



# Default and Claims Servicing Guide

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## Loss Management

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**Mortgage Insurance provided by Essent Guaranty, Inc.**

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## 1.0 Introduction

Welcome to Essent's Default and Claims Servicing Guide (the "Guide"). We hope that you find the Guide easy to navigate and a convenient place to find answers to any questions that you may have about Default reporting, loss mitigation, the foreclosure process, filing a Claim, or any other aspect of our coverage in the event of a Default on a Loan we insure.

The purpose of the Guide is to provide our policyholders (sometimes referred to as our "Insureds") and their Servicers with a roadmap of the general requirements of Essent's Mortgage Guaranty Insurance Master Policy (the "Master Policy") that become applicable in the event of a Default. Policyholders who understand the requirements of their Master Policy will experience its full benefits, expedite the payment of Claims, and avoid any unnecessary adjustments to the Insurance Benefit.

Capitalized terms used throughout this Guide have the meaning given them in the Master Policy. The Master Policy is available on Essent's website at [essent.us](https://www.essent.us).

If you have any questions regarding matters covered by this Guide, contact Essent's Loss Management Department at 877.331.9077 or by email at [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

### 1.1 CFPB MORTGAGE SERVICING RULES

Compliance with Essent's Master Policy and this Guide will not create conflicts with Servicer requirements under the CFPB Mortgage Servicing rules. Moreover, Essent's own loss mitigation efforts will not create CFPB compliance problems for Servicers; Essent does not proactively contact Borrowers, and if we receive contact initiated from Borrowers, our policy is to refer the Borrower to the Servicer.

## 2.0 Delinquency Reporting

A loan is deemed to be in Default as of the close of business on the day the periodic payment or accelerated payment is due, disregarding any payment grace period.

Master Policy Section (53 Notice of Default) requires reporting of the Default once the Borrower fails to pay two consecutive payments. Reporting is required prior to the due date of the next payment.

**Example:** The Borrower fails to make the February and March payments. You are to report the Default no later than March 31st.

The Servicer may submit a NOD to Essent by an Electronic Data Interchange ("EDI") or via Essent's proprietary Loss Management Online tool located at [essent.us](https://www.essent.us). To sign up for our Loss Management Online tool, go to [essent.us](https://www.essent.us) and click Sign In/Sign Up on the main page and select Loss Management.



## 3.0 Default Reports

After the Default is reported to Essent, Master Policy Section 54 (Monthly Default Reports), requires the Servicer to keep Essent advised of the status of the delinquency on a monthly basis.

Monthly status reports provide key updates so that Essent can properly reserve for a potential loss as the delinquency progresses or to eliminate the reserve if a Default cures. Information about the servicing efforts enables Essent's Loss Management department to target loss mitigation strategies and make timely determinations when approached by Servicers for approval for specific workouts on insured Loans.

Monthly status reports may be submitted to Essent by EDI or via our Loss Management Online tool located at [essent.us](https://essent.us). To sign up for Loss Management Online, go to [essent.us](https://essent.us) and click Sign In/Sign Up on the main page and select Loss Management

The monthly status update is required by the 25th of the month following the month of the initial reporting of the Default and should continue monthly until the Default cures, a Claim is filed or the coverage is canceled.

## 4.0 Appropriate Proceedings

In the event of a Default, a requirement under Master Policy Section 57 (Appropriate Proceedings) requires the Servicer to begin Appropriate Proceedings no later than thirty (30) days after the date upon which the Loan remains in Default for a period of six (6) consecutive months. Therefore, the foreclosure complaint should be filed by the time eight (8) payments are due. Commencing with the Appropriate Proceedings may be delayed when there is a court order or a moratorium imposed by a government agency or if you are working with the Borrower for a home retention or liquidation workout plan. Additionally, in the event of a Natural Disaster (see the Natural Disasters Delegation Notice below) the Appropriate Proceedings may be delayed.

### Natural Disasters Delegation Notice

Natural disasters, such as tornados and floods, can give rise to a Default on an Essent-insured Loan due to damage to the Property or to a Borrower's workplace resulting in loss of income. Essent understands that it can sometimes take several months to get the Property repaired and/or for the Borrowers to get back to their jobs, and in such circumstances we want to encourage such restoration and rehabilitation without insisting on the adherence to time frames which would otherwise apply under our Master Policy.

Therefore, when a natural disaster is the reason underlying a Default or if such disaster is preventing a Borrower from curing an existing Default, Essent agrees to delegate to the Servicer the authority to postpone Appropriate Proceedings as may be underway, e.g., filing of the foreclosure complaint or pursuit of the foreclosure sale, as the Servicer may deem appropriate, such that the Servicer may proceed with such suspension or forbearance without Essent's prior approval. Servicers may also approve any repayment or forbearance plan for the Borrower in such a circumstance.

Servicers are fully delegated to make these determinations and decisions on Essent's behalf without any condition other than after-the-fact notification of decisions at [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

## 5.0 Foreclosure Time Frames

The Foreclosure Time Frame table below provides an estimate of the maximum time it should take from the due date of the last paid installment to the foreclosure sale date. The time frames are based on the GSE time frames and the requirements of our Master Policy. Please note the number of days will be limited to 1,080 days, the maximum allowed under the Master Policy.

It is important to note these time frames do not include any additional time for bankruptcy, redemption periods and/or uncontrollable events during the foreclosure process. Therefore, in order to expedite the Claim Settlement and to avoid an adjustment to the Claim, it is important to provide an explanation when the amount of time to foreclose exceeds the applicable time frame.

If there is a delay and we are unable to determine the reason from the documentation submitted with the Claim for Loss, we will request an explanation before proceeding with the Claim Settlement.

STATE	NO. OF DAYS	STATE	NO. OF DAYS	STATE	NO. OF DAYS
Alabama	420	Louisiana	540	Ohio	510
Alaska	480	Maine	1320	Oklahoma	570
Arizona	450	Maryland	660	Oregon	960
Arkansas	420	Massachusetts	960	Pennsylvania	690
California	480	Michigan	390	Rhode Island	900
Colorado	450	Minnesota	330	South Carolina	570
Connecticut	660	Mississippi	330	South Dakota	540
Delaware	720	Missouri	450	Tennessee	420
D.C.	1230	Montana	450	Texas	390
Florida	810	Nebraska	480	Utah	540
Georgia	330	Nevada	930	Vermont	1050
Hawaii	900	New Hampshire	480	Virginia	450
Idaho	630	New Jersey	1530	Washington	630
Illinois	630	New Mexico	930	West Virginia	450
Indiana	540	New York	2190	Wisconsin	540
Iowa	570	New York City (all boroughs)	1740	Wyoming	360
Kansas	450	North Carolina	420		
Kentucky	570	North Dakota	630		

## 6.0 Bidding at the Foreclosure Sale

Master Policy Section 59 (Foreclosure Bidding Instructions) requires the Servicer to bid in accordance with Essent's Default and Claim Servicing Guide. Additionally, Master Policy Section 57 (Appropriate Proceedings) requires that the bidding be such that it protects Essent's rights of recovery against the Borrower relating to the Loan or to the Property.

## Bidding Instructions

- A. If the current market value of the Property is known within the past ninety (90) days (either by Appraisal or Broker Price Opinion), the Insured or its Servicer shall make an opening bid at the lesser of (i) 85% of such known value or (ii) the Total Debt. In the event of competitive bidding, the Servicer may sell the property to a Third Party for the opening bid amount.
- B. If the current market value of the Property is unknown, the Insured or the Servicer shall make an opening bid at no more than 80% of the total debt (unpaid principal balance, plus accrued and unpaid interest and Advances). In the event of competitive bidding, the Insured or its Servicer shall continue to bid until it is the successful bidder, or until the bidding reaches the total debt, whichever occurs first.

The opening bid in sections (A) & (B) above, may be a lesser amount if the Insured or its Servicer so desires and such bid is permissible under state law. If there is competitive bidding, the Insured or its Servicer shall continue to bid up until it is the successful bidder, or until the bidding reaches the lesser of 85% of the property value or the total debt, whichever occurs first.

Notwithstanding the foregoing, for those loans that have loan application dates on or after October 1, 2014 and for which a GSE is the beneficiary of the coverage, Servicers must follow the GSE's foreclosure bidding guidelines in effect at the time a loan is foreclosed upon.

## 7.0 Loss Mitigation/Workout

Master Policy Section 58 (Mitigation of Loss) requires the Insured or its Servicer to use their respective commercially reasonable efforts to limit and mitigate loss by adhering to customary servicing standards applicable to delinquent Loans. The following sections describe what is required of the Servicers to meet the Master Policy requirements for the various loan workout options referred to in the Master Policy as described below in sections 7.1 through 7.7.

### 7.1 REPAYMENT PLANS

Essent encourages Servicers to first attempt a repayment plan with any Borrower that is interested in avoiding foreclosure.

Essent encourages Servicers to give the Borrower a chance to cure the Default even though it may appear from current financial disclosures that the Borrower may not be able to sustain payments under the plan.

All Servicers are delegated to approve repayment plans, and Essent's prior approval is not required.

### 7.2 FORBEARANCE AGREEMENTS

A forbearance agreement is a great tool to assist the Borrower in retaining ownership of the subject Property, and Essent encourages the Servicers to approve such agreements. Essent encourages Servicers to give the Borrower a chance to cure the Default even though it may appear that the Borrower may not be able to continue to make the payments.

All Servicers are delegated to approve forbearance agreements, and Essent's prior approval is not required.



### 7.3 MODIFICATIONS

A modification can be an effective tool to assist a Borrower in curing the Default. Therefore, all Servicers may approve modifications without Essent's written approval, provided the following terms are met:

- Interest rate remains the same or is reduced;
- Remaining term is not reduced (term can be extended to 480 months); and
- Capitalization of delinquent interest, taxes and insurance provided the modified principal balance does not exceed 110% of the original insured amount.

If the loan is a GSE loan, the Servicer should follow the GSE Modification Guidelines.

Essent will make every effort to respond to any request for approval within 48 hours. In the event we should fail to respond to the Servicer within ten (10) days of a request for Essent's approval, the request shall be deemed to be approved. See Master Policy Section 51(b).

To submit your request for approval of a modification, or to notify us of a completed modification, please complete the appropriate form located under Loan Servicing at [essent.us](https://www.essent.us), and upload via Loss Management Online.

### 7.4 CLAIM ADVANCE

Essent may approve a Claim Advance to assist the Borrower in curing the Default In accordance with Master Policy Section 63 (Claim Advances). A Claim Advance is simply a partial advance of a potential Insurance Benefit to the Servicer to be applied to the subject Loan in an effort to cure the Default. The Claim Advance can be in various amounts as follows:

- The entire amount that is past due;
- An amount to subsidize a repayment plan;
- In conjunction with a modification plan; or
- Advance payments while the Borrower is unemployed.

The Borrower may be required to sign a promissory note for the advance. The promissory note would be interest free and unsecured with terms the Borrower can afford. If needed, the first payment due date of the promissory note could be extended up to six (6) months. Any advance minus amounts repaid by the Borrower would be deducted from any future Insurance Benefit.

You may submit your request for a Claim Advance on Essent's Loss Mitigation (Approval Request Form) by uploading the form via Loss Management Online.

### 7.5 SHORT SALE (PRE-FORECLOSURE SALE)

A Borrower may be allowed to sell the subject Property to avoid a foreclosure action, even though the net proceeds are insufficient to pay the mortgage in its entirety. This is commonly known as a Short Sale. Essent's approval is required under Master Policy Section 51(a) (Workout; Changes to the Property or loan terms) and Section 58(a), (Loss Mitigation). If the loan is a GSE loan, the Servicer should follow the GSE Short Sale Guidelines.

If our approval is required, Essent will make every effort to respond to your request for approval of the Short Sale within 48 hours. The Master Policy states if we should fail to respond to the Servicer within ten (10) days of a request for Essent's approval, the request shall be deemed approved. Essent may require the Borrower to participate by contributing cash and/or signing a promissory note for part of Essent's Anticipated Loss. See Master Policy Section 51(d).

You may submit your request for a Short Sale on Essent's Loss Mitigation (Approval Request Form) by uploading the form via Loss Management Online.



## 7.6 DEED IN LIEU OF FORECLOSURE

The Servicer may accept a Mortgage Release, also known as a Voluntary Conveyance or Deed in Lieu of Foreclosure. Essent's approval is required under Master Policy Section 51 (a) (Workout; Changes to the Property or loan terms) and Section 58 (a) (Loss Mitigation). If the loan is a GSE loan, the Servicer should follow GSE Deed In Lieu Of Foreclosure Guidelines.

If our approval is required, Essent will make every effort to respond to your request for approval within 48 hours. The Master Policy states if we should fail to respond to the Servicer within ten (10) days of a request for Essent's approval, the request shall be deemed approved. Essent may require the Borrower to participate by contributing cash and/or signing a promissory note for part of Essent's Anticipated Loss.

You may submit your request for a Deed in Lieu of Foreclosure on Essent's Loss Mitigation (Approval Request Form) by uploading the form via Loss Management Online.

## 7.7 REAL ESTATE OWNED (REO)

Once the foreclosure is complete, Master Policy Section 58 (Loss Mitigation) requires diligent efforts to Market the Property. Our approval of the list price is not required.

Master Policy Section 75 (Acquisition Option) allows Essent to purchase the Property from the Insured as a Claim Settlement Option. Therefore, any offers to purchase the subject Property must be approved by Essent until the Claim is settled or unless Essent has already informed the Insured or Servicer in writing that they may sell the Property without Essent's approval.

Essent encourages that the Property be put into good and marketable condition. Essent's approval of any needed repairs or maintenance to the Property is not required. See the claimable items in the Claim for Loss section of this Guide as to what repair items may be claimable.

Please submit any offers to [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

# 8.0 Claim for Loss

## 8.1 PHILOSOPHY

It is Essent's policy to administer the processing and settlement of claims in compliance of the terms and conditions of the Master Policy and with a sense of fairness.

Should Essent detect a correctable error on the Claim for Loss that would reduce the Insurance Benefit inappropriately, it is Essent's policy to correct such error and maximize full Insurance Benefits for the Insured.

## 8.2 WHEN TO FILE

A Claim should be filed no later than sixty (60) days after the earlier of acquiring the Borrower's Title to the Property (regardless of whether certification, confirmation or ratification of sale has occurred) or a Third-Party Sale, or if the Insured so elects, within 60 days after expiration of the Borrower's right of redemption. See Master Policy Section 64.

Failure of the Insured to file a Claim within this time period shall relieve Essent of any obligation to include in the Claim Amount interest, and Advances accruing on the Loan after such sixty (60) day period has expired, but does not extinguish Essent's liability to settle the Claim provided other provisions of the Master Policy are met.





### 8.3 HOW TO FILE A CLAIM

Essent will accept a Claim for Loss from the Insured, Servicer or Third Party Beneficiary by EDI or via our Loss Management Online tool located at [essent.us](https://essent.us). To sign up for our Loss Management Online tool, go to [essent.us](https://essent.us) and click Sign In/Sign Up on the main page and select Loss Management.

You may review the progress of the Claim via our Loss Management Online tool.

### 8.4 REQUIRED DOCUMENTATION

In addition to completing all applicable sections of the Claim form, the following documents will be required before a Claim can be considered a Perfected Claim:

- Copy of an executed trustee's or sheriff's deed (which may be unrecorded) if Borrower's Title is obtained by a foreclosure action. If the deed is unavailable at time of Claim filing, advise us accordingly. If a GSE is the investor, we will attempt to address this requirement by visiting their website in an attempt to validate the foreclosure sale and the foreclosure bid amount. We will also consider other evidence of title upon request.
- Copy of the payment history covering the Default period;
- Copy of a deed from the Borrower (which may be unrecorded) if a mortgage release/voluntary conveyance/deed in lieu was accepted in lieu of foreclosure;
- Copy of the final Closing Disclosure in the event of a Third-Party Sale prior to foreclosure or after foreclosure, but prior to settlement of the Claim;
- Evidence of the bid amount and the proceeds from a Third-Party Sale at the foreclosure sale if applicable;
- Copy of any recent appraisals or broker price opinions obtained in the last six (6) months if available.

If the Claim is a result of a delegated pre-foreclosure Short Sale or Deed in Lieu of Foreclosure, please submit a copy of the entire liquidation file (e.g., hardship letter, financials, property value information, GSE approval).

#### **The Following Documents Are Required Only When Requested:**

- Copy of all foreclosure documents;
- Copy of documents pertaining to preservation and/or establishment of Deficiency Judgment, if applicable; and
- Evidence of the collection and loss mitigation efforts.

For the avoidance of doubt, Core Claim Documents include the following Origination File and Closing File documents that Essent may request for Loans submitted on a delegated basis and/or in the event of a delegated Third-Party Sale prior to foreclosure or Voluntary Conveyance. The list that applies to a particular Loan is the one that appears in this Guide as of the Loan's Certificate Effective Date. Essent will contact you shortly after receipt of the Claim for Loss to request these documents in the event they are needed. When we do request file documents, it is acceptable to either submit the entire Origination File and Closing File, or at a minimum the following documents:

- The final signed Loan Application, where applicable the Uniform Residential Loan Application (Fannie Mae Form 1003/Freddie Mac Form 65);
- The credit report and any supplementary credit information;
- Verification of Rent (VOR) or Verification of Mortgage (VOM) as applicable;
- Automated Underwriting System (AUS) decisions, including the Desktop Underwriter (DU) Underwriting Findings Report and/or the Loan Prospector (LP) Feedback Certificate;
- The signed Form 4506-T;
- Employment/Income verifications, including such items as applicable:

- Verification of Employment (VOE)
- Verbal VOE
- Paystubs
- W-2 forms
- Income tax returns/transcripts
- Asset verifications, including such items as applicable:
  - Verification of Deposit (VOD)
  - Bank/Account statements
  - Gift Letters
- Letters of explanation (as applicable) for such items as credit inquiries, derogatory credit, large deposits, gaps in employment, income stability, etc.;
- The real estate purchase contract and addendum(s);
- The final HUD 1 settlement statement (for Loans closed prior to or on 10/03/15) or Closing Disclosure (for Loans closed after 10/03/15) or other settlement statement;
- The appraisal report evidencing Original Value, on the appropriate form with all applicable photos, exhibits, & addendums; and
- As applicable, evidence of Essent's and/or Fannie Mae/Freddie Mac project approval for condominiums or cooperatives.

In the event that Essent should elect the Acquisition Option as the settlement option, some additional documents will be required. They are:

- A recordable deed in normal and customary form containing the customary warranties and covenants conveying to Essent Good and Merchantable Title to the Property; and
- A title insurance policy reasonably acceptable to Essent or an attorney's opinion of title reasonably acceptable to Essent, confirming that the Insured has and can convey title of the Property to Essent.

## **8.5 ESSENT'S OBLIGATION REGARDING ADDITIONAL DOCUMENTATION OR INFORMATION**

Essent has sixty (60) days to process and settle a Claim once the Claim is Perfected. If any documentation or information is needed to perfect the Claim, the sixty (60) day period may be suspended until Essent receives such additional documents and/or information.

If Essent needs additional documentation or information in order to process a Claim, Essent will within twenty (20) days of receipt of a Claim, notify the Servicer as to what is needed to perfect the Claim. If Essent fails to request such additional documentation and/or information within the twenty (20) day period, Essent may still request such, but the sixty (60) day period which Essent has to process and settle the Claim will not be suspended.

## **8.6 ACCESS TO THE PROPERTY**

Essent may require access to the Property but only if Essent believes there is a possibility we may elect the Acquisition Option in settlement of the claim. Essent must request access to the Property no later than the fortieth (40th) day of the Claim Settlement Period. A timely request for access results in a suspension of the Claim Settlement Period until Access to the Property is granted. Access does not mean that the Property must be vacant, only that the occupant allows an appraiser or Realtor Access to the interior for an inspection.



## **8.7 CALCULATION OF THE CLAIM AMOUNT (CLAIMABLE ITEMS)**

It is important that the calculation of the Claim Amount section of the Claim for Loss form be completed in its entirety. This will help us expedite the Claim calculation process. Under Master Policy Section 71 (Calculation of Claim Amount) of the Master Policy, the following items are claimable:

### **8.71 PRINCIPAL BALANCE**

Enter the amount of the unpaid principal balance as of the date of last payment. If there has been a modification of the principal balance during the life of the Loan, it will be helpful to Essent to include information about the modification.

### **8.72 ACCRUED AND UNPAID INTEREST**

Unpaid interest is allowed through the Claim filed date (maximum 60 days) after acquiring the Borrower's Title to the Property, or date a Third-Party Sale occurs, or if the Insured so elects, after expiration of the Borrower's right of redemption.

Please refer to the Foreclosure Time Frames Table in Section 5.0 of this Guide. The time frames are established for each state and show the maximum amount of time Essent allows from the due date of the last paid installment to the foreclosure sale date. These time frames do not include any additional time for redemption periods or bankruptcy filings. Please note the number of days will be limited to 1,080 days, the maximum allowed under the Master Policy.

If it takes longer to foreclose than what is shown in the Foreclosure Time Frames table in Section 5.0 of this Guide for the applicable state, please send a chronology or an explanation as to the reason for the additional time.

### **8.73 HAZARD INSURANCE PREMIUMS**

Advances are claimable for hazard insurance premiums paid during the Default period through the date the Claim for Loss is filed. However, the amount paid will be prorated when processing the Claim through the earlier of the date the Claim is filed, or was required to be filed. Please show the date the premiums were paid and the coverage periods shown on the Claim for Loss in order for Essent to properly calculate the proration of the premium payment.

### **8.74 TAXES, ASSESSMENTS AND OTHER PUBLIC CHARGES IMPOSED ON THE PROPERTY**

All city, county, school taxes and other assessments paid during the Default period through the date the Claim for Loss is filed are claimable. However, the amount paid will be prorated when processing the Claim through the earlier of the date the Claim is filed or was required to be filed. Please show the date the taxes or assessments are paid, as well as the coverage periods, on the Claim for Loss in order for Essent to calculate the proration of the payments. Interest and/or penalties for late payments of any tax or assessment are not claimable.

### **8.75 PROPERTY PRESERVATION/REPAIRS**

The Property should be maintained and preserved once it becomes REO. Expenses incurred prior to filing the Claim that are necessary and reasonable related to securing, preserving and maintaining the Property are claimable. Expenses for normal wear-and-tear repairs are claimable in the event Essent elects to settle the Claim by selecting the Acquisition Option or Third-Party Sale option.

Approval from Essent is not necessary for any Property preservation or repair expenses that the Insured wishes to do prior to the Claim Settlement.

### **8.76 CONDOMINIUM FEES**

Condominium fees, homeowners' association dues, maintenance fees, and cooperative association dues paid from the date of Default until the Claim is filed or was required to be filed are claimable.

### **8.77 ATTORNEY FEES & COURT COSTS**

Actual attorney's fees, and including Court Expenses to complete the Appropriate Proceedings, and eviction of occupants that are incurred prior to the filing of the Claim are allowable, but the Attorney Fees may not exceed: (i) the lesser of \$6,000 or 5% of the sum of the unpaid principal balance, and the accrued and accumulated interest due at the time the Claim is filed, if the unpaid principal balance is less than \$200,000; or (ii) three percent (3%) of the sum of the unpaid principal balance and the accrued and accumulated interest due at the time a claim is filed, if the unpaid principal balance is \$200,000 or more. Any agreed upon expenses for pursuit of a deficiency judgment would be claimable in addition to the allowable attorney and court expenses to complete the Appropriate Proceedings and eviction of the occupants incurred prior to the filing of the Claim.

Eviction fees and costs incurred after the Claim filing will be claimable as a Supplemental Claim when Essent requires the Property to be vacant before the Claim Settlement or if a Short Sale takes place after the Claim filing that reduces Essent's loss and Essent elects to settle the Claim under the Third-Party Sale option.

### **8.78 PREMIUM REFUND**

Essent will refund all premiums paid for coverage after the date of Default, as an offset to the Insurance Benefit.

### **8.79 ITEMS TO BE DEDUCTED**

The Master Policy requires the Insured to inform Essent when filing a Claim of any funds available that reduce the Claim Amount, such as:

- Rents or other payments you received before filing the Claim;
- Amounts remaining in escrow that you are entitled to as of the last loan payment date;
- Amount of pledged collateral that you are entitled to;
- Hazard and other insurance amounts received by you or the Borrower but not applied to the loan or restoration of the Property;
- Advances that required our approval but were unapproved;
- Proceeds of eminent domain proceedings (if, and to the extent, not applied to reduce the unpaid principal loan balance);
- Proceeds of the amount paid to redeem the Property; or
- Any remaining unused interest buy-down funds, discounts or similar features of the loan

## **9.0 Claim Settlement Options**

The Claim Amount is the sum of the claimable items described in Section 8.7 (Calculation of the Claim Amount) of this Guide. Essent will select the Claim Settlement Option we deem best when settling the Claim. They are:

- **Percentage Option**  
An amount equal to the Claim Amount multiplied by the Coverage Percentage;
- **Third-Party Sale Option**  
An amount equal to the Insured's loss when the Property is sold to a third party prior to the Claim Settlement and the sale results in a loss that is less than the Percentage Option.

- **Acquisition Option**

An amount equal to the Claim Amount, less any previous payments of Loss previously made by Essent with respect to the Loan or reductions for Physical Damage in exchange for conveyance of Good and Merchantable Title and Possession of the Property;

- **Anticipated Loss Option**

An amount equal to the amount of our anticipated loss, which may result in no Insurance Benefit Payable by us. This could happen in the event there is a delay in granting access to the property of more than 210 days from the Claim filing date; an approved Third Party Sale does not close within 210 days from the Claim filing date; we chose the Acquisition Option and you are unable to convey title and deliver possession of the Property within the later of 210 days of filing the Claim or 45 days after we notified you of our decision to acquire the Property (Acquisition Option); Physical Damage is applicable and the Property is not repaired within 210 days following the filing of the Claim.

## 10.0 Explanation of Benefit

An Explanation of Benefit (EOB) will be available for every Claim Settlement. The EOB will show the amount claimed and the amount allowed by Essent for each claimable item, as well as any adjustments and/or curtailments.

In the event Essent finds it necessary to change the amount claimed for any item, we will provide an explanation.

You may view and print the EOB via our Loss Management Online tool at [essent.us](https://essent.us).

## 11.0 Supplemental Claims

A Supplemental Claim may be filed for Advances incurred prior to the date the initial Claim was filed and during any period for which accrued and unpaid interest would be included in the primary Claim settlement. See Master Policy Section 68 (Supplemental Claims).

If any additional information and or documentation is needed to process the Supplemental Claim, Essent will make such request within twenty (20) days of receipt of the Supplemental Claim and the sixty (60) days, which Essent has to settle the Supplemental Claim will be suspended. If Essent should fail to request any needed documentation or information within the twenty (20) day period, the sixty (60) day period that Essent has to settle the Supplemental Claim is not suspended.

## 12.0 Subrogation and Pursuit of Deficiency Judgments

Under Master Policy Section 87 (Subrogation), Essent has the right of subrogation to the Insured's rights of recovery against the Borrower. Therefore, Essent may pursue a Borrower for its loss when permitted under the applicable State law and regulations.

The Servicer must foreclose and bid in a manner that protects deficiency rights. See Bidding Instructions in Section 6.0 of this Guide for the bidding requirements.

Essent may request of the Servicer to foreclose in a manner that is more expensive (e.g., judicial foreclosure), and to take legal action after the foreclosure sale to establish or maintain the deficiency judgment. Essent will reimburse the Servicer for the reasonable Deficiency Expenses incurred by the Servicer.



Should Essent elect to pursue a Borrower for its Loss, Essent or a firm representing Essent in pursuit of the deficiency judgment, may request the Insured or the Third-Party Beneficiary to execute and deliver such instruments and papers necessary to transfer, assign, and secure the rights to pursue the Borrower for the deficiency.

The Insured or Third-Party Beneficiary may elect to pursue a Deficiency Judgment independently or jointly. See Master Policy Section 88 (Pursuit of a Deficiency Judgment) of the Master Policy on how to calculate the pro rata share for any recovery, as well as sharing the expenses involved in obtaining the deficiency judgment.

## 13.0 Clarity of Servicing

Essent provides all Master Policyholders with additional protections. See our Clarity Of Coverage® Endorsement EGI-1005.002 (03/20). Section 3 of that endorsement commits Essent to the following Clarity of Servicing protections. The following examples illustrate how we will enforce the Master Policy in the event of some hypothetical servicing violations. Any Claim Curtailments would be clearly described on the Explanation of Benefits (EOB) we provide. Examples are used to isolate potential issues; to the extent multiple issues present themselves, Essent's treatment may differ.

### 13.1 LATE CLAIM FILING

**Example:** Foreclosure sale is held on January 1st. The Claim for Loss is filed on December 31st.

**Essent Treatment:** Sixty (60) days of Interest and other Advances are permitted under the Master Policy, i.e., through March 2nd. Essent would not deny the Claim due to the late filing, but charges for Interest and Advances would not be honored beyond sixty (60) days of the foreclosure sale.

### 13.2 LATE DEFAULT REPORTING

**Example:** The loan is due for the January 1st payment and the Default is never reported, and Essent is not made aware of the Default until the Claim for Loss is filed on December 31st.

**Essent Treatment:** If this is the first time the issue has arisen, and it affects only a single Loan, Essent would not deny the Claim, but will instead work with the Insured and its Servicer to correct any process deficiencies, prior to making any adjustments to the Claim; continued issues of a similar nature from the same source (or issues respecting more than one Loan), would likely result in Claim Curtailments with respect to the incremental Interest and Advances incurred from the date the Default was required to be reported through the date the Claim is filed.

**Example:** Same circumstance as before, except that an initial Notice of Default is submitted to Essent by March 10th. Required monthly delinquency reports are provided to Essent in April and May, but not with respect to June or July. In August, the delinquency reporting resumes and continues until the Claim is filed on December 31st.

**Essent Treatment:** The Master Policy provides Essent with the right to exclude Claims to the extent we are prejudiced by the failure to observe policy terms, but only if such damage can be reasonably quantified. Since there was no damage to Essent, no adjustment would be made to the Claim. Essent's Loss Management Department will work with your servicing teams to correct any reporting issues and ensure you reap the full benefit of your Master Policy.

### 13.3 LATE FILING OF THE COMPLAINT

**Example:** The Borrower does not make the January 1st payment. The foreclosure complaint is filed on December 1st. This Guide, in Section 5.0 of this Guide contains state-specific maximum timeframes by which the foreclosure should be completed once Appropriate Proceedings have commenced.

**Essent Treatment:** The Master Policy requires that Appropriate Proceedings be initiated no later than a date upon which the Loan becomes eight (8) payments in Default (i.e., after August 1st), assuming no bankruptcy filing or moratoriums imposed under Applicable Law. Assuming the Appropriate Proceedings were completed in the normal time frames, Essent would not deny the Claim, but Interest and Advances would not be allowed from the date the Appropriate Proceedings were required to be filed (i.e. August 1st through the date they were initiated December 1st), as it would appear in this example that the late filing of the Appropriate Proceedings delayed the entire foreclosure process by at least one hundred and twenty (120) days.

**Example:** The Borrower does not make the January 1st payment. The foreclosure is not filed until October 1st, i.e. sixty (60) days late. The foreclosure was completed in one hundred and twenty (120) days after the complaint was filed, however, Essent allows up to one hundred and eighty (180) days to complete the foreclosure in this state. The foreclosure process was completed faster than normal.

**Essent Treatment:** Even though the foreclosure complaint was filed sixty (60) days late Essent would not deny nor adjust the claim for the late filing as the foreclosure process was completed sixty (60) days earlier than anticipated.

### 13.4 LACK OF DILIGENCE IN PURSUING APPROPRIATE PROCEEDINGS

**Example:** The Borrower defaults on the January 1st payment secured by a property in Colorado and Appropriate Proceedings are commenced timely on July 1st. The foreclosing attorney misplaces the file and does not follow up appropriately to keep the foreclosure progressing timely. Appropriate Proceedings are finally completed June 30 (five hundred and seventy (570) days from the date of the last paid installment of December 1st).

**Essent Treatment:** Essent's Default and Claims Servicing Guide for this state allows four hundred and fifty (450) days from the date of the last paid installment to the date of the foreclosure sale, unless there are uncontrollable circumstances such as a bankruptcy filing. In this scenario, it appears that the misplacing of the file by the attorney delayed the foreclosure process by one hundred and twenty (120) days.

**Essent Treatment:** Essent would not deny the Claim but would adjust the Interest and other Advances for the one hundred and twenty (120) days.

**Change the Example:** Assume the delay was not due to the attorney's error, but due to the Borrower having filed a bankruptcy petition. In this example, the automatic stay would impose the delays outside the servicer's control, and so no adjustment would be made.

### 13.5 INADEQUATE HOME RETENTION EFFORTS

**Example:** Essent's review of the Servicer's effort to contact the Borrower indicates that no attempts were made to contact the Borrower by phone, nor to perform any skip tracing. The Borrower filed a bankruptcy petition after the foreclosure action was commenced. Additionally, it was also determined that the Borrower had moved out of the Property prior to defaulting. On this basis, Essent determines that any efforts to assist the Borrower would have been in vain.

**Essent Treatment:** Essent will not deny the Claim, nor will it apply any adjustment, as there is no evidence that Borrower contact efforts by the Servicer would have affected the outcome.

**Alter the Example:** Essent's review of the Servicer's efforts to contact the borrower indicates that no attempts were made to contact the Borrower by phone, nor was any skip tracing performed. The Servicer knows nothing about the Borrower's situation or the reason for Default. Accordingly, Essent cannot determine whether the outcome would have been affected, had the Servicer had been more diligent.



**Essent Treatment:** Essent's Master Policy requires that the Insured cause its Servicer to use commercially reasonable efforts to limit and mitigate loss including home retention efforts by adhering to customary servicing standards applicable to delinquent loans. Therefore, if the requirements of the CFPB Mortgage Servicing Rules as they relate to home retention are met, Essent will consider the related efforts to have been sufficient, and will not deny a Claim on such a basis. In cases where the CFPB Mortgage Servicing Rules home retention requirements are not met, this is the first time the issue has arisen, and it affects only a single Loan, Essent would not deny or curtail the Claim, but will instead work with the Insured and its Servicer to correct any process deficiencies; continued issues of a similar nature from the same source (or issues respecting more than one Loan) may result in Claim Curtailments.

### 13.6 ADJUSTMENTS FOR MISSING DOCUMENTATION OF THE COLLECTION EFFORTS

**Example:** Essent only asks for collection documentation when the Servicer has failed to make us aware of the collection efforts subsequent to Default. Upon such an Essent request, the Servicer is unable to produce the requested collection documentation.

**Essent Treatment:** If the requirements of the CFPB Mortgage Servicing Rules as they relate to documentation of delinquent Borrower contact efforts are met, Essent will consider the documentation of such collection efforts to have been sufficient, and will neither deny nor curtail a Claim on such a basis. If the CFPB Mortgage Servicing Rule requirements are not met, this is the first time the issue has arisen and it affects only one Loan, Essent would not deny or curtail the Claim, but will instead work with the Insured and its Servicer to correct any process deficiencies; continued issues of a similar nature (or issues respecting more than one Loan) from the same source may result in Claim Curtailments.

### 13.7 DISPUTE RESOLUTION

Essent will work with policyholders in resolving coverage disputes as set forth in the Master Policy and Section 14.0 of this Guide. In addition to those policyholder rights and defenses, Essent will not mischaracterize a rebuttal or appeal as a Supplemental Claim, which must be filed within ninety (90) days from Essent's payment of Insurance Benefits.

## 14.0 Appeals

Essent may from time to time exercise its rights under the Master Policy in good faith by issuing a Rescission, Claim Denial, Certificate Cancellation, Claim Curtailment or Exclusion. Within 90 days of our decision, you have the right to appeal any such action in accordance with Master Policy Section 91.