



**STEARNS LENDING BROKER AGREEMENT
(THIRD PARTY ORIGINATIONS)**

This Broker Agreement ("Agreement") is entered into as effective _____, 20____, by and between _____ ("Broker") and Stearns Lending, Inc (hereinafter "Stearns Lending"), a California Corporation.

Broker Agrees

Broker represents and warrants that it is a duly organized and validly existing entity in good standing under applicable laws and regulations of the United States and the State of _____.

Broker warrants and represents that Broker is a duly licensed mortgage broker in good standing with the pertinent licensing authority and that it has all required legal and/or regulatory approval, licenses, and/or authority to conduct the business of brokering loans in all jurisdictions in which it operates.

Broker represents, warrants, and covenants that it will notify Stearns Lending immediately upon the suspension, revocation, expiration or other termination of any license, or of the taking of any action by any regulatory or licensing authority against Broker.

Broker represents and warrants that it has the requisite corporate authority, power, and capacity to enter into this agreement and that Broker's compliance with the terms and conditions of this agreement will not violate the terms of any governing organizational instrument of Broker or any other instrument or agreement to which Broker/ is a party.

Broker Relationship

Except as expressly provided in this paragraph, nothing contained in this Agreement or in connection with Broker's submission of any loan application to Stearns Lending shall create or be deemed to create a partnership, joint venture, agency or employment relationship between Broker and Stearns Lending.

Broker shall be exclusively responsible for all of its own costs and expenses in connection with Broker's business and loan processing. Broker represents and warrants to Stearns Lending that Broker has not in any way represented or implied to any loan applicant that Broker is in any way affiliated with or connected to Stearns Lending including any representation that Broker's office is an office or branch of Stearns Lending. In addition, Broker covenants and agrees that Broker shall not in any way represent or imply to any loan applicant that Broker is in any way affiliated or connected with Stearns Lending or that Broker has any power or authority to bind Stearns Lending, including any representation that Broker's office is an office or branch of Stearns Lending; provided, however, that Broker shall act as Stearns Lending's "Special Agent," within the meaning of California Civil Code Section 2297, for the sole and limited purpose of directly engaging an appraiser to conduct and complete an appraisal, which appraiser has no direct or indirect interest, financial or otherwise, in the property or loan transaction for which the appraisal is prepared, and which appraiser and appraisal satisfy all requirements. Except as specifically provided herein, Broker shall have no agency, power or authority to undertake any other act or transaction on behalf of or as agent of Stearns Lending.

Broker intends from time to time to offer Stearns Lending conventional mortgage loans that it has originated, and for which it has obtained appraisal and credit documentation. Until this agreement is cancelled by either Stearns Lending or Broker, Stearns Lending will make available to Broker conventional loan programs at terms and interest rates subject to change by Stearns Lending on a daily basis.



The following are the terms under which Stearns Lending will accept, underwrite and close approved loan applications offered by Broker:

1. Stearns Lending will provide a list of the programs and types of loans it will accept, which will include interest rates, loan limits, loan-to-value ratios, points and fees. Approvals will take the form of written commitments covering only the particular loan(s) submitted by Broker for approval. Stearns Lending is under no obligation to accept any minimum number or percentage of loans, or any loans at all.
2. Broker represents and warrants that with regard to Broker's activities in general and the loan applications it submits to Stearns Lending in particular, Broker will comply with all applicable Federal, State, and Local laws, rules, and regulations, including, but not limited to, the Federal Truth in Lending Act of 1986 as amended, and Regulation Z thereunder; the Federal Fair Credit Reporting Act, and Regulation B thereunder; the Federal Real Estate Settlement Procedures Act of 1974 as amended, and Regulation X thereunder; the Federal Equal Credit Opportunity Act; the California Civil Code; the California Housing Financial Discrimination Act; the Flood Disaster Protection Act, and the regulations thereunder; and State and Federal Fair Lending regulations.
3. Broker understands Stearns Lending intends to sell closed loans to Investors in the Secondary Market. Broker warrants that the applications submitted to Stearns Lending are in full compliance with all requirements and warranties of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or such other Investors as Stearns Lending may identify.
4. Broker understands that all loans submitted to Stearns Lending pursuant to this agreement will be underwritten in accordance with Secondary Market standards. Stearns Lending will approve or decline loan applications in accordance with its current underwriting policies. Stearns Lending, at its sole discretion, shall make underwriting determination.
5. Stearns Lending shall communicate to Broker by telephone or in writing Stearns Lending's approval or disapproval of the application. Stearns Lending shall approve or disapprove each application solely for its own benefit and account; and in making such determination Stearns Lending expressly disclaims any inference Broker may draw as to the general quality or acceptability of the underlying application. At no time will Stearns Lending communicate with Broker's client, (either by written or verbal communication). Stearns Lending offer to lend will be evidenced by a "Loan Commitment Notice." After consultation with Broker's client, Broker shall advise Stearns Lending of the client's acceptance or non-acceptance of such offer. Upon acceptance of Stearns Lending offer, either by written or verbal communication, a formal offer will be issued as evidenced by Stearns Lending loan documents.
6. Stearns Lending shall pay Broker its brokerage fee (the "Fee"), in consideration of Broker's preparation of the completed application package for the loan, only upon the actual closing by Stearns Lending of the Loan. Broker's brokerage fee shall be calculated pursuant to the terms for such fees disclosed by Stearns Lending in its sole discretion.
7. Broker understands that Stearns Lending reserves the right to conduct a complete quality control audit on all loans and will re-verify credit documentation, appraisals and any other information or application materials submitted by Broker as required by our numerous Investors, or otherwise.
8. In addition to any right now or hereafter granted under this Agreement, Stearns Lending is hereby authorized at any time, without presentment, demand, protest, or other notice of any kind to Broker or to any other person, any such notice being expressly waived, to set off and to appropriate and apply any and all amounts at any time owing by the Broker to or for the credit or the account of the Broker against and on account of the obligations and liabilities of the Broker to Stearns Lending under this Agreement, irrespective of whether or not Stearns Lending shall have made any demand thereof.
9. With respect to any loan submitted by Broker that is closed and funded by Stearns Lending, if said loan pays off at any time during the first five (5) monthly mortgage payments that is due to Stearns Lending or its



investors since funding, Broker will refund, upon demand, to Stearns Lending all SRP's and/or rebates paid on the loan (also known as yield spread premium).

Breach of Representations and Warranties

Broker agrees that upon breach of any of the representations, warranties or covenants contained in this Agreement, or upon discovery by Stearns Lending that any fact represented by Broker, its agents, employees or any borrowers under a Loan or application or other information relating to a loan are not true, the repurchase provisions set forth in the paragraph below shall apply. All representations or warranties shall survive the funding, closing, and purchase of each loan by a third party investor and shall be deemed to be for the benefit of Stearns Lending and its successors and/or assigns.

Broker hereby agrees to indemnify Stearns Lending for, and hold Stearns Lending harmless from and against, any claim, loss, damage, demands, costs or other liability, including reasonable attorney's fees, arising out of any breach by Broker of any of Broker's covenants, representations, warranties, agreements, duties and/or obligations arising under this Agreement. In addition to, and not in limitation to, the foregoing, Broker agrees that upon written demand by Stearns Lending it shall promptly repurchase from Stearns Lending (Stearns Lending may allow a financial indemnification at its own discretion), any closed loan that is found to have an early payment default (which are loans that have any of its first four payments over 30 days delinquent), or to be fraudulent, intentionally misrepresented, not in compliance with the proper licensing, regulations and requirements pertaining to their type of business and the State and Counties they elect to conduct business in or as required by preceding paragraphs. The repurchase price shall be equal to the unpaid principal balance of the loan(s), plus the accrued amount of the interest shortfall (negative amortization), if any, due Stearns Lending, plus any accrued, but unpaid interest due Stearns Lending on the date of repurchase, and less the escrow balance held by Stearns Lending, as calculated by Stearns Lending on the date of repurchase. In addition to other remedies set forth in this Agreement, if Broker does not immediately comply with Stearns Lending request for repurchase, this agreement shall be cancelled automatically and Stearns Lending shall have no further obligation to Broker to fund any other loan(s), even if such loans have been submitted to, or approved by, Stearns Lending

To Broker's Knowledge, no loan will be classified as a (i) "high cost loan under the Home Ownership and Equity Protection Act of 1994 (HOEPA) or (ii) "high cost", "predatory", "covered", "abusive" or "threshold" loan under any other Applicable Law. No abusive or deceptive lending practices, including but not limited to, the extension of credit without regard for a borrower's ability to repay the loan and the extension of credit to a borrower which has no apparent tangible net benefit to the borrower, were engaged in connection with the origination of a loan. Broker has not mislead the borrower about the costs or benefits of the loan, or any features of the loan, such as prepayment charges, type of interest rate and manner of adjustment thereto, and closing costs and fees.

Notices

All notices required to be given pursuant to this Agreement will be given in writing and will be deemed given when personally delivered or when deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to such party as follows:

Stearns Lending:

Stearns Lending

Attn: Broker Approval
4 Hutton Centre Drive, Suite 500
Santa Ana, CA 92707
(714) 513-7777



Broker:

General Provisions:

This Agreement constitutes the entire agreement between the parties with respect to this subject matter hereof. There are no representations or warranties other than contained herein. No waiver or modification of this Agreement shall be valid unless executed in writing with the same formality as this instrument. Waiver or breach of any term or condition of this Agreement will not be deemed a waiver of any other or subsequent breach, whether of a like or different nature. In the event of litigation between the parties related to this Agreement, the prevailing party shall be entitled to recover its attorney’s fees. Any and all disputes arising out of this agreement and/or the lender/broker relationship shall be construed under the laws of the State of California and applicable Federal and State mortgage lending regulations. In the event of litigation, Broker expressly agrees that venue will lie solely in the Superior Court of California in and for the County of Orange, or in the Federal District Court, Central District of California, Southern Division. Broker expressly consents to said venue and the jurisdiction of the court and expressly waives application of diversity of citizenship and expressly waives application of inconvenient forum to any litigation.

Each party hereto agrees to execute any and all documents and writings, which may be necessary or expedient and to do such other acts as will further the purposes of this Agreement. Stearns Lending and Broker expressly agree that this agreement will be in force and effective upon execution by authorized persons. Broker expressly agrees that a copy or copies of this agreement, and/or facsimile reproductions of this agreement may be used for any and all purposes and such copies and/or facsimile reproduction will have the same force and effect of a fully executed, original document. Nothing herein contained shall be construed to create a joint venture, partnership or agency relationship. Stearns Lending reserves the right to terminate this Agreement at any time for any reason.

In Witness Whereof, the parties hereto have executed this Agreement as of the day and date first above written.

“BROKER”

STEARNS LENDING

(Name of Institution)

(Signature)

(Signature of Broker of Record)

(Name of Authorized Representative)

(Typed/Printed Name of Broker of Record)

(Signature of Owner)

(Typed/Printed Name of Owner)

(Company’s Tax Identification number)



COMPANY RESOLUTION
(Execution of Broker Agreement)

The undersigned hereby certifies that the following was adopted by the _____
_____(Board of Directors/Members/Partners) of
_____(Company Name) a
_____(Corporation/Limited Liability Company/Partnership)
("Broker") on _____.
(Date)

- 1. Broker is authorized to enter into the Broker Agreement ("Agreement") with Stearns Lending, Inc. ("Lender"), and has the power and authority to comply with and be bound by the terms and conditions of the Agreement;
- 2. Lender can rely upon Broker's authority, as described above, as of the date hereof and as of the date of any subsequent transactions under the Agreement;
- 3. As of the date hereof, any one of the officers, members or partners of Broker, as applicable, expressly noted below, are authorized to make, execute, and deliver on behalf of Broker, this Agreement, the Broker Application in connection herewith, and any and all assignments, conveyance instruments, documents and forms required to be executed in order for Broker to comply with and be bound by the terms and conditions of the Agreement:

Name: _____ Signature: _____

Title: _____

Name: _____ Signature: _____

Title: _____

Name: _____ Signature: _____

Title: _____

IN WITNESS WHEREOF, I have hereunto affixed my hand this ____ day of _____ of 200__.

SIGNATURE: _____

TITLE: _____

(Corporate Seal, as applicable)