

## **BROKER AGREEMENT**

Manhattan Financial Group, Inc., a California Corporation (“MFG”), and \_\_\_\_\_ (“Broker”) entered into this Broker Agreement (the “Agreement”) on \_\_\_\_\_.

### **RECITALS**

A. Broker engages in the business of soliciting mortgage loan application packages (known as “Loan Package” and more fully defined in Section 2, below) from the general public for submission to mortgage banking companies for funding consideration. Among other things, Broker negotiates the terms and conditions of loans secured by trust deeds, mortgages or other valid security instruments (“Loans”) on behalf of applicants.

B. MFG engages in the business of making Loans and in lieu of MFG’s use of and payment for its own retail branch offices, it may consider Loan Packages submitted by mortgage brokers for funding based on the Information they contain. For purposes of this Agreement, “Information” shall mean any information that MFG reasonably requires to consider funding a loan and any other information submitted as a part of a Loan Package, whether or not Broker is the source. This includes information obtained from the borrower or any reference source, including but not limited to: Title or Escrow Companies, Appraisers, Employers and Depositories.

C. Broker and MFG wish to establish a nonexclusive relationship under the terms of this Agreement in which Broker will submit Loan Packages to MFG for funding consideration. MFG intends to sell all Loans it funds in the secondary mortgage market. Therefore, MFG requires representations and warranties from Broker that will allow MFG to sell such Loans with a good faith belief that based on the Information supplied by Broker; such Loans are an acceptable investment to the purchasers of MFG’s Loans (“Investors”).

THEREFORE, in consideration of the promises and mutual covenants contained in this Agreement, MFG and Broker agree as follows:

### **AGREEMENT**

1. Incorporation of Recitals. The recitals set forth above are an integral part of this Agreement and incorporated herein by reference.
2. Loan Submission. “Loan Packages” submitted by Broker for funding consideration shall include, without limitation, information regarding an applicant’s credit, collateral, income, employment, liquid assets and other Information that MFG requires for funding consideration. Broker shall perform such other functions required under the program guidelines, MFG’s underwriting and secondary marketing requirements, and MFG’s other requirements for funding consideration, each as amended from time to time. Broker shall use its facilities and personnel in lieu of MFG providing its own facilities and personnel and shall provide or perform the services set forth in this Agreement at Broker’s expense and in exchange for MFG considering a loan for funding and payment of Fees (defined below).

Broker will provide MFG with documentation and information necessary to consider each Loan for funding and to sell each Loan, both before and after funding, as reasonably required by MFG. MFG’s obligation to fund Loans under this Agreement is conditional and nothing in this Agreement shall require MFG to fund a Loan. Only satisfaction of each of the program guidelines, MFG’s underwriting and secondary marketing requirements and MFG’s other requirements for funding consideration, each as amended from time to time and determined in MFG’s sole discretion will obligate MFG to fund any Loan. Unless notified by MFG in writing, Broker will not represent to any person that MFG will, or has approved a Loan, or has agreed to fund a Loan.

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MFG may conduct quality control reviews of the Information provided by Broker. Evidence of material misrepresentations or willful omissions, by the Broker, found during the course of such reviews or by any other means is cause for denial of a Loan application, immediate termination of this Agreement, and, if appropriate, notification to applicable federal, state, or local administrative or law enforcement agencies. The consequences of Fraud will be no less than:

- \* Criminal Prosecution
- \* Civil action against all parties to the transaction
- \* Termination of this agreement
- \* Loss of License
- \* Adverse effect on credit history of all principals
- \* Forced repurchase of loan

3. Cancellation. If prior to funding MFG discovers any misrepresentation or other incurable defect in a Loan package that would make such loan unacceptable for purchase by MFG's Investors, MFG will cancel that Loan. If Broker was aware of, or should have been aware of such misrepresentations or other incurable defects that were the cause of cancellation, Broker shall pay to MFG all out-of-pocket costs actually incurred as a result of the cancellation.

4. Broker Fees. MFG agrees to pay Broker compensation for Loan Packages submitted by Broker and funded by MFG according to MFG's programs and pricing options as amended from time to time ("Fees"). MFG and Broker agree that the Fees are intended to reflect the reasonable value of the services provided by Broker in the market in which Broker performs those services. MFG and Broker agree to modify the amount of the Fees should an applicable law, regulation or court of competent jurisdiction determine that their estimate of the reasonable value or the methods used to estimate the reasonable value of the services provided exceeds the reasonable value of Broker's services. Broker shall not accept Fees or other compensation for a Loan transaction from any source except MFG or the borrower. For each Loan Package submitted to MFG, Broker will disclose to each borrower the source of its compensation, whether paid by the borrower or MFG. MFG will pay Fees for Loan transactions after each Loan closes and is funded by MFG and all Loan conditions are satisfied, whether or not the Loan has already closed or funded. MFG reserves the right to set off any obligations Broker has to MFG against any Fees owed to Broker. If MFG is unable to sell a loan to an Investor as a result of a breach of Brokers representations, warranties, or covenants made in this Agreement, Broker agrees to refund Fees paid to Broker by MFG.

5. Representations and Warranties. Broker represents and warrants that to the best knowledge of the Broker, all Information submitted to MFG in connection with Loan Packages submitted and the contents of Broker's Application for Approval with MFG is true, correct, currently valid, genuine, and free of misrepresentation. In addition, none of the Information submitted is misleading, and no Information material to considering a Loan for funding has been omitted. Without narrowing the scope of the foregoing, Broker represents and warrants that Broker has no Information regarding a Loan, mortgagor, mortgagor's credit, or collateral property of a Loan that may cause Investors to refuse to purchase a Loan or that may cause a Loan to become delinquent; and Broker has followed generally accepted mortgage industry procedures and practices which would uncover or disclose such Information. Broker acknowledges that Information submitted to MFG may be subject to MFG's independent verification, underwriting approval, or quality control review but this shall not affect Broker's duties, responsibilities, representations and warranties under this Agreement.

Broker further represents and warrants that:

Broker has complied and will comply with all applicable federal, state, and local laws, rules, regulations, and agency opinions or policy statements affecting Broker's activities and Loan packages submitted to MFG, including, without limitation, the Truth-in-Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, Secure And Fair Enforcement act, Consumer Credit Reporting Agency, the Fair Housing Act, the Financial Right to Privacy Act, the privacy provisions of the Graham- Leach-Bliley Act, the USA PATRIOT Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, and all federal, state, and local laws governing advertising, solicitations and loan officer compensation.

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Broker has complied with the requirements of each applicable agency regulating Broker and Broker possesses all necessary licenses, registrations, exemptions or other authority of such agencies to engage in the activities contemplated by this Agreement.

There is no material action, allegation, suit, arbitration, investigation, proceeding, or hearing, whether legal, governmental, administrative, or otherwise, including those by other lenders for fraud or misrepresentation, pending or threatened against Broker, its current owners, former owners, principals, agents or employees except as disclosed to MFG on the Broker Application.

Broker will immediately provide MFG with written notice of: (a) breach of Broker's representations and warranties; (b) Suit, litigation, or proceeding concerning Broker directly or indirectly, which may affect Broker's operations, financial condition, business, property, assets, or ability to perform under this Agreement, or if the underlying claim contains allegation of fraud or misrepresentation; (c) changes in ownership of Broker, name of Broker, Broker's address and phone and fax numbers, Broker's tax identification numbers, or Broker of Record; (d) changes in Broker's financial or other condition, operations, business, property, assets, which may materially affect Broker or Broker's ability to perform under this Agreement; and (e) notice of any investigation, revocation, suspension, or other adverse action or potential action by an agency or authority concerning Broker's licenses, permits, or ability to conduct business. Broker also will provide MFG with a copy of its license, registration, exemption or other evidence of authority to engage in the activities contemplated by this Agreement at the time of this Agreement and upon each renewal.

Broker has no direct or indirect interest in a MFG Loan including, without limitation, an ownership interest in any Loan secured by property related in any way with a MFG Loan, in any property pledged as security for a MFG Loan, or an affiliation or relationship with any person or entity having a financial interest in a MFG Loan, a MFG Loan Package, or a MFG Loan transaction.

In connection with a Loan, Broker will only utilize providers of "settlement services," as defined in Regulation X (24 C.F.R. 3500) (known as "Settlement Service Providers"), that comply in all respects with each applicable federal, state, and local law and MFG's requirements. Broker will never act as the settlement agent for purposes of conducting a loan closing for a MFG Loan. If Broker, its principals, or officers are affiliated with or have direct or indirect beneficial ownership in any Settlement Service Providers (are "Affiliated"), then: (a) there are no common employees between Broker and the Affiliated Settlement Service Provider; (b) none of Broker's loan officers, loan processors, or employees will act as a notary in a Loan transaction utilizing Affiliated Settlement Service Providers; (c) Broker will provide Loan applicants with an Affiliated Business Arrangement disclosure when required by the Real Estate Settlement Procedures Act and any other additional disclosure required under federal, state, or local law related to the use of Affiliated Settlement Service Providers; and (d) Broker has informed MFG that it is Affiliated with the Settlement Service Provider and the Settlement Service Provider has entered into a written Settlement Service Provider Agreement with MFG.

Broker has not and will not engage in any Unfair or Deceptive Lending practices. For purposes of this Agreement, the term Unfair or Deceptive Lending shall mean one or more of the following practices: Equity Stripping – making loans strictly on the basis of the borrower's equity without regard to proper underwriting of the borrower's payment ability and which jeopardizes the borrower's equity. Loan Flipping – frequent refinancing of loans with fees which can strip the equity from a borrower and which simply generate fee income for a lender or broker with no benefit to a borrower. Steering and Predatory Pricing – putting borrowers into a lower investment grade loan than that for which they might qualify or pricing terms that far exceed the true risk and cost of making the loan. Packing – including in the loan financing unearned or otherwise unwarranted fees for services. Unfair Loan Terms – making it difficult for borrowers to reduce their indebtedness by adding restrictive loan terms and structures. Vulnerable Customer Marketing – targeting customers who are less financially sophisticated or otherwise vulnerable to abusive practices. Unfair or Deceptive Lending shall also mean failing to comply with the spirit or letter of any federal, state, or local law governing lending and equal rights.

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Broker will not request a prepayment fee in any loan unless the borrower is given the choice of a loan without a prepayment fee having a higher interest rate or higher fees. Broker has worked towards putting the Borrower in the highest investment grade mortgage product for which the borrower qualifies, even if the borrower originally applied for a lower investment grade (higher cost) product or program. Proposed Loans will result in reasonably improved financial position for the borrower or there are other factors indicating that a Loan is beneficial to the borrower. Each borrower was provided with literature discussing the issues they should consider when purchasing or refinancing a home. Broker has not encouraged a refinancing borrower to default on his/her prior loan. None of Broker's marketing and promotional materials are deceptive or targeted to vulnerable customers.

6. Survival of Representations, Warranties and Obligations. Each representation and warranty in this Agreement is made as of the date of this Agreement, at the time each Loan package is submitted to MFG, and when MFG funds the Loan and the transaction closes. All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement or required by MFG with Broker's application for approval shall survive for the full remaining term of the Loan, irrespective of the sale of a Loan by MFG or termination of this Agreement.

7. Early Payoff. Broker will refund fees paid by MFG on any Loan transaction if the Loan payoff occurs within one hundred eighty (180) days of the date of funding. Including but not limited to:

- Lender Paid Compensation
- Lender Paid Mortgage Insurance
- Credit to Borrower for Interest Rate Chosen

8. Indemnification. Broker shall indemnify, defend, and hold harmless MFG and its officers, employees, directors, agents, shareholders, successors and assigns, from and against all liability or loss, damage, costs, expenses, and attorney's fees arising out of or in connection with a breach of Broker's representations or warranties, or by failure of Broker to perform a covenant or condition under this Agreement (collectively, a "Loss"). Broker's obligation to fully indemnify the indemnities shall not be affected by any of the following actions by MFG or its Investors (should the action be taken by an Investor, the action may be taken with or without notice to Broker, if the action is taken directly by MFG the Broker shall receive a 10 day notice): (a) liquidation, repayment, retirement, or sale or resale of any Loan; (b) foreclosure of any Loan; (c) sale or resale of any real or personal property securing any Loan; (d) agreements by MFG to indemnify Investors in lieu of repurchasing any Loan; or (e) any action MFG deems reasonable when responding to Investor or other third party claims against MFG. Broker's indemnification of MFG is for both liability and loss for which MFG can make a demand when it becomes liable or, at its discretion, when it has incurred a Loss. MFG shall have the right to assume the legal defense of any action and Broker shall pay MFG's legal costs and expenses, including appellate proceedings. Broker acknowledges that a breach of this Agreement may not be adequately compensable in damages alone. Broker therefore agrees that MFG shall be, without limitation, entitled to seek equitable relief by way of specific performance or otherwise to enforce Broker's obligations. Instead of indemnification as provided in this Agreement, Broker may, at MFG's sole discretion, repurchase any Loan at the price set forth below.

9. Repurchase. In addition to the rights and remedies of MFG elsewhere in this agreement, if (a) Broker intentionally breaches any representation, warranty or covenant contained in this Agreement in regards to any Loan closed and funded by MFG; or (b) a Loan submitted to MFG contains any intentional or negligent material misrepresentation made by Broker, Broker agrees, upon MFG's written demand to repurchase a Loan from MFG, within ten (10) days of notice, and for the repurchase amount set forth below. In lieu of repurchase, and with MFG's approval, Broker may refinance the Loan and pay Losses incurred by MFG. The repurchase price shall be (a) the original principal Loan amount less any principal reductions received by MFG; (b) plus all accrued and unpaid interest on the Loan from the Date of MFG's funding through the date of repurchase; (c) plus all reasonable costs incurred by MFG in connection with origination, processing, underwriting, and funding the Loan, including return of any rebates or fees paid by MFG to Broker; (d) plus any costs incurred in connection with the foreclosure, liquidation, maintenance or repair of the property; (e) plus any costs incurred by MFG in upholding and enforcing Broker's obligation to repurchase the Loan, including reasonable attorney's fees and costs of suit.

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10. Agency and Assignment. MFG and Broker agree that Broker is neither an agent nor an employee of MFG, and nothing in this Agreement creates a joint venture between Broker and MFG. For all purposes Broker is the agent of the applicants it represents and an independent contractor of MFG. Broker is expressly prohibited from holding itself out as an agent, representative, or employee of MFG. Broker may not assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of MFG. Despite MFG's consent, no assignment shall release Broker of any of its obligations or alter any of its primary obligations to be performed under this Agreement.

11. Termination. Either party may cancel this Agreement at any time, at will, with or without cause, upon written notice to the other party. Upon termination, MFG will return to Broker any Loan packages which MFG is not obligated to fund. Broker will reimburse MFG for all out-of-pocket expenses incurred on any Loan returned after termination by Broker.

12. Notice. All notices, requests, and demands under this Agreement shall be in writing to the respective addresses recorded below in the execution section of this Agreement or to Broker's address last known to MFG. If delivered by first-class mail, notice will be effective three (3) days after deposit in a United States Postal Service office or mailbox. If delivered by overnight delivery with a delivery receipt, notice will be effective one (1) day after deposit with the overnight carrier.

13. Entire Agreement, Modification, and Severability of Agreement. This Agreement is the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to brokering Loans and supersedes all prior and contemporaneous understandings or agreements of the parties. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty outside those expressly set forth in this Agreement. This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged. If a court of competent jurisdiction holds any provision of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason the validity and enforceability of the remaining provision or portions will not be affected.

14. Forum, Binding Agreement, Choice of Law and Attorney Fees. Any dispute that arises under or relates to this Agreement, whether in contract, tort, both, or otherwise, shall be resolved in a court of competent jurisdiction located in the county of San Diego in the state of California. This Agreement shall be binding upon the parties and their successors and assigns. California Law shall govern this Agreement and any dispute arising from the relationship between the parties to this Agreement. In any action brought to enforce any provision of this Agreement, the losing party shall pay the prevailing party's reasonable attorney fees and costs, including fees and cost incurred by MFG in enforcing the indemnification provisions of this Agreement.

15. Waiver of Jury. EACH PARTY TO THIS AGREEMENT WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

16. Advertisements. Broker grants MFG express permission to send Broker advertisements of MFG products and services by, telephone, facsimile transmission, or electronic mail transmission to each telephone number, facsimile telephone number and electronic mail address owned by Broker. This permission survives the termination of this Agreement and can only be revoked by a separate written notice.

17. Counterparts and Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which is an original, and taken together shall constitute one instrument. For all purposes, a copy of this Agreement signed and transmitted via facsimile by either party shall have the same effect as an original. A party executing this Agreement by facsimile shall provide the other party with a signature page of the Agreement signed with a handwritten signature within fifteen (15) days of the date of the Agreement.

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18. **Borrower Contact:** The Broker is responsible for all contact and communication with the Borrower(s). MFG will contact the borrower for the specific purpose of delivering the Initial Loan Disclosures, Re-Disclosures and Appraisal as required per industry regulations. MFG reserves the right to contact the borrowers directly during the Quality Control Audit process if or when it is necessary. During all contact MFG is acting as the Lender for the transaction the borrowers currently have in process.

IN WITNESS OF THE FOREGOING, the parties to this Agreement have executed this Agreement as of the date and year first written above.

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Broker Administrator

\_\_\_\_\_  
Broker Administrator Signature

Broker Company Name: \_\_\_\_\_

Broker Company Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature of Principal

\_\_\_\_\_  
Name & Title

\_\_\_\_\_  
Signature of Principal

\_\_\_\_\_  
Name & Title

\_\_\_\_\_  
Signature of Broker of Record

\_\_\_\_\_  
Name & Title

***Corporations and Limited Liability Companies must include a resolution of the Board of Directors or Members signed by the chief executive officer and authorizing the person above to sign on behalf of the corporation or Limited Liability Company.***