

Morgan Stanley

Policy for the Management of Third Party Residential Mortgage Servicing Providers

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Approver	Operational Risk Oversight Committee
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1 Executive Summary

This Policy for the Management of Third Party Residential Mortgage Servicing Providers (the "Policy") sets forth the guiding principles and standards relating to Morgan Stanley's Mortgage Servicing Supplier Risk Management Program ("MSSRMP") for the purpose of effectively identifying, assessing, monitoring and mitigating risks associated with outsourcing Mortgage Servicing activities.

The MSSRMP supplements the existing governance and control framework established by Morgan Stanley's Global Supplier Risk Management Program ("SRMP"), which identifies and manages the risks associated with third party services enterprise-wide. The MSSRMP incorporates key elements of the SRMP, including the Inherent Preliminary Risk Assessment Matrix ("iPRAM"). These key elements are identified in this Policy and are separately described in the Global Outsourcing and Technology Sourcing Policy and the Global Procedures for Outsourcing and Technology Sourcing. In addition to utilizing the SRMP's control framework, this Policy requires additional controls and heightened standards to mitigate the risks associated with outsourcing Mortgage Servicing activities. Consequently, the MSSRMP subjects Mortgage Servicing Providers to specified supplemental due diligence, management and oversight by personnel that possess the requisite expertise to effectively monitor and assess the performance and control infrastructure of Mortgage Servicing Providers.

This Policy is designed to ensure that Mortgage Servicing Providers are operating in a manner that is consistent with Morgan Stanley's legal and regulatory obligations, contractual requirements, and performance expectations. This Policy also defines the governance structure, and roles and responsibilities of those tasked with executing and overseeing the MSSRMP to facilitate compliance and the consistent implementation of this Policy and relevant procedures.

Defined terms are set forth in the Glossary on page 8.

1.1 Rationale

Pursuant to federal and state statutory and regulatory requirements that apply to Mortgage Servicing activities, and the regulatory guidance applicable to Morgan Stanley, Morgan Stanley seeks to develop and maintain a comprehensive third party management program for Mortgage Servicing Providers.

1.2 Scope

This Policy applies to the outsourcing of Mortgage Servicing activities related to Residential Mortgage Loans secured by real property located in the United States to any Mortgage Servicing Provider.

2 Policy Statements

1. **Due Diligence.** Morgan Stanley shall ensure that Mortgage Servicing Providers satisfactorily complete Morgan Stanley's due diligence review processes under the SRMP and MSSRMP. *See Standard: Due Diligence on page 2 for more information.*
2. **Mortgage Servicing Provider Contracts.** Morgan Stanley shall include within its Mortgage Servicing Provider Contracts appropriate provisions setting forth the rights and

obligations necessary to carry out the objectives of this Policy. See *Standard: Mortgage Servicing Provider Contracts* on page 3 for more information.

3. **Oversight.** Morgan Stanley shall subject the performance of Mortgage Servicing Providers to ongoing monitoring and periodic assessments under the SRMP and MSSRMP. See *Standard: Oversight* on page 3 for more information.

4. **Business Contingency and Continuity Plans**

Morgan Stanley shall maintain Business Contingency Plans (“CPs”) to address the continued availability and, when applicable, ensure the orderly transition of critical services being provided by Mortgage Servicing Providers in the event of short-term or long-term disruptions in service. In addition, Mortgage Servicing Providers shall be required to maintain Business Continuity Plans (“BCs”) acceptable to Morgan Stanley. See *Standard: Business Contingency and Continuity Plans* on page 3 for more information.

5. **Original Record Control and Retention**

Morgan Stanley shall require Mortgage Servicing Providers to maintain controls to ensure that all Original Records transferred by Morgan Stanley in connection with the performance of Mortgage Servicing activities remain in the custody and control of the Mortgage Servicing Provider or its Subcontractor and are returned to Morgan Stanley or its designated custodian at the conclusion of the outsourced service. Morgan Stanley shall implement measures to ensure that Mortgage Servicing Providers maintain such controls. See *Standard: Original Record Control and Retention* on page 4 for more information.

6. **Accuracy of Documents and Evidence of Right to Foreclosure**

Morgan Stanley shall require Mortgage Servicing Providers to maintain controls to ensure the accuracy of all documents filed or utilized in any foreclosure or related bankruptcy proceedings, or in other foreclosure-related litigation, including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced. See *Standard: Accuracy of Documents and Evidence of Right to Foreclosure* on page 4 for more information.

7. **Customer Complaints**

Morgan Stanley shall establish a process to review customer complaints concerning Mortgage Servicing Providers, as appropriate. See *Standard: Customer Complaints* on page 4 for more information.

8. **Law Firm Standards**

Morgan Stanley shall require Mortgage Servicing Providers to maintain a law firm certification process that requires Mortgage Servicing Law Firms to comply with Law Firm Standards. See *Standard: Law Firm Standards* on page 4 for more information.

3 Standard: Due Diligence

All Mortgage Servicing Providers are subject to the risk assessment and due diligence processes as defined in the SRMP. As part of the MSSRMP, Mortgage Servicing Providers shall also be subject to an initial due diligence review and ongoing monitoring of their qualifications, expertise, capacity, reputation, complaints handling processes, document custody practices, staffing levels, training, work quality, and workload balance pursuant to the MSSRMP. In addition, the MSSRMP due diligence review and ongoing monitoring shall assess the compensation structures of Mortgage Servicing Providers to ensure that the method of compensation considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on foreclosure volume or meeting processing timelines.

The first part of the due diligence review is based on the SRMP, which considers the potential financial loss, reputational impact, legal and regulatory impact, information sensitivity and client impact of outsourcing to a Mortgage Servicing Provider in assessing the level of inherent risk associated with outsourcing Mortgage Servicing activities. The second part of the due diligence process utilizes a combination of the MSSRMP report findings and the SRMP report findings to determine the level of residual risk associated with a specific Mortgage Servicing Provider by evaluating the following factors:

- Qualifications and Experience;
- Financial Viability;
- Business Reputation;
- Knowledge of Legal and Regulatory Requirements;
- Operational Competency; and
- Internal Control and Information Security Environment.

Based on the residual risk level derived from the SRMP and MSSRMP due diligence review process, the Business Unit's decisions regarding the on-boarding and termination of Mortgage Servicing Providers shall be reviewed in accordance with the MSSRMP governance structure.

4 Standard: Mortgage Servicing Provider Contracts

All Mortgage Servicing Provider Contracts shall contain appropriate provisions for adequate oversight, including (i) provisions ensuring that Mortgage Servicing Providers are required to adhere to Morgan Stanley's foreclosure processing standards, (ii) provisions to enforce Mortgage Servicing Providers' contractual obligations, and (iii) provisions to allow for timely action to be taken with respect to any performance failures by Mortgage Servicing Providers.

All Mortgage Servicing Provider Contracts shall be approved by Morgan Stanley's Legal Department prior to their execution.

5 Standard: Oversight

A Mortgage Servicing Provider's performance shall be subject to ongoing monitoring and periodic assessments regarding their timeliness, competence, completeness and compliance with applicable Legal Requirements, supervisory guidance of federal agencies and regulators, Morgan Stanley's policies and procedures, the Mortgage Servicing Provider Contract, and to ensure that foreclosures are conducted in a safe and sound manner. In addition, monitoring and periodic assessments shall also evaluate whether Mortgage Servicing Providers' have appropriate controls in place to monitor the performance of their Subcontractors.

6 Standard: Business Contingency and Continuity Plans

The Business Units that outsource Mortgage Servicing activities shall maintain CPs for each Mortgage Servicing Provider that addresses situations where a Mortgage Servicing Provider is no longer capable or qualified to perform Mortgage Servicing activities. The objective of CPs shall be to address the continuing availability of critical Mortgage Servicing activities during service disruptions, and ensure the orderly transition to a new Mortgage Servicing Provider, should that become necessary. Business Units shall review CPs, and enhance them when appropriate.

In addition, Mortgage Servicing Providers shall be required to maintain BCs that identify and prepare for short-term or long-term disruption in their services to Morgan Stanley. The BCs maintained by Mortgage Servicing Providers shall be in accordance with Morgan Stanley's

Global Business Continuity Management Policy and Business Continuity Management
Supplier Risk Management Procedures.

7 Standard: Original Record Control and Retention

Morgan Stanley shall require Mortgage Servicing Providers to ensure that all Original Records transferred by Morgan Stanley, in connection with the performance of Mortgage Servicing activities, remain in the custody and control of the Mortgage Servicing Provider or its Subcontractor (unless the document is filed with the appropriate court or the loan is transferred to another party). Upon the completion of the applicable Mortgage Servicing activity, Mortgage Servicing Providers must return all Original Records to Morgan Stanley or its designated custodian within the contractually designated timeframe, along with any supplemental documentation that may be reasonably requested by Morgan Stanley, including documentation that may be used by Morgan Stanley to demonstrate that the Mortgage Servicing activities undertaken on a specific loan were consistent with applicable Legal Requirements and the Mortgage Servicing Provider Contract, as well as any accepted mortgage servicing industry practices.

8 Standard: Accuracy of Documents and Evidence of Right to Foreclose

Mortgage Servicing Providers shall be required to maintain controls to ensure the accuracy of all documents filed or utilized in any foreclosure or related bankruptcy proceedings, or in other foreclosure-related litigation, including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced.

9 Standard: Customer Complaints

Morgan Stanley shall review Mortgage Servicing Providers' customer complaint management programs during the initial due diligence review and as part of oversight activities to evaluate whether such programs adequately address customer complaints.

Mortgage Servicing Providers shall be required to provide Morgan Stanley with copies of customer complaints in accordance with Morgan Stanley's specifications. Such customer complaints concerning Mortgage Servicing Providers shall be reviewed, and any decision regarding adjustments to the scope and/or frequency of the monitoring and periodic assessments performed shall be made, in accordance with the MSSRMP governance structure.

10 Standard: Law Firm Standards

Mortgage Servicing Providers that retain Mortgage Servicing Law Firms shall be required to maintain an initial and periodic law firm certification process, requiring that they comply at all

times with Law Firm Standards. Mortgage Servicing Providers shall be required to monitor their Mortgage Servicing Law Firms to reasonably ensure that their personnel: (i) are appropriately licensed, (ii) have the experience and competence necessary to perform the services requested, and (iii) are confirming the accuracy of all documents filed or utilized in any foreclosure or related bankruptcy proceedings, or in other foreclosure-related litigation,

including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced.

11 Policy Assurance Methods

11.1 Procedures

Procedures relating to the management and oversight of Mortgage Servicing Providers shall be maintained by the Mortgage Servicing Governance Team to support compliance with this Policy.

11.2 Awareness Methods

This Policy will be posted to the Firmwide Policy Portal.

11.3 Update Requirements

This Policy shall be reviewed and, if applicable, updated periodically under the direction of the MSGT.

11.4 Consequences of Violating the Policy

Failure to comply with this Policy may result in a range of disciplinary actions, up to and including termination of employment.

12 Governance

Morgan Stanley shall maintain a governance process to execute and oversee the MSSRMP. Such governance process shall utilize the existing SRMP governance framework and shall supplement it as described below (e.g., Mortgage Servicing Governance Team). Morgan Stanley Private Bank National Association ("MSPBNA") shall also be subject to the existing MSPBNA governance structure for vendor management oversight.

The roles and responsibilities established under this Policy are distributed as follows:

Operational Risk Oversight Committee ("OROC")

- Reviews and approves this Policy and any updates thereto, as appropriate; and
- Oversees critical residual risk issues escalated from the SRGC (as defined below) and related risk mitigation activities.

Supplier Risk Governance Committee ("SRGC")

- Reviews and recommends updates to this Policy for approval by the OROC;
- Oversees critical and high residual risk issues escalated from the MSGT (as defined below), and related risk mitigation activities; and

- Escalates critical residual risk issues to the OROC.

Mortgage Servicing Governance Team (“MSGT”)

- Reviews and updates this Policy periodically;
- Develops and maintains appropriate procedures to implement this Policy;
- Oversees Business Unit’s decision to on-board or terminate Mortgage Servicing Providers;
- Reviews due diligence and monitoring results provided by the Business Units and monitoring and periodic assessment results provided by the MSCT (as defined below); and
- Escalates critical and high residual risk issues and related risk mitigation activities for review and acceptance to the SRGC.

A Business Unit that Outsources Mortgage Servicing Activities

- Owns relationships with Mortgage Servicing Providers;
- Initiates and conducts iPRAM for each of its Mortgage Servicing Providers consistent with the SRMP process;
- Performs SRMP and supplemental MSSRMP due diligence reviews of its Mortgage Servicing Providers, in consultation with relevant SRMP Control Groups and the MSCT, to determine overall risk rating;
- Develops objective metrics for its Mortgage Servicing Provider’s service-level standards;
- Performs ongoing monitoring of its Mortgage Servicing Providers;
- Periodically provides its due diligence and monitoring results to MSGT;
- Develops necessary CPs for Morgan Stanley to address short-term and long-term disruptions to its Mortgage Servicing Provider services; and
- Addresses customer complaints received by Morgan Stanley directly concerning its Mortgage Servicing Providers, consistent with Morgan Stanley’s policies and procedures.

SRMP Control Groups

- Conducts initial and ongoing due diligence reviews as defined within the SRMP; and
- Reports due diligence results to the Business Units.

Mortgage Servicing Compliance Team (“MSCT”)

- Participates in due diligence of each Mortgage Servicing Provider;
- Performs certain monitoring and periodic assessments of Mortgage Servicing Providers;
- Reviews specified customer complaints concerning Mortgage Servicing Providers as part of oversight activities; and
- Periodically provides monitoring and assessment results to the Business Units and MSGT.

13 Reference Information

13.1 Regulatory Guidance and Morgan Stanley Policies and Procedures

- Procedures for the Management of Third Party Residential Mortgage Servicing Providers
- Global Outsourcing and Technology Sourcing Policy
- Global Procedures for Outsourcing and Technology Sourcing
- Morgan Stanley Private Bank, National Association Vendor Management Policy
- Global Business Continuity Management Policy
- Business Continuity Management Supplier Risk Management Procedures
- Report from the Federal Reserve Bank of New York - Outsourcing Financial Services Activities: Industry Best Practices to Mitigate Risk, October 1999
- Federal Financial Institution Examination Council IT handbooks on Outsourcing Technology Services
- Office of the Comptroller of the Currency Bulletin 2001-47: Third-Party Relationships
- Consumer Financial Protection Bureau Bulletin 2012-03

Glossary of Terms

Term	Definition
Inherent Preliminary Risk Assessment Matrix ("iPRAM")	The online supplier risk questionnaire managed by the Supplier Risk Management and Monitoring Team that is used to capture key information about supplier-provided services for the purposes of risk calculation and assessment initiation.
Law Firm Standards	The standards maintained by Morgan Stanley for Mortgage Servicing Law Firms engaged by a Mortgage Servicing Provider in connection with Mortgage Servicing activities, which shall include the requirement that compensation be based on a method that considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on increased foreclosure volume or meeting processing timelines.
Legal Requirements	The terms of mortgage loan documentation and related agreements with borrowers, all applicable state and federal laws (including the U.S. Bankruptcy Code and the Service Members Civil Relief Act), rules, regulations, and court orders, as well as the Membership Rules of MERSCORP, Inc. and MERS, Inc., servicing guides with investors or Government-Sponsored Enterprises ("GSE") with respect to corresponding investor or GSE loans, and any other applicable contractual obligations of Morgan Stanley related to Mortgage Servicing activities, including any with the Federal Housing Administration and any required by the Home Affordable Modification Program ("HAMP").
Morgan Stanley	Includes Morgan Stanley, a registered bank holding company, and its subsidiaries and affiliates
Mortgage Servicing	Residential mortgage servicing, loss mitigation and foreclosure functions.
Mortgage Servicing Law Firm	Law firms engaged by a Mortgage Servicing Provider performing Mortgage Servicing activities, to provide residential mortgage foreclosure and related bankruptcy legal services. This term also includes trustees engaged by a Mortgage Servicing Provider to provide foreclosure services in non-judicial foreclosure proceedings.
Mortgage Servicing Providers	Servicers, independent contractors, consulting firms, law firms, trustees, property managers, or other third-parties, including any subsidiary or affiliate of Morgan Stanley, which are directly contractually engaged by Morgan Stanley to provide Mortgage Servicing activities.
Mortgage Servicing Provider Contracts	Contracts with Mortgage Servicing Providers regarding the performance of Mortgage Servicing activities.
Original Records	The promissory notes, security instruments, and any other class of documents as identified by Morgan Stanley related to Residential Mortgage Loans.
Residential Mortgage Loans	Loans secured by a 1- to 4-family residential property whether in the form of a mortgage, deed of trust, or other equivalent security instrument creating a lien on such property.
SRMP Control Groups	The internal subject matter team (e.g. Information Security, Business Continuity Management, Corporate Security, Technical Business Development, Anti-Corruption Group and Security Architecture) responsible for performing due diligence and/or assessments of suppliers and their services under the SRMP.
Subcontractor	Independent contractors retained by a Mortgage Servicing Provider to perform Mortgage Servicing activities. This term shall include Mortgage Servicing Law Firms and document custodians.

Procedures for the Management of Third Party Residential Mortgage Servicing Providers

Effective Date

Department

Mortgage Servicing Governance Team

Content Owner

Mortgage Servicing Governance Team

Approver

Mortgage Servicing Governance Team

Contact Information

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1 Introduction

These Procedures for the Management of Third Party Residential Mortgage Servicing Providers (the "Procedures") support Morgan Stanley's Policy for the Management of Third Party Residential Mortgage Servicing Providers ("Policy"), and provide processes to implement the Mortgage Servicing Supplier Risk Management Program ("MSSRMP"). The Policy and these Procedures are designed to supplement Morgan Stanley's Global Supplier Risk Management Program ("SRMP").

1.1 Associated Policy

These Procedures support the *Policy for the Management of Third Party Residential Mortgage Servicing Providers*.

1.2 Related Policies and Procedures

These Procedures supplement the following Policies and Procedures:

- *Global Outsourcing and Technology Sourcing Policy;*
- *Global Procedures for Outsourcing and Technology Sourcing;*
- *Global Business Continuity Management Policy;*
- *Business Continuity Management Supplier Risk Management Procedures;*
- *Business Impact Analysis and Business Unit Planning Procedures;*
- *Global Corporate Security and Investigations Due Diligence Policy;*
- *Corporate Security & Investigations Supplier Due Diligence Policy;*
- *Corporate Security & Investigations Supplier Due Diligence Process;*
- *Global Information Security Program Policy;*
- *Technology Business Development Supplier Risk Assessment Procedures;*
- *Morgan Stanley Private Bank, National Association Vendor Management Policy;* and
- *Bank Vendor Management Procedures.*

2 Scope

These Procedures apply to the outsourcing of Mortgage Servicing activities related to Residential Mortgage Loans secured by real property located in the United States to any Mortgage Servicing Provider.

3 Vendor Selection

The selection of a Mortgage Servicing Provider shall be governed by the existing processes and protocol established by the SRMP. In particular, the Business Unit shall adhere to the Request for Proposal or Information and the Provider Selection and Engagement standards defined within Morgan Stanley's Global Outsourcing and Technology Sourcing Policy and Procedures when identifying a potential Mortgage Servicing Provider.

4 Due Diligence Review

Prior to the outsourcing of Mortgage Servicing activities, the Business Unit will ensure that a potential Mortgage Servicing Provider is subject to a due diligence review under the SRMP and MSSRMP.

First, as part of the SRMP, the Business Unit sponsoring the outsourcing relationship shall (i) identify the inherent risks associated with outsourcing Mortgage Servicing activities through the Inherent Preliminary Risk Assessment Matrix (“iPRAM”), and (ii) ensure the completion of the SRMP’s due diligence review process, with the assistance of other Morgan Stanley resources, as necessary. Second, as part of the MSSRMP, the Business Unit shall complete a supplemental due diligence review that is specifically designed to evaluate the potential Mortgage Servicing Provider’s qualifications, expertise, capacity, reputation, complaints handling processes, document custody practices, staffing levels, training, work quality, and workload balance.

4.1 SRMP Due Diligence Review

4.1.1 Creation of Inherent Preliminary Risk Assessment Matrix

As part of the SRMP procedures, the Business Unit is responsible for creation of the iPRAM for each Mortgage Servicing Provider. The Business Unit shall collect and enter information relating to the nature of the Mortgage Servicing activities into the iPRAM. The iPRAM will calculate an inherent risk score by considering: potential financial loss; reputational risk; legal and regulatory risk; information sensitivity; and client impact. For further information regarding how to create and complete iPRAM, please see:

- Categories Requiring iPRAM on SRMP site (iPRAM Tab of SRMPWeb);
- The Inherent Preliminary Risk Assessment Matrix Overview in the SRMP Tool; and
- Inherent Preliminary Risk Assessment Matrix Guidance in the SRMP Tool.

4.1.2 SRMP Due Diligence Review

The Business Unit shall ensure that the due diligence review is completed in accordance with the process established by the SRMP.¹

4.2 Supplemental MSSRMP Due Diligence Review

The Business Unit, with the assistance of the Mortgage Servicing Compliance Team (“MSCT”) and any other relevant functional groups, shall determine the level of residual risk to Morgan Stanley posed by a potential Mortgage Servicing Provider after evaluating the effectiveness of the controls maintained by the Mortgage Servicing Provider and its ability to provide the Mortgage Servicing activities required by Morgan Stanley. In addition, the MSSRMP due diligence review process shall evaluate the sufficiency of the Mortgage Servicing Provider’s risk management programs to reasonably ensure that Mortgage Servicing Providers have appropriate controls in place to monitor the performance, qualifications and internal control environment of the Provider’s Subcontractors.

¹ Under the SRMP due diligence review process, the Business Unit, in conjunction with the SRMP Control Groups, evaluates the (i) qualifications and expertise of the provider and its principals, (ii) level of reputational risk posed to Morgan Stanley by the provider, (iii) financial and business stability of the provider, (iv) provider’s business continuity and disaster recovery plans, and other relevant information, and (v) provider’s internal control environment for safeguarding confidential customer information and technology systems. See *Global Procedures for Outsourcing and Technology Sourcing, Corporate Security & Investigations Supplier Due Diligence Policy, Corporate Security & Investigations Supplier Due Diligence Process, Technology Business Development Supplier Risk Assessment Procedures, Business Continuity Management Supplier Risk Management Procedures, Supplier Risk Management Program: Service Risk Manager Handbook and Global Information Security Program Policy.*

Qualifications and Experience

A potential Mortgage Servicing Provider shall be required to possess sufficient qualifications and experience to provide Mortgage Servicing activities to Morgan Stanley. As such, the Business Unit's due diligence review may consider, as appropriate, whether the potential Mortgage Servicing Provider:

- Performs Mortgage Servicing activities consistent with industry standards;
- Maintains sufficient entity and other licensure, where applicable;
- Is in good standing with federal and state regulatory agencies by verifying that the Mortgage Servicing Provider has not been subject to enforcement action that may impede its ability to provide Mortgage Servicing activities; and
- Maintains adequate insurance policies – including fidelity bond coverage to insure against losses attributable to dishonest acts, and liability coverage for losses attributable to negligent acts – in amounts that Morgan Stanley deems sufficient given its potential exposure.

Financial Viability

A potential Mortgage Servicing Provider shall be required to demonstrate that it is financially viable and maintains sufficient financial resources to satisfy Morgan Stanley's performance expectations. In addition to the review of the potential Mortgage Servicing Provider's financial statements as part of the SRMP, the Business Unit's due diligence review may include, as appropriate, whether the potential Mortgage Servicing Provider:

- Is meeting its financial obligations to Subcontractors in a timely manner; and
- Is subject to any threatened or outstanding litigation or enforcement action that may have a material effect on its financial viability.

Business Reputation

In addition to the review of reputational risk as part of the SRMP, the Business Unit's additional review of the business reputation of a potential Mortgage Servicing Provider may include, as appropriate, the following:

- Reviewing year-end financial statements for litigation disclosures; and
- Considering other publicly available information regarding the potential Mortgage Servicing Provider.

Knowledge of Legal and Regulatory Requirements

A potential Mortgage Servicing Provider shall be required to acknowledge its obligation to comply with laws, regulations, and agency and investor guidelines that apply to its Mortgage Servicing activities. As such, the Business Unit's evaluation of a potential Mortgage Servicing Provider may include, as appropriate, the following:

- Reviewing any policies, procedures and employee training programs related to Legal Requirements; and
- Reviewing the process by which the Mortgage Servicing Provider has implemented policies and procedures related to Mortgage Servicing activities.

Operational Capacity and Staffing

The Business Unit's evaluation of whether a potential Mortgage Servicing Provider maintains the operational capacity to satisfy Morgan Stanley's service level requirements and performance expectations may include, as appropriate, the review of the potential Mortgage Servicing Provider's:

- Staffing levels, training, work quality and workload balance;
- Ability to perform the proposed activities using current systems or the need to make additional investment;

- Cost of development, implementation, and support needed to perform Mortgage Servicing activities, if appropriate; and
- Protocols for tracking, escalating and responding to customer complaints, including periodic reporting and corrective action for any systemic issues.

Internal Controls

A potential Mortgage Servicing Provider shall be required to maintain an internal control environment sufficient to (i) facilitate compliance with applicable Legal Requirements and regulatory guidelines; (ii) manage and supervise the activities of its Subcontractors; and (iii) perform the Mortgage Servicing activities requested by Morgan Stanley. To reasonably ensure that the internal controls maintained by a potential Mortgage Servicing Provider satisfies these requirements, the Business Unit's due diligence review may include, as appropriate, evaluating whether a potential Mortgage Servicing Provider maintains:

- Legal and regulatory compliance testing and monitoring framework;
- Controls regarding the custody and control of Original Records;
- Controls to ensure that the Mortgage Servicing Provider's compensation is based on a method that considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on increased foreclosure volume or meeting processing timelines; and
- Policies, procedures and monitoring framework regarding the outsourcing of Mortgage Servicing activities to Subcontractors that include controls to reasonably ensure (i) the accuracy of all documents filed or utilized in any foreclosure or related bankruptcy proceedings, or in other foreclosure-related litigation, including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced, (ii) Mortgage Servicing Law Firms' personnel are licensed to practice in the relevant jurisdiction, as applicable, and have the experience and competence necessary to perform the foreclosure or related bankruptcy services requested, and (iii) Subcontractors, including Mortgage Servicing Law Firms, are compensated based on a method that considers the accuracy, completeness, and legal compliance of foreclosure filings, and is not based solely on increased foreclosure volume or meeting processing timelines.

4.3 Review of Decision to On-Board Mortgage Servicing Providers

The Business Unit's decision to on-board a Mortgage Servicing Provider shall be reviewed by the Mortgage Servicing Governance Team ("MSGT"). The MSGT may request that the Business Unit perform further due diligence based upon their review and/or impose additional performance conditions, as appropriate. When a potential Mortgage Servicing Provider receives a high or critical residual risk rating, the SRGC will review the findings resulting from the due diligence review and determine whether the residual risk is acceptable.

4.4 Documenting Results of Due Diligence

The results of the Business Unit's due diligence reviews will be documented in reports developed by the Business Unit, as appropriate.

5 Mortgage Servicing Provider Contracts

5.1 Contractual Provisions

The Business Unit will work with Legal and other functional groups to include appropriate contractual provisions to carry out the objectives of these procedures.

All Mortgage Servicing Provider Contracts shall be approved by the Legal Department prior to their execution.

6 Oversight

Both the Business Unit and MSCT, in conjunction with other functional groups, shall conduct ongoing monitoring and periodic assessments, as applicable of an on-boarded Mortgage Servicing Provider regarding its timeliness, competence, and completeness in performance of Mortgage Servicing activities, and its level of compliance with applicable Legal Requirements, supervisory guidance of federal agencies and regulators, Morgan Stanley's policies and procedures, and the Mortgage Servicing Provider Contract, and to ensure that foreclosures are conducted in a safe and sound manner. In addition, these reviews shall also evaluate whether an on-boarded Mortgage Servicing Provider continues to possess the qualifications, expertise, capacity, reputation, complaints handling processes, document custody practices, staffing levels, training, work quality, and workload balance necessary to meet its contractual and service-level requirements.²

6.1 Objective Metrics and Standards for Evaluating Performance

The Business Unit, with the assistance of the MSCT, shall develop objective metrics to evaluate the performance of a Mortgage Servicing Provider, which shall be based on the following factors:

- Applicable Legal Requirements, regulatory guidance and Morgan Stanley's policies and procedures;
- Specific service-level and support requirements of the Business Unit sponsoring the outsourcing relationship; and
- Any other performance requirements established by Morgan Stanley.

6.2 Scope and Frequency of Monitoring and Assessments

The inherent risk score and residual risk rating derived from iPRAM and the SRMP and MSSRMP initial due diligence reviews shall aid in determining the frequency and scope of Morgan Stanley's monitoring and periodic assessments of a Mortgage Servicing Provider's activities and performance. The frequency and scope of the MSSRMP monitoring and assessments may be adjusted by the MSGT based upon the results of prior reviews of the Mortgage Servicing Provider.

6.3 Monitoring Conducted by Business Unit

The ongoing monitoring undertaken by the Business Unit, with the assistance of the MSCT and other relevant functional groups, may include, as appropriate, an evaluation of whether the Mortgage Servicing Provider:

- Is providing the Mortgage Servicing activities consistent with the controlling service-level standards and any applicable performance requirements contained within the Mortgage Servicing Provider Contract;
- Adequately addresses service-level and support issues in a timely manner;
- Performs Mortgage Servicing activities in accordance with industry standards;
- Is in good standing with federal and state regulatory agencies by verifying that the Mortgage Servicing Provider has not been subject to enforcement action that may impede its ability to provide Mortgage Servicing activities;

² Similar to the initial due diligence review process, the MSSRMP ongoing monitoring and periodic assessments shall supplement the SRMP process, and evaluate only those factors and requirements that are not included as part of the SRMP's ongoing monitoring and due diligence reviews. See *Global Procedures for Outsourcing and Technology Sourcing, Corporate Security & Investigations Supplier Due Diligence Policy, Corporate Security & Investigations Supplier Due Diligence Process, Technology Business Development Supplier Risk Assessment Procedures, Business Continuity Management Supplier Risk Management Procedures, Supplier Risk Management Program: Service Risk Manager Handbook and Global Information Security Program Policy.*

- Maintains adequate insurance policies—including fidelity bond coverage to insure against losses attributable to dishonest acts, and liability coverage for losses attributable to negligent acts – in amounts that Morgan Stanley deems sufficient given its potential exposure;
- Is satisfying its financial obligations to Subcontractors in a timely manner;
- Is subject to any outstanding or threatened litigation or enforcement action that could have a material effect on the Mortgage Servicing Provider's financial viability;
- Maintains a good reputation within the industry, as evidenced by its year-end financial statements for litigation disclosures, and other publically available information; and
- Maintains adequate staffing levels, training, work quality and workload balance.

6.4 Monitoring and Periodic Assessments Conducted by the MSCT

Controls and Risk Management

The MSCT, with the assistance of the Business Unit and other relevant functional groups, will assess the effectiveness of the controls and risk management program established by the Mortgage Servicing Provider. Such reviews may include as appropriate, but are not limited to, the following:

- If available, a review of internal and external audit reports, SSAE 16 reviews, rating agency reviews, and MERS reconciliation reports, and corrective action by the Mortgage Servicing Provider of any deficiencies noted;
- A review of the Mortgage Servicing Provider's compliance with Morgan Stanley's requirements relating to Original Record control and retention;
- A review of the Mortgage Servicing Provider's entity and other licensure, where applicable;
- A review of the Mortgage Servicing Provider's policies and procedures related to Mortgage Servicing activities to determine if they are consistent with Mortgage Servicing standards established by applicable government agencies and regulators;
- A review of the controls maintained by the Mortgage Servicing Provider to ensure that its and its Subcontractors' compensation is based on a method that considers the accuracy, completeness, and legal compliance of foreclosure filings, and is not based solely on increased foreclosure volume or meeting processing timelines;
- A review of the Mortgage Servicing Provider's risk management program to reasonably ensure that it has appropriate controls in place to monitor the performance of its own Subcontractors, in particular the controls for complying with the Law Firm Standards and verifying the accuracy of the documents filed or otherwise utilized by it, or its Mortgage Servicing Law Firms in any foreclosure or related bankruptcy proceeding, or other foreclosure-related litigation, including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced;
- A review of the Mortgage Servicing Provider's MERS Quality Assurance Plan to determine if it is consistent with Morgan Stanley's MERS Quality Assurance Plan;
- A review of the controls maintained by the Mortgage Servicing Provider to comply with applicable Legal Requirements, and supervisory guidance of federal agencies and regulators, and applicable Morgan Stanley policies and procedures;
- A review of the adequacy of the training program provided by the Mortgage Servicing Provider to its employees related to Mortgage Servicing activities; and
- Periodic meetings with the Mortgage Servicing Provider to discuss its compliance with applicable Legal Requirements, supervisory guidance of federal agencies and regulators, the Mortgage Servicing Provider's performance, relevant trends, and Morgan Stanley's policies and procedures.

6.5 Documenting Results of Monitoring and Periodic Assessments

The results of the Business Unit's ongoing monitoring activities will be documented in reports developed by the Business Unit, as appropriate. The results of the MSCT's ongoing monitoring and periodic assessments will be documented in accordance with Morgan Stanley's existing Global Compliance Monitoring and Testing Policies and Procedures.

6.6 Reporting and Corrective Action

Low or moderate residual risks resulting from ongoing monitoring and periodic assessments shall be communicated to the MSGT, while high or critical residual risks shall be communicated first to MSGT, and then to the SRGC. When a high or critical residual risk is identified, the SRGC will review the findings resulting from the ongoing monitoring and/or periodic assessments and determine whether the residual risk is acceptable in light of any proposed remediation.

7 Business Continuity and Contingency Plans

The Business Unit is responsible for the development of Business Contingency Plans ("CPs") for each Mortgage Servicing Provider under the MSSRMP that address the continuing availability of critical Mortgage Servicing activities during service disruptions, and ensure the orderly transition to a new Mortgage Servicing Provider, should that become necessary.

7.1 Contingency Planning

In developing CPs for each Mortgage Servicing Provider, the Business Unit shall:

- Identify the range of scenarios that would require it to seek an alternative third party residential Mortgage Servicing Provider. Potential scenarios include:
 - The Mortgage Servicing Provider files for bankruptcy or becomes insolvent;
 - The Mortgage Servicing Provider cannot perform to the standards that Morgan Stanley requires;
 - The Mortgage Servicing Provider violates the terms of the Contract with Morgan Stanley; and
 - Natural disaster or pandemic.
- Maintain a list of potential alternate Mortgage Servicing Providers that have the capacity and capability to provide Morgan Stanley with the critical Mortgage Servicing activities it requires. In creating this list, the Business Unit should complete a preliminary assessment, which may include, if applicable, evaluating the potential alternate Provider's business reputation, experience and standing with federal and state regulatory agencies.
- Identify the functional groups and estimated resources that shall be involved in transferring Mortgage Servicing activities to a new provider.
- Develop a high-level assessment regarding the integration of necessary information management systems between Morgan Stanley and an alternate provider.
- Develop a protocol for the transfer of all necessary documents, records and data to a new provider that reasonably ensures that privacy and security of non-public personal information of the affected mortgagors.
- When appropriate, establish a protocol for communicating a change in Mortgage Servicing Provider to Morgan Stanley's prudential regulators.

7.2 Assessment of Contingency Plans

At least annually, the Business Unit, in conjunction with other Morgan Stanley resources, shall evaluate the adequacy of a CP developed for individual Mortgage Servicing Providers, and make any necessary enhancements.

7.3 Business Continuity Plan Requirements for Mortgage Servicing Providers

The Business Continuity Plans ("BCs") maintained by Mortgage Servicing Providers shall be in accordance with Morgan Stanley's Global Business Continuity Management Policy and BCM Supplier Risk Management Procedures. Periodically, the adequacy of a Mortgage Servicing Provider's BCs shall be evaluated by the SRMP Control Group as part of the SRMP's ongoing monitoring and due diligence review process. See *Global Business Continuity Management Policy* and *BCM Supplier Risk Management Procedures*.

8 Original Record Control and Retention

A Mortgage Servicing Provider shall be required to maintain, and to cause its Subcontractors to maintain, controls to reasonably ensure that all Original Records transferred by Morgan Stanley in connection with the performance of Mortgage Servicing activities remain in the custody and control of the Mortgage Servicing Providers, or their Subcontractors (unless the document is filed with the appropriate court or the loan is transferred to another party). Original Records must be returned to Morgan Stanley or its designated custodian at the conclusion of the applicable Mortgage Servicing activities within the contractually designated timeframe, along with any supplemental documentation that may be reasonably requested by Morgan Stanley, including documentation that may be used by Morgan Stanley to demonstrate that the Mortgage Servicing activities undertaken on a specific loan were consistent with applicable Legal Requirements and the Mortgage Servicing Provider Contract, as well as accepted industry practices.

8.1 Document Retention

A Mortgage Servicing Provider shall be required to maintain, and to cause its Subcontractors to maintain, current and accurate records relating to Mortgage Servicing activities and foreclosure or related bankruptcy proceeding or related litigation, and a clear auditable trail of documentation capable of validating foreclosure filings to source systems of record.

8.2 Document Transmission

Mortgage Servicing Providers shall be required to keep accessible and retrievable upon request, and timely transmit, via a method of Morgan Stanley's choosing, copies of all records related to Mortgage Servicing activities, including records related to foreclosure that the Mortgage Servicing Provider has produced, or has received from a prior servicer, and shall cause its Subcontractors to do the same.

8.3 Monitoring Records

A Mortgage Servicing Provider's compliance with the standards for Original Record control and retention will be periodically reviewed by the MSCT.

9 Accuracy of Documents and Evidence of Right to Foreclose

Each Mortgage Servicing Provider that engages Mortgage Servicing Law Firms in connection with Mortgage Servicing activities shall be required to establish and maintain, and to cause the Mortgage Servicing Law Firms to establish and maintain, controls that reasonably ensure the accuracy of all documents filed or utilized in any foreclosure or related bankruptcy proceedings, or in other foreclosure-

related litigation, including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced.

9.1 Quality Assurance

A Mortgage Servicing Provider shall be required to conduct quality assurance reviews of Mortgage Servicing Law Firms to reasonably ensure the accuracy of all documents filed or utilized in foreclosure or related bankruptcy proceedings, or in other foreclosure related litigation, including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced. In assessing the accuracy of these documents, the Mortgage Servicing Provider shall consider, among other things, whether:

- The borrower and loan information, including the amount of indebtedness, and outstanding fees and charges, conform to the information in the system of record;
- The delinquency history is accurate;
- The proper parties are named in the pleadings and notices;
- The documents are executed and filed timely and in proper sequence; and
- The documents are executed by an authorized signer, and properly notarized, if applicable.

9.2 Issue Tracking

A Mortgage Servicing Provider shall track any issues that emerge from its quality assurance reviews to reasonably ensure that potential material findings are timely addressed and remediated.

10 Customer Complaints

The Business Unit shall evaluate the adequacy of the customer complaint management programs established by the Mortgage Servicing Provider during the initial due diligence and as part of the monitoring functions required by the MSSRMP. When evaluating a Mortgage Servicing Provider's customer complaint management program, the Business Unit may consider, among other things:

- Staffing and information system resources allocated to the customer complaint management program;
- Qualifications and experience of the staff tasked with reviewing and responding to customer complaints;
- Average turn-around time for responding to customer complaints; and
- Appropriateness of corrective action(s) taken.

The Business Unit shall report any customer complaints received by Morgan Stanley directly concerning a Mortgage Servicing Provider to the MSCT, and coordinate with other functional areas to address and respond to such complaints, as appropriate.

The MSCT and Business Unit shall review certain customer complaints included in the customer complaints log provided by the Mortgage Servicing Provider. The MSCT shall perform trend-tracking analysis of these customer complaints and shall inform the MSGT of any material deficiencies. The MSGT may adjust the scope and/or frequency of the ongoing monitoring and periodic assessments performed as part of the MSSRMP upon review of any such material deficiencies.

11 Law Firm Standards

Morgan Stanley requires Mortgage Servicing Providers that engage Mortgage Servicing Law Firms in connection with Mortgage Servicing activities to reasonably ensure that the Mortgage Servicing Law Firms

satisfy Law Firm Standards. To reasonably ensure that the Law Firm Standards are met, Morgan Stanley shall require a Mortgage Servicing Provider to implement a law firm certification process that must be completed at least annually.

As part of its ongoing monitoring and periodic assessments, the MSCT shall verify that the Mortgage Servicing Provider, during the certification process, confirmed that the Mortgage Servicing Law Firm's personnel:

- Maintain the appropriate license to practice in the relevant jurisdiction, if applicable;
- Are in good standing in federal, state and local licensing authorities or bars, if applicable;
- Maintain controls to ensure that compensation is based on a method that considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on increased foreclosure volume or meeting processing timelines;
- Maintain controls designed to ensure the accuracy of all documents filed or utilized in any foreclosure or related bankruptcy proceedings, or in other foreclosure-related litigation, including documentation sufficient to establish ownership of the note and right to foreclose at the time the foreclosure action is commenced; and
- Have the experience and competence necessary to perform the requested services.

12 Changes or Updates to Procedures

These Procedures may be updated and/or supplemented from time to time with additional policy requirements or procedures. Questions regarding these Procedures should be directed to the MSGT.

13 Reference Information

13.1 Appendix A – Glossary of Terms

Term	Definition
Inherent Preliminary Risk Assessment Matrix ("iPRAM")	The online supplier risk questionnaire managed by the Supplier Risk Management and Monitoring Team that is used to capture key information about supplier-provided services for the purposes of risk calculation and assessment initiation.
Law Firm Standards	The standards maintained by Morgan Stanley for Mortgage Servicing Law Firms engaged by a Mortgage Servicing Provider in connection with Mortgage Servicing activities, which shall include the requirement that compensation be based on a method that considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on increased foreclosure volume or meeting processing timelines.
Legal Requirements	The terms of mortgage loan documentation and related agreements with borrowers, all applicable state and federal laws (including the U.S. Bankruptcy Code and the Service Members Civil Relief Act), rules, regulations, and court orders, as well as the Membership Rules of MERSCORP, Inc. and MERS, Inc., servicing guides with investors or Government-Sponsored Enterprises ("GSE") with respect to corresponding investor or GSE loans, and any other applicable contractual obligations of Morgan Stanley related to Mortgage Servicing activities, including any with the Federal Housing Administration and any required by the Home Affordable Modification Program ("HAMP").
Morgan Stanley	Includes Morgan Stanley, a registered bank holding company, and its subsidiaries and affiliates

Term	Definition
Mortgage Servicing	Residential mortgage servicing, loss mitigation and foreclosure functions.
Mortgage Servicing Law Firm	Law firms engaged by a Mortgage Servicing Provider performing Mortgage Servicing activities, to provide residential mortgage foreclosure and related bankruptcy legal services. This term also includes trustees engaged by a Mortgage Servicing Provider to provide foreclosure services in non-judicial foreclosure proceedings.
Mortgage Servicing Providers	Servicers, independent contractors, consulting firms, law firms, trustees, property managers, or other third-parties, including any subsidiary or affiliate of Morgan Stanley, which are directly contractually engaged by Morgan Stanley to provide Mortgage Servicing activities.
Mortgage Servicing Provider Contracts	Contracts with Mortgage Servicing Providers regarding the performance of Mortgage Servicing activities.
Original Records	The promissory notes, security instruments, and any other class of documents as identified by Morgan Stanley relating to Residential Mortgage Loans.
Residential Mortgage Loans	Loans secured by a 1- to 4-family residential property whether in the form of a mortgage, deed of trust, or other equivalent security instrument creating a lien on such property.
SRMP Control Groups	The internal subject matter team (e.g. Information Security, Business Continuity Management, Corporate Security, Technical Business Development, Anti-Corruption Group and Security Architecture) responsible for performing due diligence and/or assessments of suppliers and their services under the SRMP.
Subcontractor	Independent contractors retained by a Mortgage Servicing Provider to perform Mortgage Servicing activities. This term shall include Mortgage Servicing Law Firms and document custodians.