



Date: December 3, 2012

## Introduction of Clear2Close<sup>SM</sup> and Expanded Eligibility

Effective Date: January 3, 2013

Essent is implementing an update to our Underwriting Guidelines. All changes will be effective for MI Applications received on or after January 3, 2013. Details of these changes are outlined below.

The updated Guideline Summaries as attached within this announcement and complete Underwriting Guideline Manual will be available on Essent's website ([www.essent.us](http://www.essent.us)) on January 3, 2013.

### Clear2Close<sup>SM</sup> Guideline Highlights

Essent is pleased to introduce our new **Clear2Close** Guideline Summary. With this new streamlined eligibility, loans with a DU Approve/Eligible or LP Accept/Eligible response can be qualified for Essent mortgage insurance with just four underwriting overlays:

1. Debt-to-Income Ratio: FICOs  $\geq$  700 – Max. 45%; FICOs  $<$  700 – Max. 41%
2. All Florida Condominiums: Non-delegated submissions; Primary Residence; Purchase; Max. 90% LTV/CLTV; Min. 720 FICO; Max. 41% DTI
3. Manufactured Housing: ineligible
4. Non-Permanent Resident Aliens: See Sec. 3.1 of Essent's Underwriting Guidelines

**Clear2Close** results in expanded eligibility across several categories:

- » Elimination of Non-Retail Declining Markets designations and eligibility overlays
- » Eligibility of delegated submissions for LTV/CLTV  $>$  95% and Non-Arms Length transactions
- » Min. FICO has been decreased to 700 from 720 for Debt-to-Income ratios  $>$  41%
- » ARM qualification now eligible to applicable Agency guidelines
- » Elimination of eligibility overlays for Renovation Loans and Temporary Buydowns
- » Primary Residence Max. 97% LTV/CLTV transactions:
  - » Cooperatives are now eligible
  - » Min. FICO has been decreased to 700 from 720
- » Max. LTV/CLTV for 2-Unit transactions has been increased to 95% from 90%
- » Condominiums and Cooperatives are now eligible for Cash-Out Refinances
- » Second Home transactions:
  - » Cooperatives are now eligible
  - » Min. FICO has been decreased to 700 from 720



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**CONTINUED**

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### **Additional Clear2Close<sup>SM</sup> Eligibility Update**

- » Construction-to-Permanent transactions for loan amounts greater than \$417,000 are ineligible

### **Manual Underwriting Guideline Summary Eligibility Updates**

Eligibility has been expanded across several categories as outlined below:

- » Elimination of Non-Retail Declining Markets designations and eligibility overlays
- » Eligibility of delegated submissions for both LTV/CLTV > 95% and Non-Arms Length transactions
- » Clarification has been provided regarding the following:
  - » A full Uniform Residential Appraisal Report (URAR) is required
  - » Construction-to-Permanent transactions must meet all eligibility requirements as outlined within Section 4.2 (5) of the Underwriting Guideline Manual
- » Min. FICO has been decreased to 700 from 720 for Debt-to-Income ratios > 41% and for Debt-to-Income ratios > 43% on Non-Occupying Co Borrower transactions.
- » Elimination of eligibility overlays for Renovation Loans and Temporary Buydowns

### **Additional Manual Underwriting Eligibility Update**

- » Construction-to-Permanent transactions for loan amounts greater than \$417,000 are ineligible

### **Loan Amounts >FHFA Max Guideline Summary Updates**

Eligibility has been expanded across several categories as outlined below:

- » Elimination of Non-Retail Declining Markets designations and eligibility overlays
- » Clarification that a full Uniform Residential Appraisal Report (URAR) is required

If you have any questions regarding these changes and updates, please contact your Essent account representative.

For loans with a DU Approve/Eligible or LP Accept/Eligible response, the following four Essent overlays apply:

- » Debt-to-Income Ratio: FICOs  $\geq$  700 – Max. 45%; FICOs < 700 – Max. 41%
- » All FL Condos: Non-delegated submissions; Primary Residence; Purchase; Max. 90% LTV/CLTV; Min. 720 FICO; Max. 41% DTI
- » Manufactured Housing ineligible
- » Non-Permanent Resident Aliens: See Sec. 3.1 of Essent’s Underwriting Guidelines

LOAN PURPOSE	PROPERTY TYPE	MAX. LTV/CLTV	MAX. LOAN AMOUNT	MIN. FICO
<b>PRIMARY RESIDENCE (Min. 3% of Borrower’s Own Funds required)</b>				
Purchase; Rate/Term Refinance	Single Family/Condo/Co-op	97	\$417,000	700
	Single Family/Condo/Co-op	95	\$417,000	660
	2-unit	95	\$533,850	700
	Single Family/Condo/Co-op	95	\$625,500 (FHFA Max)	700
Cash-Out Refinance	Single Family/Condo/Co-op	85	\$417,000	700
Construction-to-Permanent (See section 4.2 (5) of Underwriting Guidelines)	Single Family	95	\$417,000	700
<b>SECOND HOME (Min. 5% of Borrower’s Own Funds required)</b>				
Purchase; Rate/Term Refinance	Single Family/Condo/Co-op	90	\$417,000	700
<b>INVESTMENT PROPERTY (6 months PITI reserves; Min. 15% of Borrower’s Own Funds required)</b>				
Purchase	Single Family	85	\$417,000	720

**NOTE:** The minimum income/asset documentation requirements as per the DU/LP findings/feedback are permitted. All DU findings and LP feedback certificate conditions must be satisfied and the DU/LP decision must be present in the file. Loans with lender-negotiated guideline waivers/variances are deemed to be outside of Agency Selling Guide requirements and are thus ineligible.

LOAN PURPOSE	PROPERTY TYPE	MAX. LTV/CLTV	MAX. LOAN AMOUNT	MIN. FICO
<b>PRIMARY RESIDENCE (Min. 3% of Borrower's Own Funds required)</b>				
Purchase; Rate/Term Refinance	Single Family/Condo/Co-op	97	\$417,000	700
	Single Family/Condo/Co-op	95	\$417,000	660
	2-unit	95	\$533,850	700
	Single Family/Condo/Co-op	95	\$625,500 (FHFA Max)	700
Cash-Out Refinance	Single Family/Condo/Co-op	85	\$417,000	700
Construction-to-Permanent (See section 4.2(5) of Underwriting Guidelines)	Single Family	95	\$417,000	700
<b>SECOND HOME (Min. 5% of Borrower's Own Funds required)</b>				
Purchase; Rate/Term Refinance	Single Family/Condo/Co-op	90	\$417,000	700
<b>INVESTMENT PROPERTY (Min. 15% of Borrower's Own Funds required)</b>				
Purchase	Single Family	85	\$417,000	720

**MANUAL UNDERWRITING PRODUCT ELIGIBILITY REQUIREMENTS**

Manual Underwriting	Loans not scoring DU Approve/Eligible, LP Accept/Eligible, or not scored via DU/LP are deemed to be manual underwrites. Manually underwritten loans must meet the product eligibility criteria as outlined within this matrix and the eligibility standards as outlined within the Underwriting Guideline Manual.
Non-Permanent Resident Aliens	Non-permanent resident aliens must meet the eligibility requirements as denoted in Section 3.1
Appraisal Requirements	Full Uniform Residential Appraisal Report only
Florida Condominiums	Non-delegated submissions only; Primary Residence; Purchase; Max 90% LTV/CLTV; Min 720 FICO; Max DTI 41%
Debt-to-Income Ratio	Max DTI 45%; Max DTI 41% if FICO<700
Reserve Requirements	2 months PITI or the product required minimum; Investment Property: 6 months PITI required
Loans Amounts Above \$417,000	Must meet area specific permanent high cost loan limit as set by FHFA
Cash-Out Refinance	Max cash out: \$150,000; temporary buydowns ineligible; ARMs with an initial fixed-rate period of <5 years ineligible
Construction-to-Permanent	Construction-to-Permanent loans must meet the eligibility requirements as denoted in Section 4.2 (5)
ARMs	Min initial fixed period: 3 years; 3-year and 5-year ARMs qualify at the greater of the initial rate + 2% or the fully indexed rate; 7-year and 10-year ARMs qualify at the initial rate
Ineligible Properties	Manufactured housing; non-warrantable condominiums; condominium hotels (condo-tels); apartment/hotel conversions; model home leasebacks; vacant lots/land; time-share properties; homes unsuitable for year-round occupancy; unimproved land; earth, berm, dome, log and straw bale homes; working farms, orchards and ranches; student housing projects ("kiddie" condos); 3-4 units
Ineligible Products	Interest only; loans with scheduled or potential negative amortization; graduated payment mortgages
Non-Occupying Co-Borrower	Max LTV/CLTV 95%; DTI based on occupant borrower's income/debt profile; Max DTI 45%; Max DTI 43% if FICO<700
Loan Representative FICO Score	Lower of two or middle of three repositories to determine each borrower's representative score; lowest representative score across all borrowers; minimum of two valid credit scores must be obtained for each borrower; non-traditional/no credit score is ineligible

LOAN AMOUNT	OCCUPANCY	LOAN PURPOSE	PROPERTY TYPE	MAX LTV/CLTV	MIN FICO
>FHFA Max to \$650,000	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condo or Co-op	90	700

**LOAN AMOUNTS > FHFA MAX PRODUCT ELIGIBILITY REQUIREMENTS**

Second Homes	Ineligible
Investment Property	Ineligible
Non-Retail	Eligible
Loan Programs	Fixed Rate; 5/1 ARM; 7/1 ARM; 10/1 ARM
Eligible Borrowers	U.S. Citizens; Permanent Resident Aliens; Inter Vivos Revocable Trusts (Non Permanent Resident Aliens - ineligible)
Appraisal Requirements	Full Uniform Residential Appraisal Report only; Appraisal must be completed "as is", not subject to repair or completion
Florida Condominiums	Purchase only; Min 720 FICO
Documentation Type	Full doc only; Alt Doc and all other streamline documentation is ineligible
Credit Requirements	<p><b>Mortgage Lates:</b> 0 X 30 in last 12 months, 0 X 60 in the last 24 months;  <b>Installment/Revolving Lates:</b> 0 X 60 in last 12months; 1 X 60 in last 24 months;  <b>Judgments, Liens, Collections and Charge-Offs:</b> must be paid off; disputed collections may remain open to Max \$250 per account or \$1,000 in total  <b>Borrowers with invalid or no credit bureau score:</b> ineligible;  <b>Chap 7 &amp; 11 Previous Bankruptcy:</b> 4 yrs since discharge (2 yrs with documented extenuating circumstances);  <b>Chap 13 Previous Bankruptcy:</b> 2 yrs since discharge/4 yrs since dismissal (2 yrs with documented extenuating circumstances);  <b>Multiple Bankruptcy Filings in Past 7 Years:</b> ineligible;  <b>Foreclosure:</b> 5 yrs since date of title transfer (3 yrs with documented extenuating circumstances);  <b>Short Sale/Deed in Lieu:</b> 4 yrs since date of title transfer (2 yrs with documented extenuating circumstances);</p> <p>Minimum 3 traditional trade lines evaluated for at least 12 months for each borrower</p>
Finance Type	Purchase, Rate & Term Refinance (refinances of previously modified loans are ineligible); Cash-Out Refinance ineligible Resubordination of existing financing is eligible
Underwriting Delegation	Non-delegated
Income	<p><b>Salaried/W-2 Borrowers:</b>                      Past 2 years W-2s or past 2 years IRS tax transcripts; Most recent 30 days paystub indicating year-to-date (YTD) earnings;                      Pre-funding verbal verification within 10 business days of closing; verification of business phone number and address, must be verified by an independent third party, document name and title of person providing verification  <b>Self-Employed Borrowers:</b>                      2 years evidence of self-employment required; Most recent 2 years personal and business federal income tax returns;                      Pre-funding verbal verification within 30 calendar days of closing; verification of the existence of the business, business phone number and address, must be verified by an independent third party, document name and title of person providing verification  <b>Capital Gains Income:</b>                      2 years personal tax returns if no more than 30% of total income; 3 years personal tax returns if greater than 30% of total income; 2 year average for qualification if tax returns evidence realized capital gains for last 2 years; support for continuance for next 3 years; verification of ownership &amp; control of assets</p>
Maximum DTI	Max DTI 41%
Eligible Property Types	SFR; Condominiums; Cooperatives; Standard condo and cooperative project approval review required; Cooperatives only eligible in the states of CA, CT, IL, MA, MD, MI, MN, NJ, NY, PA, VA and D.C.
Qualification Rate	<p><b>Fixed Rate &amp; 7/1 &amp; 10/1 ARMs:</b> Note Rate  <b>5/1 ARM:</b> Greater of the fully indexed fully amortized rate or Note Rate +2%</p>
Reserves	A minimum of 6 months cash reserves (PITIA) required; Two most recent monthly bank statements required to verify funds to close and reserves
Borrower Contributions	5% of borrower's own funds required
Seller Contributions	Max 3%
4506-T	All IRS Form 4506-T must be signed, completed and dated at application and at closing by all borrowers
Ineligible Properties	Manufactured housing; non-warrantable condominiums; condominium hotels (condo-tels); apartment/hotel conversions; model home leasebacks; vacant lots/land; time-share properties; homes unsuitable for year-round occupancy; unimproved land; earth, berm, dome, log and straw bale homes; >10 acres; working farms, orchards and ranches; student housing projects ("kiddie" condos); 2-4 units
Ineligible Products	Interest only; loans with scheduled or potential negative amortization; streamline refinances; construction loans; renovation loans; loans with terms greater than 30 years; graduated payment mortgages
Ineligible Attributes	Post-closed loans; first time homebuyers; non-occupant co-borrowers

\* Essent intends to insure a representative mix of a lender's overall mortgage insurance loan production, and will monitor the product mix on an ongoing basis to identify salient credit trends and to protect from potential adverse credit or geographic migrations

**NOTE:** Reference the Essent Underwriting Guideline Manual for full details.