

MidCountry Bank's Loan Fraud Prevention Policy

It is the policy and intent of MidCountry Bank to support the eradication of loan fraud within the residential lending marketplace. Loan Brokers and Correspondent Lenders should be advised that they bear the responsibility for all actions, performed in the course of business, of his or her employees or licenses.

THE SUBMISSION OF A LOAN APPLICATION CONTAINING FALSE OR MISREPRESENTED INFORMATION IS A FEDERAL CRIME.

Although loan fraud or negligent misrepresentation may be perpetrated in many forms, some of the most common examples are show below:

- Submission of inaccurate information, including false statements on loan application (s) and falsification of documents purporting to substantiate credit, employment, deposit and asset information or personal information including identity, ownership/non-ownership of real property, etc.
- Forgery of misrepresentation of partially or predominately accurate information.
- Inaccurate representations of current occupancy or intent to maintain required occupancy as agreed in the security instrument.
- Lack of due diligence or concern by broker, loan officer, interviewer or processor, including failure to obtain or divulge all information required by the application and failure to request further information as dictated by Borrower's response to other questions.

This includes:

- Simultaneous or consecutive processing of multiple owner-occupied loans from a single applicant where information differs on each application.
- Permitting an applicant or interested third party to assist with the processing of the loan.
- Failure of broker to disclose any relevant or pertinent information.

Consequences of Loan Fraud

The consequences of residential loan fraud are far-reaching and expensive. MidCountry Bank warrants the quality of our loan production to our investors. Fraudulent loans may not be sold in the secondary market for home mortgages. If a loan is discovered to be fraudulent after its sale MidCountry Bank could be obligated to repurchase the loan from our investor. Fraudulent loans harm our reputation and strain our relationships with our investors and mortgage carriers.

The consequences to those who participate in loan fraud are even more severe. Following is a list of a few of the repercussions that may be experienced:

To the Broker:

1. Criminal Prosecution, which may result in possible fines and imprisonment.
2. Revocation of the Broker's license.
3. Inability to access lenders caused by the exchange of legally permissible information between lenders, mortgage insurance companies; FHLMC, FNMA, and other investors; policy agencies; and state and federal regulatory agencies including the Department of Real Estate (DRE).
4. Civil action by MidCountry Bank.
5. Civil action by applicant (borrower) and/or other parties to the transaction.
6. Loss of approved broker or correspondent lender status with MidCountry Bank.

To the Borrower:

1. Acceleration of debt as mandated in the security instrument (Deed of Trust/Mortgage).
2. Criminal prosecution, which may result in possible fines and imprisonment.
3. Civil action by MidCountry Bank.
4. Civil action by other parties to the transaction such as seller or real estate agent/broker.
5. Forfeiture of any professional license.
6. Adverse, long-term effect on credit history.

I have read the foregoing. I understand and accept MidCountry Bank's policy on Loan Fraud.

Signed _____ Date: _____