

Stearns Customer FAQ

1. What was announced?

- Stearns Holdings announced that it has partnered with its majority equity holder, funds affiliated with Blackstone, on the terms of a comprehensive financial restructuring plan. This plan is expected to significantly reduce the Company's outstanding debt, continue Stearns' operations and preserve the jobs of its employees, and better position the Company for long-term success.
- To implement the restructuring, Stearns and certain of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York.
- Stearns has also successfully reached an agreement with our largest bondholder, PIMCO, to ensure their support for the Company's restructuring plan, which will help to further expedite the court-supervised process.
- Stearns is operating as normal and its employees are focused on providing customers the high-quality service they expect from the Company.

2. What is Chapter 11?

- Chapter 11 is a section of the U.S. Bankruptcy Code that allows companies to implement financial restructurings through a court-supervised proceeding while continuing to operate their businesses.

3. Why is the Company taking this action? Why now?

- We have taken deliberate and proactive actions to reduce costs and refocus on our core businesses. We are now undertaking a comprehensive financial restructuring with the goal of moving forward in a stronger financial position.
- This action is the next step in our efforts to reposition Stearns for future growth opportunities and enhanced profitability.
- Through this restructuring, we will significantly reduce the Company's debt and better position Stearns for long-term success.
- Our current strategic priorities are paying off and we remain focused on future growth opportunities and enhanced profitability. Stearns' performance is currently better than it has been over the past three years and our identified growth markets show significant potential.

4. What does this mean for customers?

- Stearns is operating as normal throughout the Chapter 11 cases.
- As we move through this process, there will be no interruption in our ability to serve customers or any impact in how we work with them.
- We remain firmly committed to our mission of helping homebuyers find the best loans for their current and future needs.

5. What happens to my existing mortgage? Will there be any changes to services you provide going forward?

- Your obligations under your loan agreements are unchanged, and you should continue to make your mortgage or other required payments on time and in full.
- If you have any questions, please continue to work with your normal representative.

6. What happens if I have a pending mortgage application?

- If you have a pending mortgage application with Stearns, this process will not affect your pending applications or existing commitment letters or rate lock agreements.
- Stearns will continue to process your application and to fund and close approved loans.
- The same loan agent and processing team that has been working with you will continue to work with you.
- If you have any questions, please continue to work with your normal representative.

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7. Will you be able to meet your customer obligations throughout this process?

- Yes. As we move through this process, there will be no interruption in our ability to serve customers or any impact in how we work with them.
- Stearns has received a commitment from Blackstone of up to \$35 million in “debtor in possession” financing.
- This financing, combined with cash generated from the Company’s ongoing operations, is available as needed to support the business during the court-supervised restructuring process.
- We remain firmly committed to our mission of helping homebuyers find the best loans for their current and future needs.

8. Will my point of contact at Stearns change?

- The same loan agent and processing team that has been working with you will continue to work with you.
- If you have any questions, please continue to work with your normal representative.