Boxwood Mortgage LLC

Anti-Money Laundering (AML) & Bank Secrecy Act (BSA) Compliance Program

2026

Important Note: No part of this Program or its operating procedures shall be interpreted as superseding any other legal and regulatory requirements. If local regulations are more stringent than the requirements established in this policy, local regulations must apply. If any applicable laws are in conflict with this policy, legal counsel and the BSA Compliance Officer must be consulted to resolve the conflict. Protective measures will not obstruct other legally mandated processes.

U.S. Patriot Act of 2001, http://www.fincen.gov/statutes_regs/files/hr3162.pdf

Background: **FinCEN's Final Rule**
On **February 6, 2012**, the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued a Final Rule requiring residential mortgage lenders and originators (RMLOs) to comply with the provisions of the Bank Secrecy Act (BSA) by establishing anti-money laundering programs as a protection against international terrorism. The Final Rule also states that companies subject to the BSA's Final Rule requirements shall have implemented a compliant AML Program on or before **August 13, 2012**.

Companies subject to the BSA's Final Rule:

1. Residential mortgage lenders and originators RMLOs, or "any business that, on behalf of one or more lenders, accepts a completed mortgage loan application, even if the business does not in any manner engage in negotiating the terms of a loan."
2. In addition, the Final Rule covers "businesses that offer or negotiate specific loan terms on behalf of either a lender or borrower, regardless of whether they also accept a mortgage loan application."
3. Exceptions: individual employees of a loan or finance company or financial institution, and individual sellers financing the sale of their own real estate.

It is FinCEN's position that mortgage brokers, residential mortgage lenders and originators (RMLOs), and any other provider of consumer-direct mortgages can assess suspicious activity and identify and report cases of potential financial fraud associated with money laundering. FinCEN asserts that this assessment, identification and support will prevent fraud and ultimately minimize the operational risk financial fraud causes Boxwood Mortgage LLC.

Among other things, the BSA requires RMLOs to file Suspicious Activity Reports (SARs) when appropriate and maintain records that might prove useful in criminal, tax, or regulatory investigations or proceedings, or in the conduct of intelligence or counterintelligence activities, including analysis**.**

Financial Crimes Enforcement Network (FinCEN) Final Rule defining non- Boxwood Mortgage LLC *residential mortgage lenders and originators as loan or finance companies. The citation for the Final Rule: 5662 Federal Register/ Vol. 77 No. 23 Friday, February 3, 2012/ Rules and Regulations* *http://portal.hud.gov/hudportal/documents/huddoc?id=12lgbtfinalrule.pdf*

Definition of Money Laundering
Criminals "launder" or legitimize money by using the Boxwood Mortgage LLCing system to introduce or hide funds. Money laundering is defined as* "any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from

legitimate sources." Illegally obtained proceeds include (but are not limited to) funds obtained from fraud, corruption, organized crime, and terrorism. *Note: Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes.*

FinRA further defines the act or process of money laundering as occurring in three steps. Financial institutions may be adversely involved during any step in the money laundering process:

1. Placement: Illegitimate funds are furtively introduced into the legitimate financial system
2. Layering: The money is moved around to create confusion, sometimes by wiring or transferring through numerous accounts
3. Integration: The funds are integrated into the financial system through additional transactions until they appear to be "clean"

*INTERPOL: http://www.interpol.int/Crime-areas/Financial-crime/Money-laundering

The Mandated Four Pillars of the AML/BSA Compliance Program

1) Written Internal Policies & Procedures and Controls

- Based on a Risk Assessment of the money laundering and terrorist financing risks associated with Boxwood Mortgage LLCs lending activities, products and services
- Approved by Senior Management
- To include Boxwood Mortgage LLCs written Customer Identification Policy (CIP), designed to assist in the proper identification of new customers and act as a core anti-fraud and anti-money laundering procedure

2) A Designated AML/BSA Compliance Officer

- A three person committee is recommended
- Tasked with responsibility for effective implementation of Boxwood Mortgage LLCs AML/BSA Compliance Program

3) An Ongoing, Documented Training Program for All Employees

- Provisions for initial, new-hire, ongoing and specialized online employee training that includes review materials and testing
- An adequate system to verify that each employee took the training
- Records must be kept that document the type and date(s) of training, the material covered, the presenter, and the test results

4) An Independent Review/Audit Component Designed to Test Programs

- BSA Compliance Officer can not perform the audit – a third party vendor is best

Section 2: BSA Compliance Officer

Per regulatory guidance, this written policy provides for the designation of an AML/BSA Compliance/Security Officer to be appointed and approved by Boxwood Mortgage LLC. Going forward, the AML/BSA Compliance/Security Officer shall be known as the **BSA Compliance Officer**. The primary responsibility for enforcement of this Policy and its operating procedures rests with the BSA Compliance Officer. Overall, the BSA Compliance Officer is responsible for:

- Effective implementation and periodic updates of Boxwood Mortgage LLCs AML/BSA Compliance Program
- Education and training of company staff
- Communication of all situations, circumstances and transactions that may appear to be suspicious, and subsequent submission of this information to appropriate Executive Management and/or legal counsel
- Filing Suspicious Activity Reports (SARs) with proper agencies, in a timely manner, when appropriate

Boxwood Mortgage LLC's BSA Compliance Officer will act as liaison to communicate with all Company employees regarding any and all AML/BSA Compliance Program or law enforcement related issues, such as:

- Company policy and procedures changes, updates and/or modifications
- Government guidance, changes, updates, and any and all news regarding AML/BSA-related laws and regulations
- Enforcement actions concerning money laundering, terrorist financing and/or fraud cases

As with all Boxwood Mortgage LLC's BSA/AML-related communications, dated copies will be retained and any actions taken as a result will be recorded with them.

BSA Compliance Officer – Designation

The Board (or equal executive or governing group designated by Boxwood Mortgage LLC) has designated Geroldine Patti Contrasto to act as Boxwood Mortgage LLC's BSA Compliance Officer and tasked this person(s) with the authority to assume full responsibility for implementing and administering Boxwood Mortgage LLC's AML/BSA Compliance Program. S/he understands the corresponding regulations and requirements, and is qualified to fill this position of responsibility. Boxwood Mortgage LLC will allow the designated BSA Compliance Officer to delegate certain duties and responsibilities of Boxwood Mortgage LLC AML/BSA Compliance Program to others, although ultimate responsibility remains with the designated BSA Compliance Officer.

Overview of BSA Compliance Officer Responsibilities

The AML/BSA Compliance Officer is responsible for establishing and maintaining procedures designed to assure compliance with AML; providing periodic updates on AML Policy to all staff; ensuring proper record retention; ensuring proper training of all staff; ensuring that a SAR is filed with FinCEN when applicable; communicating/providing appropriate reports to Executive Management; and acting as liaison with all regulator(s) and law enforcement.

BSA Compliance Officer – In-Depth Responsibilities

Initially, the designated BSA Compliance Officer is tasked with conducting a Risk Assessment to determine Boxwood Mortgage LLCs exposure to the risks associated with money laundering, terrorist financing, and other laws, and providing the Board (or equal executive or governing group designated by Boxwood Mortgage LLC) with information on the level of risk.

The BSA Compliance Officer is tasked with BSA, AML, and SAR compliance; implementation of Boxwood Mortgage LLC policy; and establishment of the industry's best practices in the performance of all functions. On a daily basis, the BSA Officer is responsible for:

1. Day-to-day facilitation of Boxwood Mortgage LLCs compliance with this policy, which amounts to a continuous review, update and implementation of AML policies and procedures and the effective maintenance of Boxwood Mortgage LLCs Anti-Money Laundering Program.
2. Receiving and evaluating any and all potential conflicts observed by any and all employees.
3. Communication of all situations, circumstances and transactions that may appear to be suspicious, and subsequent submission of this information to appropriate Executive Management and/or legal counsel.
4. Filing Suspicious Activity Reports (SARs) with proper agencies, in a timely manner, when appropriate.
5. Regular reports on ongoing compliance matters in this area to the Board or appropriate senior personnel.
6. Facilitating requests for information by law enforcement, the IRS, FinCEN, or other government agencies to supply information or audit Boxwood Mortgage LLCs compliance with BSA/AML regulations.
7. Organizing and maintaining all required BSA/AML Compliance Program records.
8. Ensuring that Boxwood Mortgage LLC's Anti-Money Laundering Policy and Program conforms with any new legal or regulatory requirements or guidance, both now and in the future.
9. Ensuring that employees are educated and trained concerning their responsibilities under the Program.
10. A record of training provided, the dates(s) training was administered, the content, attendees, and test results will be maintained and made available for audits and regulator review.
11. Developing best practices for identifying and reporting AML-related issues as applicable.
12. Providing the Board with an updated Risk Assessment on at least an annual basis.

BSA Compliance Officer – Maintaining Qualifications
To maintain an adequate knowledge base and understanding of the duties and responsibilities required of this office, the BSA Compliance Officer is required to attend an additional annual training of no less than one seminar; acquire and maintain any professional designations necessary for the discharge of duties, and follow information resources that may prove beneficial, such as updates provided by related industry, peer, government, and law enforcement sources.

Annual Review Requirements
Boxwood Mortgage LLC requires that the BSA Compliance Officer be responsible for reviewing and updating the AML Policies and Procedures Program (including the Risk Assessment) at least annually. All significant Program alterations or updates will be reviewed and approved by the Board (or equal executive or governing group designated by Boxwood Mortgage LLC). The dates of each review shall be recorded and saved in this document, along with any and all changes or alterations made to the Policy.

The required annual review must cover these specific areas:
1) An updated Company Risk Assessment
1) Verification that Boxwood Mortgage LLC's written AML/BSA Compliance Policy remains in compliance with current laws, regulations, and guidance

Maintain Annual Review Records Here:

- Last Date of Review:_07-2026_______
- Next Due for Review: _07-2027______

Oversight for BSA E-Filing and Reporting

As with all aspects of Boxwood Mortgage LLCs AML/BSA Compliance Program, the BSA Compliance Officer has primary responsibility to file or oversee the filing of all SARs via the BSA E-Filing system. As required by law and this Policy, the BSA Compliance Officer is responsible to communicate written reports to Senior Management as designated regarding key components of and significant issues regarding Boxwood Mortgage LLCs AML/BSA Compliance Program and significant SAR matters, including but not limited to:

- SARs which have been filed
- Changes to the laws and regulations
- AML/BSA Compliance Program or specifically, SAR filing failures
- Actions undertaken to comply with AML/BSA and SAR requirements

Section 3: Risk Assessment

As noted, the initial step in Boxwood Mortgage LLCs AML Compliance Program is a comprehensive Risk Assessment. Boxwood Mortgage LLCs (annual and periodic) Risk Assessment will be approved by the Board (or equal executive or governing group designated by Boxwood Mortgage LLC) and updated as needed, but no less than annually. Any and all changes will be assessed. Written policies, programs and procedures will be updated or modified when appropriate.

Boxwood Mortgage LLCs comprehensive Risk Assessment (both initial and annual) will evaluate all business channels and each location, customer, product, service and function, including but not limited to:

1. Boxwood Mortgage LLCs geographic location, including all branches/offices. Certain states and Metropolitan Statistical Areas (MSA) experience higher incidences of mortgage fraud and money laundering. Boxwood Mortgage LLCs Risk Assessment will cover all locations, and areas with a higher level of perceived risk will receive a more intense examination.
2. The customers' physical location(s), with emphasis on specific areas defined as High Intensity Financial Crime Areas (HIFCA) and High Intensity Drug Trafficking Areas (HIDTA).
3. All business lines and each channel or division's product(s) and service(s). Products associated with historically higher incidences of fraud or money laundering will receive special focus, such as: Reverse mortgages, Home Equity Lines of Credit (HELOC), cash-out refinances, investment properties, and all mortgage loans with limited or no documentation, stated income, and/or 100% LTV.
4. The customer risk rating system, including the new Customer Identification Policy (CIP) and due diligence process through the life of the loan cycle.

The Risk Assessment will be used to determine

- The content of the policies and procedures
- The quality of internal controls

- The type, consistency and depth of training, and the maintenance of training records
- The scope and process of required independent audit/testing
- The Customer Identification Policy (CIP) and due diligence procedures for the life of the loan cycle

The Risk Assessment will include risks unique to Boxwood Mortgage LLC **in these areas**
- Customer base
- Products and services
- Geographic areas of operation and market area
- Size
- Number of branch offices
- Production and operational management and structure
- Employment structure of production staff
- How loan applications are taken: face to face, telephone, online/Internet, mail

Annual Update and Review Requirements
Boxwood Mortgage LLC requires that the BSA Compliance Officer will be responsible for reviewing and updating the AML/BSA Policies and Procedures Program (including the Risk Assessment) at least annually.

Monitor these lists regularly and make adjustments as needed:
High Intensity Areas for Financial Crime: https://www.fincen.gov/
Drug Trafficking (https://www.whitehouse.gov/ondcp and http://www.nhac.org/).

Section 4: The Customer Identification Program

Requirements Under the Law
Section 326 of the USA Patriot Act requires the implementation of an appropriately scaled Customer Identification Program (CIP). The CIP establishes the true identity of each customer and serves as the first line of protection against fraud. Boxwood Mortgage LLCs CIP has been approved by the Board (or equal executive or governing group designated by Boxwood Mortgage LLC) and is incorporated into our written BSA/AML Compliance Program. Our CIP program contains:
- Minimum documentation required by Boxwood Mortgage LLC to establish customer identification
- Procedures that describe when documents, alternative (non-documentary) methods, and/or a combination of both will be used to reasonably establish each customer's identity
- Procedures designed to verify each customer's identity within an established timeframe after the application has been taken

As mandated, every CIP must consider Boxwood Mortgage LLCs size, location, and customer base, and must include:
- Account opening procedures that specify the identifying information that will be obtained from each customer.
- Reasonable and practical risk-based procedures for verifying each customer's identity.

- Details of types of products and services used by customers in different geographic locations.
- Procedures for any transaction or situation that may arise in which Boxwood Mortgage LLC is unable to form a reasonable belief that it knows the true identity of the customer. These procedures will describe:
  a. Circumstances of non-verification of identity in which Boxwood Mortgage LLC should not provide a mortgage loan.
  b. The terms under which Boxwood Mortgage LLC may limit the dollar amount or type of product offered.
  c. When Boxwood Mortgage LLC should decline a mortgage loan, after attempts to verify a customer's identity have failed.
  d. When Boxwood Mortgage LLC should file a SAR in accordance with applicable law and regulation.

Boxwood Mortgage LLCs **Rights and Responsibilities to Verify Documentation**
Boxwood Mortgage LLC will verify identifying documentation in a reasonable amount of time prior to the closing of a transaction. Boxwood Mortgage LLC reserves the right to withhold the close of any transaction until identifying documentation has been verified. If more time is required to verify identifying documentation, Boxwood Mortgage LLC reserves the right to restrict the dollar amount or type of mortgage loan available to the customer in question.

Definition of Customer
Boxwood Mortgage LLCs CIP policy and procedure applies to every "customer" (defined as an individual, corporation, partnership, trust, estate, and/or any legally-recognized entity) who applies for a mortgage financing

- for themselves
- on behalf of another individual who lacks legal capacity
- on behalf of an entity that is not a legal person, such as a group or club

Customer exceptions: federally regulated Boxwood Mortgage LLCs*,* Boxwood Mortgage LLC *s regulated by a state* Boxwood Mortgage LLC *regulator, governmental entities, and publicly traded companies.*

Existing Customers - Definition and Identification Procedure
If the customer's identity has been previously established in accordance with regulation and Boxwood Mortgage LLCs CIP policy, Boxwood Mortgage LLC is not required to verify identity of existing customers prior to the request for a renewed relationship. Under these circumstances, Boxwood Mortgage LLC must reaffirm a reasonable belief that it knows the true identity of the customer. If, when confirming the identity of an "Existing Customer" under these guidelines, staff determines that a reasonable belief of the "Existing Customer's" identity was not adequately determined during the initial business relationship, the verification process as established in this document must be pursued. No exceptions to this procedure will be allowed.

New Customer Notification of Request for Documentation of Identity
Boxwood Mortgage LLC is required to and will provide to each new customer appropriate notification that Boxwood Mortgage LLC is requesting information designed to verify identity in accordance with the rules of the PATRIOT Act. Boxwood Mortgage LLCs Notice regarding our Customer Identification Policy will be included in each the consumer's Initial Disclosures and sent within three (3) business days of taking a full application.

This sample notification language has been provided in the regulation:
IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT: To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Minimum Identification Requirements for Individuals

- Name
- Date and place of birth
- Physical residence address; mailing address if different. *A Post Office Box is not acceptable alone.*
- Valid U.S. Social security number
  Important note: *If the individual is not a U.S. citizen (a.k.a.* non-U.S. person")*, at least one of the following IDs is required, and any/all of following documentation possessed by that individual is to be included in the file:*
  1. U.S. taxpayer identification number
  2. Passport number and country of issuance, plus alien identification card number and country of issuance
  3. Number and country of issuance of any other government-issued document evidencing nationality or residence that includes photograph or similar safeguard

In addition, any and all of the following valid, current, officially-issued documents possessed by the customer will be included in the file:

- Employee Identification Number, Individual Taxpayer Identification Number, etc.

In addition, any and all of the following valid, current, officially-issued, photograph-bearing documents possessed by the customer will be included in the file:

- Drivers license
- Armed Forces identification
- Passport
- Alien identification

Minimum Identification Requirements for Businesses

- Customer's (Applicant's) name
- Business name
- Physical address of the principal place of business; mailing address if different. In addition, include a local address if different from principal place of business, if available. *A Post Office Box is not acceptable alone.*
- If the customer is a U.S. citizen: Employer identification number. **Alternate identification:** If the person does not have or is not required to possess a U.S. Employer ID, the Social Security numbers of the principals shall be recorded.
- If the customer is not a U.S. citizen: A U.S. taxpayer identification number. **Alternate identification:** If the person does not have or is not required to possess U.S. taxpayer identification number, the taxpayer identification rcountry of the customer's residence shall be recorded.

Boxwood Mortgage LLC will verify an adequate amount of information to form a reasonable belief that Boxwood Mortgage LLC knows the true identity of the customer. The results of Boxwood Mortgage LLCs initial risk assessment will define all additional documentation required for previously identified higher risk loan products, which will be updated as is necessary.

When a Question of Reasonable Belief Arises

By law, Boxwood Mortgage LLC is allowed to rely on government-issued identification to verify each new customer’s identity. Regulations do not task Boxwood Mortgage LLC to establish that customer-provided identity documentation was legally or validly issued. However, if any document appears to be suspicious or reveals obvious fraud in any form, the situation creates a question regarding whether or not a reasonable belief of the customer's true identity can be established. If suspicious information is found that indicates possible money laundering or terrorist financing activity, Boxwood Mortgage LLC will notify the BSA Compliance Officer and file a SAR in accordance with applicable law and regulation.

Verification Through Multiple Documents

Staff will request, review and make a record of more than one appropriate form of identification document in order to establish that Boxwood Mortgage LLC has a reasonable belief that it knows the true identity of every customer.

For a business, (corporation, partnership, or trust), staff will request, review and make a record of documents verifying the business’s legal existence, including but not limited to:

- Articles of incorporation (certified)
- Valid, current government-issued business license
- Partnership agreement
- Trust instrument

Verification Through Non-documentary Methods

Boxwood Mortgage LLC will use any or all of following non-documentary methods to verify a customer’s identity:

- Contacting a customer
- Independently verifying the customer’s identity through the comparison of customer-provided information with information obtained from a consumer reporting agency, public database, or other source
- Checking references with financial institutions

Boxwood Mortgage LLC will use non-documentary methods to verify a customer’s identity in the following situations:

- When the customer is unable to present an unexpired/current/valid government-issued identification document with a photograph or other similar safeguard
- When Boxwood Mortgage LLC is unfamiliar with the documents the customer presents for identification verification
- When other circumstances increase the risk that Boxwood Mortgage LLC will be unable to verify the true identity of the customer through documentary means

Recordkeeping and Retention Requirements
At a minimum, Boxwood Mortgage LLC will retain all identifying customer information (including name, address, date of birth for an individual, and all other information required by this CIP) for a period of five (5) years after the account or transaction is closed. As part of Boxwood Mortgage LLC policy and procedure, a description of the following will also be retained for five (5) years after the record was made:

- Any document relied on to verify identity, noting the type of document, the identification number, the place of issuance, and, if applicable, the date of issuance and the expiration date
- The method and the results of any measures undertaken to verify identity
- The results of a resolution of a substantive discrepancy discovered when verifying identity

Boxwood Mortgage LLC can also arrange for a third party to maintain its records. However, as with any other responsibility performed by a third party, Boxwood Mortgage LLC is ultimately responsible for that third party's compliance with the requirements of Boxwood Mortgage LLC's CIP. If such a relationship is established, Boxwood Mortgage LLC will provide for adequate controls and review procedures for the third party.

Comparison with OFAC and Other Government Lists
Boxwood Mortgage LLC will implement procedures to determine whether the customer appears on any federal government list of known or suspected terrorists or terrorist organizations. All customer names as previously defined in this document will be checked against all current lists of known or suspected terrorists or terrorist organizations provided by a federal government agency. Such lists may include, but are not limited to those appearing below, and include all similar, renamed or replacement lists that may be provided. Boxwood Mortgage LLC staff may access these lists online or via software to ensure speed and accuracy, and, as mandated, Boxwood Mortgage LLC will adhere to any and all federal directives issued in connection with these lists.

- Treasury's OFAC "Specifically Designated Nationals and Blocked Persons" (SDN) List – *The OFAC website is updated frequently and this list will be consulted regularly*
- SDN List
- Embargoed Countries and Regions List

Once Boxwood Mortgage LLC is aware that a customer's name appears on the SDN List, or is from an embargoed country or region, or is engaging in a transaction – either directly or on behalf of – a person or entity located in an embargoed country or region, we will notify the BSA Compliance Officer, call the OFAC Hotline (800-540-6322) if deemed appropriate, and follow this procedure:

- Reject the transaction
- File a blocked assets and/or rejected transaction form with OFAC

Use of Third Parties and Reliance on Another Financial Institution to Fulfill CIP Program
The CIP rule does not alter Boxwood Mortgage LLC's authority to use a third party, such as an agent or service provider, to perform services on its behalf. Therefore, we are permitted to arrange for a third party to act as our agent to verify the identity of a customer in connection with a loan. Boxwood Mortgage LLC is permitted to rely on another financial institution to perform

some or all of the elements of the CIP, if reliance is addressed in this CIP document and the following criteria are met:

- The relied-upon financial institution is subject to a rule implementing the AML/BSA Compliance Program requirements and is regulated by a federal regulator.
- The relied-upon financial institution enters into a contract requiring it to certify annually to Boxwood Mortgage LLC that it has implemented its AML/BSA Compliance Program, and that it will perform (or its agent will perform) the specified requirements of Boxwood Mortgage LLC's CIP.
- Comply with the Consumer Finance Protection Bureau's (CFPB) expectations* regarding third party service providers by:
    - Conducting a thorough due diligence to verify that the service provider understands and is capable of complying with Federal consumer financial law
    - Requesting and reviewing the service provider's policies, procedures, internal controls, and training materials to ensure that the service provider conducts appropriate training and oversight of employees or agents that have consumer contact or compliance responsibilities
    - Include in the service provider contract clear expectations about compliance, as well as appropriate and enforceable consequences for violating any compliance-related responsibilities, including engaging in unfair, deceptive or abusive acts or practices
    - Establishing internal controls and on-going monitoring to determine whether the service provider is complying with Federal consumer financial law and take prompt action to address fully any problems identified through the monitoring process, including terminating the relationship where appropriate

Other Legal Requirements
Boxwood Mortgage LLC notes that nothing in the CIP rule relieves us of our obligations under any provision of the Boxwood Mortgage LLC Security Act or other AML laws, rules, and regulations, particularly with respect to provisions concerning information that must be obtained, verified, or maintained in connection with any account or transaction.

Policy for Closing Accounts/Transactions
If a file review determines that an unacceptable risk of mortgage fraud exists in a given transaction (including but not limited to money laundering, criminal activity, financial fraud), Boxwood Mortgage LLC will not move the new mortgage loan application forward and will reject or terminate new and existing applications found to present such a risk.

In addition, Boxwood Mortgage LLC will create and document best-practice procedures for the denial or termination of such new or existing loan applications/transactions prior to closing. The subsequent written policy will include specific situations, loans, accounts and transactions deemed not in the best interest of Boxwood Mortgage LLC. This written policy will include these situations, among other things:

- The customer has failed to provide adequate or appropriate information or documentation that would allow Boxwood Mortgage LLC to successfully determine the intent or nature of the transaction
- Suspicion that the loan in question may possibly be an instrument for illegal activity or any type of fraud, including but not limited to money laundering and/or terrorist financing

- Red Flags have been identified in a transaction but not successfully resolved
- Boxwood Mortgage LLC has been made aware that the customer is involved in suspicious or questionable activities

*This info per CFPB Bulletin 2012-03
https://www.ffiec.gov/bsa_aml_infobase/pages_manual/OLM_011.htm

FinRA's consumer notification regarding CIP requirements: http://www.finra.org/

Section 5: Training

Overall Requirements
Boxwood Mortgage LLC requires both initial and ongoing training for all management and staff. Each training will cover AML/BSA Compliance Program Policy and Procedures, compliance with government regulations, and consequences for non-compliance. Each facet of Boxwood Mortgage LLC's AML/BSA Compliance Program training will include written materials for employees to review and retain, and a system designed to verify that each employee who has been identified as requiring AML training has actually participated and completed the course (both initial and ongoing).

Types of Training Provided
In addition to an initial training for all employees on BSA/AML regulations, requirements, compliance, and consequences of non-compliance, these types of trainings will be administered as mandated by this policy:

- Initial training for all newly hired employees within four (4) weeks of employment, or as soon as practical
- On the job training
- Ongoing training for all employees no less than annually
- BSA Compliance Officer only: An additional annual training of no less than one session

Training Content Defined
Appropriate Company employees will be provided initial and ongoing AML/BSA Compliance Program training no less than annually. Training content will be designed to impart a complete understanding of Boxwood Mortgage LLC's and individual staff member's roles and responsibilities in anti-money laundering detection, records maintenance and reporting. Initial and ongoing AML/BSA Compliance Program employee trainings will be role and business-unit-specific and will cover these areas:

- Boxwood Mortgage LLC's AML/BSA Compliance Program policy and procedures, and any changes, modifications or updates made since the last companywide training
- The current state of any and all laws, rules, regulations, initiatives and requirements governing and/or relating to AML, SAR, and BSA
- Current money laundering schemes which may impact Boxwood Mortgage LLC;
- Information and review on high risk and high fraud areas
- Information and review regarding how money is laundered and how fraudulent schemes are perpetrated

- Red Flags that may signal fraud and/or money laundering schemes and the methods used to detect them, including:
    - Known money laundering schemes that may pose a threat to Boxwood Mortgage LLC
    - How to identify any Red Flags signaling such schemes in a transaction, from application through closing
- Boxwood Mortgage LLC's expectations re: employee vigilance, observation, conduct, and reporting of suspicious activity
- How the application and implementation of these policies affect the employee's duties, function and/or responsibilities
- Industry best practices
- Procedures to follow once a risk or violation has been discovered
- Disciplinary consequences and fines levied for violations and/or non-compliance

Employees to be Trained
The BSA Compliance Officer is tasked with oversight of Boxwood Mortgage LLC's AML/BSA Compliance Program training and will ensure that all staff receives both initial and ongoing AML training. In addition, the BSA Compliance Officer will ensure that appropriate persons receive specialized training as needed, such as staff and departments involved in due diligence and/or who work in higher risk areas.

Important note: the regulation(s) specify that all Company personnel are responsible for reporting suspicious or illegal activities. Therefore, all employees will receive both initial and periodic training regarding their responsibilities under this Program. As such, every person employed by Boxwood Mortgage LLC, including but not limited to all Executive and Senior Management and all sales and operations personnel, will also receive appropriate training, both initially and annually. Every employee of Boxwood Mortgage LLC will be appropriately trained on all aspects of Boxwood Mortgage LLC's AML/B Boxwood Mortgage LLC SA Compliance Program policies, procedures and responsibilities.

Goals of the Training Program
Training will review internal AML/BSA related policies and procedures, establish the responsibilities of each employee, and educate all staff regarding the consequences of an employee's failure to comply with the law, regulations or Boxwood Mortgage LLC's AML/BSA Compliance Program policies. Training is designed to:

- Improve employee knowledge, performance and skills regarding Company policy and procedures
- Comply with the BSA and all related laws and regulations
- Educate all employee about their responsibilities with regard to the identification, prevention, and reporting of potential money laundering, fraud and other violations of law or suspicious activities

Training Records to be Maintained
A comprehensive record of trainings provided will be maintained and made available for audits and regulator review. The record will include this information:

- Date(s) training was administered
- Attendees

- Method/format for delivery (seminar, webinar, online, self-guided, classroom, staff meeting, on the job)
- Presenter(s) conducting the training
- Training content
- Test results

Section 6: Independent Monitoring/Testing of the AML/BSA Compliance Program

Independent Testing as Required by the Regulation(s)
Regulations require that Boxwood Mortgage LLC's **AML/BSA Compliance Program** be tested periodically by a person or company not associated with the Program. The independent testing component will ensure that Boxwood Mortgage LLC is conducting and will maintain a fully compliant program. This monitoring/testing/audit will be administered at least annually, or as often as may be necessary, and will assess the adequacy of Boxwood Mortgage LLC's controls and overall compliance with AML/BSA regulatory requirements. Audit results must be in writing.

Two monitoring methods are acceptable. An audit may be administered by:
1) An appropriately experienced independent third party vendor that has been evaluated to ensure they have adequate knowledge of all BSA requirements
2) A designated staff member or department of Boxwood Mortgage LLC that does NOT
- Work for the AML/BSA Officer or his/her department
- Perform any of the AML functions to be tested

Boxwood Mortgage LLC **has designated the following third party vendor, staff member, or other method to perform audits of** Boxwood Mortgage LLC**'s AML/BSA Compliance Program annually or as deemed necessary:**

____
[*insert name of qualified independent third party vendor, name of Company personnel or department, or other method* Boxwood Mortgage LLC *will employ to comply with regulation requirements*]

Systems, Processes and Procedures Each Audit/Test/Review Will Cover
Independent testing of Boxwood Mortgage LLC's AML/BSA Compliance Program will cover all facets of the program as described below. Each (no less than annual) audit/review will comprise a comprehensive evaluation of Boxwood Mortgage LLC's entire AML/BSA Compliance Program, including policies, procedures, and processes. Before each review, Boxwood Mortgage LLC's Risk Assessment of all products, services, customers, entities, and geographic locations will be reviewed and updated.

Each audit/review will focus on the program's effectiveness and overall compliance. Each process, system and procedure will be assessed for adequacy, accuracy, timeliness, and completeness, and at minimum will cover:
- The loan application process
- All AML personnel training, including new hire, ongoing, specialized, and BSA Compliance Officer training
  Note: Boxwood Mortgage LLC*'s AML program requires that a particular employee or category of employee be trained in established increments (for instance, every twelve*

months). Independent testing shall determine whether the training occurred and was adequate.

- The Suspicious activity identification and reporting (SAR) system and process, including:
  - An appropriately-sized sampling of SARs filed by Boxwood Mortgage LLC
  - The internal process for handling communication about potential SAR situations and filings
  - The decision-making process leading up to any SAR Boxwood Mortgage LLC has declined to file (SARs not submitted to law enforcement)
  - An appropriately-sized sampling for the reasons alerts were not forwarded for investigation
- A review of all Company actions and efforts to resolve issues, concerns, shortcomings in the Program, and/or violations uncovered in previous reviews and regulatory audits
- If applicable, the review will also include an assessment of internal or external information systems and automated monitoring systems used in as part of the BSA/AML Compliance Program that either track or generate reports, such as:
  - AML software used to review transactions
  - CIP information systems
  - All forms of SSN verification software used to review all types of SSNs – including multiple users and deceased
  - Fraud detection systems that compare information about borrowers, common names, addresses, employers, appraisers
  - The quality of business generated by producers
  - Declined loan patterns containing information on SSN, appraiser, real estate agent, loan officer, broker
  - Problems related to loan officers, brokers, underwriters, appraisers, branch offices, settlement agents or anyone else involved in the transaction

The review will cover all AML/BSA Program actions:

- Taken by the BSA Compliance Officer
- Taken on behalf of the BSA Compliance Officer
- Defined in this policy as a responsibility of BSA Compliance Officer

Test results will be recorded, reported to appropriate management and/or Board, retained, and made part of Boxwood Mortgage LLC's records according to this policy. All findings will be evaluated and any recommendations implemented with Executive-level approval. The report to management and/or Board will include all the procedures covered by the independent test and an accounting of any systems, processes and/or procedures NOT covered by the review, and why.

Periodic Transaction Testing and Review

In addition to the annual review discussed above, a test/audit of a sampling of transactions will be employed periodically as a control to assess the reliability of Boxwood Mortgage LLC's AML risk management processes. Details of each sample transaction will be compared to the expected documentation each file should contain as established by Boxwood Mortgage LLC's Customer Identification Policy (CIP). If unusual transactions are discovered, the review of sample transactions will be performed on an ongoing basis.

A sampling of processed loans selected for review will:

- Vary in dollar (loan) amounts

- Have different borrowers (not just one borrower's transactions)
- Be loans made to high-risk customers

Periodic Transaction Testing and Review – High Risk Customers
Important note: The Risk Assessment will be applied to higher-risk products, customers, services, and locations more frequently, and all modifications determined to be helpful will be applied to this Program as needed. Again, a test/audit of a sampling of unusual transactions will be employed periodically as a control to assess the reliability of Boxwood Mortgage LLC's AML risk management processes.

Section 7/Part I: Suspicious Activity Reporting – Process

FinCEN relies on SAR filings to coordinate with Federal, state and local regulatory agencies and law enforcement, which have access to the SAR database and use it to conduct analysis critical to the successful investigation and prosecution of money laundering, fraud and other financial crimes.

FinCEN Requires SAR Filings Effective August 13, 2012
As of August 13, 2012, FinCEN requires the filing of Suspicious Activity Reports (SARs) by all RMLOs. Boxwood Mortgage LLC will file SARs via the BSA E-Filing System according to FinCEN's SAR filing instructions.

Oversight for BSA E-Filing and Reporting
As with all aspects of Boxwood Mortgage LLC's AML/BSA Compliance Program, the BSA Compliance Officer has primary responsibility to file or oversee the filing of all SARs via the BSA E-Filing system. As required by law and this Policy, the BSA Compliance Officer is responsible to communicate written reports to Senior Management as designated regarding key components of and significant issues regarding Boxwood Mortgage LLC's AML/BSA Compliance Program and significant SAR matters, including but not limited to:

- SARs filed
- Changes to the laws and regulations regarding SAR filings
- AML/BSA Program or specifically, SAR filing failures
- Actions undertaken to comply with AML/BSA and SAR requirements

SAR Filing Timeline
By law, Boxwood Mortgage LLC must file a SAR within 30 calendar days of the initial day/date any suspicious activity is detected. The "date" is defined as the day/month/year suspicious activity was initially discovered or suspected by any employee of Boxwood Mortgage LLC. Here is the filing timeline:

- Day 1 = The date a suspicious activity was suspected or detected. (The initial date of the discovery of facts, situations or circumstances that may represent a reasonable basis for a SAR filing.)
- Day 30 = The last day (by law) a corresponding SAR can be filed without penalty, IF a suspect has been detected.
- Day 60 = The last day (by law) a corresponding SAR can be filed without penalty, IF Boxwood Mortgage LLC requires additional time or is/was attempting to establish the identity of the suspect – whether or not identity has been established.

Voluntary vs. Mandatory SAR Filing and the Decision-Making Process
Boxwood Mortgage LLC may file a voluntary SAR in the event of any transaction it deems suspicious and relevant to the possible violation of any law or regulation. SAR Regulation 10 CFR 1029.320 dictates that unusual transactions or Company-related activities will be reviewed to determine whether a voluntary or mandatory SAR should be filed. Boxwood Mortgage LLC will decide whether a report is required following a thorough evaluation of all the facts and circumstances relating to the transaction or activity and the customer, and will file or decline to file a SAR based on these facts and circumstances. The facts reviewed prior to a final decision to file or not file a SAR will be documented, as will the reason for the final decision. These records will be retained as part of this Program.

Circumstances Requiring a Mandatory SAR Filing
Boxwood Mortgage LLC is obligated under law to file a Suspicious Activity Report (SAR) with FinCEN and/or contact the Financial Institutions Hotline when and if these circumstances are present or suspected:

1) A transaction has been conducted or attempted by, at or through Boxwood Mortgage LLC and/or involves use of Boxwood Mortgage LLC's products or resources to facilitate criminal activity
2) The suspected violation involves a transaction aggregating $5,000 or more in funds or assets
3) Boxwood Mortgage LLC suspects/ knows/believes the customer's transaction(s):
    a. Involves/is intended/is conducted to hide/disguise funds/assets derived from illegal activity
    b. Involves/is intended/is conducted to hide/disguise funds/assets as part of a plan to violate or evade laws or regulation
    c. Involves/is intended/is conducted to avoid any Federal law/regulation/ requirement regarding transaction reporting
    d. Involves/is intended/is conducted to evade any Boxwood Mortgage LLC Secrecy Act law/regulation/ requirement
    e. Is not the customer's normal type of business or has no clear lawful purpose
    f. Boxwood Mortgage LLC has examined the background/pertinent facts/possible purposes and has no reasonable explanation for the transaction
    g. Transactions are structured in a manner intended to avoid the trigger amount
    h. Involves the use of Boxwood Mortgage LLC to facilitate criminal activity

FinCEN's Financial Institutions Hotline
In addition, if Boxwood Mortgage LLC determines that the situation constitutes an emergency (example: evidence of money laundering or terrorist financing) staff may call FinCEN's Financial Institutions Hotline at **1-866-566-3974** and appropriate law enforcement. *Important Note: A SAR must still be filed within the appropriate timeline..*

Identification Documentation Will Be Included in the SAR
If Boxwood Mortgage LLC determines prior to the SAR filing that the suspect(s) used an alias, all identifying information/documentation regarding the suspect(s) true identity and aliases (drivers license, social security numbers, addresses and telephone numbers, etc) will be included in the report.

Use Of FinCEN's Online BSA E-Filing System Mandatory
Effective July 1, 2012, use of FinCEN's Online BSA E-Filing System is mandatory. https://bsaefiling.fincen.treas.gov/main.html

FinCEN's written E-filing guidelines are presented in this guide: https://www.fincen.gov/sites/default/files/shared/e-filing_GENspecs.pdf. The purpose of these specifications is to provide general requirements and conditions for filing Bank Secrecy Act (BSA) reports submitted electronically using the BSA E-Filing System. Additional guidance on how to enroll, how the system works and using FInCEN's BSA E-Filing System can be found at the main filing website: https://bsaefiling.fincen.treas.gov/main.html

SAR Filings Retained for a Minimum of Five (5) Years
SAR filings and all AML/BSA-Related documentation must be retained for a minimum of five (5) years from the date of the SAR's filing. This includes joint SAR reports made with other institutions, and the original of all supporting documentation. All SARs and related documents will be kept in a secure location only accessible to those who "need to know."

The BSA Enforces Strict Confidentiality Requirements Regarding SAR Filings
For obvious reasons, the suspect and persons involved in the transaction can never be notified of the SAR. However, it must be made clear to staff that:

- It is a criminal violation for any employee, staff or personnel of Boxwood Mortgage LLC to disclose, discuss, or alert ANYONE, including the suspect(s) and/or other employees, staff or Company personnel of the existence of a SAR
- SARs will not be revealed or shared in response to a subpoena*
- Exception: If requested by an appropriate agency (such as FinCEN or the FBI and others), the lender must make the supporting documentation available
- Note: All requests for SARs or SAR information will be referred immediately to the BSA Compliance Officer

*SARs must not be produced or made known in response to a subpoena. If subpoenaed, Boxwood Mortgage LLC will contact our attorney and FinCEN for advice regarding how to proceed. We will decline to produce any information (including whether a SAR exists) until we have spoken with our attorney, and we will follow all instructions provided by our attorney and FinCEN.

To clarify:

- Facts related to the transaction may be discussed in the normal course of business, but the fact that a SAR has been filed can not be disclosed.
- Exception: the SAR filing can be discussed with parties authorized under the rule, such as FinCEN, federal, state or local law enforcement agencies, and certain federal, state regulatory agencies, independent AML audit/test personnel.

Safe Harbor
Under the BSA and related regulation(s), Boxwood Mortgage LLC (and its directors, officers, employees and agents) will be provided absolute protection from civil liability for all SAR filings submitted to the appropriate law enforcement and regulatory agencies.

Declared Violations of Boxwood Mortgage LLC**'s AML/BSA Compliance Policy with regard to SAR Filings**

It is a violation of Boxwood Mortgage LLC's AML/BSA Policy for any person, agent or entity to cause or attempt to influence Boxwood Mortgage LLC to:

- Fail to file a required SAR
- File a SAR that omits significant or pertinent information
- File a report which includes any material misinformation

Section 7/Part II: Red Flags

Boxwood Mortgage LLC has developed a list of "Red Flags" that it provides to its employees and uses in training sessions to assist them in the detection and investigation of potentially suspicious activities. Red flags do not in and of themselves constitute a violation of law or a suspicious activity, but they are reviewed to determine if an appropriate referral is necessary.

Red flags include but are not limited to:

- Customers located or doing business in certain high-risk or high-fraud geographic locations
- Customers initiating a significant number of transactions
- Large cash down payments or repayments
- Other factors, such as nature of third-party entities
- Previously identified high-risk businesses and occupations

Examples of SARs mortgage fraud schemes include:

- Short sale fraud
- Occupancy fraud
- Straw buyer fraud
- Foreclosure fraud
- Loan Modification fraud
- Excessive flipping
- Income fraud
- Employment fraud

Responding to Red Flags

Any employee who observes, detects, identifies, or has knowledge of any Red Flag will immediately notify the BSA Compliance Officer.

Fannie Mae's Comprehensive List of Common Red Flags Appears Below.
Refer to Fannie Mae's website for an up-to-date list of common Red Flags that may signify suspicious activity and/or mortgage loan fraud: https://www.efanniemae.com/utility/legal/pdf/commonredflags.pdf

Common Red Flags That May Indicate Mortgage Fraud

Inconsistencies in the loan file are often a tip off that the file contains misrepresentations. The presence of one or more of these red flags in a file does not necessarily mean that there was fraudulent intent. However, several red flags in a file may signal a fraudulent transaction.

High-level Red Flags

- Social security number discrepancies within the loan file
- Address discrepancies within the loan file
- Verifications addressed to a specific party's attention
- Verifications completed on the same day they were ordered
- Verifications completed on weekend or holiday
- Documentation includes deletions, correction fluid or other alteration
- Numbers on the documentation appear to be "squeezed" due to alteration
- Different handwriting or type styles within a document
- Excessive number of AUS submissions

Mortgage Application

- Significant or contradictory changes from handwritten to typed application
- Unsigned or undated application
- Employer's address shown only as a post office box
- Loan purpose is cash-out refinance on a recently acquired property
- Buyer currently resides in subject property
- Same telephone number for applicant and employer
- Extreme payment shock may signal straw buyer and/or or inflated income
- Purchaser of investment property doesn't own residence

Sales Contract

- Non arms-length transaction: seller is real estate broker, relative, employer, etc.
- Seller is not currently reflected on title
- Purchaser is not the applicant
- Purchaser(s) deleted from/added to sales contract
- No real estate agent is involved
- Power of Attorney is used
- Second mortgage is indicated, but not disclosed on the application
- Earnest money deposit equals the entire down payment, or is an odd amount
- Multiple deposit checks have inconsistent dates, i.e., #303 dated 10/1, #299 dated 11/1
- Name and/or address on earnest money deposit check different from buyer
- Real estate commission is excessive
- Contract dated after credit documents
- Contract is "boiler plate" with limited fill-in-the-blank terms, not reflective of a true negotiation

Credit Report

- No credit history or "thin" credit files
- Invalid Social Security number or variance from that on other documents
- Duplicate Social Security number or additional user of Social Security number
- Recently issued Social Security number
- Liabilities shown on credit report that are not on mortgage application
- Length of established credit is not consistent with applicant's age
- Credit patterns are inconsistent with income & lifestyle
- All trade lines opened at the same time
- Authorized user accounts have superior payment histories

- Significant differences between original and new or supplemental credit reports
- Also Known As (AKA) or Doing Business As (DBA) indicated
- Numerous recent inquiries
- Missing pages and/or supplements
- Employment discrepancies
- Social security alerts

Employment and Income Documentation
- Applicant's job title is generic, i.e., "Manager", "Vice President"
- Employer's address is a P O Box, the property address, or applicant's current residence
- Applicant's residence is (will be) in location remote from employer
- Employer name is similar to a party to the transaction, i.e., utilizes applicant's initials
- Employer unable to be contacted
- Year-to-date or past-year earnings are even dollar amounts
- Withholding not calculated correctly (check FICA tables)
- Withholding totals don't foot from pay advice to pay advice
- Pay period dates overlap and/or don't correspond with other documentation
- Abnormalities in pay check numbering
- Handwritten VOE, pay stubs, or W-2 forms
- W-2 form presented is not the employee's copy
- Employer's identification number has a format other than 12-3456789
- Income appears to be out of line with type of employment
- Self-employed applicant does not make estimated tax payments
- Real estate taxes or mortgage interest claimed, but no ownership of real property disclosed
- Tax returns not signed or dated
- High income applicant without paid preparer
- Paid preparer signs taxpayer's copy of tax returns
- Interest and dividend income don't substantiate assets
- Applicant reports substantial income but has no cash in Boxwood Mortgage LLC
- Large increase in housing expense
- Reasonableness test: income appears to be out of line with type of employment, applicant age, education and/or lifestyle

Asset Documentation
- Down payment source is other than deposits (gift, sale of personal property)
- Applicant's salary doesn't support savings on deposit
- Applicant doesn't utilize traditional Boxwood Mortgage LLC ing institutions
- Pattern of loyalty to financial institutions other than the subject lender
- Balances are greater than the FDIC, SIPC insured limits
- High asset applicant's investments are not diversified
- Excessive balance maintained in checking account
- Dates of Bank statements are unusual or out of sequence
- Recently deposited funds without a plausible paper-trail or explanation
- Boxwood Mortgage LLC account ownership includes unknown parties
- Balances verified as even dollar amounts

- Two-month average balance is equal to present balance
- Source of earnest money is not apparent
- Earnest money isn't reflected in account withdrawals
- Earnest money is from a Boxwood Mortgage LLC or account with no relationship to the applicant
- Bank statements do not reflect deposits consistent with income
- Reasonableness Test: Assets appear to be out of line with type of employment, applicant age, education and/or lifestyle

Appraisal

- Appraisal ordered by a party to the transaction
- Occupant shown to be tenant or unknown
- Owner is someone other than seller shown on sales contract
- Appraisal indicates transaction is a refinance, but other documentation reflects a purchase
- Purchase price is substantially higher than predominant market value
- Purchase price is substantially lower than predominant market value
- Subject property obsolescence is minimized
- Large positive adjustments made to comparable properties
- Comparables' sales prices don't bracket the subject's value
- Comparable sales are not similar in style, size and amenity
- Dated sales used as comparable sales
- New construction / Condo conversion: All comparable sales located in subject development
- Comparable properties are a significant distance from the subject, or located across neighborhood boundaries (main arteries, waterways, etc.)
- Map scale distorts distance of comparable properties
- "For Rent" sign appears in photographs
- Photos appear to be taken from an awkward or unusual standpoint
- Address reflected in photos does not match property address
- Weather conditions in photos inconsistent with average marketing time, date of appraisal
- Appraisal dated before sales contract
- Significant appreciation in short period of time
- Prior sales are listed for subject and/or comparables without adequate explanation

Title

- Prepared for and/or mailed to a party other than the lender
- Evidence of financial strain may indicate a compromised sale transaction (flip, foreclosure rescue, straw buyer refinance, etc.), or might suggest undisclosed credit problems in the case of a refinance
- Income tax, judgements or similar liens recorded
- Delinquent property taxes
- Notice of default or Modification agreement recorded
- Seller not on title
- Seller owned property for short time
- Buyer has pre-existing financial interest in the property
- Date and amount of existing encumbrances don't make sense

- Chain of title includes an interested party such as realtor or appraiser
- Buyer and Seller have similar names (property flips often utilize family members as straw buyers)

Owner Occupancy Purchase Transactions

- Real estate listed on application, yet applicant is a renter
- Applicant intends to lease current residence
- Significant or unrealistic commute distance
- Applicant is downgrading from a larger or more expensive house
- Sales Contract is subject to an existing lease
- Occupancy affidavits reflect applicant does NOT intend to occupy
- New homeowner’s insurance is a rental policy (declarations page)

Owner Occupancy Refinance Transactions

- Rental property listed on application is more expensive than subject property
- Different mailing address on applicant’s bank statements, pay advices, etc.
- Different address reported on Credit Report
- Significant or unrealistic commute distance
- Appraisal reflects vacant or tenant occupancy
- Occupancy affidavits reflect applicant does NOT intend to occupy
- Homeowner’s insurance is a rental policy (declarations page)
- Reverse directory does not disclose subject property address

Closing Disclosure

- Borrower or Seller names are different than sales contract and title
- Sales price is inconsistent with contract, loan approval and/or appraisal
- Excessive earnest money or builder deposit
- Earnest money deposit is inconsistent with sales contract and/or application
- Payouts to unknown parties
- Refinance pays off previously undisclosed liens
- Excessive sales commissions
- Excessive fees and/or points
- Seller-paid closing costs, especially for purchaser with sufficient assets for down payment
- Cash proceeds to borrower are inconsistent with final application and loan approval

Section 8: Sharing AML Information with FinCEN, Law Enforcement, and Other Institutions

Section 314(a): Sharing Information with FinCEN

Section 314(a) of the U.S. Patriot Act empowers FinCEN to request any financial institution to identify accounts and transactions for individuals, entities or organizations certified by law enforcement to be engaged in, or reasonably expected to be engaged in, terrorist activity or money laundering.

Oversight for Section 314(a) Requests

Boxwood Mortgage LLC has designated the BSA Compliance Officer (or a delegate) to respond to any such request. Upon receipt of a Section 314(a) request, the BSA Compliance Officer is to be notified, and is responsible for overseeing and expediting information-sharing and other matters regarding the request.

The BSA Compliance Officer (or a delegate) will respond to any FinCEN request by immediately searching Boxwood Mortgage LLC's records to determine whether we have engaged in any transaction with each individual, entity, or organization named. Any potential matches will be reported to FinCEN in a timely manner. Note: If the BSA Compliance Officer determines that a SAR shoud be filed as a result of a 314(a) request, no mention of the Section 314(a) request should be made in the actual SAR filing.

The contact person will document each review.

Protecting Confidentiality of FinCEN Requests
The law(s) requires Boxwood Mortgage LLC to maintain procedures to protect the confidentiality of FinCEN requests. To this end, Boxwood Mortgage LLC will not disclose or reveal FinCEN's request for or receipt of information with other than those employees necessarily involved. Any questions concerning the request will be directed by the BSA Compliance Officer to the requesting Federal law enforcement agency.

Research Limits
Unless otherwise stated in FinCEN's request, Boxwood Mortgage LLC is required to search current accounts and transactions, accounts maintained by a named suspect during the preceding 12 months, and transactions conducted by or on behalf of or with a named subject during the preceding six months. If a match is found, it will be reported to FinCEN by completing FinCEN's subject information form in a timely manner. If a search of our records does not uncover a matching account or transaction, Boxwood Mortgage LLC will not reply as allowed under Section 314(a) of the U.S. Patriot Act.

Unless otherwise stated in the information request, Boxwood Mortgage LLC will not be required to treat the information request as continuing in nature, and we will not be required to treat the request as a list for purposes of the customer identification and verification requirements. Boxwood Mortgage LLC will not use information provided to FinCEN for any purpose other than:

- To report to FinCEN as required under Section 314(a) of the U.S. Patriot Act
- To determine whether to establish or maintain an account, or to engage in a transaction
- To assist Boxwood Mortgage LLC in complying with any requirement of Section 314(a) of the U.S. Patriot Act.

Section 314(b): Information Sharing Between Financial Institutions
Section 314(b) of the U.S. Patriot Act provides a voluntary (non-mandatory) procedure for Boxwood Mortgage LLC to share information with other financial institutions when it is reviewing an account that might involve possible terrorist activity or money laundering. Boxwood Mortgage LLC will comply with the mandatory requirements of BSA.

If Boxwood Mortgage LLC *wishes to participate in the voluntary sharing of information, refer to section 314(b) of the U.S. Patriot Act for further instructions.*

Section 9: Penalties

Civil and Criminal penalties may be levied for violations of Anti-Money Laundering laws, requirements and regulations established by the Boxwood Mortgage LLC Secrecy Act. Depending on the nature of the offense, employees of Boxwood Mortgage LLC who violate the AML/BSA Compliance Policy contained herein and/or any related law(s) may be penalized by Boxwood Mortgage LLC independent of any regulator's action. Such penalties may include but are not limited to: termination, reprimand, or demotion.

Important Note: It is a violation of Boxwood Mortgage LLC's AML/BSA Compliance Policy for any employee, individual, agent, group or institution to assist with, cause or try to influence Boxwood Mortgage LLC to structure any transaction in any way that may avoid the spirit or letter of this Policy, the underlying regulations, or any reporting requirements.

Civil and Criminal Penalties Under Law
FinCEN has designated the IRS to perform audits to check for compliance. This designee may change in the future.

Civil Penalties for Non-Compliance

- Failure to comply with recordkeeping requirements: up to $1,000 per violation
- Failure to comply with reporting requirements: not to exceed the greater of the amount involved in the transaction (not to exceed $100,000) or $25,000
- Issuance of Cease and Desist Order if non-compliance continues
- Forfeiture of assets

Criminal Penalties for Non-Compliance

- A person willfully violating the BSA shall be fined not more than $250,000, or imprisoned for not more than five (5) years, or both
- A person willfully violating the BSA while violating another law of the United States or as part of a pattern of any illegal activity involving more than $100,000 in a 12 month period shall be fined not more than $500,000, imprisoned for no more than 10 years, or both
- A separate violation occurs for each day the violation continues and each office, branch or place of business at which a violation occurs or continues

Section 10: Conclusion

This document constitutes Boxwood Mortgage LLC's BSA/Anti-Money Laundering Policy as required by law. Boxwood Mortgage LLC considers this policy extremely important to the integrity of our business. The Board of Directors (or equal executive or governing group designated by Boxwood Mortgage LLC), Executives, Senior Management, and all employees are directed to understand this policy, its requirements, and any subsequent changes and/or updates to this policy. Boxwood Mortgage LLC hereby instructs all employees to conduct themselves in accordance with this policy and all related laws and regulations.

With the establishment of Boxwood Mortgage LLC's AML/BSA Policy, all employees are tasked with due diligence and vigilance at an appropriate level to ensure that Boxwood Mortgage

LLC remains compliant with all related laws, guidance, requirements and regulations. Any knowledge of or suggestion of deviance from this guidance shall be communicated to the BSA Compliance Officer designated herein.

Prepared and submitted by:

____

BSA Compliance Officer Date

Program Approved Dated Annually

Board of Directors, or equal executive or governing group designated by Boxwood Mortgage LLC

____

Insert the date the program was approved by the Board of Directors and insert that the approval is to be completed on an annual basis.

PRELIMINARY SUSPICIOUS TRANSACTION FORM

CONFIDENTIAL

To: ***(INSERT COMPANY NAME)*** AML Compliance Officer

From:____________________________________; ____

[*Name of Employee*] [*Employee's Job Title and Branch*]

Date: ____________________________________

[*Date of this Form*]

Name of Individual/Company being reported	
Relationship to ***(INSERT COMPANY NAME)***	
Address	
City, State Zip Code	
SS# or Tax ID	
Date of Birth	
ID or Loan #	
Total $ Amount Involved	
Date of Suspicious Activity	

Events, occurrences, factors and/or findings by me in the origination and/or processing of this loan and have created a concern that a loan transaction involves a suspicious activity of the following type:
[Please check all that apply]

- ☐ Upon request, the individual/company refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.

- ☐ The individual/company appears to be acting as an agent for an undisclosed principal, however has declined or has been reluctant and/or evasive and/or unwilling to provide information regarding that person or entity. The individual/company has not provided legitimate commercial reasons for withholding information.

- ☐ The individual/company has incoming amounts of funds or other assets that are well beyond the known income or resources of the individual/company.

- ☐ The individual/company uses multiple accounts, or maintains accounts in the names of family members or corporate entities, with no apparent purpose.

- ☐ The individual/company has difficulty describing the nature of his/her/their business.

- ☐ The individual/company exhibits a lack of concern regarding transaction costs.

- ☐ The documentation provided by the individual/company that identifies a legitimate source for funds is false, misleading, or substantially incorrect.

- ☐ The individual/company exhibits a lack of concern regarding transaction costs.

- ☐ The individual/company attempts to conduct frequent or large transactions, or asks for exemptions from Boxwood Mortgage LLC AML policies.

- ☐ The individual/company has provided documentation that reflects unexplained or sudden extensive money service activity in Boxwood Mortgage LLC account statements provided as source of funds especially when they had little or no previous activity.

- ☐ The individual/company (or a person publicly associated with the individual/company) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.

- ☐ The individual/company is from, or has accounts in, a country identified as a high risk, non-cooperative country or territory by the Foreign Asset Task Force (FATF).
    - Country/Territory _________________

  http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/
- ☐ The individual/company exhibits unusual concern about the Boxwood Mortgage LLC compliance with government reporting requirements and the firm's AML policies (particularly concerning his/her/their identity, type of business), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or documents.

Note: These suspicious activities are not intended to be the only activities that you are permitted to report, but represent the suspicions that the federal regulators have mentioned in their regulatory discussions. If something else has occurred that gives you a suspicion, you are encouraged to report it to the AML Compliance Officer. "If you see it, report it".

In the area below, please explain any additional details or facts that will alert and assist the AML Compliance Officer. Please attach to this Preliminary Suspicious Transaction Form any documents/evidence that proves your point or illustrates your concern.

Explain:____

____

____

____

____

____