

# ANNOUNCEMENT

## Underwriting Eligibility and Rate Card Updates

EFFECTIVE: NOVEMBER 16, 2015

Essent is pleased to announce updates to our Underwriting Guideline Manual and Rate Cards. Guideline changes will be effective for MI applications received on or after November 16, 2015. Rate changes will be effective for commitments issued on or after November 16, 2015, subject to regulatory approval. Details of these changes are outlined below.

Updated Guideline Summaries are attached with this announcement. The updated Underwriting Guideline Manual and Rate Cards will be available on Essent's website ([essent.us](http://essent.us)) on November 16, 2015.

Essent is also pleased to announce plans to support Fannie Mae's recently announced HomeReady™ and High Balance mortgage loan eligibility updates. Details regarding these changes will be provided in a future announcement.

### HIGHLIGHTS OF CHANGES

#### Clear2Close® Eligibility Expansion

The Clear2Close Guideline Summary has been updated to reflect the following:

- Eligibility for 95.01%-97% LTV loans with FICO scores <680
- Max. LTV/CLTV has been increased to 95% from 90% for \$625,500 loan amounts (FHFA Max)
- Eligibility for Construction-to-Permanent loans has been expanded to include both Condominiums and Second Homes
- Eligibility for Investment Property loans has been expanded to include Condominiums

#### Manual Underwriting Eligibility Expansion

The Manual Underwriting Guideline Summary has been updated to reflect the following:

- Eligibility for Construction-to-Permanent loans has been expanded to include both Condominiums and Second Homes
- Eligibility for Investment Property loans has been expanded to include Condominiums

#### Loan Amounts > FHFA Max Eligibility Expansion

The Loan Amounts > FHFA Max Guideline Summary has been updated to reflect the following:

- Maximum loan amount has been increased to \$1,000,000 subject to the following:
  - Non-Delegated underwriting submission required
  - Primary Residence, Single Family/Condominium/Cooperative properties only
  - Max. 90% LTV/CLTV
  - Min. 720 FICO
  - Max. 43% DTI; Max. 41% DTI if FICO <740
  - 12 months PITI reserves required
- Eligibility for Construction-to-Permanent loans has been expanded to include both Condominiums and Second Homes

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## Underwriting Guideline Manual Updates

The Underwriting Guideline Manual has been updated to reflect the following:

- **Section 1.5 - Delegated Underwriting Authority**
  - Properties acquired by the seller <180 days from the date of the loan application are now eligible under Delegated Underwriting Authority
- **Section 3.4 (4) - Acceptable Sources of Income and Documentation / Commission Income**
  - New guidance has been added to outline the documentation requirements when a borrower's level of commission income is <25% of their total annual employment income
- **New Section 3.4 (9) - Acceptable Sources of Income and Documentation / Future Employment or Increase in Salary**
  - New guidance has been added regarding the eligibility of both future employment and salary increases that commence within 60 days after the Note Date
- **Section 3.4.1 (5) - Other Sources of Income / Tip Income**
  - New guidance has been added regarding the eligibility of additional tip income as reported on IRS Form 4137 that was not reported by the employer on the W-2, subject to obtaining the 2 years most recent federal tax returns
- **Section 3.7 - Liabilities / Qualification Requirements**
  - New guidance has been added regarding student loan payments as follows:
    - The greater of 1% of the outstanding balance or the actual documented payment must be utilized for qualification purposes
    - If the actual documented payment is <1% of the outstanding balance and will fully amortize the loan with no payment adjustments, the lower, fully-amortizing monthly payment may be used for qualification purposes
- **Section 3.8 - Source of Funds / Eligible Sources and Documentation Requirements**
  - New guidance has been added regarding vested stocks, bonds, and mutual funds (including retirement accounts) as follows:
    - If documentation is obtained to evidence the value of the assets is at least 20% or more than the funds needed for the borrower's down payment and closing costs, no documentation of liquidation is required
- **Section 3.12 - Reserve Requirements**
  - 100% of the current market value of stocks, mutual funds, personal IRA, 401(k), KEOGH and other IRS-qualified employer retirement plans may now be used to meet any applicable reserve requirements
- **Section 4.2 (4) - Eligible Loan Purposes / Conversion of Primary Residence to Investment Property or Second Home**
  - The additional reserves and rental income requirements that applied when a borrower is retaining their Primary Residence have been eliminated
- **Section 5.1 - Form Requirements**
  - New guidance has been added regarding the acceptance of an original appraisal for a subsequent Rate/Term Refinance loan
- **Section 5.7 - Property Flipping**
  - New guidance has been added regarding validating the subject property seller is the owner of record, and ensuring the appraised value is adequately supported via market data and appropriate comparable sales if renovation/rehabilitation work has occurred
- **Section 8.2 - Assumptions / Partial Releases**
  - New guidance has been added to outline the applicable documentation requirements for both Assumption/Release of Liability and Release of Collateral requests

### Rate Card Updates

Essent's Rate Cards will be updated as outlined below:

- In conjunction with our expanded eligibility for 95.01%-97% LTV loans with FICO scores <680, Essent is updating the following monthly rates:

New Monthly Rates: 30-Year, Fixed-Rate, Purchase, Non-Refundable			
LTV	Coverage	640-679	620-639
95.01%-97%	35%	1.83%	2.40%

- Additionally, in order to support the new coverage requirements under Fannie Mae's HomeReady mortgage product, all of Essent's Rate Cards will be updated to reflect rates for a 25% coverage level at 95.01%-97% LTV. Otherwise, Essent's Rate Cards will be unchanged.

The updated Rate Cards reflecting these changes will be available on Essent's website ([essent.us](http://essent.us)) on November 16, 2015, along with an updated Rate Availability Chart.

### COMING SOON: HOMEReadY MORTGAGE AND HIGH BALANCE MORTGAGE LOAN ELIGIBILITY UPDATES

Essent is committed to assisting creditworthy homebuyers achieve sustainable homeownership, and will support Fannie Mae's new HomeReady Mortgage within our Affordable Housing/HFA Guideline Summary. Essent will also support Fannie Mae's recently announced eligibility updates for high-balance mortgage loans subject to the high-cost area loan limits set by the Federal Housing Finance Agency (FHFA). Details regarding these underwriting eligibility updates and the updated Guideline Summaries will be provided in a future announcement.

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

**For loans with a DU®/LP® response as follows:**

- » DU Approve/Eligible or LP Accept/Eligible
- » DU/LP Approve/Accept Ineligible for:
  - LTVs 95.01% - 97%, where the ineligibility is due only to the LTV
  - ARMs with an initial fixed term ≥5 years, where the ineligibility is due only to the ARM plan/type

**The following Essent overlays apply:**

- » Manufactured Housing ineligible
- » Fannie Mae HomePath® Loans: LTV/CLTV >90% and Interested Party Contributions (IPC) >3% are ineligible

LOAN PURPOSE	PROPERTY TYPE	MAX. LTV/CLTV	MAX. LOAN AMOUNT	MIN. FICO	MAX. DTI
<b>PRIMARY RESIDENCE</b>					
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	97	\$417,000 AK & HI: \$625,500	620	Per DU/LP Approval
		95	\$625,500 (FHFA Max)		
	2-unit	95	\$533,850 AK & HI: \$800,775		
Construction-to-Permanent	Single Family/Condo	95	\$417,000 AK & HI: \$625,500		
		90	\$625,500 (FHFA Max)		
<b>SECOND HOME</b>					
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	90	\$417,000 AK & HI: \$625,500	620	Per DU/LP Approval
Construction-to-Permanent	Single Family/Condo				
<b>INVESTMENT PROPERTY (6 Months PITI Reserves Required)</b>					
Purchase	Single Family/Condo	85	\$417,000 AK & HI: \$625,500	720	Per DU/LP Approval

**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.

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LOAN PURPOSE	PROPERTY TYPE	MAX. LTV/CLTV	MAX. LOAN AMOUNT	MIN. FICO
<b>PRIMARY RESIDENCE</b>				
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	97	\$417,000 AK & HI: \$625,500	680
		95	\$417,000 AK & HI: \$625,500	660
		95	\$625,500 (FHFA Max)	700
	2-unit	95	\$533,850 AK & HI: \$800,775	680
Construction-to-Permanent	Single Family/Condo	95	\$417,000 AK & HI: \$625,500	680
		90	\$625,500 (FHFA Max)	700
<b>SECOND HOME</b>				
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	90	\$417,000 AK & HI: \$625,500	700
Construction-to-Permanent	Single Family/Condo			
<b>INVESTMENT PROPERTY</b>				
Purchase	Single Family/Condo	85	\$417,000 AK & HI: \$625,500	720
<b>MANUAL UNDERWRITING PRODUCT ELIGIBILITY REQUIREMENTS</b>				
<b>Manual Underwriting</b>	Loans not meeting Clear2Close® eligibility requirements 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.			
<b>Appraisal Requirements</b>	Full Uniform Residential Appraisal Report only			
<b>Debt-to-Income Ratio</b>	Max. 45% DTI; Max. 41% DTI if FICO <700			
<b>Reserve Requirements</b>	2 months PITI or the product required min.; Investment Property: 6 months PITI required			
<b>Borrower Contributions</b>	Primary Residence: 3% of borrower's own funds required; -OR- Borrower's min. contribution may come from gift funds per Agency guidelines with: 1-unit; Min. 740 FICO; Max. 41% DTI; Fixed rate/payment or ARM ≥5 yrs.; no down payment assistance, subordinate financing, or grants with repayment Second Home: 5% of borrower's own funds required Investment Property: 15% of borrower's own funds required			
<b>Loan Amounts Above \$417,000</b>	Must meet area specific permanent high cost loan limit as set by FHFA			
<b>ARMs</b>	Min. initial fixed period: 3 yrs.; 3 yr. and 5 yr. ARM's qualify at the greater of the initial rate +2% or the fully indexed rate; 7 yr. and 10+ yr. ARM's qualify at the initial rate			
<b>Ineligible Properties</b>	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			
<b>Ineligible Products</b>	Interest only; loans with scheduled or potential negative amortization; graduated payment mortgages			
<b>Non-Occupying Co-Borrower</b>	Max. LTV/CLTV 95%; DTI based on occupant borrower's income/debt profile; Max. 45% DTI; Max. 43% DTI if FICO <700			
<b>Loan Representative FICO Score</b>	Lower of two or middle of three repositories to determine each borrower's representative score; lowest representative score across all borrowers; min. of two valid credit scores must be obtained for each borrower; non-traditional/no credit score is ineligible			

**NOTE:** Please see the Essent Underwriting Guideline Manual on [essent.us](http://essent.us) for full details.  
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LOAN PURPOSE	PROPERTY TYPE	MAX. LTV/CLTV	MAX. LOAN AMOUNT	MIN. FICO
<b>PRIMARY RESIDENCE</b>				
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	95	\$650,000	700
		90	\$850,000	700
		90	\$1,000,000*	720
Construction-to-Permanent	Single Family/Condo	90	\$850,000	720
<b>SECOND HOME</b>				
Purchase or Rate/Term Refinance or Construction-to-Permanent	Single Family/Condo	90	\$650,000	720

\*Loan Amounts \$850,001 - \$1,000,000 require a Non-Delegated submission

### LOAN AMOUNTS > FHFA MAX PRODUCT ELIGIBILITY REQUIREMENTS

<b>Non-Retail</b>	Eligible
<b>Loan Programs</b>	Fixed Rate; 3 yr. ARM; 5 yr. ARM; 7 yr. ARM; 10+ yr. ARM
<b>Eligible Borrowers</b>	U.S. Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens; Inter Vivos Revocable Trusts
<b>Appraisal Requirements</b>	Full Uniform Residential Appraisal Report only
<b>Documentation Type</b>	Full doc only; Alt Doc and all other streamline documentation is ineligible
<b>Credit Requirements</b>	<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 12 months, 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);  <b>Min. 3 traditional trade lines</b> evaluated for at least 12 months for each borrower</p>
<b>Income</b>	<p><b>Salaried/W-2 Borrowers:</b> Past 2 yrs. W-2s or past 2 yrs. IRS tax transcripts; Most recent 30 days paystubs 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 yrs. evidence of self-employment required; Most recent 2 yrs. 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 yrs. personal tax returns if no more than 30% of total income; 3 yrs. personal tax returns if greater than 30% of total income; 2 yr. average for qualification if tax returns evidence realized capital gains for last 2 yrs.; support for continuance for next 3 yrs.; verification of ownership &amp; control of assets</p>
<b>Debt-to-Income Ratio</b>	<p><b>3 yr. ARM:</b> Max. 38% DTI  <b>Loan Amounts ≤ \$850,000:</b> Max. 45% DTI; Max. 41% DTI if FICO &lt;740  <b>Loan Amounts \$850,001 - \$1,000,000:</b> Max. 43% DTI; Max. 41% DTI if FICO &lt;740</p>
<b>Eligible Property Types</b>	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.
<b>Qualification Rate</b>	<p><b>Fixed Rate &amp; 7 yr. &amp; 10+ yr. ARMs:</b> Note Rate  <b>3 yr. ARM:</b> Greater of the fully indexed fully amortized rate or Note Rate +5%  <b>5 yr. ARM:</b> Greater of the fully indexed fully amortized rate or Note Rate +2%</p>
<b>Reserves</b>	<p><b>Loan Amounts ≤ \$850,000:</b> 6 months PITI required  <b>Loan Amounts \$850,001 - \$1,000,000:</b> 12 months PITI required  <b>First-Time Homebuyer:</b> 12 months PITI required                      Two most recent monthly bank statements required to verify funds to close and reserves</p>
<b>Borrower Contributions</b>	5% of borrower's own funds required
<b>Seller Contributions</b>	Max. 3%
<b>4506-T</b>	All IRS Form 4506-T must be signed, completed and dated at application and at closing by all borrowers
<b>Ineligible Properties</b>	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
<b>Ineligible Products</b>	Interest only; loans with scheduled or potential negative amortization; streamline refinances; renovation loans; loans with terms greater than 30 years; graduated payment mortgages
<b>Ineligible Attributes</b>	Post-closed loans; non-occupant co-borrowers; refinances of previously modified loans

**NOTE:** Please see the Essent Underwriting Guideline Manual on [essent.us](http://essent.us) for full details.

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