklet*
- HUD Consumer Home Inspection Kit*
- Lead Based Paint Booklet*

*Available at the main office and on the web site, www.sacramentomortgage.com as well as the HUD web site, www.hud.gov/.

State law requires that an earnest money deposit be held in a trust account. This is accomplished by having the buyer deliver a check to the title company made payable to the title company. Under no circumstances can any check be written to the Agent or to Sacramento Mortgage, Inc.

Company Meetings

Meetings help to provide effective communication of important information. Topics at these meetings might include:

- Industry information
- Review of advertising
- Discussion of company policies
- Review of current financing
- For sale by owners
- Guest speakers
- Review of new listings
- Sales results
- Training

Agents will be notified of meetings two weeks prior to the meeting. Attendance is mandatory. A 10% commission fine will be imposed on the next closing for agents who miss mandatory meetings.

Specialization

When an agent becomes proficient in the general brokerage side of the business, it is recommended that he/she become a specialist.

“Specialist” means one who attempts to become most knowledgeable about a given neighborhood, type of property, or area of real estate.

A specialist soon finds it easier to compete in the real estate market because of their additional knowledge.

Whether you decide to market a certain area, specialize in the sale of restaurant properties, or work in multi-family properties, specialization may increase your income potential.

Signs and Lockboxes

Signs are available for use and are stored at the main office. Each agent is responsible for the signs and lockboxes used for listings. Every listing file should note whether the listing has a sign or a lockbox.

Sign “riders” specifying the agent’s name are exceptional opportunities for the listing agent to receive calls and find buying and listing prospects.

Once a listing sells or expires or is withdrawn, the agent must return the sign to the main office and check it in with the Company Operations Manager. Also, the status should be noted in the listing file.

If a sign is lost, the cost of the sign will be charged to the salesperson.

Commission checks will be held until the sign from the sold listing has been returned to the office.

“Sale pending” signs should be placed on the property once both buyer and seller have signed the Contract for Sale and Purchase. Because such signs are an excellent source of additional listings, the sign should remain on the property until the day of closing.

When a listing is taken and another real estate agency sign is on the property, remove the sign and return it to the other agency or call the other agency and suggest that they pick up their sign.

Specialty Advertising

Agents often purchase different items to give away to sellers, buyers and prospects. Such items usually have the name of the Company and the name of the agent prominently displayed, and often results in increased business.

Such advertising is highly recommended. The selection of items should be made with discretion to maintain the professional image that we so carefully nurture.

Telephone Answering

First impressions of Sacramento Mortgage, Inc are often made from the way our telephone is answered. The agent should consider the act of answering the telephone one of the most important of all duties.

Answer the telephone by stating “Sacramento Mortgage. This is (your name); may I help you?”

Full attention must be given to the caller. All other work should cease until the caller has been helped.

When an agent is out, the call will be transferred to the agent’s voice mail if main office staff cannot help the caller.

Telephone—Long Distance calls

The telephone is the second best means of communication. When it is used for long distance, it is also one of the most expensive.

We believe that a call is more effective than a letter. It is suggested that you plan each call by preparing a list of each major point you wish to cover before dialing.

Telephone—Personal Calls

Our telephone equipment was installed to serve our business needs and all lines will often be in use. Therefore we ask that you keep personal calls to a minimum.

Thank You Cards

Little is as effective in establishing customer loyalty and referrals as a simple “thank you.” It is recommended that agents keep a supply of “thank you” cards on hand and make it a rule to send them on a regular basis. You will be amazed at the additional listings and sales that can result from this action.

Time Off

This industry is an exciting, sometimes exhausting business. Agents can become so involved that they work 15 hours a day, seven days a week.

We caution you of the dangers of “burnout”, a condition in which a committed and conscientious agent becomes unable to talk to a prospect and begins thinking that another line of work would be appropriate.

Every agent should periodically take time off to recharge the energy, enthusiasm and ideas that bring success. A physically exhausted agent simply cannot perform effectively.

Conversely, too much time off will result in missed income producing opportunities. Annual or quarterly planning can help the scheduling of appropriate time off.

Loan Officer's Guide to the Processing Procedure

Submitting your file to Processing

Getting your file ready for submission is a very important step. There are many requirements that we have at SMI for submitting a file, but they are very easy once you know them.

1. Make sure you fill out the SMI Loan Submission form **completely**. As processors, we can't "guess" at what you want to do, and as a rule, we do not consider loan information on the upfront 1003 as what you want. Programs change more than anything else, and we can't differentiate what "was" and what "is"
2. In addition to filling everything out, also make sure that your file has all the necessary documentation. There is a list at the bottom of the form that tells you what is needed. This will be updated periodically, and when it does, a company-wide email is sent to notify you. If you are missing any required documentation, your file will be given back to you by your manager.
3. Loose papers are evil in the loan industry. Documents get misplaced, or even lost. When you are submitting your file, please make sure all your papers are stacked in the correct order (the list on the Submission Form will suffice,) and that there are no loose papers. A paper clip or a binder clip is fine; you don't need to Acco them. Please have your file in a clean manila folder (legal size).
4. Make sure your Submission form is on top of your file, and make sure your file is presentable. If your loan is not a "streamline" loan, then you need to write a cover letter, explaining the situation of your file. You know what you discussed with your borrower, and what their needs are. Make sure that we know too. We don't have a crystal ball, but we are working on it. The SWM Wholesale rate sheet will be used to price all loans whether they are funded in house or brokered. If brokered, the deference in pricing between the lender rates (shown on the HUD-1) and SWM rates will be kept by SWM.

Inputting your file

Inputting your file is more than it sounds. It isn't just putting information into the computer. As your processor, we pre-underwrite your file, making sure it will fit the lender's criteria. We have a general understanding of what the lender will require, and we notify you as to what you will need for your file.

After we get your file, we stack it in the correct order, and we go through the entire file, trying to get a feel for what we are trying to do with your particular case. Every loan is

different, and as mentioned before, a cover letter explaining the details of the loan are recommended.

We will order a transaction number for your file, and we will input all of your borrowers' information into our computer. While inputting, we will make notes of whatever is missing from your file, or what will be required later on for the Underwriter. Every underwriter is different, but we know what they will generally need to get your file approved.

Although we are not allowed to lock loans, we will still look into your program to make sure it fits the criteria. It is a waste of you and your borrowers' time to submit a file that won't get approved.

Once we finish inputting, we will print out a Truth-in-Lending form, any disclosures that we need to have signed (that you may have forgotten, or that can only be computer-generated,) as well as a Welcome Letter, which confirms the terms of the loan with the borrower. The borrower will be given all this with an envelope to send back any forms that need to be signed. The borrowers keep the Welcome Letter for their records. You may get a copy of anything we send to the borrowers upon request.

In addition to documents for the borrowers, we also print out verifications. We will send out a Verification of Employment for all employers listed on the 1003, past or present. This verification will tell us how long they have worked there, how much they make, and the probability that they will work there in the future. Verification of Deposits will be sent to all bank accounts listed on the 1003, to verify how much money they have in the bank. Many lenders will accept a VOD in place of bank statements, so it could prove beneficial to have a VOD.

Expect an email from us within 24 hours letting you know that we have inputted the file, and we probably ask you to clarify details, or to get us additional documentation.

Submitting your file to Underwriting/Lender

After we have everything we need for a complete file, we will submit your file to SMI Underwriter. SMI uses an automated UW or online submission as a prerequisite to manual submission, We must get an AU approval for your file. All loans are subject to first right of refusal to SMI

After AU approval, we will go through your file and take out anything that is not necessary to the lender, or that we don't **want** to send (i.e. - income docs on a SISA or NINA loan.) After which, we will make a copy package. We will stack your file in the lenders order, and Trans box the original file to the lender. We keep the copies, and we send out an email letting you know your file has been submitted.

After registration, your file is sent to underwriting. Each lender has a different turnaround time for underwriting. It can range from 24 to 72 hours or even more, depending on how busy the lender is. We will notify you what the current turnaround is.

When underwriting is complete, 1 of 4 things can happen. Approval, Counteroffer, Suspense, Denial. In my experience, I have not once been denied. More often than not, if the file doesn't fit the criteria, it will be suspended, and you will have to change something about the file. A common suspense condition is the doc type. If a borrower has a really low FICO and you wanted it Stated, it might come back suspended. A counteroffer happens when the borrowers don't qualify for a certain rate, loan amount, or program. They would still like to do the loan, just not under the terms we submit it as.

After your approval

After your file is approved, the lender sometimes calls us, but generally they just fax over the Approval sheet. Not all loan officers have seen a condition sheet, so we have included 2 different approvals. One is highly organized and easy to follow. The other... well... not as easy. Seeing the difference, you might understand how difficult things can get.

We will notify you immediately when you are approved, and we will email you the conditions verbatim. We will ask you to get conditions from borrowers, and all other conditions we will take care of. Loan officers can send us one condition at a time if it's easier for them, however, we may **not** send in conditions to the lender piece-mail. We **must** send all PTDs together, or your file will sit on the underwriter's desk, on the bottom of the list. I know from experience. So even though you may get the borrower conditions, we may still be waiting on other conditions before we can send them in.

Note—When we get conditions, they are not negotiable. Conditions are what the lender **must** have. Some conditions can get waived with persuasion, but that is a rare exception. Conditions are final.

Some lenders accept faxed conditions, but most lenders do not. Most lenders require the *original* conditions to be transboxed. Again, the transbox will take another day to get to the lender. Most lenders can get conditions signed off in 24-48 hours.

“Clear to Close” – ordering Docs

Here is the fun part of the loan. Ordering and signing docs can be very stressful, but ultimately it is the big hill before the road levels off. We are no longer dealing with estimates and indecisiveness. Everything on the docs is final.

As processors, we fill out all lender and title fees, and then our fees. We will confirm vesting, loan terms, loan amount, impounds, rate, etc. As required by SMI policy, which is pretty much law, we will fax a copy to you to go over and make sure everything is correct. Please confirm how much money you are getting paid. Even though we are processors, we aren't perfect. (Don't tell the other processors I told you). Sign and date at the bottom, where ever there is room, and fax it back to us. Keep your copy for your records, and we will order docs immediately. As a rule, we call the lender within 15 minutes to confirm they got the order, and ask for current turnaround. Generally lenders are 24-72 hours in docs, and when they are completed, they are either overnighted or emailed to the Title Company.

Signing the Docs

Signing loan docs is a very important part of the process. This is where all the legal stuff comes in. Now longer are we working with estimates or round-offs. Everything here is final. Generally, SMI recommends that you attend the signing with your borrowers. Chances are, you'll lose an hour of your time, and maybe get a little sleep. However, should a problem or question arise during signing, it is best if you are in the room, or at least available to call. If a borrower asks a question pertaining to you, do you really want the Escrow Officer telling your borrower the answer?

One of the most stressful parts of processing is when the borrower signs. Although it shouldn't be, it is sometimes a battle with the Title Company to prepare docs quickly, and send us a Net Sheet. A net sheet is the first form that your borrowers sign. It lists all the money, and where it is going. It pretty much tells us who's paying what, and who's getting paid. We like to get our net sheets at least 24 hours prior to the sign date, in case there is any discrepancy in the numbers, we have ample time to correct the problem. The net sheet is also how we make the final 1003 and MLDS. If we don't have enough time (2 – 4 hours depending on how busy it is) to do the finals, then you will have to take them to the borrowers later to get signed, and I know you hate going back to borrowers with more papers. That's why it's so important to get the net sheet with plenty of time to spare. When it comes down to it, we get the blame. That's not fun for us.

So, after your borrowers have swamped themselves with legal forms, they will leave happy, and you will leave happy. That leaves us and the lender. The lender is happy when the Title Company sends the docs back ASAP. We are happy when they didn't forget to send us certified copies of the finals. This happens sometimes. In this case, it is up to you to get finals signed by the borrower. (This is another reason we recommend going to your signing. You can ensure that the finals get sent back to us!)

Closing your file

After your borrowers sign, the Title Company will send back all the loan docs to the lender. The lender will then review the file, and see what additional things they will need from us. Generally it takes anywhere from 24 to 72 hours to do this, sometimes even longer. This is the crunch time. We like to have most of our PTFs already cleared before docs, but there are cases when we can't get them until later. Your processing team scrambles to get your loan funded, because when the borrowers get their money, you get your money, and then we get our money. In other companies, loan officers and processors have an adversarial position, but at SMI, we are team mates. We get paid when you get paid. I'm not afraid of money, and I'd actually like to get to know it better, so it's safe to bet that I'm doing everything I can to get your loan closed, as fast as possible.

Going through QC

After your loan funds, we have 48 hours to QC your file. We stack your file (the stacking order can be found on the website, in case you wanted to see it) and make sure that all required documents are there. If there is anything missing, we send out request letters

immediately. After those 48 hours, we have to send the file in to be scanned. Your file will go through a final QC, and then the file will be scanned, stored electronically, and the paper file will be shredded. This way, we always have a copy of the file, but we don't have to go digging through boxes. Everything is stored electronically, so if your borrowers choose to refinance a year down the road, we can look up the old file and get whatever we need from the old file, and just get updated pay stubs and bank statements, and everything is available to you, instead of having to start all over. It's a streamline refi, pretty much.

Now, I hope you have a better understanding of how your loan is processed. This doesn't entail all facets of a loan, but it gives you a general idea of what goes on behind the processing door. What many loan officers forget is that we have at least 30 files at any given time, and it's very trying for us to stay organized and get everything done as quickly as possible with no mistakes. If a loan officer asked me today for advice, I would tell them one thing: Appointments. Make appointments with your processor. That is the best way to make sure that everything gets taken care of. Email is wonderful, because we have what you said it writing, so we can go back and make sure we got everything. We are more than willing to talk on the phone with you, but after the phone call, we will ask you to email us whatever you said. We aren't always in your file, so if you call us, and expect us to drop what we have and work on your file, you will be a little upset. We do everything in order, and if we drop what we are doing, mistakes get made. Things get confused and misplaced. If you need to talk with us about a file, give us a call and set an appointment. We are more than happy to work with you on your file, as a team mate. We will set time aside just for you, and we will address whatever we need to.

I hope this guide has helped you understand a little bit more, what goes on behind the processing center. If you have any questions, your manager can answer them for you. Thank you for your time, and thank you for your loans. They fill my plate.

Telemarketing Policy

The Do-Not-Call list is paramount to telemarketing. All telemarketing phone calls must be made using a pre approved, "scrubbed" list provided by management only. Any call made from any other source is grounds for termination.

If a prospective borrower requests that they be removed from our list, regardless of whether or not the call was initiated by the telemarketer, the telemarketer must record the person full name (if provided), telephone number, and any other information provided to identify the prospective borrower. This must be done immediately. Once this information is recorded, the telemarketer must delete that number from his data list and report the incident and provide the recorded information immediately to the Manager. The manager will then delete the number from the master list and add the person to the company do not call list.

It is the responsibility of the telemarketing/office manager to update the current Do-Not-Call list, in addition to adding the prospective borrower's information to a database so that all future lists can be further "scrubbed." The prospective borrower's request to not

be called must be honored for no less than a 5 year period.

At no time may any telemarketer share or forward the prospective borrower's information to any third party, under any circumstances. Doing so is grounds for termination.

When making telemarketing calls, all telemarketers must provide their name, the company's name, and a telephone number where the prospective borrower may reach us. The phone number provided may not be a 900 number or any other number for which charges exceed local or long distance charges.

At no time may any telemarketing calls be made from an automatic phone dialing system, or an automatic facsimile production. All telemarketing calls must be made by a live telemarketer.

All telemarketers must be informed and trained in the telemarketing policy and procedures. At no time may a telemarketer initiate any solicitation on our behalf until they are informed and trained in the telemarketing policy and procedures. Doing so is grounds for termination.

In the case that a prospective borrower requests a copy of our Do-Not-Call policy or telemarketing policy, the recipient of said request is to record the prospective borrower's information (including full name, phone number, mailing and/or e-mail address), and notify management immediately. All requests must be complied with in no more than 30 calendar days.

Telemarketing calls may only be made using company telephones assigned to each telemarketer. Calls may not be made from any other communication source including but not limited to personal, cellular, or home phones.

** "scrubbed" is a term used to describe a Do-Not-Call list that has been filtered to not include any person that is either on the Do-Not-Call registry, or has made a personal request to our company.*