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Clarity of Coverage[®] Endorsement to Mortgage Guaranty Insurance Master Policy, EGI-1005.001 (03/20)

This *Clarity of Coverage*[®] Endorsement (“Endorsement”) applies to a loan only if the related Certificate is issued on or after the effective date of this Endorsement.

The Policy is amended as follows:

1 THE DEFINITION OF VALUATION DEFECT IS REMOVED AND REPLACED WITH THE FOLLOWING:

“**Valuation Defect**” means (i) a percentage variance of 15% or more between the Original Value and the opinion of market value for the subject Property as determined by a licensed appraiser in an appraisal report prepared at our request as of the date of the Original Value in compliance with industry standard appraisal practices, (ii) the loan-to-value ratio calculated as of the Certificate Effective Date using the retrospective value did not meet our Underwriting Guidelines applicable to the loan, and (iii) Credible Evidence that the appraiser manipulated or inappropriately utilized information in producing the appraisal that established the Original Value (e.g., if the sales history of the subject Property or its relation to comparable properties is misrepresented). The percentage variance is the quotient determined by dividing the difference between the two values by the Original Value, expressed as a percentage. A Valuation Defect is a Significant Defect.”

2 SECTION 15 IS AMENDED BY ADDING THE FOLLOWING SUBSECTION:

“f) *Alternative Documentation*. If you cannot fulfill our requests for documents and other information, we will not deny, cancel or rescind your coverage unless we reasonably determine that your failure to produce such

documents or information has materially prejudiced our ability to conduct a complete, proper and timely review of the loan. Where possible, we may rely on alternative documentation to enable our full review of the loan. As non-exhaustive examples:

- (1) Missing loan instruments may be remedied if the Insured produces a copy of the payment history, provided we are able to verify the original loan amount, note type and interest rate.
- (2) Missing mortgage, deed of trust, or similar instruments may be remedied if the Insured provides public records that allow us to verify the lien details.
- (3) Missing verifications of employment may be remedied if we can re-verify the applicable employer, the employment and salary representations. Missing tax returns may be remedied if the Insured provides an executed, unexpired IRS Form 4506T that allows us to verify that the income was correct.
- (4) Missing banking statements and verifications of deposit may be remedied by re-verifying with the bank that the borrower did have the assets as represented.
- (5) Missing original appraisals may be remedied with an historical or current broker price opinion or appraisal report prepared in compliance with industry standard appraisal

practices or another alternative method that we approve, that can be used to verify the Original Value of the Property (considering market trends), Property type, and status of completion of construction.”

3 **SECTION 23 IS AMENDED BY ADDING THE FOLLOWING SUBSECTION:**

“i) We will only exclude amounts under Section 23 (a-g) when we have been damaged by your failure to comply, as illustrated by the examples we provide in the *Clarity of Servicing* section of our Default and Claims Servicing Guide in effect on the Certificate Effective Date.”

4 **SECTION 35(a) IS AMENDED BY ADDING THE FOLLOWING:**

“We will not consider any finding from any of the following investigative practices to be sufficient, by itself, to constitute Credible Evidence:

(i) That average salary information, such as is available from various vendors, is less than the verified income used to qualify the borrower; and

(ii) That information submitted to a bankruptcy court by the borrower refutes asset and liability representations made by the borrower on the loan application.

5 **SECTION 47 IS AMENDED BY ADDING THE FOLLOWING:**

“Notwithstanding the notification provisions of Section 47 of the Policy, we will only require self-reporting upon request.”

All conditions of the Policy not modified by this Endorsement remain in full force and effect for all loans insured under the Policy.

ESSENT GUARANTY, INC.

Mark A. Casale,
President



Mary Lourdes Gibbons,
Secretary

