



TO: Correspondent Lenders
FROM: Angela Breidenbach, Operations Manager
DATE: December 2, 2011
RE: **Best Practice Guidelines**
Uniform Mortgage Data Program – REMINDER
Servicing Addresses
Flood Disclosure – New Language Requirement
Loan Document Imaging Specification

PLEASE READ MEMO IN ITS ENTIRETY. THERE ARE NUMEROUS OPERATIONS AND BEST PRACTICE ISSUES ADDRESSED BELOW WHICH MAY AFFECT PURCHASABILITY AND RETENTION OF CORRESPONDENT LOANS SOLD TO CORNERSTONE CORRESPONDENT LENDING.

Best Practice Guidelines

A recent FHLMC audit has revealed numerous exceptions. These generally require follow up with our correspondent lenders, and often necessitate the involvement of the customer (sometimes months after the transaction has been closed)! Therefore, we are implementing the following BEST PRACTICE GUIDELINES:

1. **All files must include a completed Income Calculation Method Worksheet (attached, or you may use your own version).** We are also posting this in the Forms section of the Cornerstone Correspondent Lending Web-site: chlcorrespondent.com. This form will be required with all purchase review files received, on or after December 15th, 2011.
2. If an AUS has been re-run after closing, you must include a copy of the AUS run prior to closing, showing either an Accept or an Approve/Eligible, AND you must include an explanation regarding why the AUS was re-run after closing.
3. If you are using Earnest Money as part of funds to close, it MUST be documented (source of funds, and that it has cleared the account).

The Loan Delivery Checklist has been updated to include these changes. Please use the attached version going forward. The updated version is also available in the Forms section of the Correspondent Lending Web-site: chlcorrespondent.com.

Uniform Mortgage Data Program – REMINDER

As a reminder, **all loans with application dates, on or after 12/1/11, must be submitted to the Uniform Collateral Data Portal (UCDP).** All correspondent lenders, regardless of their delegated status, will be responsible for uploading their own appraisals to the UCDP. **Acceptable Submission Summaries and Findings Reports will need to be included in the purchase review package sent to Cornerstone.** Loans not in compliance will be suspended, and may result in extensive extension fees.

Servicing Addresses

Please make sure that all **First Payment letters show your company's address; not Cornerstone.** As a reminder, we purchase loans after the 15th of the month, with first payments due the following month, at an amortized balance. This allows us to get coupons out to the customers, and is in compliance with RESPA requirements. If the First Payment letter shows a Cornerstone address, it is highly likely that first payments will be mis-routed, resulting in confusion to the customer.

However, it is very important that all **Servicing Transfer** disclosures show one of the following two addresses:

- Properties located in AL, AZ, CA, CO, HI, ID, MT, NV, NB, NM, ND, OR, SD, UT, WA, WY and Guam
Cornerstone Mortgage Company
P.O. Box 51301
Los Angeles, CA 90051-5601
- All other states
Cornerstone Mortgage Company
P.O. Box 986
Newark, NJ

Flood Disclosure – New Language Requirement

FAMC National Bulletin 2-11-30 included **New Required Flood Disclosure Language** as follows:

Flood Insurance Coverage Subject to Change Disclosure: “We may assign, sell, or transfer the servicing of your mortgage loan. Your new lender/servicer may require more flood insurance coverage than the minimum amount that has been identified in your Notice of Special Flood Hazards (NSFH). The new lender/servicer may require coverage in greater than the minimum, and has the right to require flood coverage at least equal to 100% of the insurable value (also known as replacement cost value) of the building(s) used as collateral to secure the loan or the maximum available under the National Flood Insurance Program (NFIP) for the particular type of building. You should review your exposure to flood damage with your insurance provider, as you may wish to increase your coverage above the minimum amount required at the time of closing your loan versus what subsequently the new lender/servicer may require.”

Please note, it is not Cornerstone's intent to increase flood insurance coverage. However, this new language is **required on all Flood Insurance Coverage Subject to Change Disclosures.** Make sure that your doc sets include this language. Failure to comply will result in audit exceptions, and may trigger repurchase.

Loan Document Imaging Specification

Cornerstone is moving toward a secure imaging portal that you will be able to access through our web-site. We hope to roll out this exciting change after the first of the year. In preparation for this update, please make sure that all electronic images sent to Cornerstone comply with the following standards:

- Scanner resolution set to 200dpi
- Document format set to multipage PDF or TIF
- TIF compression set to CCITT Group 4 (black and white, fax ready)
- File size under 15 MB
- PDF documents must not be password protected/encrypted or have any security enabled (Note: if you are currently sending through a secure web-site, you may continue to do so until further instructed).
- PDF documents must not have Interactive Form Fields or Text-over-Image
- Image must be aligned vertically and top side up
- Appraisals must be in PDF format in color
-

Cornerstone will attempt to work with imaged documents provided, but reserves the right to deny a document package due to poor or insufficient image quality. The better the image quality, the quicker the turn time!

Don't hesitate to contact us if you have questions regarding these, or any other issues. We can be reached as follows: abreidenbach@houseloan.com or (505)814-7784, jposen@houseloan.com or (505)814-7788, ncorlett@houseloan.com or (214-780-0770).

As always, your business is greatly appreciated!