

ANNOUNCEMENT

Updates to Essent's Underwriting Guidelines

EFFECTIVE: SEPTEMBER 17, 2018

Essent is pleased to announce updates to our Underwriting Guideline Manual. Guideline changes will be effective for MI applications received on or after September 17, 2018 (unless otherwise indicated). Details of these changes are outlined below.

Updated Guideline Summaries are attached with this announcement. The updated Underwriting Guideline Manual will be available on Essent's website (essent.us) on September 17, 2018.

HIGHLIGHTS OF GUIDELINE CHANGES

Loan Amounts > FHFA Max Eligibility Expansion

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

- Max. LTV/CLTV has been increased to 95% from 90% for Primary Residence, Construction-to-Permanent loans up to \$850,000.
- New eligibility for 3-year ARMs, with an ARM min. initial fixed rate period of 5 yrs. required for Loan Amounts >\$1,000,000.

Doctor/Professional Loan Eligibility Expansion

The Doctor/Professional Loan Guideline Summary has been updated to reflect the following:

- New eligibility for 3-year ARMs.
- The time frame between the Note Date and the commencement of future employment has been increased to 90 days from 60 days.

Underwriting Guideline Manual Updates

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

- **Section 3.4 (9) Acceptable Sources of Income and Documentation/Future Employment or Increase in Salary**
 - The time frame between the Note Date and the commencement of future employment and salary increases has been increased to 90 days from 60 days.
- **Section 3.4.1 (13) Other Sources of Income/Restricted Stock (RS) and Restricted Stock Units (RSU)**
 - New guidance has been added regarding the eligibility of Restricted Stock and Restricted Stock Units income for qualification purposes if the restricted stock is fully vested, the current employer has distributed the stock to the borrower(s) without any restrictions, and the income is expected to continue for a minimum of 3 years from the mortgage application date.
- **Section 3.7 Liabilities/Qualification Requirements (Student Loan Payments)**
 - Updated guidance has been added regarding the treatment of student loan payments as follows:
 - » For student loans in repayment, the greater of the monthly payment as documented via the credit report OR 0.5% of the original loan balance or the outstanding loan balance (as documented via the credit report).
 - » For student loans in deferment or forbearance, the greater of the monthly payment as documented via the credit report OR 1.0% of the original loan balance or the outstanding loan balance (as documented via the credit report).
- **Section 5.4 (2) Eligible Property Types/Condominiums**
 - New clarifying guidance has been added to indicate that Detached (site) Condominiums are underwritten as and subject to Single Family property eligibility criteria.

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Collateral Underwriter® (CU®) Loan Eligibility Updates

Effective immediately, Essent supports the representation and warranty relief on property value for valid CU Risk Scores ≤ 2.5 to the extent the below requirements are met:

- Lenders remain responsible for the following items:
 - The description of the subject property, and the accuracy and completeness of all data on the appraisal that pertains to the property and project (if applicable), other than the appraised value. This includes the subject property's condition and quality ratings
 - Ensuring the subject property meets the property eligibility requirements in the Fannie Mae Selling Guide
 - All other representations and warranties on the loan, including any life-of-loan representations and warranties that may apply to the property or the appraisal
 - To meet these requirements, lenders still must conduct a basic review of the appraisal and all required photos, exhibits and addendums
- One of the following documents must be present in the loan file:
 - Desktop Underwriter® (DU®) CU Findings and Collateral Underwriter Messages
 - CU Print Report
 - UCDP® Submission Summary Report (SSR) from Collateral Underwriter
- The subject property Condition Rating must be C4 or better as of the Note Date
- The subject property does not include an Accessory Unit

COMING SOON: MH ADVANTAGE™ LOAN ELIGIBILITY UPDATES

Essent remains committed to assisting creditworthy homebuyers achieve sustainable homeownership, and will support Fannie Mae's new MH Advantage initiative. Full details regarding underwriting eligibility updates and the applicable Guideline Summaries and Rate Cards will be provided in a future October announcement.

If you have any questions regarding these changes, please contact your [Essent account manager](#).

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LOAN PURPOSE	PROPERTY TYPE	MAX. LOAN AMOUNT	MAX. LTV/CLTV	MIN. FICO
PRIMARY RESIDENCE				
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	\$850,000	95	700
		\$1,000,000*	90	720
		\$1,500,000*	85	740
Construction-to-Permanent	Single Family/Condo	\$850,000	95	720
		\$1,000,000*	90	740
SECOND HOME				
Purchase or Rate/Term Refinance	Single Family/Condo	\$650,000	90	720
		\$850,000	90	740
Construction-to-Permanent	Single Family/Condo	\$650,000	90	720

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

LOAN AMOUNTS > FHFA MAX PRODUCT ELIGIBILITY REQUIREMENTS

Non-Retail	Eligible
Loan Programs	Fixed Rate; 3 yr. ARM; 5 yr. ARM; 7 yr. ARM; 10+ yr. ARM Loan Amounts ≤\$1,000,000: ARM min. initial fixed rate period of 3 yrs. Loan Amounts >\$1,000,000: ARM min. initial fixed rate period of 5 yrs.
Eligible Borrowers	U.S. Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens; Inter Vivos Revocable Trusts
Appraisal Requirements	Loan Amounts ≤\$1,000,000: Full Appraisal Report Loan Amounts >\$1,000,000: 2 Full Appraisal Reports OR 1 Full Appraisal Report + Field Review
Documentation Type	Full doc only; Alt Doc and all other streamline documentation is ineligible
Credit Requirements	Mortgage Lates: 0 X 30 in last 12 months, 0 X 60 in the last 24 months; Installment/Revolving Lates: 0 X 60 in last 12 months, 1 X 60 in last 24 months; Judgments, Liens, Collections, Charge-Offs: must be paid off; disputed collections may remain open to Max. \$250 per account or \$1,000 in total; Borrowers with invalid or no credit bureau score: ineligible; Chap 7 & 11 Previous Bankruptcy: 4 yrs. since discharge (2 yrs. with documented extenuating circumstances); Chap 13 Previous Bankruptcy: 2 yrs. since discharge/4 yrs. since dismissal (2 yrs. with documented extenuating circumstances); Multiple Bankruptcy Filings in Past 7 Years: ineligible; Foreclosure: 5 yrs. since date of title transfer (3 yrs. with documented extenuating circumstances); Short Sale/Deed in Lieu: 4 yrs. since date of title transfer (2 yrs. with documented extenuating circumstances); Min. 3 traditional trade lines evaluated for at least 12 months for each borrower
Income	Salaried/W-2 Borrowers: 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 Self-Employed Borrowers: 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 Capital Gains Income: 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 & control of assets
Debt-to-Income Ratio	Loan Amounts ≤\$850,000: Max. 43% DTI; Loan Amounts >\$850,000: Max. 41% DTI
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	Fixed Rate & 7 yr. & 10+ yr. ARMs: Note Rate; 3 yr. & 5 yr. ARMs: Greater of the fully indexed fully amortized rate or Note Rate +2%
Reserves	Loan Amounts ≤\$850,000: 6 months PITI required Loan Amounts >\$850,000: 12 months PITI required First-Time Homebuyer: 12 months PITI required Two most recent monthly bank statements required to verify funds to close and reserves
Borrower Contributions	Loan Amounts ≤\$1,000,000: 5% of borrower's own funds required; Loan Amounts >\$1,000,000: 10% of borrower's own funds required
Seller Contributions	>90% LTV: Max. 3%; ≤90% LTV: Max. 6%
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; renovation loans; loans with terms greater than 30 years; graduated payment mortgages
Ineligible Attributes	Post-closed loans; refinances of previously modified loans

NOTE: Please see the Essent Underwriting Guideline Manual in [Rates & Guidelines](https://www.essent.us) at [essent.us](https://www.essent.us) for full details.

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doctor/professional loan

PRODUCT ELIGIBILITY MATRIX

Doctor/Professional Loan Guideline Summary

Effective: September 17, 2018

OCCUPANCY	LOAN PURPOSE	PROPERTY TYPE	MAX. LOAN AMOUNT	MAX. LTV/CLTV	MIN. FICO
Primary Residence	Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	Base Conforming Loan Limit	97	700
			\$650,000	95	700
			\$850,000	90	700
			\$1,000,000	90	720

DOCTOR/PROFESSIONAL PRODUCT ELIGIBILITY REQUIREMENTS

Submission Criteria	Doctor/Professional loans must be identified by selecting Doctor/Professional Loan in Essent Online Rate Finder or MI Ordering systems, or by typing the Essent product code DRPROG in your LOS rate quote request or MI submission where appropriate
Second Homes	Ineligible
Investment Property	Ineligible
Loan Programs	Fixed Rate; 3 yr. ARM; 5 yr. ARM; 7 yr. ARM; 10+ yr. ARM
Eligible Borrowers	Newly licensed Medical Residents who have either recently completed their residency and are about to begin their new employment or have <6 months of residency remaining; Existing Physicians/Doctors (MD, DO, DPM), Dentists (DDS, DMD), Oral Surgeons, Attorneys Non-Permanent Resident Aliens - eligible
Appraisal Requirements	Full Uniform Residential Appraisal Report only
Documentation Type	Full doc only; Alt Doc and all other streamline documentation is ineligible
Credit Requirements	Mortgage/Housing Lates: 0 X 30 in last 12 months; 0 X 60 in last 24 months; Installment/Revolving Lates: 0 X 60 in last 12 months; 1 X 60 in last 24 months; Judgments, Liens, Collections and Charge-Offs: must be paid off; disputed collections may remain open to Max. \$250 per account or \$1,000 in total; Borrowers with invalid or no credit bureau score: ineligible; Chap 7 & 11 Previous Bankruptcy: 4 yrs. since discharge (2 yrs. with documented extenuating circumstances); Chap 13 Previous Bankruptcy: 2 yrs. since discharge/4 yrs. since dismissal (2 yrs. with documented extenuating circumstances); Multiple Bankruptcy Filings in Past 7 Years: ineligible; Foreclosure: 5 yrs. since date of title transfer (3 yrs. with documented extenuating circumstances); Short Sale/Deed in Lieu: 4 yrs. since date of title transfer (2 yrs. with documented extenuating circumstances); Minimum 3 traditional trade lines evaluated for at least 12 months for each borrower
Treatment of Student Loan Debt	Student loan debt may be excluded from the DTI calculation with documentation to evidence deferment/forbearance for at least 12 months
Finance Type	Purchase, Rate & Term Refinance, and Resubordination of existing financing eligible Cash-Out Refinance ineligible
Income	Salaried/W-2 Borrowers: 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 Self-Employed Borrowers: 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 Future Employment: Permitted if starting within 90 days of the note date; obtain copy of fully executed employment contract/offer letter; VVOE to be completed prior to closing to confirm employment status; obtain documentation to evidence sufficient reserves to cover mortgage PITI payment until employment commences
Debt-to-Income Ratio	Loan Amounts ≤\$850,000: Max 43% DTI; Loan Amounts >\$850,000: Max. 41% DTI
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 DC
Qualification Rate	Fixed Rate & 7 yr. & 10+ yr. ARMs: Note Rate; 3 yr. & 5 yr. ARMs: Greater of the fully indexed fully amortized rate or Note Rate +2%
Reserves	Loan Amounts ≤\$650,000: 2 months PITI required Loan Amounts \$650,001-\$850,000: 6 months PITI required Loan Amounts >\$850,000: 12 months PITI required Two most recent monthly bank statements required to verify funds to close and reserves
Borrower Contributions	Loan Amounts ≤\$650,000: 3% of borrower's own funds required; Loan Amounts >\$650,000: 5% of borrower's own funds required
Gift Funds	Permitted only after minimum contribution from borrower's own funds has been met
Seller Contributions	>90% LTV: Max. 3%; ≤90% LTV: Max. 6%
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; refinances of previously modified loans

NOTE: Any eligibility requirements not referenced above would defer to the then current Essent Underwriting Guideline Manual in [Rates & Guidelines](#) at essent.us.

Base Conforming Loan Limit denotes the currently effective general loan limits as specified by the FHFA for the contiguous United States, AK and HI.

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