

Reserves & Letter of Credit Guidelines for Securitized Loans
1/1/2012

Contact:

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I. Reserve

- A. The purpose of establishing a Reserve Account is to provide additional protection to the Lender in which there are typically three different types: an earn out holdback, a repairs/maintenance holdback, or an FF&E reserve.
- B. The terms of the Reserve Account are defined in the Escrow Agreement, Mortgage or the Deed of Trust.

II. Disbursement Request

- A. Unless otherwise indicated in an Escrow Agreement, all disbursements are approved by Summit.
- B. A borrower's written request should be provided with each disbursement request.
- C. As outlined in the Escrow Agreement, Lender should be provided with evidence of work completed, which includes invoices with evidence of payment. In the event of new construction, the builder should supply a statement of the work completed accompanied by a draw request.
- D. In some instances a Certificate of Occupancy is required.
- E. As outlined or as requested by Lender, the Correspondent shall perform an inspection accompanied with photos.
- F. The reserve history should be provided.
- G. The request should be accompanied by a Correspondent recommendation.
- H. Prior to the final disbursement, a date down title endorsement aka Title Update may be required. This will provide verification that the title is free and clear of mechanics liens.
- I. For those loans whereby the Master Servicer is Berkadia Commercial Mortgage, the Berkadia disbursement form must be completed prior to the disbursement request. *See document named **Berkadia Escrow Disbursement Request Form.***

III. Reporting

- A. On the last day of each month, or if such day is not a business day then on the succeeding business day, a Reserve Report should be sent to Summit. Typically a borrower history will provide the necessary information.
- B. The report shall accurately reflect deposits, disbursements and current balance for all loans for which the Correspondent is holding with the exception of real estate tax and insurance impounds. Reserves balances would include but not be limited to funds such as a loss claim.
- C. In the event the Correspondent is not holding any a reserves, Correspondent shall acknowledge this in writing on the respective due date(s).

IV. Letter of Credit

- A. Similar to reserve disbursements, all releases related to a Letter of Credit shall be administered by Summit.

Disclaimer:

Lender reserves the right to exercise all rights and remedies under the various loan documents.