American Financial Network, Inc. (hereafter AFN) may, from time to time, purchase products from or contract for services provided by third party vendors as a means of meeting our needs while accomplishing our strategic goals. The use of third party vendors allows AFN to obtain specialized expertise, offer expanded products and services and/or realize economies of scale not otherwise possible through purely internal operations.

AFN recognizes that the use of third party vendors creates various risks that must be properly managed. The purpose of this policy is to document guidelines for AFN’s Third Party Vendor Risk Management Program.

This Third Party Risk Management policy is designed to manage risks associated with third party vendors AFN relies on to provide critical products or services on an ongoing basis in support of AFN’s operations and services.

The Third Party Vendor Risk Management Program is not intended to govern one time purchases from vendors in which no ongoing relationship with the vendor exists or is contemplated and no relationship between the vendor and AFN exists after a purchase is made.

Management recognizes that some third party vendor relationships exist where the risk of the relationship is minimal. Accordingly, management will use its judgment in determining the extent to which the Third Party Vendor Risk Management Program applies on a case by case basis.

Responsibilities
Managers and supervisors are responsible for ensuring proper due diligence is followed while evaluating potential third party relationships.

Third Party Vendor Risk Management Program
AFN’s Third Party Risk Management Program consists of three segments:
A. Risk Assessment and Planning;
B. Due Diligence; and
C. Risk Measurement, Monitoring, and Control

Third Party Vendor Risk Management procedure was created to provide documented instructions for managing third party vendor risks. This procedure may be updated annually and documentation will be available to ensure third party vendor relationships with the vendor are implemented and enforced per the contract.

Risk Assessment and Planning
Before entering into a third party relationship, management/compliance will conduct an assessment of risk related to the relationship being contemplated. Such planning may include, but is not limited to, the following:
A. Assessing the extent to which the relationship complements AFN’s overall mission, philosophy, strategic plan, and long-term goals.
B. Comparing the risks and benefits of outsourcing business functions with the risks and benefits of maintaining those functions in-house.
C. Assessing the relationship’s impact on core risks (credit, interest rate, transaction, compliance, strategic, and reputation risks).
D. Defining clearly the nature and scope of AFN’s needs and how these will be met with by the third party vendor.
E. Assessing staff’s expertise to manage and monitor the relationship.
F. Assessing the importance of the activity to be outsourced to AFN’s critical functions.
G. Assessing alternatives to outsourcing.
H. Assessing potential benefits of the arrangement against expected costs.
I. Assessing the relationship’s impact on the AFN’s insurance and bond coverage.
J. Determination of an exit strategy to plan for the contingency of exiting the relationship if it becomes necessary to change course in the future.

Due Diligence
Management/Compliance will perform appropriate due diligence tailored to the complexity of contemplated third party vendor relationships. Such due diligence may include, but is not limited to, the following as appropriate:

A. Background check;
B. Review of vendor business model;
C. Vendor financial data and cash flows;
D. Operational review;
E. Contract issues and legal review;
F. Accounting considerations and
G. Request latest SAS 70.

Risk Measurement, Monitoring, and Control
Management/Compliance will establish methods to ensure all parties to vendor relationships are fulfilling their responsibilities. Such risk mitigation efforts will be tailored to the specific nature of programs and the materiality of identified risks. Risk measurement, monitoring, and control efforts will include:
A. Developing policies and procedures to outline expectations and limit risks from third party arrangements. If appropriate, growth of new programs or implementation of new regulatory developments will be padded to allow time for AFN to develop experience with the program.
B. Measuring the risks of third party programs, including the performance of vendors in terms of profitability, benefit, and service delivery.
C. Ensuring that sufficient infrastructure (i.e. staffing, equipment, technology, etc.) is in place to monitor performance of third party arrangements.
D. Establishing ongoing control systems and audit functions reasonably sufficient to assure that third parties are appropriately meeting their responsibilities and following the terms of third party arrangements.
E. Assigning responsibility for third party vendor relationships, as appropriate, to a qualified staff member for oversight and review.
F. Review of contracts to a Third Party Company for Compliance with CFPB third party vendor management regulations in the best interest of the consumer.

American Financial Network, Inc. - Revised 06/04/2015
Closing Agents
AFN Legal Department vets and approves all third party closing agents by requiring applications and the following documents:

- E&O policy;
- Fidelity bond;
- Policies, procedures, internal controls, etc. to ensure compliance with Federal Consumer Financial Laws;
- List of geographic areas vendor services;
- Contact information;
- Signed AFN Closing Agent Approval Application & Agreement.

MQMR
AFN contracts with MQMR dba HQ Vendor Management to perform vendor vetting for third party vendors. MQMR’s process for this consists of the following:

1. AFN Identifies them for MQMR
   - Vendor;
   - Brief Description;
   - Risk Tier (1=high risk, 2=med risk, 3=low risk) – Risk associated with the service provided and determines the level of due diligence required;
   - Department Using the Vendor Services;
   - Vendor Contact Information;

2. Vendor Approval Committee
   - Once the vendor risk review is complete by MQMR, each AFN committee member will receive a notification to review the assessment and approve/deny the vendor within their individual guest page.
   - Must be approved or denied by a majority vote (i.e. 3 out of 5 members must approve).