

Process for Alternate Products Team (Apt)

Brokered Non-QM Commercial Product – Noni - THE LENDER

APT Compliance Loan Procedure Disclaimer

Please note, all APT Products have variations of procedure. This is due to the division offering a wide range of products, sometimes thru different investor “Channel” Options. Those options include:

- **Brokering – FSB is NOT the lender. FSB originates and processes the loan, and the investor Underwrites, Closes, and Funds each loan.**
- **Non-Delegated Correspondent – FSB is the lender. FSB originates, processes, closes, and funds each loan. The investor underwrites each loan.**
- **Delegated Correspondent – FSB is the lender. FSB originates, processes, closes, underwrites, and funds each loan.**

Due to the “Channel” Options being different for each product, we created individual procedures for each product APT offers. The first page of each procedure will reference “FSB Compliance” reminders to make sure Reg B, and HMDA are properly followed.

Please note that the compliance procedures differ based on the different channel options. Due to these channel options, FSB makes the credit decision on Delegated APT products, but does NOT on Non-Delegated or Broker product offerings. Please read and follow the below compliance procedures on APT Product offerings. Each APT Product offering has either a D, ND, or B referenced in the product code to make it easy for you to identify each channel.

What will I be paid to give an internal employer referral to APT on this product?

On Commercial loan products, the referring Loan Officer will be paid 50 BPS.

FSB Compliance

APT DELEGATED LOAN PRODUCTS COMPLIANCE PROCEDURE - REG B:

On APT Delegated product offerings, if the prequal or loan request is NOT approvable simply deny each loan in normal FSB procedure. Nothing further applies. If our underwriting department determines later that the loan is not approvable, they will issue and process the denial in normal FSB procedure.

APT NON-DELEGATED OR BROKER LOAN PRODUCTS COMPLIANCE PROCEDURE – REG B:

PREQUALS WITHOUT A PROPERTY ADDRESS:

If the borrower(s) applied for another loan product, or directly for an APT loan product at prequal stage, do I have to deny my original loan before APT proceeds on a prequal submission?

You do NOT have to issue a denial on your prequals, until you determine (with the help of the APT unit) that the borrower is NOT financeable for an APT Product Offering. However, you CANNOT change the product code or update the URLA on your original loan file until APT determines that the loan fits the basic guidelines for the product you inquire about. If APT determines that one of their offerings is NOT available, then you would deny the loan in normal procedure on the original product requested, or the closest agency product (if they applied directly for an APT product). This will allow our compliance department to issue a HMDA reportable denial on one of our FSB Agency products and avoid double HMDA reporting.

If APT determines the loan may be approvable, you may issue a prequal based on that determination. If you issue a prequal, then please update the product code accordingly to the APT offering. Please make sure to label each loan with a “PR”, and with a branch code of “38”, which is the APT unit code.

I want to find out if a prequal may be approvable for an APT product. How can I do this?

First, please review the basic guidelines for each product on our FSB Retail Web-site. Please pay attention to any “required” information that may be required to determine the outcome of each request. Second, email APT@flanaganstatebank.com. Please remember, you must NOT change the product offering in MBOT to the APT product or the URLA from your original product offering.

What is the next step after APT advises that my submission meets the basic guidelines for the prequal I have inquired about?

Assuming you issue a PR to the borrower(s), you simply wait until they find a property to purchase. Once the borrower(s) find a home, you would proceed by following the procedures for loan submission on each APT product offering. In these cases you DO NOT have to create a new loan for APT, you may simply update your URLA at this time. APT will then transfer the loan to themselves and start the loan process.

LOANS WITH A PROPERTY ADDRESS:

If the borrower(s) applied for another loan, or directly for an APT loan, do I have to deny my original loan before APT proceeds on a product submission?

Yes, you must always deny your first loan and start a new loan whenever offering an APT loan submission. If the borrowers applied directly for an APT product, your application must be turned down on the closest available agency product FSB offers. Then you would create a second loan for APT submission.

I want to find out if a loan may be approvable for an APT product, prior to creating a new APT loan for submission. Can I do this, and if so, how?

You would deny your loan as directed above, and then contact APT@flanaganstatebank.com. You must NOT change the product offering in MBOT to the APT product or the URLA from your original product offering. This will allow our compliance department to issue a HMDA reportable denial on one of our FSB Agency products and avoid double HMDA reporting.

What do I do next after APT advises that my submission meets the basic guidelines for the product I have inquired about?

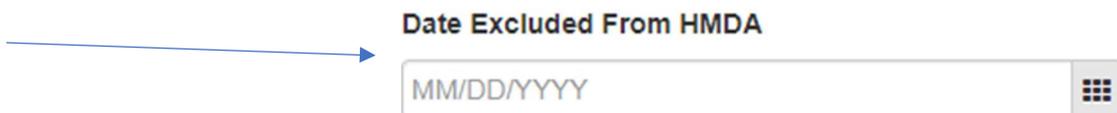
You will proceed by starting a new loan and following the specific APT loan product procedures.

NON-DELEGATED / BROKER HMDA PROCEDURE:

VERY IMPORTANT

If you proceed with APT on ANY Non-Delegate or Broker product the loan would NOT be HMDA reportable. If you proceed with APT, FSB will not be making the lending decision (performing the underwriting) on this product. Once you have a loan setup in MBOT please do the following in your MBOT File:

- Go to Forms and Docs
- Go to Denial and WD Letter Page



The image shows a screenshot of a form field. The field is labeled "Date Excluded From HMDA" in bold black text. Below the label is a text input field with the placeholder text "MM/DD/YYYY". To the right of the input field is a small icon of a calendar grid. A blue arrow points from the left towards the input field.

- Enter today's date in this field

COMPLIANCE SECTION IS COMPLETE

CONTINUE TO SPECIFIC PRODUCT PROCEDURE REQUIREMENT!

Brokered NonQM Commercial Product - THE LENDER

STEPS THAT INVOLVE THE REFERRING LOAN OFFICER

Step Number 1: Review the Basic Guidelines

Please review the NonQM Commercial -THE LENDER Matrix. See this link to our Retail Web-Site for further details:

Insert Link Later

Step Number 2: Setup a Loan in MBOT

Please create a loan within MBOT and note the following on this product:

- Please pull credit in your normal process
- If you previously pulled credit on another loan within 90 days and denied that loan on another FSB product, you MAY utilize that credit report.
- Please do NOT order an AUS on this Product.
- Please make sure that all the information that normally would be required to get a price quote in scenario Pricer has been completed within the “borrower summary screen”, and your URLA within MBOT. On this product the REO and subject property gross rents received schedule is VERY important.
- Note that on this product you must supply the “Commercial Loan Application Form”, please see the required form on the FSB Retail Web-site.
- Please note that on this product a Debt-Service Coverage Ratio will be calculated.

What Is the Debt-Service Coverage Ratio (DSCR)?

The debt-service coverage ratio applies to corporate, government, and personal finance. In the context of corporate finance, the debt-service coverage ratio (DSCR) is a measurement of a firm's available cash flow to pay current debt obligations. The DSCR shows investors whether a company has enough income to pay its debts.

- The debt-service coverage ratio (DSCR) is a measure of the cash flow available to pay current debt obligations.
- DSCR is used to analyze firms, projects, or individual borrowers.
- The minimum DSCR that a lender demands depends on macroeconomic conditions. If the economy is growing, lenders may be more forgiving of lower ratios.
- A DSCR calculation greater than 1.0 indicates there is barely enough operating income to cover annual debt obligations, while a calculation less than one indicates potential solvency problems.
- While the interest coverage ratio calculates the ability to meet interest payments, DSCR incorporate principal obligations.

- Make sure to advise in your email the following information:
 - How many total Units?
 - How many are Occupied?
 - Any Owner Occupancy?
 - Property Type? 1-4 SFR, 5+ Multi/Mixed Use, Commercial
 - Acquisition Date if not already entered into MBOT.
- Please make sure to have the two-digit prefix of the loan number sequence changed to a “38” within the MBOT loan you created. This is the code for the APT unit.

Step Number 3: Submit the APT Broker NonQM Commercial Loan and get a rate quote

On this product, send an email to apt@flanagansstatebank.com advising that you are submitting an application for the APT Broker NonQM Commercial Product . When sending the email to APT please make sure to advise the MBOT loan number, borrower last name, and attach the commercial loan application. Please also make sure that the information above is entered into MBOT. We cannot give you a rate quote without the bank statements requested. If the APT unit has any questions, they will email you back within 24 hours on your submission.

Step Number 3: Get a Price Quote

The APT Unit will get back to you within 24 hours with a rate quote on this product.

Step Number 4: Meet with the borrowers on the terms!

Call or email your borrower(s) and see if they would like to proceed with the loan at the rate and terms you were quoted from APT.

Step Number 5: Prepare your borrower(s) for a “Soft Pass”!

If the borrowers elect to move forward, they need to know that the loan will not be originated in your name, but that you will monitor their progress throughout the loan process and keep all the real-estate agents (I/A) abreast of the loan progress. After that, please advise the borrower(s) that you will be coordinating a time to do a conference call to introduce them to the loan officer that will assist both of you on their loan request! If the borrowers elect to not move forward and you have entered a property address within MBOT, please remember to email denials@flanagansstatebank.com to WD the loan within 72 hours. Please contact your assigned sales manager if you have further questions.

Step Number 6: Set-Up a Conference Call to do Introductions.

Please send an email to apt@flanagansstatebank.com to schedule a time within 24 hours to start the loan process via a conference call. This call is a mandatory requirement, per FSB Management, prior to all APT Loan Products being originated. The number for the conference call will be 815-556-0064, Code 1234. When sending the email to APT to setup a conference call, please make sure to advise the MBOT loan number, investor you received your quote for, and borrower last name for the file that was created. It would also be very helpful to advise the program the borrower(s) are inquiring about. Please note that the following will be discussed on each conference call:

- Introduce your assigned Loan Officer.
 - Introduce your assigned Processor.
 - Go Over the process with the borrower(s):
 - 1) APT Loan Officer will go over the requirements of the loan program that is needed.
 - 2) Referring Loan Officer will collect all initial documentation from each borrower(s).
 - 3) APT Processor will be the contact for each borrower(s) to gather additional conditions after the referring Loan Officer sends the initial documentation for review.
 - 4) APT Loan Officer or APT Processor will gather and contact the borrower(s) directly throughout the loan process.
 - 5) APT Management will send out a weekly “in process” report for each loan to the referring Loan Officer.
 - 6) Referring Loan Officer will keep all real-estate agents abreast of the loan progress weekly.
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THE ADDITIONAL STEPS ARE FOR APT UNIT PERSONNEL

Step Number 6: Transfer the loan within MBOT.

Each loan will be transferred in MBOT to the assigned APT Loan Officer. The APT loan officer will make sure the loan number has been labeled properly with the “38” Loan prefix. This is very important for commission purposes. The APT Loan officer will double check that the loan was marked as “HMDA Non-Reportable”.

- Go to Forms and Docs
- Go to Denial and WD Letter Page

Date Excluded From HMDA

APT LOAN OFFICER TO UPDATE THE “ESTIMATED CLOSING DATE” ON THE LE IN EACH FILE!

Step Number 7: Disclosing each loan.

The Broker NonQM Commercial Product will be disclosed by our Wholesaler partner (THE LENDER):

- APT Loan Officer to select the correct product from the drop-down list within MBOT on the Borrower Summary Screen.

A screenshot of a web form element. At the top, the word "Product" is written in red. Below it is a white rectangular box with a thin border, containing the text "NonDel Jumbo 30 - Flagstar" and a small downward-pointing arrow on the right side, indicating a drop-down menu.

Note- the above is just an example of the product code field in MBOT, and may not be this product.

Step Number 8: Processing Each loan

This product is processed within the Investor Site. Your assigned APT Processor will process each request and contact your borrowers directly with any additional questions that may be necessary for this product offering in order to submit directly to the investor.

Step Number 9: Weekly Communication

APT will distribute to all referring LO's a "Weekly Status Spreadsheet" on all APT loans in process each week. Please remember to cc APT@flanaganstatebank.com for senior management to watch the pipeline and further support.

Step Number 10: Match up loan amount correctly to MBOT File prior to funding.

The APT loan officer will update the MBOT file with the correct loan amount, rate and term PRIOR to each Commercial Loan funding after the borrower and THE LENDER have agreed upon an approved loan amount, and term. This will be done for commission purposes, and tracking.

Please ALSO upload a copy of the investor final approval under "Non-Del Investor Approval" within Image Flow.

Step Number 11: Mark funding Date in MBOT & Mark “Post Closing Complete”:

The APT loan officer will move the loan to a “Funded” loan status within 24 hours of Commercial Loan disbursement on each loan. This will be done for commission purposes, and tracking. See below steps:

- Make sure you are in the “Lender side” of MBOT when performing this function.
- You may have to “final” the loan to complete this process.
- **NOTE – If the loan was not ever “Registered” previously, please do so to enter a funding date. On Brokered deals, this information DOES NOT have to be accurate, just the loan amount must be. If you need help further please contact Josh Heinrich.**
- Go to forms and docs.
- Go to the “funding” page and fill in the date at bottom.
- Go to the “Shipping” page and enter the name of the referring LO into the “Servicer Loan Number” Field for commission purposes.

Once Rebecca Moorehead receives each broker check, she will status each loan by:

- Make sure you are in the “Lender side” of MBOT when performing this function.
- You may have to “final” the loan to complete this process.
- Go to forms and docs.
- Go to the “Accounting” Page and enter the Purchased by Investor Date.
- Go to “Post Closing” fill in the “follow up completed” date at the top, this should add the “Post Closing Complete” status to MBOT.