ESSENT®

FREQUENTLY ASKED QUESTIONS

Essent's New Master Policy: Providing You With All The Benefits Of The New GSE Rescission Relief Principles

1. WHY IS ESSENT'S MASTER POLICY CHANGING?

We are changing our Master Policy to support the GSEs' goals to better align mortgage insurance (MI) Rescission Relief with the Seller/Servicer Repurchase Framework. We also took the opportunity to work with the other U.S. Mortgage Insurers (USMI) members to provide uniform policy terms in plain English, which is consistent with our *Clarity of Coverage*® commitment.

2. WHEN WILL THE NEW MASTER POLICY BE EFFECTIVE?

Our new Master Policy will be effective for all MI applications received on and after March 1, 2020.

3. HOW DO I GET A COPY OF ESSENT'S NEW MASTER POLICY?

We will send your new Master Policy via email to your designated contact in February, 2020. A sample of our new Master Policy, as well as other related documents and guides, are available on our website.

After we send the new Master Policy, you can contact our Client Services team at clientservices@essent.us or 877.569.6547 to request an additional emailed copy or a printed and mailed version of your issued Master Policy.

4. WHAT ARE THE DIFFERENCES BETWEEN ESSENT'S OLD AND NEW MASTER POLICIES?

Highlights of key changes are available on our website. However, it's important to note that our new Master Policy:

- Has been adopted by all USMI members and is identified by a common form number: "USMI 001 (03/20)." The only differentiators are logos, cover pages and references to guides.
- Is written in plain English and numbered sequentially with no cross-referencing, making it easier to find what you need.
- Has no separate endorsements for Non-Delegated and Delegated; and Rescission Relief options are addressed within the Master Policy itself.
- Is better aligned with the GSE Rep and Warrant Frameworks.
- Provides updated Rescission Relief options, including the use of automated tools to get Rescission Relief for certain components from the Commitment date
- Provides coverage during the construction phase of a Construction-to-Permanent loan for all traditional MI risks.
- Physical Damage now deemed the primary cause of Default when the restoration costs are 20% or more of Original Value.

What has not changed is our commitment to uphold our original Master Policy's best-in-class *Clarity of Coverage*® including:

- Better appraisal protection: In addition to requiring a variance of >15% between the re-appraisal and the original value, we must show credible evidence that the appraiser manipulated or made inappropriate use of information in arriving at the value.
- Missing document protection: We will not rescind coverage for missing documents if we are able to find alternatives to complete our review.
- Clarity of Servicing — our fairness in servicing pledge

© 2020 Essent Guaranty, Inc., All rights reserved.

CONTINUED ON NEXT PAGE

Our *Clarity of Coverage* endorsement will be issued with every Master Policy, and will not have a USMI form number as it is unique to Essent.

5. WHAT ABOUT LOANS CURRENTLY INSURED BY ESSENT?

Loans in our portfolio prior to March 1, 2020 are subject to the terms and conditions set forth in the Master Policy in effect when the loans were submitted for insurance.

- Loans submitted from October 1, 2014 to February 29, 2020 are covered under Master Policy EGI-1003.001 (07/14) and associated endorsements.
- Loans submitted prior to October 1, 2014 are covered under Master Policy EGI-1002.001 (01/11) and associated endorsements.

6. WHAT ARE THE PROVISIONS IN THE NEW MASTER POLICY FOR RESCISSION RELIEF?

Rescission Relief opportunities are explained in Section 17: Limitations on our right to rescind coverage. All loans insured by Essent will be eligible for Rescission Relief after 36 payments from the Borrower's own funds, provided the loan is current and there have been no more than two 30-day and no 60-day delinquent payments since the first payment due date. Loans not eligible after 36 months will be eligible for Rescission Relief after 60 months if current, or once they become current.

Exceptions to Rescission Relief include Data Inaccuracies and Single Loan Fraud, which are Life-of-Loan Exclusions (Section 18: Data inaccuracies and Section 36: Single Loan Fraud).

As has always been the case, we will not rescind based on any mistakes made by our underwriters in completing a Non-Delegated review from the date we issue a Commitment.

7. IS EARLIER RESCISSION RELIEF POSSIBLE?

Yes. Section 17 also identifies three ways a loan, in its entirety or in its individual components, may qualify for Rescission Relief prior to 36 months. The details are set out in our Early Rescission Relief Guide [EGI-6801.024 (03/20)].

a. Early Rescission Relief For Specific Loan Components

For loans submitted Non-Delegated for initial review by an Essent Underwriter:

- If income, employment or assets have been verified through an Automated Tool, each specific component will have Rescission Relief as of the date of our Commitment. (An Automated Tool is defined in Section 1, and is called an Automated Validation Tool by the GSEs, as Borrower data is received from an approved third-party vendor and validated by DU® or Loan Product Advisor®).
- Additionally, for all Non-Delegated loans, we will review the appraisal and, if it meets our guidelines, it will receive Rescission Relief with respect to issues related to value as of the date of our Commitment.

b. Opt In For Post-Close Review

By opting in for post-close review, Master Policyholders can have Essent-insured loans evaluated for early Rescission Relief eligibility.

- For Non-Delegated loans, a post-close review will require submission of all closing documents, as well as any loan data that has changed since Essent underwriters reviewed the origination package and issued the Commitment.
- For Delegated loans, a post-close review will require submission of both the Origination File and Closing File in their entirety.

DU® is a registered trademark of Fannie Mae.
Loan Product Advisor® is a registered trademark of Freddie Mac.

© 2020 Essent Guaranty, Inc., All rights reserved.

CONTINUED ON NEXT PAGE

If Essent is able to validate that all of the data is accurate and the loan has no Significant Defects, Rescission Relief will be granted as of the date of Independent Validation (i.e., the date the review is completed). We will issue an endorsement to the existing Certificate to document your updated coverage terms.

c. Quality Assurance (QA) Review

All Essent-insured loans are potentially subject to a QA analysis based on random sampling or targeted reviews. This existing process will not change. Designated contacts will receive email notification of the specific files and documents required. If our QA analysts are able to validate that all of the data provided is accurate and that a loan has no Significant Defects, Rescission Relief will be granted as of the date of Independent Validation (i.e., the date the analysis is completed and the endorsement to the existing Certificate is issued).

8. WHAT IS INDEPENDENT VALIDATION?

In order to grant early Rescission Relief, we independently validate the representations in each loan file, which essentially equates to a full-file underwrite. If there are any discrepancies or questionable information, we will take reasonable steps to confirm there are no Significant Defects, which may include performing independent reverifications.

9. WHAT IS AN UNDERWRITING DEFECT?

We consider Underwriting Defects to be misrepresentations that an Essent underwriter could not have identified. Take, for example, an instance where a Borrower takes out a new loan prior to closing, but after the original credit report was issued. The new debt, which would appear on the soft-pull credit report pulled by the Master Policyholder prior to closing, causes the debt-to-income ratio to exceed our guidelines. This "defect" would be the Master Policyholder's responsibility.

10. WHAT MAKES A DEFECT SIGNIFICANT?

A Defect is classified as Significant if, had the facts in question been known at the time of submission, the loan would not have been eligible for Essent MI. (See the definition of Significant Defect in Section 1: DEFINITION OF TERMS.) When a Significant Defect is identified, it is subject to the remedies described in Section 35: Significant Defect. The approach to Significant Defects related to Collateral Valuation differs depending whether the submission was Non-Delegated or Delegated.

- For Non-Delegated loans, our underwriters assess collateral valuation during their initial review of the appraisal. If we commit to insure the loan, the appraisal will have Rescission Relief as of the Commitment date.
- For Delegated loans, a Significant Defect can relate to collateral valuation, where there is a percentage variance of 15% or more between the original value and the opinion of market value for the subject property, and the Loan-to-Value (LTV) calculated as of the Certificate Effective Date using the retrospective value did not meet applicable Underwriting Guidelines.

11. WHAT HAPPENS WHEN ESSENT IDENTIFIES A SIGNIFICANT DEFECT?

We will communicate the nature of the Significant Defect and pursue our Rescission remedies under the Master Policy (Section 16: Exclusions and other remedies generally). In lieu of Rescission, we may consider a Rescission alternative, including additional premium or indemnification. If we offer a Rescission alternative, and the alternative is accepted and executed, the loan will have Rescission Relief as of the date we issued the endorsement to the existing Certificate.

12. WHEN A NON-DELEGATED LOAN UNDERWRITTEN BY ESSENT HAS A CHANGE OCCUR AFTER THE LOAN HAS BEEN UNDERWRITTEN, DOES THE FILE NEED TO BE RESUBMITTED FOR REVIEW?

If the change is material, potentially affecting the risk profile of the loan, the new information must be provided to our underwriter for review. Examples include, but are not limited to:

© 2020 Essent Guaranty, Inc., All rights reserved.

CONTINUED ON NEXT PAGE

- Change in loan amount
- Change in appraised value of the property
- Additional Borrower debt

13. HOW DO WE OPT IN FOR EARLY RESCISSION RELIEF AND SUBMIT FILES FOR EARLY RESCISSION RELIEF REVIEW?

Master Policyholders can elect to submit loans for Early Rescission Relief review by completing an Opt-In Form, which is available from your Essent account manager or on our website. Once opted in, you can send documents through our secure website for uploading files, or, in some cases, directly through your loan origination system (LOS), just as you would send files for a QA sample or targeted review. Our QA team can work directly with appropriate contacts to ensure a smooth, simple-to-use process.

If a Master Policyholder opted in for Enhanced Clarity Post-Close Review under the Master Policy in effect prior to March 1, 2020 (EGI-1003.001 (07/14), that opt-in will carry over to the new Master Policy with no additional actions required. Please communicate changes to opt-in status via email to the QA team at qualityassurance@essent.us.

14. DOES ESSENT CHARGE A FEE FOR EARLY RESCISSION RELIEF?

There is no charge for early Rescission Relief, whether a Master Policyholder opts in for review of every loan or has loans that are otherwise subject to QA review.

15. WHOM SHOULD I CONTACT TO ADDRESS QUESTIONS ABOUT RESCISSION RELIEF OPTIONS?

Your Essent account manager can assist you and help you identify the best options for your business. You can also find more detailed information about the Rescission Relief options available to you in our Early Rescission Relief Guide.

© 2020 Essent Guaranty, Inc., All rights reserved.