



Date: November 20, 2014

Underwriting Eligibility Updates

Effective: December 15, 2014

Essent is pleased to announce updates to our Underwriting Guideline Manual. Guideline changes will be effective for MI Applications received on or after December 15, 2014. Details of these changes are outlined below.

Updated Guideline Summaries are attached with this announcement. The updated Underwriting Guideline Manual will be available on our website (essent.us) on December 15, 2014.

Highlights of Changes

Clear2Close[®] Eligibility Expansion

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

- » Eligibility for ARMs with an initial fixed term of at least 5 yrs. scoring DU Approve/Ineligible or LP Accept/Ineligible where the ineligible response is due only to the ARM plan/type
- » Max. loan amount for Investment Properties located in Alaska and Hawaii has been increased to reflect the higher conforming loan limits in those states

Manual Underwriting Eligibility Expansion

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

- » Min. FICO has been decreased to 680 from 700 for Max. 97% LTV/CLTV transactions
- » Max. LTV/CLTV has been increased to 95% from 90% for \$625,500 loan amounts (FHFA Max)
- » Overlays for Florida Condominiums have been eliminated
- » Max. loan amount for Investment Properties located in Alaska and Hawaii has been increased to reflect the higher conforming loan limits in those states

Loan Amounts > FHFA Max Eligibility Expansion

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

- » Eligibility for ARMs with an initial fixed term of 3 yrs. subject to the following:
 1. Debt-to-Income Ratio: Max. 38%
 2. Qualification Rate: Greater of the fully indexed, fully amortized rate or Note Rate + 5%
- » Eligibility for Construction-to-Permanent transactions subject to the following:
 1. Primary Residences, Single-Family properties only
 2. Max. 90% LTV/CLTV
 3. Max. \$850,000 loan amount
 4. Min. 720 FICO



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- » Eligibility for Second Home transactions subject to the following:
 1. Purchases or Rate/Term Refinances only
 2. Single-Family or Condominium properties only
 3. Max. 90% LTV/CLTV
 4. Max. \$650,000 loan amount
 5. Min. 720 FICO
- » Overlays for Florida Condominiums have been eliminated

Affordable Housing Eligibility Expansion

The Affordable Housing Guideline Summary has been updated to reflect the following:

- » Overlays for Florida Condominiums have been eliminated

Additional Eligibility Updates

Cash-Out Refinances:

- » Essent is removing Cash-Out Refinance eligibility across our Underwriting Guidelines. This change is consistent with Fannie Mae's recent Selling Guide Announcement (SEL-2014-13). As such, both the Clear2Close and Manual Underwriting Guideline Summaries have been updated to reflect the removal of eligibility for Cash-Out Refinance transactions.

HomePath[®] Loans^{*}:

- » For clarification, Essent will follow the Fannie Mae guidelines regarding resale restrictions on HomePath property loans that require mortgage insurance. As a reminder, Fannie Mae has defined a "HomePath property" as any property that is a Fannie Mae REO available for sale. However, Essent will not follow the Fannie Mae exception to the maximum Interested Party Contributions (IPC). Instead, Essent will continue to require the maximum IPC limit of 3% for >90% LTV/CLTV as outlined within our Underwriting Guideline Manual. The Clear2Close Guideline Summary has been updated to reflect this clarification.

Underwriting Guideline Manual Updates

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

- » Deed-in-Lieu/Pre-Foreclosure/Short Sale (Section 3.3.6)
 1. New guidance has been added to address charge-offs of mortgage accounts and to establish a standard 4 yr. waiting period or a 2 yr. waiting period with documented extenuating circumstances for this derogatory credit event
 2. The Max. LTV/CLTV restrictions associated with different waiting periods have been removed

^{*}Homepath[®] is a registered trademark of Fannie Mae.



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- » Foreclosure (Section 3.3.7)
 1. New guidance has been added to address the applicable waiting periods in situations when both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report
- » Construction-to-Permanent (Section 4.2(5))
 1. Eligibility has been expanded to allow activation of mortgage insurance coverage during the construction phase
 2. New guidance has been added regarding the updating of credit, employment/income, and asset documentation
- » Adjustable Rate (Section 4.13)
 1. New guidance has been added regarding the following maximum interest rate caps for 3 yr. ARMs with Loan Amounts > FHFA Max.:
 - Initial cap: Max. 3%
 - Periodic cap: Max. 2%
 - Lifetime cap: Max. 6%

Rate Card Updates

As a result of these guideline changes, Essent's Rate Cards will be updated as outlined below:

- » The Cash-Out Refinance adjustment will be removed from all Rate Cards to reflect the removal of eligibility for Cash-Out Refinance transactions

The updated Rate Cards will be available on our website (essent.us) on December 15, 2014.

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

For loans with a DU/LP response as follows:

- » DU Approve/Eligible or LP Accept/Eligible
- » DU/LP Approve/Accept Ineligible for ARMs with an initial fixed term \geq 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
PRIMARY RESIDENCE					
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	97	\$417,000 AK & HI: \$625,500	680	Per DU/LP Approval
		95	\$417,000 AK & HI: \$625,500	620	
		90	\$625,500 (FHFA Max)		
	2-unit	95	\$533,850 AK & HI: \$800,775		
Construction-to-Permanent	Single Family	95	\$417,000 AK & HI: \$625,500	620	
		90	\$625,500 (FHFA Max)		
SECOND HOME					
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	90	\$417,000 AK & HI: \$625,500	620	Per DU/LP Approval
INVESTMENT PROPERTY (6 months PITI reserves required)					
Purchase	Single Family	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
PRIMARY RESIDENCE				
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	95	\$417,000 AK & HI: \$625,500	680
		90	\$625,500 (FHFA Max)	700
SECOND HOME				
Purchase or Rate/Term Refinance	Single Family/Condo/Co-op	90	\$417,000 AK & HI: \$625,500	700
INVESTMENT PROPERTY				
Purchase	Single Family	85	\$417,000 AK & HI: \$625,500	720

MANUAL UNDERWRITING PRODUCT ELIGIBILITY REQUIREMENTS

Manual Underwriting	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.
Appraisal Requirements	Full Uniform Residential Appraisal Report only
Debt-to-Income Ratio	Max. DTI 45%; Max. DTI 41% if FICO<700
Reserve Requirements	2 months PITI or the product required min.; Investment Property: 6 months PITI required
Borrower Contributions	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
Loan Amounts Above \$417,000	Must meet area specific permanent high cost loan limit as set by FHFA
ARMs	Min. initial fixed period: 3 yrs.; 3 yr. and 5 yr. ARMs qualify at the greater of the initial rate + 2% or the fully indexed rate; 7 yr. and 10+ yr. ARMs qualify at the initial rate
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; working farms, orchards and ranches; student housing projects ("kiddie" condos); 3-4 units
Ineligible Products	Interest only; loans with scheduled or potential negative amortization; graduated payment mortgages
Non-Occupying Co-Borrower	Max. LTV/CLTV 95%; DTI based on occupant borrower's income/debt profile; Max. DTI 45%; Max. DTI 43% if FICO<700
Loan Representative FICO Score	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 for full details.

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

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
Eligible Borrowers	U.S. Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens; Inter Vivos Revocable Trusts
Appraisal Requirements	Full Uniform Residential Appraisal Report only
Documentation Type	Full doc only; Alt Doc and all other streamline documentation is ineligible
Credit Requirements	<p>Mortgage Lates: 0 X 30 in last 12 months, 0 X 60 in the last 24 months;</p> <p>Installment/Revolving Lates: 0 X 60 in last 12 months, 1 X 60 in last 24 months;</p> <p>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;</p> <p>Borrowers with invalid or no credit bureau score: ineligible;</p> <p>Chap 7 & 11 Previous Bankruptcy: 4 yrs. since discharge (2 yrs. with documented extenuating circumstances);</p> <p>Chap 13 Previous Bankruptcy: 2 yrs. since discharge/4 yrs. since dismissal (2 yrs. with documented extenuating circumstances);</p> <p>Multiple Bankruptcy Filings in Past 7 Years: ineligible;</p> <p>Foreclosure: 5 yrs. since date of title transfer (3 yrs. with documented extenuating circumstances);</p> <p>Short Sale/Deed in Lieu: 4 yrs. since date of title transfer (2 yrs. with documented extenuating circumstances);</p> <p>Min. 3 traditional trade lines evaluated for at least 12 months for each borrower</p>
Income	<p>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</p> <p>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</p> <p>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</p>
Debt-to-Income Ratio	<p>3 yr. ARM: Max. 38% DTI</p> <p>All other loans: Max. DTI 45%; Max. DTI 41% if FICO<740</p>
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	<p>Fixed Rate & 7 yr. & 10+ yr. ARMs: Note Rate</p> <p>3 yr. ARM: Greater of the fully indexed fully amortized rate or Note Rate + 5%</p> <p>5 yr. ARM: Greater of the fully indexed fully amortized rate or Note Rate + 2%</p>
Reserves	6 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	5% of borrower's own funds required
Seller Contributions	Max. 3%
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; non-occupant co-borrowers; refinances of previously modified loans

NOTE: Please see the Essent Underwriting Guideline Manual on essent.us for full details.

LOAN PURPOSE	PROPERTY TYPE	MAX. LTV	MAX. CLTV	MAX. LOAN AMOUNT	MIN. FICO DU APPROVE/ LP ACCEPT	MIN. FICO MANUAL U/W
PRIMARY RESIDENCE						
Purchase or Rate/Term Refinance	Single Family/ Condo/Co-op	97	105	\$417,000 AK & HI: \$625,500	620	680
		95	105	\$417,000 AK & HI: \$625,500	620	660
	2-unit	95	105	\$533,850 AK & HI: \$800,775	620	660

AFFORDABLE HOUSING/HFA PRODUCT ELIGIBILITY REQUIREMENTS

Affordable Housing	Fannie Mae MyCommunityMortgage® (MCM) or HFA Preferred, Freddie Mac Home Possible®, other Housing Finance Agency (HFA) or approved Affordable Housing programs must meet the eligibility criteria as outlined within this matrix and the eligibility standards as outlined within the Underwriting Guideline Manual.*
Submission Criteria	Applicable Affordable Program selection must be made in the Essent Online MI Ordering system
DU/LP Scored Loans	For DU/LP Approve/Accept Eligible loans and DU/LP Approve/Accept Ineligible loans for ARMs with an initial fixed term ≥5 yrs. where the ineligibility is due only to the ARM plan/type, the DU/LP findings/feedback may be followed regarding: <ul style="list-style-type: none"> • Documentation Requirements • Credit Requirements • Debt-to-Income Ratio • Reserve Requirements • Borrower Contributions
Loan Programs	Fixed Rate; 5 yr. ARM; 7 yr. ARM; 10+ yr. ARM 5 yr. ARMs qualify at the greater of the initial rate + 2% or the fully indexed rate; 7 yr. and 10+ yr. ARMs qualify at the initial rate
Appraisal Requirements	Full Uniform Residential Appraisal Report only
Documentation Requirements	Documentation requirements as per the Essent Underwriting Guideline Manual
Credit Requirements	Min. 3 traditional trade lines evaluated for at least 12 months for each borrower
Non-Traditional Credit	Max. 95% LTV; Max. 41% DTI; 2-unit ineligible
Debt-to-Income Ratio	Max. 45% DTI
Reserve Requirements	2 months PITI required
Borrower Contributions	1-unit: <ul style="list-style-type: none"> • Lesser of \$1,000 or 1%; -OR- • Borrower's min. contribution may come from gift funds per Agency guidelines with: Min. 740 FICO; Max. 41% DTI; no down payment assistance, subordinate financing, or grants with repayment 2-unit: <ul style="list-style-type: none"> • 3% of borrower's own funds required
Seller Contributions	Max. 3%
Subordinate Financing	Must meet Agency Community Second or Affordable Second guidelines
Area Median Income (AMI)	Loans must meet any Area Median Income requirements of the applicable program
Homebuyer Education	Required for first-time homebuyers if FICO<720 or CLTV>97%
Ineligible Products	Interest only; loans with scheduled or potential negative amortization; graduated payment mortgages; construction-to-permanent

NOTE: Please see the Essent Underwriting Guideline Manual on essent.us for full details.

*MyCommunityMortgage® is a registered trademark of Fannie Mae. Home Possible® is a registered trademark of Freddie Mac.