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**NOTE PURCHASE PROGRAM
BROKER PACKAGE**



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INTRODUCTION

Thank you for your interest in brokering loans to Grand Bank. We hope you find this guide useful in answering some of the basic questions regarding how we go about purchasing owner-financed loans. Should you have any questions, about this material or otherwise, please give us a call at 1-800-300-1467.

Grand Bank, chartered in 1968, is a federal savings bank with principal offices located in Hattiesburg, Mississippi. Unlike other banks, one of our primary focuses is the purchase of owner-financed notes secured by real property. The Bank purchases notes throughout the U.S. without geographic restriction.

Our management team (including the President and Chief Executive Officer) started their careers as brokers of owner-financed notes under Mortgage Funding Corporation (a pioneer in our industry), which is an affiliate of Grand Bank. This unique perspective, and thirty plus years of purchasing owner financing are reflected in the Bank's programs, tailored to allow you the flexibility and creativity required to negotiate and close the sale.

Grand Bank utilizes its own capital and buys loans exclusively for its in-house portfolio. This allows for quick decisions on even the most unconventional note and achieves your primary goal of closing the deal...fast.

This guide includes general information, purchase programs, and forms which will aid you in transacting business with Grand Bank. As you review the information, please keep in mind that we purchase notes and contracts for deed secured by all types of collateral, including single family, land, commercial, etc. We offer the most competitive rates in the industry for credit grades ranging from A to D-.

Please be assured that we want to be the end funding source for each loan you broker. Relationships are important to us, and we hope that your review of this guide will be the beginning of a long, mutually beneficial relationship for our respective organizations for years to come.

RECEIVABLES PURCHASED

Grand Bank purchases virtually all types of owner-financed real estate secured notes on an individual basis. We also aggressively pursue the purchase of mortgage loan pools offered by banks, private holders, and other entities nationwide. In pursuit of our goal to become your favorite (and only) funding source, we have developed special programs designed to give you the utmost negotiating power. We also offer the largest variety of purchase methods in the industry (full, partial, installment, split payment, and combinations thereof). With this degree of versatility combined with fast service and unparalleled experience, we know that you will consider Grand Bank your only funding source.

The following collateral types (and combinations thereof) are acceptable for submission to the Bank:

Residential

- Single family owner-occupied
- Single family rental
- Condominiums
- Second homes
- Multifamily
- Mobile homes attached to land

Land

- Lots (improved)
- Farms/ranches

GENERAL INFORMATION

QUOTES

Quotes are provided by our Contract Buyers either directly over the telephone, by fax, regular mail or via Email at notebuyers@grand.bank. A copy of our quote sheet is included in the Forms Appendix of this package. There is no requirement that you use our form, but we do ask that you give us the same information as requested on our form. Our turnaround time for hard copy quotes is usually the same day. If you have not received a requested quote within 24 hours, please call us at 1-(800) 300-1467.

Our quotes are given on a net basis. This means we process and pay for all closing costs including appraisal, underwriting and processing fees. No surprises and no hidden fees! Most brokers take 3%-6% of the Unpaid Principal Balance. You deduct your commission and present the remaining amount to the note seller.

Unless you tell us otherwise, we assume that the debtor is personally liable and that the payors on the note have good credit. If you know otherwise, please inform us so that we can avoid any unnecessary quote adjustments.

We also assume, unless you tell us otherwise, that the subject property is in good condition and that its value is at least equal to the sales price.

CREDIT SCORES

We are your top source for all paper, regardless of credit quality. We purchase notes on credit scores ranging from 550 to 800+. Call us for a quote on your unusual and difficult notes. Grand Bank specializes in transactions others "just can't do", allowing you to close more deals.

SEASONING

Grand Bank requires a minimum of 3 months seasoning on every note it purchases. Notes with less than 12 months seasoning will typically only be considered if the borrower has at least 10% equity. The bank will not consider purchases of "simultaneous closings".

GENERAL INFORMATION

APPRAISALS

Grand Bank typically prefers to order its own property valuations from its national network of approved real estate agents or appraisers. On most transactions, a "drive-by" inspection for an opinion of value, comparative market analysis, or appraisal will suffice. Lower investment-to-value properties may only require a property inspection just to check condition. We prefer to review photos of the subject property with the initial submission so that we can make a good determination of the level and scope of valuation which will be required. Of course, a majority of the time photos of the property can be obtained through an online search.

TITLE INSURANCE

The bank must have a mortgagee's title policy in an amount equal to the remaining balance of the loan being purchased for each loan purchased. Only title policies from national companies are acceptable. Either the broker or the bank can order title, but the policy must be issued in the bank's name at closing. Policies that automatically inure to the benefit of the current assignee may be acceptable under certain conditions. Please contact your Grand Bank contract buyer for more information.

PAY HISTORIES

Grand Bank requires a verifiable pay record (bank deposits, cancelled checks, escrow statements, etc.) evidencing the constructive receipt of payments remitted by the debtor. In the event that such a pay record is unavailable, the underwriter may choose to gather additional information related to the ability of the debtor to pay.

CLOSINGS

Grand Bank's prefers to close loan purchases directly with the Seller of the note through an approved title company or escrow agent. Closings are arranged through the title insurance company that issued the title commitment and will be issuing the final Mortgagee's Title Policy. If a mortgagee's title policy already exists and fully inures to the benefit of Grand Bank, a third party attorney may be used to close the transaction. Grand Bank will forward a detailed letter of instruction to the closing agent, with applicable Mortgage Purchase Agreements and other necessary documents. Net proceeds (funds disbursed to the seller after closing costs) are generally wire transferred to the closing agent, and upon proper execution of all documents, are released to the seller. Broker fees are remitted from the Bank's home office upon receipt and review of the completed documents executed at closing. This insures that broker fees are kept confidential and are not disclosed to the Seller.

FILE SUBMISSION GUIDELINES

In many instances, sellers of owner-financed notes either did not keep or have lost various documents related to the closing of their receivable. Processing and underwriting time can be minimized tremendously by having copies of the completed transaction between the buyer and seller forwarded directly to Grand Bank from the original closing agent/title company. This also has the added benefit of relieving the seller from the confusion of accumulating the various legal documents Grand Bank requires in underwriting the file.

The following documents are required by the Bank to process and underwrite receivables. In the event that some documents are not available, the Bank may choose to perform additional underwriting in lieu of the missing documentation. You may choose to gather the majority of this information yourself and submit the completed package to the Bank, or simply allow Grand Bank to correspond directly with the seller in obtaining the required documents, freeing you to concentrate on the next transaction while still receiving payment of your fee.

- (1) Purchase Account Information Sheet (see Forms Appendix)
- (2) Copy of Signed Option / Purchase Agreement between broker and seller (see Forms Appendix)
- (3) Information regarding debtor (place of employment, income, etc.) (see Forms Appendix)
- (4) Copy of Note
- (5) Copy of Mortgage / Deed of Trust / Contract for Deed
- (6) Copy of Closing Statement
- (7) Copy of Title Policy
- (8) Copy of Hazard Insurance Policy
- (9) Copy of Verifiable Pay Record
- (10) Complete address and legal description of property
- (11) Debtors' social security numbers / Tax I.D. numbers
- (12) Pictures of collateral.

Other documents may be available and will enhance Grand Bank's ability to expeditiously underwrite the file:

- 13) Most recent appraisal
- 14) Map and/or plat of property
- 15) Survey (if applicable)
- 16) Debtor's Financial Statement and Tax Returns, and/or recent pay stubs
- 17) Real Estate or Earnest Money Contract
- 18) Warranty Deed
- 19) Copy of Superior Lien (if second)
- 20) Any other documents or information pertinent to the transaction.

PROCESSING SEQUENCE

(A)

Quote to broker provided by Bank.

(B)

Bank underwriter reviews package submitted by Broker and obtains credit reports on debtor.

(C)

Preliminary approval provided by Bank loan committee and request for additional information needed is made.

(D)

Option to purchase executed by seller and debtor estoppel forwarded by Bank.

(E)

Property valuation and title work ordered, received and reviewed.

(F)

Pre-closing debtor interview conducted by Bank (generally one day prior to preparation of closing documents.

(G)

Final bank loan committee underwriting and approval.

(H)

Detailed Letter of Instruction forwarded to closing agent by Bank.

(I)

Closing date scheduled and funds wire transferred.

(J)

Brokers' fee paid directly from Bank home office after receipt of executed closing documents.

FUNDING OPTIONS

FULL PURCHASE

The owner sells all of the remaining cash flow payments to the Bank and retains no interest in the note. This is the most traditional method of purchasing notes wherein the entire remaining amounts due under the receivable are assigned to Grand Bank, with the seller receiving one lump sum payment at closing.

PARTIAL PURCHASE

Grand Bank purchases only a specified portion of the next ensuing payments and the owner retains an interest in the remainder. The loan is reassigned to the seller upon receipt of the amounts due the Bank.

INSTALLMENT PURCHASE

An installment purchase is a combination of two or more partials paid out over specified periods which may or may not culminate with a final full purchase. Put simply, an installment is a partial purchase with an option to buy another agreed upon income stream of the loan at a future date. As with partials, this purchase method works best when the seller has an immediate need for a specific amount of cash and/or the note is at a high loan-to-value (LTV) ratio. This program is extremely attractive for those owners who "really don't want to sell." For example, Grand Bank will fund installments on as little as a twelve-month basis, allowing the owner to get a lump sum every year (with virtually no discount on the cash flow) and the Bank assumes all collection responsibilities and tax reporting to the IRS.

SPLIT PAYMENT

A full or partial purchase with a percentage of each payment purchased being collected and returned to the seller. Grand Bank's split payment program involves splitting the payment amount and the owner retaining a portion of each payment. Naturally, the owner receives a lump sum cash payment at closing and will receive an agreed amount of the monthly payments as remitted by the debtor.

COMBINATIONS

Grand Bank will combine any of the above purchase plans to create split partials, split installments, etc. Simply call us with your owner's particular requirements and we will tailor a program that will satisfy even the most unusual cash needs.

USEFUL TERMS

BALLOON

The final payment of principal under a balloon mortgage, possibly representing a substantial portion of the original amount borrowed.

CASH ON CASH YIELD

Calculated in mortgages with balloon payments, this is the yield required to prevent negative amortization of the investment balance.

GROSS QUOTE

An offer to purchase not adjusted for costs. From the seller's perspective, they will receive the quoted amount less closing costs and broker's fee.

INVESTMENT-TO-VALUE RATIO (ITV)

The relationship between the amount of money invested and the value of the property. For example, a \$75,000.00 investment on a property valued at \$100,000.00 would represent an 75% investment-to-value ratio.

LOAN-TO-VALUE RATIO (LTV)

The relationship between the amount of money borrowed and the value of the property. For example, a \$80,000.00 loan on a property valued at \$100,000.00 would represent an 80% loan-to-value ratio.

MULTIFAMILY

A structure consisting of more than four (4) housing units.

NET QUOTE

An offer to purchase adjusted for costs. This means we process and pay for all closing costs including appraisal, underwriting, and processing fees. You deduct your commission and present the remaining amount to the note seller.

SEASONING

Refers to the length of time a loan has been in existence. The longer that time, the more "seasoned" the loan.

UNDERWRITING

Detailed review of the loan package resulting in recommendations to the loan committee as to the desirability and risk of purchasing the loan.

YIELD

The annual return on an investment stated as a percentage of the amount invested.



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FORMS



MORTGAGE WORKSHEET

REQUESTOR'S NAME _____
HOW DID MORTGAGE SELLER HEAR OF YOU? _____
DATE _____ PHONE _____ FAX _____

PROPERTY INFORMATION

STREET ADDRESS _____
CITY _____ COUNTY _____ STATE _____
CURRENT ESTIMATED VALUE \$ _____ BASED ON \$ _____

RESIDENTIAL: SINGLE FAMILY ___ MULTIFAMILY ___ CONDO ___ MH W/LAND ___
OWNER OCCUPIED ___ RENTAL _____

COMMERCIAL: DESCRIPTION _____
OWNER OCCUPIED ___ RENTAL _____

VACANT LAND DESCRIPTION _____

HISTORICAL INFORMATION

Additional Comments _____

DATE OF SALE _____
SELLING PRICE \$ _____
DOWN PAYMENT \$ _____
1ST MORTGAGE \$ _____
2nd MORTGAGE \$ _____

MORTGAGE INFORMATION

DATE OF MORTGAGE _____
ORIGINAL AMOUNT \$ _____

TERM IN MONTHS _____
PAYMENT AMOUNT \$ _____
BALLOON AMOUNT \$ _____
BALLOON DATE _____
INTEREST RATE _____ %

DUE DATE 1ST PMT _____
OF PMTS MADE _____
OF PMTS REMAINING _____
NEXT PAYMENT DUE _____
BALANCE \$ _____

MOTIVATION INFORMATION _____

PURCHASE PRICE QUOTED

BUY TOTAL MORTGAGE \$ _____
BUY _____ PMTS FOR \$ _____ BALANCE OWING \$ _____
BUY _____ PMTS FOR \$ _____ BALANCE OWING \$ _____
INSTALLMENT: \$ _____ NOW AND \$ _____ IN _____ MONTHS

OTHER OFFERS:

CLOSING EXPENSES PAID BY: _____
DATE QUOTE GIVEN _____ BY: _____

PURCHASE PRICE QUOTED MORTGAGE SELLER BUY

TOTAL MORTGAGE \$ _____
BUY _____ PMTS FOR \$ _____ BALANCE OWING \$ _____
BUY _____ PMTS FOR \$ _____ BALANCE OWING \$ _____
INSTALLMENT: \$ _____ NOW AND \$ _____ IN _____ MONTHS

OTHER OFFERS:

CLOSING EXPENSES PAID _____
DATE QUOTE GIVEN _____ BY: _____



FILE SUBMISSION CHECKLIST

MORTGAGOR: _____

MORTGAGEE: _____

	<u>Orig.</u>	<u>Copy</u>	<u>Date Requested</u>	<u>Date Received</u>	
1.	_____	_____	_____	_____	Purchase Account Information Sheet
2.	_____	_____	_____	_____	Credit Bureau Report
3.	_____	_____	_____	_____	Financial Statement
4.	_____	_____	_____	_____	Appraisal
5.	_____	_____	_____	_____	Photographs
6.	_____	_____	_____	_____	Map
7.	_____	_____	_____	_____	Survey
8.	_____	_____	_____	_____	R/E or Earnest Money Contract
9.	_____	_____	_____	_____	Closing Statement
10.	_____	_____	_____	_____	Subject Note
11.	_____	_____	_____	_____	Security Instrument (Mortgage, Deed of Trust, etc.)
12.	_____	_____	_____	_____	Warranty Deed with Vendor's Lien
13.	_____	_____	_____	_____	Modification Documents and/or Releases
14.	_____	_____	_____	_____	Assignment of Security Instrument
15.	_____	_____	_____	_____	Copy of Superior Lien (If Applicable)
16.	_____	_____	_____	_____	Mortgagee's Title Insurance Policy Commitment
17.	_____	_____	_____	_____	Mortgagee's Title Insurance Policy
18.	_____	_____	_____	_____	Fire and Extended Coverage Insurance Policy
19.	_____	_____	_____	_____	Pay Record
20.	_____	_____	_____	_____	Amortization Schedule
21.	_____	_____	_____	_____	Copy of Original Quote Sheet
22.	_____	_____	_____	_____	Copy of Option to Purchase Agreement
23.	_____	_____	_____	_____	Miscellaneous



PURCHASE ACCOUNT INFORMATION SHEET

DEBTOR NAME _____ SSN _____ AGE _____

DEBTOR ADDRESS _____ EMAIL: _____

PHONE NO. (HOME) _____ (CELL) _____ (BUSINESS) _____

EMPLOY/POSITION/YRS _____ GROSS INCOME _____

CO-DEBTOR NAME _____ SSN _____ AGE _____

CO-DEBTOR ADDRESS _____

PHONE NO. (HOME) _____ (BUSINESS) _____

EMPLOY/POSITION/YRS _____ GROSS INCOME _____

COMMENTS: _____

1ST MTG HOLDER _____ LOAN NO. _____

ADDRESS _____ PHONE NO. _____

DT MADE _____ 1ST PMT DUE _____ INT RT FIXED _____ FIXED [] ADJ [] ORIG AMT _____

ADJUSTABLE:INDEX _____ DATE ADJS _____ MARGIN _____ CEILING _____ ADJUST PERIOD _____

P&I PMT _____ ESC PMT _____ TTL PMT _____ ORIG # PMTS _____ #PMTS MADE _____

PMTS LEFT _____ MATURES _____ BALLOON AMT _____ NXT DUE DT _____ MTG BAL _____

2ND MTG HOLDER _____ LOAN NO. _____

ADDRESS _____ PHONE NO. _____

DT MADE _____ 1ST PMT DUE _____ INT RT FIXED _____ FIXED [] ADJ [] ORIG AMT _____

ADJUSTABLE:INDEX _____ DATE ADJS _____ MARGIN _____ CEILING _____ ADJUST PERIOD _____

P&I PMT _____ ESC PMT _____ TTL PMT _____ ORIG # PMTS _____ #PMTS MADE _____

PMTS LEFT _____ MATURES _____ BALLOON AMT _____ NXT DUE DT _____ MTG BAL _____

SFROO [] SFRNOO [] DUPLEX [] TOWNHOME [] CONDO [] MH [] MFAM [] COMM [] LOT [] LAND []
OTHER []

PROPERTY ADDRESS _____

CITY/STATE/ZIP/COUNTY _____

BRIEF LEGAL _____

COUNTY _____ RECORD BOOK _____ RECORD PAGE _____

TAX I.D. NO. _____ YEARLY TAXES _____ TAX ASSESSED AT _____

TAX COLLECTORS PHONE _____

DT OF PURCH _____ PURCH PRICE _____ DOWN PMT _____ % 2ND MTG _____

REALTOR INVOLVED _____ NAME AND PHONE _____

TITLE OPINION [] POLICY [] BY _____

POLICY NO. _____ AMOUNT OF COVERAGE \$ _____

HAZ INSURANCE CO _____ AGENT _____ PHONE _____

POLICY NO. _____ POLICY DATE _____ EXPIRATION DATE _____ AMT OF INSURANCE \$ _____

FLOOD INS CO _____ AGENT _____ PHONE _____

POLICY NO. _____ POLICY DATE _____ EXPIRATION DATE _____ AMT OF INSURANCE \$ _____

EXAMPLE OF AN OPTION TO PURCHASE AGREEMENT

This Option to Purchase Agreement ("Agreement") is made this _____ day of _____, 20__ by and between the undersigned seller(s), _____ whose address is _____ and the undersigned optionee/buyer _____ ("Buyer") its successors and/or assigns.

Seller warrants and represents that Seller is the legal owner of a certain lien instrument(s) described as:

Title of Note: _____
Title of Security Instrument: _____
Date of Note: _____
Original Amount of Note: _____
Secured by: : _____ (Property Address)

Seller further warrants that ___ payments have been made on said note with the last payment having been contractually paid for _____ and that the unpaid balance of said note as of this date is \$ _____. The next monthly payment in the amount of \$ _____ is due and payable on the ___ day of _____, 20__ and that ___ payments remain with all remaining principal and interest, if not paid sooner, due on the ___ day of _____, 20__.

Additionally, Seller warrants that they do not escrow for the payment of taxes and insurance and there is no money in their possession for any escrow purpose.

OR (remove the preceding paragraph and insert this one if there is an escrow account) Additionally, Seller collects \$ _____ each month for the payment of _____. The current escrow account balance is \$ _____. Seller and Buyer agree that the current escrow balance will be deducted from the Seller's proceeds at closing to effectuate transfer of the account.

In consideration of \$10.00 cash and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby grants Buyer an exclusive option to purchase Seller's entire interest due under the indebtedness and liens or security instruments securing same for \$ _____ ("Purchase Price") with Buyer's first payment being due the ___ day of _____, 20__. This option shall expire if this sale has not closed within 60 working days from buyer's receipt of all required documentation.

OR (If a partial purchase remove the preceding paragraph and insert this one) In consideration of \$10.00 cash and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby grants Buyer an exclusive option to purchase \$ _____ of the amount due each _____ for the next ___ payments and _____ of the balloon payment due _____ under the indebtedness and liens or security instruments securing same for \$ _____ ("Purchase Price") with Buyer's first payment being due the ___ day of _____, _____. This option shall expire if this sale has not closed within 60 working days from buyer's receipt of all required documentation.

Buyer may reduce the amount due Seller by the exact amount of any payments received by Seller prior to closing or any payments due within 15 days after the close of this purchase.

Seller hereby acknowledges the Purchase Price is subject to receipt, review and approval by the Buyer of all required documentation. Seller acknowledges that Buyer will require, as a condition to its exercising the option herein granted, among other things, a satisfactory appraisal of the real estate security described above, satisfactory receipt and review of a mortgagee's title insurance commitment, satisfactory review of the property's hazard insurance, satisfactory receipt and review of a verifiable pay record, satisfactory receipt and review of an estoppel from the payor(s) of the herein described obligation, review of the original note, receipt and review of satisfactory documents authorizing the assignment of the said Note, and execution by Seller of all of Buyer's standard documents effectuating the sale which are normally required by Seller.

_____ shall pay the cost of appraisal, processing, and all title and closing work as required by Buyer not to exceed \$ _____ upon closing of the transaction.

Buyer has entered into this option agreement based upon information and representations provided by Seller concerning the above referenced lien instrument(s), the value and condition of the subject property, title to the subject property, the debtor'(s) ability to pay, etc. Pursuant to its underwriting review, Buyer, in its sole discretion, reserves the right to change or withdraw its purchase offer. Should Seller refuse Buyer's new offer, or Buyer withdraws its purchase offer, then Seller shall be responsible for any and all costs Buyer has incurred in its underwriting efforts not to exceed \$ _____, or actual verifiable cost.

Additional Provisions:

_____.

SELLER

DATE

SELLER

DATE

BUYER: _____

DATE

BY: _____

ITS: _____