



Name of Insurance Company to which application is made

**INTERNAL CONTROL AND LOSS PREVENTION
SUPPLEMENTAL APPLICATION
FOR NON-BANK LENDERS AND REAL ESTATE INVESTMENT TRUSTS**

NAME OF INSURED: _____
ADDRESS: _____
DATE: _____

A. GENERAL INFORMATION

1. Date your company was established: _____
2. Location of principal office: _____
3. If you are a subsidiary, name of holding company/owner: _____
4. Are branch offices involved in the following activities:

a. loan origination	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b. loan closing (by branch personnel)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c. construction payouts	<input type="checkbox"/> Yes	<input type="checkbox"/> No
d. loan servicing	<input type="checkbox"/> Yes	<input type="checkbox"/> No
e. accepting mortgage payments	<input type="checkbox"/> Yes	<input type="checkbox"/> No
f. other: _____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5. Based upon latest consolidated fiscal year-end income statement, specify percentage of gross income derived from the following sources: (total should = 100%)

a. Insurance Commissions	_____ %	
b. Real Estate Sales	_____ %	
c. Property Management	_____ %	
d. Other (describe) _____	_____ %	
6. Number and dollar volume of loans originated during past twelve months:

a. Single Family	# _____	\$ _____
b. Income Property	# _____	\$ _____
7. Number and dollar volume of loans serviced as of _____ (latest month-end available):

a. Single Family	# _____	\$ _____
b. Income Property	# _____	\$ _____
TOTAL:	# _____	\$ _____
- Total number of loans serviced in excess of \$1,000,000: _____
8. Are your books and accounts audited at least every 12 months by:

a. Independent C.P.A. _____	b. Other _____	
1) Is the opinion: Unqualified <input type="checkbox"/> Qualified <input type="checkbox"/> Disclaimed <input type="checkbox"/> Adverse <input type="checkbox"/>		
2) If it is not an unqualified opinion, describe the qualifications and scope of the audit: _____		
9. Is management notified in writing of any weaknesses identified during the audits by Internal Audit or by your independent accounting firm?

	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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- a. Are corrective actions implemented and monitored?

	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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10. Do you have an Internal Audit Department? If Yes:

	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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 - a. How many people are in it? _____
 - b. What is the title of the person in charge of the internal audit function? _____
 - c. To whom does the audit head report? _____
 - d. How frequently are audits performed? _____
 - e. How frequently are audits performed of high exposure areas? _____
 - f. Are all Home Office departments, field offices, and subsidiaries included as Named Insureds subjected to internal audit? If Yes, how often? _____

	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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11. Does any member of the audit staff have other non-audit responsibilities? If Yes, please explain:

	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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B. CASH AND ACCOUNTING

- 1. What is the maximum amount of daily cash in any office? _____
 - a. Do you keep currency in a safe overnight? If yes, maximum amount: _____ Yes No
 - b. What is the maximum amount of currency in the custody of a bank messenger? _____
 - c. Do you use an armored car or similar service? _____
- 2. Is there a separation of duties between those handling cash receipts and cash disbursement functions and those involved in posting to the ledgers? Yes No
- 3. Are all bank accounts in the company's name recorded in control accounts in the general ledger or subsidiary ledger? Yes No
- 4. Are transfers between bank accounts under accounting control, i.e., are charges and credits recorded and passed through a ledger account? Yes No
- 5. Are duplicate deposit slips prepared, receipted by the bank and retained on file?
 - a. If yes are they compared with cash receipt records by someone other than the cashier? Yes No
- 6. Are all cash balances, bank balances or similar balances reconciled monthly? Yes No
- 7. Are reconciliations prepared and supervised by an individual with no cash receipts or disbursement responsibilities? Yes No
- 8. Does a person who is not responsible for the receipt or disbursement of cash review all reconciliations and question unusual reconciling items? Yes No
- 9. Is there a periodic, independent analysis or testing of cancelled checks to detect any fraudulent disbursements? Yes No
- 10. Are petty cash funds maintained in an impress account? If Yes,
 - a. Is primary responsibility for each fund vested in only one person? Yes No
 - b. Is there a monthly verification of petty cash and analysis of expenditures? Yes No
- 11. Are duties segregated so that no single individual has both custodial and accounting authority over the company's funds and securities? Yes No
- 12. Does your internal accounting control system require periodic testing or analysis of control accounts with respect to the following:
 - a. for fees incident to the processing and closing of loans which may be expenses when paid by the company? Yes No
 - b. receipts and disbursements in control accounts on discounts, commitment fees or similar items? Yes No
- 13. Do all of your bank customers periodically inventory your company's collateralized notes which are being held in trust by your company for sale or delivery?
 - a. Do they make such inventories more than once a year? Yes No
 - b. Approximately what percentage of each bank's collateral is individually tested?

C. MORTGAGE SERVICING TRANSACTIONS

- 1. Do your institutional investors periodically confirm unpaid balances of their loans directly with mortgagors? Yes No
- 2. How many institutional investors do you have? _____
 - a. Approximately how many of these institutional investors make such confirmations during the year?
- 3. What percentages of mortgage loan balances are usually tested by the annual audit through direct confirmation:
 - a. in your company's own portfolio: Number of loans _____% Dollar volume _____%
Delinquent loans _____% (over 60 days)
 - b. in your servicing portfolio for others: Number of loans _____% Dollar volume _____%
Delinquent loans _____% (over 60 days)
- 4. When extra principal reductions, payments or payoffs are made in advance of their due dates, do you have strict regulations regarding the procedures for receiving and processing such advance repayments? Yes No
- 5. Is the preparation and mailing of routing delinquent notices separated from the personnel responsible for any field collections? Yes No
- 6. If payments are received at branch offices, are deposits required to be made to a bank account subject to withdrawal only by the home office? Yes No

D. LOAN SERVICING OPERATIONS (INSURANCE DEPARTMENT)

- 1. Is the manager of your insurance department a licensed insurance broker? Yes No
- 2. What precautions are taken to eliminate or reduce the incidence of errors and omissions in maintaining insurance protection on mortgaged properties?
 - a. Are policies recorded on expiration cards and are expirations followed up on periodically? Yes No
 - b. Are expiration lists furnished to the insurance department by means of listings prepared by a data processing department?
 - 1) If Yes, are renewal follow-ups maintained? Yes NoIf neither of the above, describe record maintenance and follow-up procedures briefly:

- 3. At loan closings or renewals:
 - a. Does each policy meet acceptable ratings as set forth in Best's Insurance Reports? Yes No
 - b. Do the names and addresses shown on the policy conform in every respect to the names of borrowers and the location of the property shown on the title to the property? Yes No
 - c. Does each policy reflect the correct construction of the building? Yes No
 - d. Does each policy contain a proper mortgage clause? Yes No
- 4. Do you take steps to see that policy amounts are at least equal to indebtedness? Yes No

5. On conventional loans, is it your practice to retain insurance policies after the loan closing, collect escrow deposits and pay insurance premiums? Yes No

E. REAL ESTATE TAX DEPARTMENT OPERATIONS

1. Do you use tax cards on which payment of tax bills are recorded which are used to follow up on unpaid tax bills? Yes No
2. If you do not use tax cards, what method do you employ to satisfy investors that taxes were paid?

F. CONSTRUCTION LENDING

1. Do you make construction loans on:
- a. non-residential properties? Yes No
 - b. multi-family structures (including rental units and condominiums)? Yes No
 - c. single-family loans (1-4 family properties) in tracts or on individual lots? Yes No
2. Do you make land acquisition and development loans? Yes No
- If any of the above are answered "Yes", do employees adhere to all of the company's construction lending procedures? Yes No

G. INCOME PROPERTY CONSTRUCTION LENDING

1. Complete for each individual or committee that is authorized to approve modify or disapprove income property construction loans:

	Origination Limits of Authority		Yrs of Construction Lending Experience
	Home Office	Branch	
Chief Executive Officer	\$ _____	\$ _____	_____
Loan Committee	\$ _____	\$ _____	_____
Officer in Charge of Construction	\$ _____	\$ _____	_____
Officer in Charge of Loan Origination	\$ _____	\$ _____	_____
Officers in Charge of Branch Operations	\$ _____	\$ _____	_____
Branch Managers	\$ _____	\$ _____	_____
Others	\$ _____	\$ _____	_____

2. Number of branches doing income property construction lending:
- a. In standard metropolitan area of the home office: _____
 - b. Outside metropolitan area in the same state: _____
 - c. In contiguous states: _____
 - d. In non-contiguous states: _____
- TOTAL _____

3. Are construction funds disbursed through a title company or escrow agency which examines the documentation? Yes No
4. Do your branch offices handle income property construction payouts? If Yes: Yes No
- a. Who approves the documentation? _____
 - b. What are the limits on such payouts? _____
 - c. What is each officer's limit of approval? _____
 - d. How many people handle income property construction loans in each branch? _____
5. What was the average annual volume of your income property construction loans in each branch? \$ _____
- a. Estimated percentage that are FHA insured: _____ %
6. What type of guarantee do you obtain on a construction loan (If none, check here)
- a. Full personal guarantee of the developer
 - b. Full personal guarantee of the developer and spouse
 - c. Guarantee of Completion
 - d. Performance and Payment bond
 - e. Completion bond
 - f. Other (Specify) _____
7. What sources do you use to verify the financial status and responsibility of the borrower?
- a. CPA audit report
 - b. Band credit card
 - c. Local credit rating agency
 - d. Other lenders
 - e. Other (specify) _____

8. Do you obtain and review a complete schedule of the contractor's subcontracts on a given job including the amounts thereof, accompanied by signed copies of the general contract and of major sub-contracts? Yes No
9. Are progress payments authorized only after physical inspections? Yes No
10. Describe the extent of physical inspections:

- a. How often? _____
- b. At what stages of construction? _____
- c. By whom? _____
- d. Is this person the officer or employee who served in soliciting or authorizing the loan? Yes No
11. Do branch officers do appraisals on conventional construction loans without review and approval by the Home Office? Yes No
12. Are copies of physical inspections sent directly to the Home Office by the person in the branch office making the inspections? Yes No
13. Does the Home Office recheck the physical inspections made by branch office personnel? Yes No
14. If Yes, how often? _____

H. RESIDENTIAL CONSTRUCTION LENDING

1. Complete for each individual or committee that is authorized to approve modify or disapprove a residential construction loan.

	Origination Limits of Authority		Yrs of Construction Lending Experience
	Home Office	Branch	
Chief Executive Officer	\$ _____	\$ _____	_____
Loan Committee	\$ _____	\$ _____	_____
Officer in Charge of Construction	\$ _____	\$ _____	_____
Officer in Charge of Loan Origination	\$ _____	\$ _____	_____
Officers in Charge of Branch Operations	\$ _____	\$ _____	_____
Branch Managers	\$ _____	\$ _____	_____
Others	\$ _____	\$ _____	_____

2. Number of branches doing residential construction lending:
- a. In standard metropolitan area of the home office: _____
- b. Outside metropolitan area in the same state: _____
- c. In contiguous states: _____
- d. In non-contiguous states: _____
- TOTAL: _____

3. Are construction funds disbursed through a title company or escrow agency which examines the documentation? Yes No
4. Do your branch offices handle residential construction payouts? If Yes: Yes No
- a. Who approves the documentation? _____
- b. What are the limits on such payouts? _____
- c. What is each officer's limit of approval? _____
- d. How many people handle residential construction loans in each branch? _____
5. What was the average annual volume of your residential construction loans originated in each branch?
 \$ _____
- a. VA and/or FHA loans: _____ %
- b. Conventional loans: _____ %

6. Are progress payments authorized only after physical inspections of construction sites? Yes No
7. Describe the nature and extent of construction site inspections:

- a. How often are they performed? _____
- b. At what stages of construction? _____
- c. By whom? _____
- d. Is this person the same as the officer or employee who solicited or authorized the loan? Yes No
8. When are progress payments made on each house?
- a. Foundation completed Yes No
- b. Under roof Yes No
- c. Upon completion Yes No

- d. Monthly Yes No
- e. Other (specify) _____
9. Do branch officers conduct appraisals on conventional construction loans without review and approval by the Home Office? Yes No
10. Are copies of physical inspections sent directly to Home Office by the person in the branch office making the inspection? Yes No
11. Does the Home Office recheck the physical inspections made by branch office personnel? Yes No
If yes, how often? _____
12. Do you disburse construction funds for land and underground improvements? Yes No
If Yes, how do you determine that the loan is sufficient to permit completion? _____
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FRAUD WARNING STATEMENTS

ARKANSAS APPLICANTS: ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO FINES AND CONFINEMENT IN PRISON.

COLORADO APPLICANTS: IT IS UNLAWFUL TO KNOWINGLY PROVIDE FALSE, INCOMPLETE, OR MISLEADING FACTS OR INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING OR ATTEMPTING TO DEFRAUD THE COMPANY. PENALTIES MAY INCLUDE IMPRISONMENT, FINES, DENIAL OF INSURANCE, AND CIVIL DAMAGES. ANY INSURANCE COMPANY OR AGENT OF AN INSURANCE COMPANY WHO KNOWINGLY PROVIDES FALSE, INCOMPLETE, OR MISLEADING FACTS OR INFORMATION TO A POLICY HOLDER OR CLAIMANT FOR THE PURPOSE OF DEFRAUDING OR ATTEMPTING TO DEFRAUD THE POLICY HOLDER OR CLAIMANT WITH REGARD TO A SETTLEMENT OR AWARD PAYABLE FROM INSURANCE PROCEEDS SHALL BE REPORTED TO THE COLORADO DIVISION OF INSURANCE WITHIN THE DEPARTMENT OF REGULATORY AGENCIES.

DISTRICT OF COLUMBIA APPLICANTS: IT IS A CRIME TO PROVIDE FALSE OR MISLEADING INFORMATION TO AN INSURER FOR THE PURPOSE OF DEFRAUDING THE INSURER OR ANY OTHER PERSON. PENALTIES INCLUDE IMPRISONMENT AND/OR FINES. IN ADDITION, AN INSURER MAY DENY INSURANCE BENEFITS IF FALSE INFORMATION MATERIALLY RELATED TO A CLAIM WAS PROVIDED BY THE APPLICANT."

FLORIDA APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO INJURE, DEFRAUD OR DECEIVE ANY INSURER FILES A STATEMENT OF CLAIM OR AN APPLICATION CONTAINING ANY FALSE, INCOMPLETE, OR MISLEADING INFORMATION IS GUILTY OF A FELONY OF THE THIRD DEGREE.

HAWAII APPLICANTS: FOR YOUR PROTECTION, HAWAII LAW REQUIRES YOU TO BE INFORMED THAT PRESENTING A FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT IS A CRIME PUNISHABLE BY FINES OR IMPRISONMENT, OR BOTH.

KENTUCKY APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME.

LOUISIANA APPLICANTS: ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO FINES AND CONFINEMENT IN PRISON.

MAINE APPLICANTS: IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES MAY INCLUDE IMPRISONMENT, FINES OR A DENIAL OF INSURANCE BENEFITS.

NEW JERSEY APPLICANTS: ANY PERSON WHO INCLUDES ANY FALSE OR MISLEADING INFORMATION ON AN APPLICATION FOR AN INSURANCE POLICY IS SUBJECT TO CRIMINAL AND CIVIL PENALTIES.

NEW MEXICO APPLICANTS: ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO CIVIL FINES AND CRIMINAL PENALTIES.

NEW YORK APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY MATERIAL FACT THERETO COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME, AND SHALL BE ALSO SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

OHIO APPLICANTS: ANY PERSON WHO, WITH INTENT TO DEFRAUD OR KNOWING THAT HE IS FACILITATING A FRAUD AGAINST AN INSURER, SUBMITS AN APPLICATION OR FILES A CLAIM CONTAINING A FALSE OR DECEPTIVE STATEMENT IS GUILTY OF INSURANCE FRAUD.

OKLAHOMA APPLICANTS: WARNING: ANY PERSON WHO KNOWINGLY, AND WITH INTENT TO INJURE, DEFRAUD OR DECEIVE ANY INSURER, MAKES ANY CLAIM FOR THE PROCEEDS OF AN INSURANCE POLICY CONTAINING ANY FALSE, INCOMPLETE OR MISLEADING INFORMATION IS GUILTY OF A FELONY.

OREGON APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD OR SOLICIT ANOTHER TO DEFRAUD AN INSURER: (1) BY SUBMITTING AN APPLICATION OR; (2) FILING A CLAIM CONTAINING A FALSE STATEMENT AS TO ANY MATERIAL FACT MAY BE VIOLATING STATE LAW.

PENNSYLVANIA APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.

PUERTO RICO APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD AN INSURANCE COMPANY PRESENTS FALSE INFORMATION IN AN INSURANCE APPLICATION, OR PRESENTS, HELPS, OR CAUSES THE PRESENTATION OF A FRAUDULENT CLAIM FOR THE PAYMENT OF A LOSS OR ANY OTHER BENEFIT, OR PRESENTS MORE THAN ONE CLAIM FOR THE SAME DAMAGE OR LOSS, SHALL INCUR A FELONY AND, UPON CONVICTION, SHALL BE SANCTIONED FOR EACH VIOLATION WITH THE PENALTY OF A FINE OF NOT LESS THAN FIVE THOUSAND (5,000) DOLLARS AND NOT MORE THAN TEN THOUSAND (10,000) DOLLARS, OR A FIXED TERM OF IMPRISONMENT FOR THREE (3) YEARS, OR BOTH PENALTIES. IF AGGRAVATED CIRCUMSTANCES PREVAIL, THE FIXED ESTABLISHED IMPRISONMENT MAY BE INCREASED TO A MAXIMUM OF FIVE (5) YEARS; IF EXTENUATING CIRCUMSTANCES PREVAIL, IT MAY BE REDUCED TO A MINIMUM OF TWO (2) YEARS.

TENNESSEE APPLICANTS: IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES INCLUDE IMPRISONMENT, FINES AND DENIAL OF INSURANCE BENEFITS.

VIRGINIA APPLICANTS: IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES INCLUDE IMPRISONMENT, FINES AND DENIAL OF INSURANCE BENEFITS.

VERMONT APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON, FILES AN APPLICATION FOR INSURANCE, OR A STATEMENT OF CLAIM CONTAINING ANY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH MAY BE A CRIME IN CERTAIN JURISDICTIONS.

WASHINGTON APPLICANTS: IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE, OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES INCLUDE IMPRISONMENT, FINES, AND DENIAL OF INSURANCE BENEFITS.

WEST VIRGINIA APPLICANTS: ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO FINES AND CONFINEMENT IN PRISON.

The Insured represents that the information furnished in this application is complete, true and correct. Any intentional misrepresentation, omission, concealment or incorrect statement of a material fact, in this application or otherwise, shall be grounds for the rescission of any bond issued in reliance upon such information.

Completed by _____

Title _____

Date _____

Signature _____