

ANNOUNCEMENT

Date: February 18, 2011
Re: Expansion of Eligibility and Pricing
Effective Date: March 25, 2011

Highlights of Changes

Due to the stabilization of broad economic indicators and the strong credit quality of recent industry production, Essent is implementing a prudent guideline eligibility expansion in conjunction with expanded pricing options to enhance our value proposition to our clients. Essent now offers credit guidelines and Monthly and Single Premium rate plans covering both Fixed and Non-Fixed rate loans for LTVs up to 97% and FICO scores down to 660. As a reminder, for Retail originations, Essent continues to have no additional guideline limitations for properties located in declining markets except for condominiums in Florida. Furthermore as part of this guideline expansion, we have removed Michigan from our list of designated declining markets; this expands the business acceptable to us for Non-Retail originations. New guidelines and rates are effective for MI applications received on or after **March 25th**.

The complete **Underwriting Guideline Manual** will be made available on Essent's website (<http://www.essent.us>) on February 28, 2011. Please contact your Essent account representative for additional information.

Underwriting Guideline Expansion

Eligibility Criteria Expansion

- **Expanded Approach to Approved Agency Automated Underwriting Systems (AUS):** Subject to meeting Essent eligibility requirements, minimal guideline overlays will be required for loans that receive a DU "Approve/Eligible" or LP "Accept/Eligible" recommendation.
- **Eligibility Expansion**
 - **Elimination of eligibility differentiation between Purchases and Rate/Term Refinances**
 - **Expansion of eligibility criteria for Condominiums and Co-Ops**
 - **Expansion of eligibility criteria for Construction-to-Permanent (CTP) transactions**
 - **Reduction of min FICO for Retail (All Markets) from 680 to 660**
 - **Reduction of min FICO for Non-Retail (Stable Markets) from 700 to 680**
 - **Expanded eligibility to include loan amounts \$625,501 to FHFA Max in both Non-Retail Stable and Non-Retail Declining Markets**
 - **Expanded Non-Retail Debt-To-Income Ratios:** A maximum DTI of 45% is now eligible for Non-Retail applications with a min FICO of 740 (max DTI 41% if FICO <740 or loan amount >\$417,000)

- **LTV/CLTV Expansion for Non-Occupying Co-Borrower Requirements:** The maximum LTV/CLTV has been expanded to 95%. The occupant borrower's DTI up to 45% is eligible with a min FICO of 740 for both Retail and Non-Retail applications (not eligible for loan amounts >\$417,000 or Cash-Out refinances).
- **Expansion of Temporary Buydowns Eligibility:** Eligibility for temporary buydowns has been expanded beyond corporate relocation loans and is now available for fixed-rate loans and ARMs with an initial fixed-rate period of 3 years or longer.
- **Availability of 3/1 ARMs:** The underwriting guidelines have been updated to expand eligibility to include 3-year ARMs.
- **Removal of Michigan from Non-Retail Declining Markets Policy:** Non-Retail applications for properties located in Michigan will now follow the Non-Retail Product Eligibility Matrix: Stable Markets. Applications for properties located in Arizona, California, Florida and Nevada will continue to follow the Non-Retail Product Eligibility Matrix: Declining Markets.

Please reference the applicable **Eligibility Highlights** below for details.

Eligibility Highlights: Retail All Markets

Loan Amount	Occupancy	Loan Purpose	Property Type	Max LTV/CLTV	Min FICO
≤\$417,000	Primary Residence	Purchase or Rate/Term Refinance	Single Family	97	720
		Purchase or Rate/Term Refinance	Single Family or Condominium or Co-op	95	660
		Cash-Out Refinance	Single Family	85	700
		Construction-to-Permanent	Single Family	95	700
	Second Home	Purchase or Rate/Term Refinance	Single Family	90	720
≤\$533,850	Primary Residence	Purchase	Two-Unit	90	700
\$417,001 to \$625,500	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	95	700
			Co-op	90	700
		Construction-to-Permanent	Single Family	90	720
\$625,501 to FHFA Max	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	90	700
			Co-op	90	720
		Construction-to-Permanent	Single Family	90	720

Eligibility Highlights: Non-Retail Stable Markets (all states excluding AZ, CA, FL, NV)

Loan Amount	Occupancy	Loan Purpose	Property Type	Max LTV/CLTV	Min FICO
≤\$417,000	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium or Co-op	95	680
		Construction-to-Permanent	Single Family	95	720
	Second Home	Purchase or Rate/Term Refinance	Single Family	90	720
\$417,001 to \$625,500	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	95	720
			Co-op	90	720
		Construction-to-Permanent	Single Family	90	740
\$625,501 to FHFA Max	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium or Co-op	90	740

Eligibility Highlights: Non-Retail Declining Markets (AZ, CA, FL and NV)

Loan Amount	Occupancy	Loan Purpose	Property Type	Max LTV/CLTV	Min FICO
≤\$417,000	Primary Residence	Purchase or Rate/Term Refinance	Single Family	95	720
			Condominium or Co-op	90	700
\$417,001 to \$625,500	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	95	740
\$625,501 to FHFA Max	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	90	740

Non-Agency AUS/Manual Underwrite Expansion

Eligibility has also been expanded as follows for loans submitted without DU “Approve/Eligible” or LP “Accept/Eligible” recommendations:

- **Non-Permanent Resident Aliens:** Eligibility for non-permanent resident aliens without diplomatic immunity has been expanded beyond those holding a “G” visa subject to certain additional requirements.
- **Simplified Trade Line Requirements:** The credit report must reflect a minimum of 3 traditional trade lines evaluated for at least 12 months for each borrower.
- **Capital Gains Income:** New guidelines have been added regarding the eligibility and documentation of capital gains income, which was previously ineligible.
- **Subordinate Financing Eligibility:** Re-subordination of existing financing is now eligible for Rate/Term refinances, but remains ineligible for Cash-Out refinances.
- **Eligibility for Properties Acquired by the Seller Within 90 Days of Loan Application:** Properties that were acquired by the seller less than 180 days from the date of the loan application must be manually underwritten by Essent and are ineligible under delegated underwriting authority.

Expanded Pricing

The table below shows the most commonly used rate and coverage combinations. Newly available rates are underlined. Monthly premiums for Fixed Rate mortgages are unchanged at standard coverage levels.

Mortgage Insurance Rates at Standard Agency Coverage

LTV Ratio (%)	Standard Coverage (%)	Monthly Premiums				Single Premiums			
		Fixed Rate		Non-Fixed Rate		Fixed Rate		Non-Fixed Rate	
		≥ 700	660-699	≥ 700	660-699	≥ 700	660-699	≥ 700	660-699
95.01-97	35	1.15	-	<u>1.41</u>	-	<u>3.06</u>	-	<u>4.03</u>	-
90.01-95	30	0.94	1.20	<u>1.08</u>	<u>1.49</u>	<u>2.40</u>	<u>2.95</u>	<u>2.91</u>	<u>3.85</u>
85.01-90	25	0.62	0.76	<u>0.78</u>	<u>0.94</u>	<u>1.40</u>	<u>1.80</u>	<u>1.74</u>	<u>2.30</u>
≤85	12	0.38	0.44	<u>0.44</u>	<u>0.55</u>	<u>0.99</u>	<u>1.10</u>	<u>1.24</u>	<u>1.50</u>

30-year, non-refundable, purchase transactions; newly available rates are underlined; rates are subject to state approval

In addition to the new rates above, monthly rates for FICO scores below 700 with coverage levels above standard Agency requirements have increased slightly in order to more closely track loss exposure levels; these coverage levels are not commonly requested.