Flanagan State Bank App+5 Broker Program

Why App+5?

There are so many reasons why the App+5 Program is important to your bank:

- Customer Attraction and Retention by giving your clients access to Loan Programs not currently offered at your Institution
- Added Non-Interest/Fee Income you would lose out by not helping the client
- Access to a full range of Mortgage Options:
  - Conventional
  - Government (FHA, RD, VA)
  - Investment Properties
- No buyback responsibility
- No effect on regulatory reporting
- No effect on loan loss reserves

App+5 is a RESPA compliant program where your bank is paid for the service of taking a residential mortgage loan application and performing at least five other steps in the loan process. While you continue to maintain contact with your customer, the loan is closed in Flanagan State Bank’s name through a brokerage process.

Why FSB?

You're going to love working with us!

- Competitive rates
- A team dedicated to your business!
- Training available when you need it
- Flanagan State Bank has been in business since 1913. We understand your business because you are what makes us who we are.
- Quick chain of command to the top! If you need this, it is a short list to get to the Management Team
- We do not market to YOUR customers! It is in our agreement, and we mean what we say. Any customers who call us in the future to do a loan are referred back to the institution they originated from.
- Your customers gain access to our Mortgage Solutions Credit Department who can review credit and help them with credit repair to get their credit file where they need it to qualify with no upfront cost. Minimum 600 credit scores are required for all FSB Loan Products.

Your Loan Officer

A valuable resource for your team!

All our Loan Officers have many years of originating experience within the mortgage industry. They know what it is like to be a busy Loan Officer!

- Always available for a phone call.
- Will answer your product and process questions.
- Will assist in the loan process as needed.

App+5 Compliance – RESPA Section 8

RESPA Section 8

This section of RESPA prohibits kickbacks and unearned fees related to settlement services involving a mortgage.

This section of RESPA does allow payment by a lender (like FSB) for services actually performed in the origination, processing, or funding of a loan.

HUD Rules

An entity may be paid as a mortgage broker on a transaction if they take the initial application plus complete at least five of the listed services normally performed during the origination of the loan (see checklist on next slide). At least one of the services must be of a non-counseling nature.

Why is it called App+5?

The originating broker must complete the initial application, plus at least 5 other items from the App+5 checklist in order to earn compensation compliant with RESPA 8.

<u>It is very important to keep record of the completion of these items.</u>

App+5 Checklist

What is the App+5 Checklist?

The form details which items (in addition to taking the initial application) the originating broker has completed in order to earn compensation.

Why does FSB need the App+5 Checklist?

FSB must be able to prove that an originating broker completed the initial application plus at least 5 other items from this list to maintain compliance with RESPA Section 8. The FDIC checks for this documentation during exams.

When do I complete the App+5 Checklist?

You will complete, sign, and date this checklist at the end of the loan process, prior to closing.

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App+5 Checklist

Originating Bank must perform counseling, education and consulting services in order to be compensated. Originating Bank must take the application and complete at least 5 additional items in the checklist below in order to be paid. At least one of the services must be of a non-counseling nature(items noted with asterisk are non-counseling services).

1.____Analyzing the prospect's income and debt and pre-qualifying the prospect to determine the maximum mortgage that the prospect can afford.

2.____Educating the prospect in the home buying and financing process, advising the prospect about the different types of loan products available, and demonstrating how closing costs and monthly payments could vary under each product.

3.____Collecting financial information (tax returns, bank statements, etc.) and other related documents that are part of the application process.

4.____Initiating / ordering VOEs (verifications of employment) and VODs (verifications of deposits).*

5.____Initiating / ordering requests for mortgage and other loan verifications.*

6.____Initiating / ordering appraisals.*

7.____Initiating / ordering inspections or engineering reports.*

8.____Providing disclosures (Loan Estimate, Application Disclosures, etc.) to prospect.*

9.____Assisting the prospect in understanding and clearing credit problems.

10.____Maintaining regular contact with the prospect, realtors, Lender, between application and closing to apprise them of the status of the application and gather any additional information as needed.

11.____Ordering legal documents.*

12.____Determining whether the property is located in a flood zone or ordering such service.*

13.____Participating in the loan closing.*

I hearby certify that the above checked requirements have been met by the originating bank.

________________________________ ________________

Originating Lender LO Certification Date

App+5 Loan Disclosure

What is the App+5 Loan Disclosure?
The disclosure outlines for borrower(s) who the originating broker is, who the lender will be (FSB) and explains compensation paid to the broker.

When is the App+5 Loan Disclosure completed?
The App+5 Loan Disclosure should be submitted to FSB along with the Initial Application.

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App+5 Loan Disclosure

Notice to Prospective Borrower(s): Read this contract carefully so that you make an informed choice. You are entitled to a copy of this contract. Signing this contract does not obligate you to obtain a mortgage loan, nor does it constitute mortgage loan approval.

The institution you are working with has a working relationship with Flanagan State Bank Mortgage Department. The Banks will be working together to consider your application for a mortgage loan and, if that application is granted, to complete your mortgage loan. Per the current laws regulating mortgages, each institution must complete a certain amount of work on your loan to earn the fees that are charged. The compensation charged will be competitive to what you would normally be charged in your area. The benefit to you is the ability to offer you more loan options for financing your mortgage.

This contract outlines the fees charged by
____(“Originating Broker”) and the services it provides to earn the compensation being charged.

This contract is between:

Name(s) of borrower(s):________________________________
____________________________________ And ___
____________________________________Originating Broker
located at ______________________________.

The Lender, Flanagan State Bank, will be authorized by Originating Bank to work directly with you to evaluate your loan application and to complete the loan once the initial steps have been completed by Originating Bank. The Lender has authorized Originating Bank to engage you and advise you about various loan products available to you through the Lender.

Who does Originating Broker represent?

The originating Bank represents you. The originating Bank is your agent and owes you a fiduciary duty. As an agent of Originating Bank, I owe all others a duty of fair and honest dealing. I will strive to ensure you get the best loan terms possible that meet your loan objectives. Originating Bank will charge you a fee for my services but I will not receive any fee for your mortgage loan from the Lender.

What Originating Broker will be paid :
This allows the Originating Bank to charge an origination fee not to exceed 1%. No other fees may be charged by Originating Bank. The fees charged must be reasonable based on the services provided and consistent to meet Equal Credit Opportunity Act regulations.

Originating Broker’s total compensation will be (1%) or $____________________

Our App5 Program was tailor made for Institutions just like yours. By working with your clients to provide lending solutions for their loan needs we can help you not only retain your customer but help generate income for you as well. And all by you just completing the initial App5 Steps and letting us handle the rest!

Thank you for taking the time to consider this opportunity to partner with Flanagan State Bank. Please reach out to your AE today to schedule a more in depth presentation or for any questions you may have.

We look forward to working with you!

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