

## Enhanced Coverage Endorsement to Mortgage Guaranty Insurance Master Policy with *Clarity of Coverage*<sup>®</sup>, EGI-1003.001 (07/14)

It is understood and agreed that this Enhanced Coverage Endorsement (“Endorsement”) shall apply to a Loan only if the Certificate for the Loan is issued on or after the date on which this Endorsement is delivered to the Insured and thereby made part of the Insured’s Mortgage Guaranty Insurance Master Policy with *Clarity of Coverage*<sup>®</sup> (“Policy”), and that the Policy has been endorsed by either the Non-Delegated Underwriting Endorsement to the Policy (“Non-Delegated Endorsement”) or the Delegated Underwriting Endorsement to the Policy (“Delegated Endorsement”);

The Policy is hereby amended as follows for each Loan (an “Enhanced Coverage Loan”) and its related Certificate (“Enhanced Coverage Certificate”):

1. A new Subsection I(C)(1Y) (Applying for Enhanced *Clarity of Coverage* — Underwriting and/or Enhanced *Clarity of Coverage* — Collateral) shall be inserted after Non-Delegated Endorsement Subsection I(C)(1X) (Applying for Coverage) and Delegated Endorsement Section 1(C) (Application and Certificate), respectively:

“(1Y). Applying for Enhanced *Clarity of Coverage* — Underwriting and/or Enhanced *Clarity of Coverage* — Collateral.

a) If the Non-Delegated Endorsement applies, to obtain Enhanced *Clarity of Coverage* — Underwriting, the Insured shall follow the opt-in directions provided in the Enhanced *Clarity of Coverage* Guide, and with respect to a Loan, the Insured shall provide the Company with the Closing File within sixty (60) days of the Certificate Effective Date of the Loan.

b) If the Delegated Underwriting Endorsement applies the Insured shall follow the opt-in directions provided in the Enhanced *Clarity of Coverage* Guide, and,

1) To obtain Enhanced *Clarity of Coverage* — Collateral with respect to a Loan, the Insured shall provide the Company with the Collateral Documents within sixty (60) days of the Certificate Effective Date of the Loan;

2) To obtain Enhanced *Clarity of Coverage* — Underwriting, the Insured shall provide the Company with the Origination File and the Closing File within sixty (60) days of the Certificate Effective Date;

Or, in either case, as may be otherwise described in the Company’s Enhanced *Clarity of Coverage* Guide as of the Certificate Effective Date.

2. A new Subsection I(C)(1Z) (Company’s Responsibility Regarding Independent Validation) shall be inserted after Subsection 1(C)(1Y) (Applying for Enhanced *Clarity of Coverage* — Underwriting and/or Enhanced *Clarity of Coverage* — Collateral):

“(1Z). Within one hundred eighty (180) days of receipt of the documentation required under Subsection I(C)(1Y) (Applying for Enhanced *Clarity of Coverage* — Underwriting and/or Enhanced *Clarity of Coverage* — Collateral) with respect to a Loan, the Company shall:

1. For Enhanced *Clarity of Coverage* — Underwriting: perform a full, post-close review to confirm the creditworthiness and financial capacity of the Borrower and the eligibility of the Loan as an insurable risk by Independent Validation, specifically, re-underwriting the Borrower(s) and the Loan for compliance with applicable Underwriting Guidelines, including but not limited to, review of: (i) the Borrower's credit report, application, and verifications of income, employment and assets; and (ii) all Origination File and Closing File information and documentation obtained, and comparison to ensure the Loan delivered meets the criteria of the Loan originally expected ("Underwriting Eligibility Validation");
2. For Enhanced *Clarity of Coverage* — Collateral: determine the eligibility as an insurable risk based on the collateral for mortgage insurance by performing a full review of the Original Value and of all the related documents that were provided by the Insured to the Company, for Independent Validation of the eligibility of the Property and identification of valuation defects which review shall include but not be limited to, performing such analysis as the Company deems necessary and appropriate to make a reasonable determination that the Original Value is supported ("Collateral Eligibility and Valuation Validation");
3. In the event the Company determines that a Loan qualifies for Enhanced *Clarity of Coverage* — Underwriting and/or Enhanced *Clarity of Coverage* — Collateral, the Company shall indicate such enhanced coverage on an endorsement to the Certificate (or other communication method as is specified in the Enhanced *Clarity of Coverage* Guide) and issue such to the Insured conditional on the Borrower making the required payments as specified in Subsection I(H)(2) and/or I(H)(3);
4. If, in conducting its Independent Validation, the Company uncovers discrepancies, errors or any other questionable data or other information which it determines, in its reasonable judgment, is in need of re-verification, the Company shall independently obtain new information to re-verify the accuracy and re-assess the eligibility of the affected Loan using Borrower/Loan underwriting and/or collateral valuation review processes and procedures and reasonably reliable third-party sources and records recognized as such in the mortgage origination industry. Any such re-verification shall be deemed to be Independent Validation. Subject to Subsection (6) below, if the Company does not provide notice within one hundred eighty (180) days of receipt of the documentation required under Subsection I(C)(1Y) (Applying for Enhanced *Clarity of Coverage* — Underwriting or Enhanced *Clarity of Coverage* — Collateral) that it has completed its Independent Validation, the Incontestability and Investigation limitations in Section I(H)(1) and I(I) of the Policy shall respectively apply, as opposed to the new Subsections I(H)(2) and/or I(H)(3);
5. If the Company is unable to complete its Independent Validation to its satisfaction with respect to Enhanced *Clarity of Coverage* — Underwriting or Enhanced *Clarity of Coverage* — Collateral with respect to a Loan, or is unable to make a determination that a Material Misrepresentation or a Material Eligibility Criteria violation exists, including with respect to the Original Value, the Company shall provide notice to the Insured as described in the Company's Enhanced *Clarity of Coverage* Guide that the Incontestability and Investigation limitations in Section I(H)(1) and I(I) of the Policy shall respectively apply as opposed to the new Subsections I(H)(2) and/or I(H)(3); and
6. If, in the course of an Independent Validation, the Company finds Credible Evidence of a Material Misrepresentation or a Material Eligibility Criteria violation, including the Original Value, the Company shall, subject to Section I(G)(3) and Section I(H), issue a Rescission with respect to the Loan."

3. The following text shall be added to the end of Subsection I(G)(1) (Company's Remedies for Misrepresentation):

"Moreover, if the Company, in performing its Independent Validation with respect to a Loan, mistakenly fails to identify a Material fact or Misrepresentation which would have been readily apparent to a prudent mortgage insurance underwriter such that the Loan should not have been approved for Enhanced *Clarity of Coverage* — Underwriting or Enhanced *Clarity of Coverage* — Collateral, and such Material fact or Misrepresentation is later identified, the Company will not issue a Rescission on the sole basis that the Insured's underwriters erred in failing to identify the same Material fact or Misrepresentation prior to submitting documentation regarding the Loan to the Company for Enhanced *Clarity of Coverage* — Underwriting or Enhanced *Clarity of Coverage* — Collateral. However, if in addition to the Company's mistake, the Company determines there is a basis for Rescission unrelated to the Company's mistake, then the Company may invoke its remedies for Misrepresentation with respect to such Loan."

4. Section I(H) (Incontestability) is amended by the addition of new Subsections (2) and (3):

2. Incontestability Relating to Enhanced *Clarity of Coverage* — Collateral. Notwithstanding anything in this Section to the contrary, the following shall apply if the Company has completed a satisfactory Independent Validation relating to Enhanced *Clarity of Coverage* — Collateral: Except for any Article II Exclusions determined to relate to a Loan other than Section II(H)(3) (Fraud, Misrepresentation), no Certificate's coverage will be rescinded pursuant to Section I(G)(1) (Company's Remedies for Misrepresentation) on the basis of a Material Misrepresentation of the Original Value, provided that all of the following requirements, conditions and circumstances, are satisfied:

- a) As determined by the Company from Credible Evidence, a First Party must not have intentionally and knowingly made the Material Misrepresentation(s);
- b) The Loan must not be a part of Pattern Activity;
- c) The Loan is not thirty (30) days Past Due as of the date which is twelve (12) months following the due date of the Borrower's first payment of principal, interest, and escrow impounds as required under the Loan, the Borrower must have made the first twelve (12) months of Consecutive Full Payments, and all of those payments must have been made from the Borrower's Own Funds; and,
- d) The Loan has not been subject to a forbearance agreement, repayment plan or otherwise been modified from its original terms during the twelve (12) months following the due date of the Borrower's first payment of principal, interest, and escrow impounds as required under the Loan.

3. Incontestability Relating to Enhanced *Clarity of Coverage* — Underwriting. Notwithstanding anything in this Section to the contrary, the following shall apply to Loan(s) with respect to which the Company has completed a satisfactory Independent Validation relating to Enhanced *Clarity of Coverage* — Underwriting: Except for any Article II Exclusions determined to relate to a Loan other than Section II(H)(3) (Fraud, Misrepresentation), no Certificate's coverage will be rescinded pursuant to Section I(G)(1) (Company's Remedies for Misrepresentation) on the basis of a Material Misrepresentation, provided that all of the following requirements, conditions and circumstances, are satisfied:

- a) As determined by the Company from Credible Evidence, a First Party must not have intentionally and knowingly made the Material Misrepresentation(s);
- b) The Loan must not be a part of Pattern Activity;
- c) The Loan is not thirty (30) days Past Due as of the date which is twelve (12) months following the due date of the Borrower's first payment of principal, interest, and escrow impounds as required under the Loan, the Borrower must have made the first twelve (12) months of Consecutive Full Payments, and all of those payments must have been made from the Borrower's Own Funds; and,

d) The Loan has not been subject to a forbearance agreement, repayment plan or otherwise been modified from its original terms during the twelve (12) months following the due date of the Borrower's first payment of principal, interest, and escrow impounds as required under the Loan.

5. Section I(l) (Investigations Relating to Representations) is hereby amended with respect to Subsection (1), which is deleted in its entirety and replaced by the following:

1. In the event that the Loan is not in Default as of the date which is thirty-six (36) months following the due date of the Borrower's first payment of principal, interest, and escrow impounds as required under the Loan, all ensuing payments have been from the Borrower's Own Funds, and in the course of the thirty-six (36) months following the due date of the Borrower's first payment of principal, interest, and escrow impounds as required under the Loan, the Borrower must neither have been:

- a) thirty (30) days Past Due with any payment required under the Loan on more than two (2) occasions; nor,
- b) Past Due by sixty (60) days or greater with a payment required under the Loan; then,

the Company will not initiate an investigation of potential Material Misrepresentation in connection with a Loan except where the Company becomes aware of Credible Evidence to support a reasonable belief that:

- c) a First Party intentionally and knowingly made the Material Misrepresentation(s); or,
- d) the Loan is part of Pattern Activity.

However, in the event that the Company completes a satisfactory Independent Validation with respect to either Enhanced Underwriting Coverage or Enhanced Collateral Coverage, then the references to "thirty-six (36) months" shall be replaced with "twelve (12) months" with respect only to the representations that have been the subject of such Independent Validation.

Nothing herein shall limit the Company's ability to request Loan files in accordance with Article V (Loss Payment Procedure). Failure of the Insured or the Servicer to respond to requests for files (outside of the ordinary Claim processing under Article V (Loss Payment Procedure)) will not be grounds for a Rescission or Certificate Cancellation in cases where relief has otherwise been granted after the conditions are satisfied for the limitations under Subsection I(H) (Incontestability)."

6. Section VI(F)(1) (Appeals) is hereby amended by the addition of the following:

"An Insured or Third-Party Beneficiary may appeal the Company's determination that a Loan does not qualify for Enhanced *Clarity of Coverage* — Underwriting and/or Enhanced *Clarity of Coverage* — Collateral no later than sixty (60) days after such determination by utilizing the procedures set forth in the Company's Enhanced *Clarity of Coverage* Guide, and the Company will make a determination with respect to any such appeal no later than sixty (60) days after receiving such appeal."

7. The following new definitions shall be added to the Glossary:

**"Consecutive Full Payments** means the appraisal report evidencing Original Value (on the appropriate form with all applicable addenda, attachments, schedules, exhibits, photographs and other information included by the appraiser in the value assessment), or alternative approved valuation method used to determine the Original Value, along with the real estate purchase agreement (including all addenda) relating to the Property if applicable.

**Consecutive Full Payments** means full payments of principal, interest and escrow impounds in the amount, and with the timeliness required under the Loan, with each such payment made prior to the date the next scheduled installment becomes due. Loans that have been subject to a forbearance agreement, repayment plan or which have otherwise been modified from its original terms do not qualify as Consecutive Full Payments.

**Enhanced Clarity of Coverage Guide** means the document containing the Company's requirements and procedures for obtaining Enhanced Clarity of Coverage — Underwriting and/or Enhanced Clarity of Coverage — Collateral, which document is posted on the Company's website at [www.essent.us](http://www.essent.us) and may be modified from time to time by the Company in writing in accordance with Subsection VI(H)(3) (Entire Agreement).

**Enhanced Clarity of Coverage — Collateral** means coverage for collateral eligibility and valuation defects with respect to which Section I(H)(2) applies.

**Enhanced Clarity of Coverage — Underwriting** means coverage for underwriting eligibility with respect to which Section I(H)(3) applies.

**Independent Validation** means, with respect to Enhanced Clarity of Coverage — Collateral, a review by a qualified appraisal reviewer or underwriter who is employed or engaged on a contract basis directly by the Company, and who is independent of the Insured, of the Original Value for compliance with the Company's collateral eligibility requirements and to ensure that the estimate of value is adequately supported.

**Independent Validation** means, with respect to Enhanced Clarity of Coverage — Underwriting, an independent post-Closing full underwriting review by a qualified underwriter who is employed or engaged on a contract basis directly by the Company, and who is independent of the Insured, of the final submitted Origination File and Closing File to ensure that the Borrower and Loan comply with the Company's eligibility and underwriting requirements."

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