



# Enhanced *Clarity* *of Coverage*<sup>®</sup> Guide

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## 1.0 Introduction

The purpose of this Enhanced *Clarity of Coverage*<sup>®</sup> Guide (the “Guide”) is to provide our policyholders (or “Insureds”) and their Servicers with an overview of the general requirements of Essent’s Enhanced Coverage Endorsement (“Endorsement,” when attaching to Essent’s Master Policy, collectively, the “Policy”) and the various coverage options it describes. In the event there is a conflict between this Guide and the Policy, the terms of the Policy will control. Capitalized terms used throughout this Guide have the meaning given to them within the Policy. If you should have any general questions regarding the content of this Guide, please contact your Essent account representative.

## 2.0 General Overview

Essent’s new Master Policy with *Clarity of Coverage* is effective for mortgage insurance applications received by Essent on or after October 1, 2014 and includes, among other things, greater flexibility by permitting Insureds to choose how they conduct business with Essent.

The new Master Policy provides standard rescission relief (also referred to as “incontestability”) at thirty-six (36) Consecutive Full Payments for underwriting defects and negligent First Party Material Misrepresentations (including valuation) subject to the following:

- No more than two (2) Loan payments were thirty (30) days delinquent
- No Loan payment was in excess of sixty (60) days or more delinquent
- The Loan is current on the thirty-sixth (36th) payment, meaning that payment is not thirty (30) days Past Due
- All Loan payments have been made from the Borrower’s Own Funds (the Insured’s Servicer is required to maintain mortgage payment history records and to make them available upon request by Essent until the Certificate of Insurance is canceled or the Claim is Paid)
- The Loan has not been subject to a forbearance agreement, repayment plan or otherwise been modified from its original terms

The new Master Policy together with the Enhanced Coverage Endorsement will provide the opportunity for early rescission relief after twelve (12) Consecutive Full Payments from the Borrower’s Own Funds. In order for a Loan to be considered for the Enhanced *Clarity of Coverage* Option(s), Essent must review the following:

- For Enhanced *Clarity of Coverage* – Collateral: The appraisal report (or alternative approved valuation method) used to determine the Original Value, along with the real estate purchase agreement relating to the Property (if applicable)
- For Enhanced *Clarity of Coverage* – Underwriting: The final submitted Origination File and Closing File

Rescission relief does not sunset for the following:

- First Party knowing and intentional Material Misrepresentation(s), supported by Credible Evidence
- Pattern Activity – Misrepresentation involving two (2) or more parties and two (2) or more Loans, supported by Credible Evidence



### 3.0 Enhanced *Clarity of Coverage*® Options

The new Master Policy together with the Enhanced Coverage Endorsement will provide Insureds with choices for early rescission relief. Insureds will retain the ability to select the underwriting submission process that best suits their needs as outlined below:

- **Non-Delegated Underwriting** – Essent performs a mortgage insurance underwrite of the Loan, including a review of the appraisal report along with the real estate purchase agreement (if applicable) for Enhanced *Clarity of Coverage* – Collateral. Essent stands behind its work, as Insureds are protected as of the Certificate Effective Date if Essent fails to identify any Material facts or Material Misrepresentations in the Loan that would have been readily apparent to a prudent mortgage insurance underwriter.
- **Delegated Underwriting Authority** – The Insured performs the underwrite of the Loan, enabling them to retain control of the Loan file.

Under each of the above underwriting submission processes, Insureds will also have a choice in terms of rescission relief. For those Insureds that choose to keep their current processes the same, an overview of potential rescission relief is provided below:

	NON-DELEGATED	DELEGATED
Underwriting Mistakes	Date Certificate is issued	N/A
Collateral Eligibility/Valuation	12 months	36 months
Underwriting Defects	36 months	Date Certificate is Issued: Loans with respect to which Essent performs a Quality Assurance (QA) review and identifies no Material findings 36 months: All other non-QA Loans

For those Insureds that prefer to change their internal processes and have Essent perform an Independent Validation to determine eligibility for early rescission relief (i.e. – the Enhanced *Clarity of Coverage* Options), a potential overview of rescission relief is provided below:

	NON-DELEGATED	NON-DELEGATED	DELEGATED
	Enhanced <i>Clarity of Coverage</i> – Collateral	Enhanced <i>Clarity of Coverage</i> – Underwriting	Enhanced <i>Clarity of Coverage</i> – Underwriting
Underwriting Mistakes	Date Certificate is Issued	Date Certificate is Issued	Date Certificate is Issued
Collateral Eligibility/Valuation	12 months	12 months	12 months
Underwriting Defects	36 months	12 months	12 months

All Essent Insureds are eligible to participate in the Enhanced *Clarity of Coverage* Options. Our seasoned and knowledgeable sales force can help you identify the process that best helps you grow your business, and we encourage you to contact a member of our [Business Development Team](#).

## 4.0 Enhanced *Clarity of Coverage*® Requirements

For Non-Delegated Loan submissions, Essent will complete a review of the appraisal report along with the real estate purchase agreement (if applicable) for Enhanced *Clarity of Coverage* – Collateral. There are no changes to an Insured’s existing process and no additional documentation is required. For Enhanced *Clarity of Coverage* – Underwriting, Insureds must opt-in and provide the Closing File to Essent (and any additional documentation received after the Certificate was issued) within sixty (60) days of the Certificate Effective Date of the Loan.

For Delegated Loan submissions, Insureds must opt-in and provide the Origination File (including Collateral Documents) and Closing File for Enhanced *Clarity of Coverage* – Underwriting. The applicable documents must be provided to Essent within sixty (60) days of the Certificate Effective Date of the Loan.

	NON-DELEGATED	NON-DELEGATED	DELEGATED
	Enhanced <i>Clarity of Coverage</i> – Collateral	Enhanced <i>Clarity of Coverage</i> – Underwriting	Enhanced <i>Clarity of Coverage</i> – Underwriting
Insured Process Impacts	No change to current process	Insured must submit Closing File (and any additional documentation received after the Certificate was issued) within 60 days of the Certificate Effective Date	Insured must submit Origination and Closing File within 60 days of the Certificate Effective Date

Essent has posted the Master Policy “Enhanced *Clarity of Coverage* Options Request Form” to the Master Policy Resource page on [Master Policy Resource Page](#). Those Insureds who decide to opt-in or the option(s) outlined below will be required to submit the form to Essent’s Client Services Team at [clientservices@essent.us](mailto:clientservices@essent.us).

- Non-Delegated Enhanced *Clarity of Coverage* – Underwriting
- Delegated Enhanced *Clarity of Coverage* – Collateral and Underwriting

An Insured can choose to opt-in at any time for consideration of the Enhanced *Clarity of Coverage* Option(s) by completing and submitting the Enhanced *Clarity of Coverage* Options Request Form. A representative from Essent’s Customer Integrations Team will contact the Insured as outlined on the form to discuss the preferred document delivery method, testing protocol, and implementation timing.

Insureds may opt-out of the applicable Enhanced *Clarity of Coverage* Option(s) by providing written notice within ten (10) days of the desired opt-out effective date to Essent’s Client Services Team at [clientservices@essent.us](mailto:clientservices@essent.us). Upon receipt of the request, Insureds will be notified by the Client Services Team of the official opt-out effective date for the applicable Enhanced *Clarity of Coverage* Option(s). Submissions received until the official opt-out effective date will be reviewed for the applicable Enhanced *Clarity of Coverage* Option(s) as originally requested.

The **Origination File** documents required to be submitted for consideration of Enhanced *Clarity of Coverage* – Underwriting include the following:

- The mortgage insurance application
- The Borrower’s signed Loan application
- Automated underwriting system findings
- Disclosure statements
- The original real estate purchase agreement including all addenda (if applicable)
- Buy-down agreement

- Credit reports
- Letters of explanation
- Evidence or verification of employment, income, assets, deposit, rent and other outstanding mortgage(s)
- Evidence of the Original Value including the appraisal report (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
- Evidence of project approval for condominium or cooperative Properties
- Other documents as may be specified in the Default and Claims Servicing Guide as of the Certificate Effective Date

The **Closing File** documents required to be submitted for consideration of Enhanced *Clarity of Coverage* – Underwriting include the following:

- The final signed Loan application (Form 1003/65)
- The final HUD-1 or other settlement statement (for Loans closed prior to or on 10/03/15; for Loans closed after 10/03/15, the Closing Disclosure (CD))
- The original note
- The executed mortgage (including any riders thereto once returned from the land records)
- Borrower certification and authorization form(s)
- Name affidavit(s)
- The final signed Form 4506-T
- The title insurance commitment
- Any conditions required by the underwriter
- Other documents as may be specified in the Default and Claims Servicing Guide as of the Certificate Effective Date

## 5.0 Missing Documentation

If the submitted Origination File and Closing File (for Enhanced *Clarity of Coverage* – Underwriting) are incomplete, a notification will be issued to the Insured outlining the missing documents and requesting receipt of those documents within thirty (30) days of receipt of the notification. If the requested documentation is not subsequently provided within the allotted thirty (30) day time frame, the request for Enhanced *Clarity of Coverage* – Collateral and Underwriting will be denied and the Standard Coverage Incontestability and Investigation limitations of the Policy shall respectively apply.

Delegated Loans where the Insured has not opted in for Enhanced *Clarity of Coverage* may still be requested as part of Essent's Quality Assurance (QA) program. For those Delegated Loans in which Essent performs a QA review, the Master Policy requires that the related Origination File must be furnished to Essent within forty-five (45) days after our written request.

## 6.0 Independent Validation

Upon making a determination that the required documentation for Enhanced *Clarity of Coverage* – Collateral and Underwriting is complete, Essent will perform an Independent Validation as follows:

- With respect to Enhanced *Clarity of Coverage* – Collateral, a review by a qualified appraisal reviewer or underwriter of the Original Value for compliance with Essent's collateral eligibility requirements and to ensure that the estimate of value is adequately supported.

- With respect to Enhanced *Clarity of Coverage – Underwriting*, an independent full underwriting review by a qualified underwriter of the final submitted Origination File and Closing File to ensure that the Borrower and Loan comply with Essent's eligibility and underwriting requirements.

In conducting the Independent Validation, to the extent any discrepancies, errors or other questionable data are uncovered, Essent shall independently obtain new information to re-verify the accuracy and re-assess the eligibility of the affected Loan.

An assessment as to whether a Loan satisfies the requirements for the Enhanced *Clarity of Coverage* Option(s) will be made within one hundred eighty (180) days of receipt of the complete required documentation for the applicable Enhanced *Clarity of Coverage* Option(s). The independent review of the Loan for Underwriting Eligibility ("Underwriting Eligibility Validation") shall include, but not be limited to a review of:

- The Borrower's credit report
- The Borrower's Loan application
- Verifications of income, employment and assets
- All Origination File and Closing File information and documentation obtained
- A comparison to ensure the Loan delivered meets the criteria of the Loan originally expected

If Essent does not provide notice within one hundred eighty (180) days of receipt of the documentation required for the applicable Enhanced *Clarity of Coverage* Option(s) that it has completed its Independent Validation, the Standard Coverage Incontestability and Investigation limitations of the Policy shall respectively apply.

## 7.0 Coverage Determination

For Loans in which Essent has completed a satisfactory Independent Validation relating to Enhanced *Clarity of Coverage – Collateral and Underwriting*, no Certificate's coverage will be rescinded on the basis of a Material Misrepresentation or Material Eligibility Criteria violation, provided that all of the following requirements, conditions, and circumstances are satisfied:

- As determined by Essent from Credible Evidence, a First Party must not have intentionally and knowingly made the Material Misrepresentation(s);
- The Loan must not be a part of Pattern Activity;
- 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,
- 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.

### Approval for Enhanced *Clarity of Coverage*:

- In the event that a Loan qualifies for Enhanced *Clarity of Coverage – Collateral and Underwriting*, Essent shall indicate such enhanced coverage on an endorsement to the Certificate of Insurance (or otherwise indicate the same to the insured) and issue such to the Insured conditional on the Borrower making the required payments as specified in Subsection I(H)(2) (incontestability relating to Enhanced *Clarity of Coverage – Collateral*) and/or I(H)(3) (incontestability relating to Enhanced *Clarity of Coverage – Underwriting*) as of the Certificate Effective Date.

### Non-Approval of Enhanced *Clarity of Coverage*:

- If Essent is unable to complete its Independent Validation to its satisfaction with respect to Enhanced *Clarity of Coverage* – Collateral and Underwriting for 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, Essent shall provide notice to the Insured that conditional on the Borrower making the required payments as specified in Subsection I(H)(2) and/or I(H)(3), relating to incontestability limitations for Enhanced *Clarity of Coverage*, the Standard Coverage Incontestability and Investigation limitations of the Policy shall respectively apply.

### Appeals:

- An Insured or Third-Party Beneficiary may appeal Essent's determination that a Loan does not qualify for Enhanced *Clarity of Coverage* – Collateral and Underwriting no later than sixty (60) days after such determination.
- Appeal requests must be submitted in writing and should provide a detailed response to the identified defect, discrepancy or error from the Enhanced Coverage communication. The appeal request may also include any additional supporting documentation as applicable. Essent will make a determination with respect to any such appeal no later than sixty (60) days after receiving such appeal. Appeal requests and their associated documentation may be submitted to Essent's Secure Drop Box.

## 8.0 Commitment Activation

If a Loan qualifies for Enhanced *Clarity of Coverage* – Collateral and Underwriting or Standard Coverage, the current Certificate activation process remains the same. In the event a Loan qualifies for Enhanced *Clarity of Coverage* – Collateral and Underwriting, Essent shall indicate such enhanced coverage on an endorsement to the Certificate of Insurance (or otherwise indicate the same to the insured) 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), relating to incontestability limitations for Enhanced *Clarity of Coverage*, as of the Certificate Effective Date.

## 9.0 Glossary

**Borrower's Own Funds** means any funds saved and/or earned by the Borrower and gifts from family members to Borrower where there is no promise or expectation of repayment. Borrower's Own Funds do not mean a non-family gift or third-party payment to Borrower or to the Insured on behalf of Borrower, whether or not characterized as a gift, with the exception of any escrows which are fully disclosed in writing to the Company prior to issuance of the Commitment, regardless of whether such non-family gift or third-party payment is used to make payment to the Insured or is used for other purposes by Borrower so Borrower can use his or her funds for payment to the Insured.

**Certificate Effective Date** means, providing that the premium has been paid as required herein: (a) for new Loans, 12:01 a.m. on the date the Loan was Closed; or, (b) for other Loans, 12:01 a.m. on the date of coverage as indicated on the Certificate; or, (c) a later date requested by the Insured and accepted by the Company. A new Loan is a Loan which was not Closed as of the date the Insured submitted an Application for coverage under the Policy.

**Closing File** means, with respect to a Loan: the final signed Loan application (Form 1003/65); the final HUD-1 or other settlement statement (for Loans closed prior to or on 10/03/15) or the Closing Disclosure (CD) (for Loans closed after 10/03/15); the original note; the executed mortgage (including any riders thereto once returned from the land records); borrower certification borrower certification and authorization form(s); name affidavit(s); the final signed Form 4506-T; the title insurance commitment; any conditions required by the underwriter; and such other documents as may be specified in the Default and Claims Servicing Guide as of the Certificate Effective Date.





**Collateral Documents** 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.

**Credible Evidence** means (a) information contained in the Origination File, Closing File, or Servicing File (whether such information was submitted to the Company prior to or after the Certificate Effective Date); (b) information relating to the Loan (whether written, electronic or oral) provided at any time by a First Party to the Company; or (c) any other information (whether written, electronic or oral) received or obtained by the Company at any time from any Person provided that such information would be viewed by a reasonable person familiar with all other Credible Evidence as having a basis in fact and not exhibiting falsity or material internal inconsistency, and provided further that evidence which consists solely of statements made by the Borrower that are not made under penalty of perjury shall not constitute Credible Evidence without corroboration from any evidence proffered under (a), (b) or (c) of this definition.

**Eligibility Criteria** means the criteria set forth in Section I(B) (Eligibility of Loans for Coverage) of the Policy, as such criteria may be modified from time to time by the Company in writing in accordance with Subsection VI(H)(3) (Entire Agreement) of the Policy.

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

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

**First Party** means (1) the Insured or any officer, employee or agent of the Insured or (2) any of the following Persons: the Loan Originator, Seller, Loan officer, mortgage Loan broker, correspondent lender, as the case may be, or any vendor performing origination services including underwriting or processing the Loan on behalf of the Insured, or (3) anyone under contract with the Loan Originator in connection with the origination of such Loan such as an appraiser, an appraisal company, an escrow or closing agent, a title insurance company or representative, or any other vendor, agent of or broker for, the Insured, or Loan Originator with respect to the Loan or the related Property transaction.

**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.



**Loan** means any note, bond, or other evidence of indebtedness secured by a mortgage, deed of trust, or other similar instrument, which satisfies the Eligibility Criteria, and which has been approved by the Company for insurance and which is insured under the Policy, or intended to be insured in accordance with the terms of a Commitment.

**Material** means, within the context of a representation in an Application relating to a Loan, a representation with respect to which had the truth been known to the Company at the Certificate Effective Date, the Loan would not have been eligible for coverage or the Company would either not have accepted the risk or the hazard assumed, or would not have accepted the risk or assumed the hazard at the premium rate at which the coverage was written.

**Misrepresentation** means a false statement, misrepresentation, omission or data inaccuracy respecting a matter of fact.

**Original Value** means the lesser of the sales price of the Property (only applicable in the case of a Loan to finance the purchase of such Property) or the value of the Property established by appraisal or alternative method used to determine value in accordance with customary origination practices, which value was obtained by the Loan Originator in connection with the Loan at the time it was originated and establishes the fair market value of the Property at that time.

**Origination File** means, with respect to a Loan, copies of the following documents and data in hard copy and/or electronic format created or received by the Insured in connection with the origination of the Loan and relied upon by the Insured in making its decision in connection with the Loan, if applicable: the mortgage insurance application; the Borrower's signed Loan application; automated underwriting system findings; disclosure statements; original purchase contract including all addenda (if applicable); buy-down agreement; credit reports; letters of explanation; evidence or verification of employment, income, assets, deposit, rent, and other outstanding mortgage(s); evidence of the Original Value; evidence of project approval for condominium or cooperative Properties; and such other documents as may be specified in the Default and Claims Servicing Guide as of the Certificate Effective Date.

**Pattern Activity** means a pattern of activity in which a Misrepresentation involves two (2) or more parties (e.g., the Borrower and one or more Pattern Parties, or two (2) or more Pattern Parties) and two (2) or more Loans, and the Company relies upon Credible Evidence in making its Pattern Activity determination.

**Pattern Party** means (i) any individual acting with actual or apparent authority for the initial Insured (the Person named on the face page of the Policy), or (ii) any First Party other than the initial Insured, or (iii) any property seller, property builder, real estate broker or real estate agent. "Initial Insured" means the Person named on the face page of the Policy.

**Underwriting Defects** means those misrepresentations that an Essent underwriter could not have identified (such as may have occurred after the MI underwrite).

**Underwriting Guidelines** means those underwriting manuals, guidelines, bulletins, and announcements as shall be provided by the Company to the Insured as the same may be amended, approved or replaced by the Company in writing from time to time in accordance with Subsection VI(H)(3) (Entire Agreement) of the Policy.

**Underwriting Mistakes** means those occurrences whereby an Essent underwriter reviews a Loan file and fails to identify a Material fact or Material Misrepresentation that should have been identified.