



TO: Correspondent Lenders
FROM: Angela Breidenbach, Operations Manager
DATE: December 31, 2010
RE: **SELLING CONDO LOANS TO CORNERSTONE
HAZARD INSURANCE ON NON-ESCROWED LOANS**

SELLING CONDO LOANS TO CORNERSTONE

We have had numerous questions regarding whether Cornerstone will purchase loans on properties located within condo projects. The answer is that we will purchase these loans PROVIDED the condo project is FNMA/FHLMC approved. Therefore, effective immediately, please comply with the following instructions when locking a loan located in a condo project:

1. You **must** submit the condo project name to me or Joanne at the e-mail addresses located at the bottom of this memo.
2. We will verify the condo status with FNMA/FHLMC, and notify you of the results.
3. If approved, you are **required** to notate the condo project name in the notes section of your lock request.

If you would like to check the FNMA/FHLMC status prior to submitting your request to us, here are the links:

FNMA: <https://www.efanniemae.com/sf/refmaterials/approvedprojects/index.jsp>
This is the link to approved projects.

FHLMC: <http://www.freddiemac.com/learn/pdfs/uw/condo.pdf>
See page 7.

Cornerstone will not be responsible for submitting the required paperwork to have a condo project approved. If a project is not on the current FNMA/FHLMC approved list, we will not lock or purchase the loan.

HAZARD INSURANCE ON NON-ESCROWED LOANS

We have seen several instances of borrower's paying their hazard insurance month to month on non-escrowed loans. While this is not necessarily incorrect, it can create serious servicing issues for your customer. In the event that a monthly premium is not received by the due date, servicing will be notified that the policy has been cancelled and must send communication to the borrower requesting re-instatement under penalty of force placed insurance. This is upsetting for the customer, and creates undue effort on the servicing department. Therefore, allowing month to month premiums on non-escrowed loans is not recommended as "best practice".

Please make every effort to have your non-escrowed customers pay their hazard insurance premiums annually, and as with escrowed loans, please provide a renewal policy for any loans with less than 45 days from policy expiration at the time of loan purchase.

Please let me or Joanne Posen know 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.

As always, your business is greatly appreciated!