



SERVICING AGREEMENT

Personal information you provide may be used for secondary purposes [Privacy Law, s.15.04(1)(m)].

This agreement, made and entered into this _____ day of _____, _____, by and between the State of Wisconsin, Department of Veterans Affairs (hereinafter referred to as the "department"), and _____ of the City of _____, County of _____, State of Wisconsin (hereinafter referred to as the "lender"), which said agreement is an extension and part of a Veterans Housing Loan Processing and Closing Contract of even date entered into between the department and the lender.

WITNESSETH

WHEREAS, the lender will process and close for the department certain veterans housing loans secured by mortgages executed to the department as mortgagee and payee or secured by mortgages and chattel security agreements executed to the department or secured by mortgages and chattel agreements referred to in the Veterans Housing Loan Processing and Closing Contract and (hereinafter referred to collectively as the "mortgages" and individually as the "mortgage"), and will have executed the notes evidencing the indebtedness secured by such mortgages, and

WHEREAS, the department is vested with the power to enter into contracts for the servicing of mortgages by Section 45.37, Wisconsin Statutes, and the department and the lender desire that the lender shall service the mortgages in the manner hereinafter described.

NOW THEREFORE, in consideration of the foregoing and of the covenants and conditions and of the permissible lender servicing fees hereinafter set forth, it is mutually agreed and declared as follows:

1. The lender shall comply with, and shall use its best efforts to cause the mortgagors under each mortgage (hereinafter referred to as the "mortgagor" or "mortgagors") to comply with all applicable federal and state laws, regulations or requirements, including those requiring the giving of notices.
2. Until the principal and interest on each mortgage is paid in full, the lender shall:
 - (a) Deliver to each mortgagor a mortgage payment book or, annually, payment coupons for the following year, or mail a monthly statement, at least four days before each payment is due under each of the mortgages, except where payment is made by "transmatic" or other prepayment authorization to transfer the required amounts monthly from the mortgagor's checking account. The books, coupons or statement, as the case may be, shall set forth the total monthly payment amount due and the due date, and in the case of payment by "transmatic" or other prepayment authorization whenever the monthly payment required is changed, inform mortgagor in writing of the total monthly payment due and the due date, and the portions thereof which are applicable to principal and interest combined, and to anticipated taxes and other charges and to insurance premiums, and shall report to mortgagor such distribution made of monthly payments upon receipt of request therefor from the mortgagor. Lender shall ascertain, to the best of its ability, the annual amount of real estate taxes, special assessments, maintenance, maintenance charges, if any, and insurance premiums that will become due and payable. Lender shall add to the monthly installment of principal and interest payment required, an amount for such additional charges to be collected in order to assure that the monthly installments by each mortgagor will be sufficient to pay all such charges as and when they become due and payable.
 - (b) Proceed diligently to collect all payments due under the terms of each mortgage note and mortgage as they become due, and account monthly to the department in such manner as the department shall direct. Payments on all the mortgages shall become due and payable on the first day of every month.

- (c) Keep a complete and accurate account of and properly apply all sums collected by it from the mortgagor on account of each mortgage for principal and interest, taxes, assessments and other public charges, maintenance charges, if any, and hazard insurance premiums, including flood insurance premiums if required, and to furnish the department upon its request with evidence acceptable to it of all expenditures therefor.
 - (d) Until the payments collected under the mortgages are remitted by the lender to the department or otherwise paid to the parties entitled, the lender shall retain the same on deposit with an institution which is a member of either the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. All funds held in escrow shall be deposited by the lender in an insured institution of its choice (including lender if lender is such an institution) and the lender will be entitled to receive and retain the earnings thereon, subject to direction of the department.
 - (e) From the funds so deposited the lender will:
 - (1) Pay promptly to the proper parties when due, taxes, special assessments and other maintenance charges, if any, and insurance premiums, and
 - (f) The lender shall inspect any mortgaged premises where the payments on the mortgage involved have become sixty (60) or more days delinquent immediately after such payments have become sixty (60) days delinquent.
 - (g) The lender shall not consent to the sale of any mortgaged premises and the subsequent assumption of any mortgage except upon the express authorization of the department conveyed to the lender in writing following the submission to the department of an application by the individual who proposes to assume the mortgage which establishes that he is an eligible veteran who qualifies for the loan under the provisions of Subchapter 3 of Chapter 45, Wisconsin Statutes. The lender shall be entitled to collect an assumption fee of not exceeding 1% of the mortgage balance assumed in such cases plus all out-of-pocket expenses to the lender.
 - (h) The lender shall provide the department with a monthly statement as of the lender's last business or computer day of each month of all mortgages being serviced by it setting forth such information as the department may require. Each monthly statement shall be due by the 5th working day of the month following the end of the month for which such statement is made.
3. The lender shall promptly notify the department of any knowledge it may acquire in the normal course of business as to any of the following:
- (a) The vacating of the mortgaged premises, or any change in the possession of any mortgaged premises;
 - (b) The sale or transfer of any mortgaged premises;
 - (c) Any significant lack of repair or any other deterioration or waste suffered or committed in respect to any mortgaged premises;
 - (d) The death, bankruptcy or insolvency of a mortgagor;
 - (e) Any casualty loss to any mortgaged premises of FIVE THOUSAND (\$5,000.00) DOLLARS or more.
4. The lender shall insure that the improvements on the premises securing the mortgages at all times during the term of the mortgages are insured under hazard insurance policies issued by a company or companies licensed to do business in the State of Wisconsin, in an amount at least equal to the outstanding principal balance of the note

secured by the mortgage, or an amount equal to the full insurable value of such improvements, whichever is the lesser, which amount shall be sufficient to insure that the department could not become a co-insurer under the terms and conditions of the applicable policy or policies, and with coverage at least as protective as fire and extended coverage. All such policies shall be held by the lender and shall contain loss payable clauses in favor of the lender. Provided, however, that if the lender carries a policy of mortgage impairment insurance fully covering unpaid balances owing on the mortgages, it may assume, after it has received an initial policy of fire and extended insurance coverage which satisfies the requirements of this section, that the property involved is continuously covered by such insurance and such lender shall neither be required to obtain renewal policies nor to make other efforts to assure that the department's mortgage interest in the property involved is continuously insured except such efforts as are required by the insurance company providing the mortgage impairment insurance. The lender shall use its best efforts to have all losses which may occur promptly adjusted and to collect the insurance monies due on account of such losses, and the lender shall transmit all checks and draft for such monies properly endorsed to the department except that in the case of any loss or damage by fire or other cause of loss less than FIVE THOUSAND (\$5,000.00) DOLLARS a lender may endorse the check or draft for the insurance monies and, after satisfying itself that the premises have been restored to their former condition, disburse such check or draft to the mortgagor, and/or contractors involved in the restoration of the premises.

5. In the case of default under any of the mortgages, the lender shall, upon the request of the department and upon acceleration of the balance due on the loan, make all reasonable efforts to acquire, by conveyance, title to the property covered by any such mortgage in default, if such acquisition will not materially impair the security position of the mortgage or failing to acquire such conveyance of title, institute promptly through its attorney or other attorneys selected by the lender or, upon the lender's waiver, through an attorney selected by the department, proceedings to acquire by foreclosure the property covered by any such mortgage in default. The lender shall at all times protect the mortgaged premises in such manner and to such extent as is customary in the proper management of property in the lender's locality including, but not restricted to, attending to insurance of the premises in the manner provided in section 4 hereof, entering into agreements for the management and supervision of repairs and maintenance of the premises, and rendering to the department such reports as the department may require. The lender will segregate in a special trust or custodian account all rentals or other monies collected in respect to said premises until remittal to the department. The department shall pay to the lender all proper costs and expenses incurred by it in connection with such proceedings and in the protection of the property as aforesaid, but the lender shall not receive separate payment for property inspections or for services performed by it or its employees hereunder.
6. In full payment for its services hereunder, the lender shall be entitled to collect a monthly servicing fee equal to the product of .0003125 and the then outstanding principal balance of each mortgage for each calendar month the principal balance has been outstanding, but only with respect to those mortgages for which payment is made by the respective mortgagors, which fee shall be deducted from interest. In addition, the lender may retain all amounts collected from mortgagors as charges for late payment collected under the terms of any mortgage, partial release fees, and NSF check fees in an amount not exceeding \$20.00 per NSF check. Payments received from mortgagors shall be applied first to escrow charges, then to interest earned, then to principal due and then to other charges authorized.
7. If there is any breach by the lender of any warranty made by the lender to the department or if the department determines that any substantial misrepresentation of material fact has been willfully or negligently made by the lender or if there is a breach by the lender of representations contained in the Lenders Warranty or herein contained with respect to any particular mortgage as a result of which breach of willful or negligent misrepresentation substantial impairment of the security for the mortgage loan has occurred, the lender shall, upon the department's request, purchase such mortgage for an amount equal to said unpaid principal balance, plus accrued interest and any reasonable expenses incurred by the department for action taken, and remit the aggregate of such amount to the department.

8. If the department shall from time to time give reasonable direction to the lender with respect to the manner of or the procedures to be used in the performance of lender's duties and services referred to in this agreement the lender will perform such duties and services in accordance with such directions.
9. The lender shall keep full and complete records pertaining to each mortgage and the collections thereon. The department may examine any and all books and records relating to the mortgages at such time or times as it may elect during the lender's regular business hours and may make exact or photostatic copies of any or all of such books and records at its expense. All reports and accountings reasonably requested by the department from the lender with respect to the lender's duties under this agreement shall be set forth on forms acceptable to the department. Lender's failure to provide, in a timely and effective manner, any audit records which the department requests will be considered a breach of this Agreement. The department shall have the right upon such breach to use all means available to obtain the audit records from lender, and lender agrees to reimburse the department for any costs incurred due to said breach.
10. Except as provided in the Lenders Manual, lender shall not permit a variance from the terms of any mortgages or consent to a postponement of compliance by the mortgagor with any of the terms or provisions thereof or grant an indulgence to the mortgagor, except that lender may receive and accept payments made by the mortgagor in full payment or in partial payment of any default under the mortgage until it receives a written notice from the department that no further payments are to be received or accepted following a default. Provided, however, that in the case of any construction loan the lender may permit a mortgagor to defer commencement of mortgage principal repayments until the first day of the month following occupancy of the constructed home by the mortgagor or for 8 months, whichever is sooner.
11. Each year the lender shall, if requested by the department, furnish to the department within a reasonable period after the end of its fiscal year a detailed statement of its financial condition as of the end of such year, as examined by state or federal regulatory agencies or independent auditors.
12. The lender shall maintain in full force and affect during the term of this agreement, at its own expense: fidelity bond, fire and extended coverage insurance, theft insurance, forgery insurance, and errors and omissions insurance. Such policies shall be in reasonable amounts.
13. This agreement may be terminated upon written notice of such termination given by the department to the lender:
 - (a) If the lender shall violate any provisions of this agreement, or
 - (b) If the lender shall become insolvent or be adjudged bankrupt, or
 - (c) In any event and without cause upon thirty (30) days written notice and payment to the lender of a sum equal to one-half (1/2) of 1% of the aggregate principal amounts then unpaid of all the mortgages.
14. The lender may terminate this Servicing Agreement upon thirty (30) days written notice to the department. Any loans being serviced must however, be transferred to another authorized lender for servicing in conjunction with the termination of this agreement.
15. This agreement shall not be assignable by the lender or its successors without the written consent of the department or its successors or assigns. This agreement shall insure to the benefit of the parties hereto and of their respective successors, and upon the assignment by the department or any of its successors or assigns of the mortgages on any of the mortgages, the obligations of the lender hereunder as to the mortgages assigned shall run in favor of such assignee and the lender or successors may not terminate this agreement upon the basis of such assignments.

16. Nothing herein contained shall be deemed or construed to create a co-partnership or joint venture between the parties hereto.
17. Lender warrants that all lender requirements under the Federal Consumer Credit Protection Act, the Wisconsin Consumer Act, the Equal Credit Opportunity Act and the Real Estate Settlement Procedures Act of 1974 and the regulations thereunder, if applicable, will have been complied with. In the event that any federal agency or state agency with jurisdiction determines non-compliance, lender will reimburse the department for any penalty assessed and the lender shall have sole responsibility for defending against a charge of non-compliance and the right to defend itself against such challenge.
18. Lender further represents and warrants for the reliance of the department as to each mortgage loan made that each representation and warranty set forth in the Lenders Warranty pertaining to such mortgage loan will be and continue to be true and effective as of the date of closing of any mortgage loan.
19. The terms and provisions of the department's Lenders Manual as subsequently supplemented and amended from time to time, are incorporated herein and shall become binding upon the parties hereto as if fully set forth herein.
20. In the event of termination, the lender shall pay over to the department all monies collected and held pursuant to this agreement and/or any other agreement, letter or arrangement relative to the mortgages serviced hereunder within ten (10) days after such termination, and turn over to the department the loan files and all documents appertaining to the mortgages serviced hereunder within twenty (20) days after such termination, and shall deliver to the department a full accounting, including a statement showing the monthly payments collected by it and a full statement of monies held in escrow by it for the payment of taxes, maintenance or other charges, in respect to each of such mortgages within twenty (20) days after such termination. Unless sooner terminated as herein provided or by mutual agreement, this agreement shall continue from the date hereof until such time as none of the mortgages serviced hereunder are owned or held by the department or their successors or assigns. Except as otherwise provided herein, whenever any approval or notice by the department is required under this agreement, or whenever any action by the department is required or permitted under this agreement, the secretary of the Department of Veterans Affairs or his designee shall have the power and right to approve, give notice or act on behalf of the department.

IN WITNESS WHEREOF, the parties have executed this agreement the day and year first above written.

_____ Lender

BY _____
(President)

BY _____
(Authorized Officer)

STATE OF WISCONSIN
DEPARTMENT OF VETERANS AFFAIRS

BY _____
John A. Scocos, Secretary