



# Default and Claims Servicing Guide

NOVEMBER 1, 2016

#### Loss Management

Essent Guaranty, Inc.  
101 South Stratford Road, Suite 400  
Winston-Salem, NC 27104  
877.331.9077  
lossmanagement@essent.us

Mortgage insurance provided by Essent Guaranty, Inc.

© 2016 Essent Guaranty, Inc., All rights reserved. | Two Radnor Corporate Center, 100 Matsonford Road, Radnor, PA 19087 | [essent.us](http://essent.us)  
EGI-6709.010 (11/16)

## Table of Contents

<b>1.0</b>	<b>Introduction</b>	<b>01</b>
1.1	CFPB Mortgage Servicing Rules	01
<b>2.0</b>	<b>Delinquency Reporting</b>	<b>01</b>
<b>3.0</b>	<b>Monthly Delinquency Status Updates</b>	<b>02</b>
<b>4.0</b>	<b>Appropriate Proceedings</b>	<b>02</b>
<b>5.0</b>	<b>Foreclosure Time Frames</b>	<b>03</b>
<b>6.0</b>	<b>Bidding at the Foreclosure Sale</b>	<b>03</b>
<b>7.0</b>	<b>Loss Mitigation</b>	<b>05</b>
7.1	Repayment Plans	05
7.2	Forbearance Agreements	05
7.3	Modifications	05
7.4	Claim Advance	06
7.5	Short Sale (Pre-Foreclosure Sale)	06
7.6	Voluntary Conveyance (Deed in Lieu)	07
7.7	Real Estate Owned (REO)	07
<b>8.0</b>	<b>Claim for Loss</b>	<b>07</b>
8.1	Philosophy	07
8.2	When to File	08
8.3	How to File a Claim	08
8.4	Required Documentation	08
8.5	Essent's Obligation Regarding Additional Documentation or Information	10
8.6	Access to the Property	10
8.7	Calculation of the Claim Amount (Claimable Items)	10
8.71	Principal Balance	10
8.72	Accrued and Unpaid Interest	10
8.73	Hazard Insurance Premiums	10
8.74	Taxes, Assessments and Other Public Charges Imposed	11
8.75	Property Preservation/Repairs	11
8.76	Condominium Fees	11
8.77	Attorney Fees	11
8.78	Premium Refund	11
8.79	Items to be Deducted	11
<b>9.0</b>	<b>Claim Settlement Options</b>	<b>12</b>
<b>10.0</b>	<b>Explanation of Benefit</b>	<b>12</b>
<b>11.0</b>	<b>Supplemental Claims</b>	<b>12</b>
<b>12.0</b>	<b>Subrogation and Pursuit of Deficiency Judgments</b>	<b>12</b>
<b>13.0</b>	<b>Clarity of Servicing</b>	<b>13</b>
13.1	Late Claim Filing	13
13.2	Late Default Reporting	13
13.3	Late Filing of the Complaint	14
13.4	Lack of Diligence in Pursuing Appropriate Proceedings	14
13.5	Inadequate Home Retention Efforts	14
13.6	Adjustments for Missing Documentation of the Collection Efforts	15
13.7	Dispute Resolution	15
<b>14.0</b>	<b>Appeals</b>	<b>15</b>



## 1.0 Introduction to Essent's Default and Claims Servicing Guide

Welcome to Essent's Default and Claims Servicing Guide (the "Guide"). We hope that you find the Guide easy to navigate and a convenient place to find answers to any questions that you may have about Default reporting, loss mitigation, the foreclosure process, filing a Claim, or any other aspect of our coverage in the event of a Default on a Loan we insure.

The purpose of the Guide is to provide our policyholders (sometimes referred to as our "Insureds"), and their Servicers with a roadmap of the general requirements of Essent's Mortgage Guaranty Insurance Master Policy (the "Master Policy") that become applicable in the event of a Default. Policyholders who understand the requirements of their Master Policy will experience its full benefits, expedite the payment of Claims, and avoid any unnecessary adjustments to the Insurance Benefit.

Capitalized terms used throughout this Guide have the meaning given them in the Glossary of Essent's Master Policy. The Master Policy is available on Essent's website at [essent.us](http://essent.us).

If you have any questions regarding matters covered by this Guide, contact Essent's Loss Management Department at 877.331.9077 or by email at [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

### 1.1 CFPB MORTGAGE SERVICING RULES

Compliance with Essent's Master Policy and this Guide will not create conflicts with servicer requirements under the CFPB Mortgage Servicing rules. Moreover, Essent's own loss mitigation efforts will not create CFPB compliance problems for servicers; Essent does not proactively contact Borrowers, and if we receive contact initiated from Borrowers, our policy is to refer the Borrower to the servicer.

## 2.0 Delinquency Reporting

Default is defined in the Master Policy as the failure of the Borrower to pay when due a non-accelerated amount equal to, or greater than one (1) regular periodic payment due under the terms of a Loan. A Loan is deemed to be in Default if the installment is unpaid, as of the close of business on the installment due date.

The Master Policy, at Section IV (A) (Notice of Default), requires the Servicer to provide Essent with a Notice of Default ("NOD") reporting the delinquency when the following occurs:

1. Within forty-five (45) days of an Early Default (defined as failure of the Borrower to make any of the initial twelve (12) payments); or
2. Within ten (10) days of the first to occur a.) date the Borrower becomes three (3) months in Default or b.) within fifteen (15) days after the commencement of a foreclosure action.

**As an example:** Assume the Loan closed and Essent's Certificate was effective on 10/15/14. The Borrower misses the 1/1/15 payment and has not paid by 2/15/15. The NOD should be submitted to Essent, no later than 2/15/15, as this is an Early Default and as of 2/15/15 the Loan is 45 days in Default.

**Another example:** Assume the Loan closed on 10/15/13. The Borrower does not make the payment on 1/1/15 and has not paid by 3/10/15. This was not an Early Default, and so the Master Policy requires an NOD be submitted 10 days after the Borrower is three months in Default. Therefore the NOD should be submitted to Essent no later than 3/10/15.

The Servicer can submit a NOD to Essent by Electronic Data Interchange ("EDI") or via Loss Management Online located at [essent.us](http://essent.us).

## 3.0 Monthly Delinquency Status Updates

Once a Default is reported to Essent on a NOD form, the Master Policy under section IV (B) (Monthly Reports) requires that the Servicer keep Essent advised of the status of the delinquency on a monthly basis.

The monthly status reports provide key updates so that Essent can properly reserve for a potential loss as the delinquency progresses, and to eliminate the reserve if a Default is cured. Information about the servicing efforts enables Essent's Loss Mitigation department to target loss mitigation strategies and make swift determinations when approached by Servicers for approval for specific workouts on insured Loans.

Monthly status reports may be submitted to Essent by Electronic Data Interchange ("EDI") or via Loss Management Online located at [essent.us](http://essent.us).

The monthly status update is required by the 25th of the month following the initial reporting of the delinquency, and is to continue monthly until the Default is cured, a Claim is filed or the coverage is canceled.

## 4.0 Appropriate Proceedings

In the event of a Default, it is a requirement under Section IV (G) (Appropriate Proceedings) of the Master Policy that the Servicer begin Appropriate Proceedings no later than thirty (30) days after the date upon which the Loan remains in Default for a period of six (6) consecutive months. Therefore, the foreclosure complaint should be filed by the time eight (8) payments are due. Commencing with the Appropriate Proceedings may be delayed when there is (i) a court order or a moratorium imposed by a government agency; or (ii) prohibited by Applicable Law, or (iii) the Servicer is actively and diligently working with the borrower to cure the Default; accept a Voluntary Conveyance or approve a Short Sale. If Applicable Law delays the filing of the foreclosure complaint beyond the aforementioned requirement (8 payments due), the requirement is to file the foreclosure action no later than sixty (60) days after permission is granted to commence with the foreclosure complaint. Additionally, in the event of a Natural Disaster (see the Natural Disaster Policy below) the Appropriate Proceedings may be delayed.

### Natural Disasters Delegation Notice

Natural disasters, such as tornados and floods, can give rise to a Default on an Essent-insured Loan due to damage to the Property or to a Borrower's workplace resulting in loss of income. Essent understands that it can sometimes take several months to get the Property repaired and/or for the Borrowers to get back to their jobs, and in such circumstances we want to encourage such restoration and rehabilitation, without insisting on the adherence to time frames which would otherwise apply under our Master Policy.

Therefore, when a natural disaster is the reason underlying a Default or if such disaster is preventing a Borrower from curing an existing Default, Essent agrees to delegate to the Servicer the authority to postpone Appropriate Proceedings as may be underway, e.g., filing of the foreclosure complaint or pursuit of the foreclosure sale, as the Servicer may deem appropriate, such that the Servicer may proceed with such suspension or forbearance without Essent's prior approval. Servicers may also approve any repayment or forbearance plan for the Borrower in such a circumstance.

Servicers on Essent-insured Loans have Essent's full delegated authority to make these determinations and decisions on Essent's behalf without any condition other than after-the-fact notification of your decisions at [lossmanagement@essent.us](mailto:lossmanagement@essent.us) or by phone at 877.331.9077.

## 5.0 Foreclosure Time Frames

The Essent Foreclosure Time Frame is an estimate of the maximum time it should take from the due date of the last paid installment to the foreclosure sale date. The time frames are based on the GSE time frames and the requirements of the Essent Master Policy.

It is important to note these time frames do not include any additional time for bankruptcy, redemption periods and or uncontrollable events during the foreclosure process. Therefore, in order to expedite the Claim Settlement and to avoid an adjustment to the Claim, it is important to provide an explanation when the amount of time to foreclose exceeds the applicable time frame.

If there is a delay and we are unable to determine the reason from the documentation submitted with the Claim for Loss, we will request an explanation before proceeding with the Claim Settlement. It is our goal to be reasonable and fair and not to adjust the Claim unfairly.

FORECLOSURE TIMELINE FOR MORTGAGES WITH DDLPI:											
State	Prior to Oct. 1, 2015	Oct. 1, 2015 to Mar. 31, 2016	On or After Apr. 1, 2016	State	Prior to Oct. 1, 2015	Oct. 1, 2015 to Mar. 31, 2016	On or After Apr. 1, 2016	State	Prior to Oct. 1, 2015	Oct. 1, 2015 to Mar. 31, 2016	On or After Apr. 1, 2016
Alabama	450	420	420	Louisiana	630	630	630	Ohio	660	600	600
Alaska	570	420	570	Maine	1140	1140	1140	Oklahoma	690	630	660
Arizona	450	450	420	Maryland	810	660	660	Oregon	1170	1110	1140
Arkansas	600	510	510	Massachusetts	1020	1020	1050	Pennsylvania	900	780	780
California	630	570	570	Michigan	420	390	390	Rhode Island	930	810	990
Colorado	630	540	540	Minnesota	480	480	420	South Carolina	690	630	660
Connecticut	900	870	870	Mississippi	450	450	420	South Dakota	690	600	630
Delaware	1050	1020	1050	Missouri	420	420	420	Tennessee	450	390	390
D.C.	1320	1320	1320	Montana	540	510	540	Texas	510	480	480
Florida	1020	900	900	Nebraska	510	510	450	Utah	630	510	510
Georgia	450	450	420	Nevada	990	870	870	Vermont	990	960	1020
Hawaii	1170	1170	990	New Hampshire	600	540	570	Virginia	480	450	450
Idaho	660	570	570	New Jersey	1170	1170	1230	Washington	810	630	720
Illinois	780	690	720	New Mexico	1020	960	1020	West Virginia	480	480	450
Indiana	660	600	630	New York	1110	1110	1200	Wisconsin	630	600	630
Iowa	720	630	660	New York City	1200	1200	1230	Wyoming	450	450	450
Kansas	570	570	540	North Carolina	540	510	510				
Kentucky	690	600	660	North Dakota	720	720	720				

## 6.0 Bidding at the Foreclosure Sale

The Servicer must bid at the foreclosure sale in accordance with Essent’s instructions in order to avoid adjustments to the Insurance Benefit. Section IV (G) (Appropriate Proceedings) of the Master Policy requires that the bidding be such that it protects Essent’s rights of recovery against the Borrower relating to the Loan or to the Property. Additionally, appropriate bidding at the foreclosure sale may allow the Property to be sold at such sale for an amount less than the total indebtedness.



For more information on Essent's bidding instructions, contact Essent at 877.331.9077 or email us at [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

## Bidding Instructions

Below are the bidding instructions pursuant to Section IV (J) of Essent's Master Policy:

**Foreclosure Bidding Instructions.** Unless otherwise instructed by the Company, in those states where the foreclosure process permits or requires bidding at the foreclosure sale, the Insured shall bid, or cause its Servicer to bid as follows:

1. When the Third-Party Beneficiary with respect to the Loan is either Fannie Mae or Freddie Mac, in an amount in accordance with the then-applicable bidding guidelines required by such Third-Party Beneficiary; and
2. When the Insured or Third-Party Beneficiary is other than Fannie Mae or Freddie Mac, in accordance with the following instructions:
  - a. If the current market value of the Property is unknown, the Insured or the Servicer shall make an opening bid at no more than 80% of the Default Amount, plus accrued and unpaid interest due on the Loan computed at the note rate plus Advances not yet reimbursed (collectively, the "Total Debt"). In the event of competitive bidding, the Insured or the Servicer shall continue to bid until it is the successful bidder, or until the bidding reaches the Total Debt, whichever comes first.
  - b. If the current market value of the Property is known, i.e., within the past ninety (90) days the Property has been appraised or has been the subject of a "broker price opinion," the Insured or the Servicer shall make an opening bid at the lesser of (i) 100% of such known value or (ii) the Total Debt. In the alternative, the Insured or the Servicer may bid a lesser amount if it so desires, and such bid amount is permissible under Applicable Law. In the event of competitive bidding, the Insured or the Servicer shall continue to bid until the Property is sold to a third party, it is the successful bidder or until the bidding reaches the Total Debt, whichever comes first. Notwithstanding the foregoing, the Insured or the Servicer may not discontinue bidding, and allow sale to a third party until the bidding has reached the known value.

In the event the Insured's or Third-Party Beneficiary's foreclosure bidding instructions conflict with the above, Servicers shall be required to receive the Company's written consent prior to disregarding this Section IV (J).

## Summary

1. Follow the GSE bidding instructions when the investor is Fannie Mae or Freddie Mac.
2. If the investor is other than Fannie Mae or Freddie Mac, follow (a) and (b) below.
  - a. **Property Value is Unknown:**

Open the bid at no more than 80% of the Total Debt. You may open at any lesser amount when allowable or required by state law. In the event of competitive bidding, you must continue to bid until you win the bid or reach the Total Debt.
  - b. **Property Value is Known:**

Open at the lesser of the Property value or the Total Debt. You may open at any lesser amount when allowable or required by state law. In the event of competitive bidding, you must continue to bid until you reach the lesser of the Property value or the Total Debt. Essent does not require a bid above the lesser of the Property value or the Total Debt, but you should always check with the investor to ensure that these instructions meet their requirements. If there is a conflict, you should contact Essent's Loss Management Department.

## 7.0 Loss Mitigation

The purpose of this section is to make our customers aware of the Master Policy requirements for various Loss Mitigation activities. For additional information, please contact the Loss Mitigation department by emailing [lossmanagement@essent.us](mailto:lossmanagement@essent.us) or phone us at 877.331.9077.

Section IV (H) (Mitigation of Loss) of the Master Policy requires the Insured or its Servicer to use their respective commercially reasonable efforts to limit and mitigate loss by adhering to customary servicing standards applicable to delinquent Loans. The following sections describe what is required of the Servicers to meet the Master Policy requirements for the various loan workout options.

### 7.1 REPAYMENT PLANS

The Master Policy does not specifically address repayment plans, but Essent encourages Servicers to attempt a repayment plan with any Borrower that is interested in avoiding foreclosure.

Essent encourages Servicers to give the Borrower a chance to cure the Default even though it may appear from current financial disclosures that the Borrower may not be able to sustain payments under the plan. Essent understands that many of these plans will not be successful.

Although our approval is not required, you may submit a request for Essent's approval of the repayment plan on Essent's Loss Mitigation (Approval Request Form). You can view and print the form by visiting our website at [essent.us](http://essent.us). Send the request to [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

### 7.2 FORBEARANCE AGREEMENTS

The Master Policy does not specifically address forbearance agreements, however a forbearance agreement is a great tool to assist the Borrower in retaining ownership of the subject Property, and Essent encourages the Servicers to approve such agreements. As with repayment plans, Essent understands that many of these agreements will not be successful. However, Essent encourages Servicers to give the Borrower a chance to cure the Default even though it may appear that the Borrower may not be able to continue to make the payments.

Although our approval is not required you may submit a request for Essent's approval of the forbearance agreement on Essent's Loss Mitigation (Approval Request Form). You can view and print the form by visiting our website at [essent.us](http://essent.us). Send the request to [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

### 7.3 MODIFICATIONS

Section III (E) (Modification of Property or of Loan Term) of the Master Policy requires that the Servicer first obtain the prior written approval of Essent when there is a material change to the terms of the Loan when such change is adverse to Essent, except as may be permitted by the terms of the Loan or required by Applicable Law. A modification can be an effective tool to assist a Borrower in curing the Default. Therefore, all approved Essent Servicers may approve modifications without Essent's written approval, provided the following terms are met:

- Interest rate remains the same or is reduced;
- Remaining term is not reduced (term can be extended to 480 months); and
- Capitalization of delinquent interest, taxes and insurance provided the modified principal balance does not exceed 110% of the original insured amount.



If the Servicer is an approved delegated Servicer for a GSE, the Servicer should follow the GSE Modification Guidelines.

Essent will make every effort to respond to any request for approval within 48 hours. The Master Policy states that if we should fail to respond to the Servicer within ten (10) days of a request for Essent's approval, the request shall be deemed to be approved.

- In the event that an insured loan is modified under any version of our Master Policy, such that the UPB due on the loan is increased, Essent will modify the application of Master Policy Section III(E)(Modification of Property or of Loan Terms) so as (1) not to charge additional premium on the incremental amount added to the UPB by virtue of the modification, and (2) not to curtail a Claim payment in order to recoup such premium amounts as might have been charged on the incremental increase in Loan amount. We may reconsider this position in the future, but will give you ninety (90) days advance written notice if we do so.

You may submit your request for approval of a modification on Essent's Loss Mitigation (Approval Request Form) and notify us of a completed modification on the Modification Completed form. These forms can be viewed and printed by visiting our website at [essent.us](http://essent.us).

You are not required to use these forms, however all of the information is required when requesting an approval of the proposed modification or once the modification is completed. Please send to [lossmanagement@essent.us](mailto:lossmanagement@essent.us).

## 7.4 CLAIM ADVANCE

Essent may approve a Claim Advance to assist the Borrower in curing the Default. Section IV (C) (3) (Claim Advances) of the Master Policy requires Essent's approval for a Claim Advance. A Claim Advance is simply a partial advance of a potential Insurance Benefit to the Servicer to be applied to the subject Loan in an effort to cure the Default. The Claim Advance can be in various amounts as follows:

- The entire amount that is past due;
- An amount to subsidize a repayment plan;
- In conjunction with a modification plan; or
- Advance payments while the Borrower is unemployed.

The Borrower will be required to sign a promissory note for the advance. The promissory note would be interest free and unsecured with terms the Borrower can afford. If needed, the first payment due date of the promissory note could be extended up to six (6) months. Any advance minus amounts repaid by the Borrower would be deducted from any future Insurance Benefit.

You may submit your request for a Claim Advance on Essent's Loss Mitigation (Approval Request Form) to [lossmanagement@essent.us](mailto:lossmanagement@essent.us). You can view and print the form by visiting our website at [essent.us](http://essent.us).

## 7.5 SHORT SALE (PRE-FORECLOSURE SALE)

A Borrower may be allowed to sell the subject Property to avoid a foreclosure action, even though the net proceeds are insufficient to pay the mortgage in its entirety. This is commonly known as a Short Sale. Essent's approval is required under Section IV (E) (Short Sale) of the Master Policy. However, if the Servicer is approved by Fannie Mae or Freddie Mac as a delegated Servicer to make short sale decisions on their behalf, then Essent's approval is not required.





If our approval is required, Essent will make every effort to respond to your request for approval of the Short Sale within 48 hours. Essent may require the Borrower to participate by contributing cash and/or signing a promissory note for part of Essent's Anticipated Loss.

You may submit your request for a Short Sale on Essent's Loss Mitigation (Approval Request Form) to [lossmanagement@essent.us](mailto:lossmanagement@essent.us). You can view and print the form by visiting our website at [essent.us](http://essent.us).

## **7.6 VOLUNTARY CONVEYANCE (DEED IN LIEU)**

The Servicer may accept a Voluntary Conveyance commonly known as a Deed in Lieu of Foreclosure from the Borrower only if the prior approval of Essent has been obtained. Essent's approval is required under section IV (D) (Voluntary Conveyance) of the Master Policy. However, if the Servicer is approved by Fannie Mae or Freddie Mac as a delegated Servicer to make Voluntary Conveyance decisions on their behalf, then Essent's approval is not required.

If our approval is required, Essent will make every effort to respond to your request for approval of the Voluntary Conveyance within 48 hours. Essent may require the Borrower to participate by contributing cash and/or signing a promissory note for part of Essent's Anticipated Loss.

You may submit your request for a Voluntary Conveyance on Essent's Loss Mitigation (Approval Request Form) to [lossmanagement@essent.us](mailto:lossmanagement@essent.us). You can view and print the form by visiting our website [essent.us](http://essent.us).

## **7.7 REAL ESTATE OWNED (REO)**

Once the foreclosure is complete, Essent encourages (but does not require) the Insured and/or Servicer to list the Property for sale as soon as possible. Additionally, our approval of the list price is not required.

Section V (B) (1) (Acquisition Option) of the Master Policy allows Essent to purchase the Property from the Insured as a Claim Settlement Option. Therefore, any offers to purchase the subject Property must be approved by Essent until the Claim is settled or unless Essent has already informed the Insured or Servicer in writing that they may sell the Property without Essent's approval.

Essent encourages that the Property be put into good marketable condition. Essent's approval of any needed repairs or maintenance to the Property is not required. See the claimable items in the Claim for Loss section of this Guide as to what repair items may be claimable.

Please submit any offers to [lossmanagement@essent.us](mailto:lossmanagement@essent.us) or phone us at 877.331.9077.

# **8.0 Claim for Loss**

## **8.1 PHILOSOPHY**

It is Essent's policy to administer the processing and settlement of Claims, in compliance of the terms and conditions of the Master Policy and with a sense of fairness.

Should Essent detect a correctable error on the Claim for Loss that would reduce the Insurance Benefit inappropriately, it is Essent's policy to correct such error and maximize full Insurance Benefits for the Insured.



## 8.2 WHEN TO FILE

A Claim should be filed no later than sixty (60) days after the earlier of acquiring the Borrower's Title to the Property, or a Third-Party Sale, or if the Insured so elects, after expiration of the Borrower's right of redemption.

Failure of the Insured to file a Claim within this time period shall relieve the Company of any obligation to include in the Claim Amount interest, and Advances accruing on the Loan after such sixty (60) day period has expired, but does not extinguish Essent's liability to settle the Claim provided that other provisions of the Master Policy are met.

## 8.3 HOW TO FILE A CLAIM

Essent will accept a Claim for Loss from the Insured, Servicer or Third Party Beneficiary by Electronic Data Interchange ("EDI") or via Loss Management Online located at [essent.us](http://essent.us).

You may review the progress of the Claim process via Loss Management Online located at [essent.us](http://essent.us).

## 8.4 REQUIRED DOCUMENTATION

In addition to completing all applicable sections of the Claim form, the following documents will be required before a Claim can be considered to be a Perfected Claim:

- Copy of an executed trustee's or sheriff's deed (which may be unrecorded) if Borrower's Title is obtained by a foreclosure action. When the deed is unavailable when filing a claim, let us know and if a GSE is the investor, we will attempt to waive this requirement by visiting their website in an attempt to validate the foreclosure sale and the foreclosure bid amount;
- Copy of the payment history covering the Default period (the Insured's Servicer is required to maintain the mortgage payment history records until the Certificate of Insurance is canceled or the Claim is Paid);
- Copy of a deed from the Borrower (which may be unrecorded) if a Voluntary Conveyance was accepted in lieu of foreclosure;
- Copy of the final HUD-1 settlement statement (for Loans closed prior to or on 10/03/15) or Closing Disclosure (for Loans closed after 10/03/15) in the event of a Third-Party Sale prior to foreclosure or after foreclosure, but prior to settlement of the Claim;
- Evidence of the bid amount and the proceeds from a Third-Party Sale at the foreclosure sale if applicable;
- Copy of any recent appraisals or broker price opinions obtained in the last six (6) months if available (you are not required to obtain these reports if not available);
- If the Claim is a result of a delegated pre-foreclosure Short Sale or Voluntary Conveyance (deed in lieu), please submit a copy of the entire liquidation file (hardship letter, financials, property value information, GSE approval, etc).

### The Following Documents Are Required Only When Requested:

- Copy of all foreclosure documents;
- Copy of documents pertaining to preservation and/or establishment of Deficiency Judgment, if applicable; and
- Evidence of the collection and loss mitigation efforts.



For the avoidance of doubt, Core Claim Documents include the following Origination File and Closing File documents that Essent may request for Loans submitted on a delegated basis and/or in the event of a delegated Third-Party Sale prior to foreclosure or Voluntary Conveyance. The list that applies to a particular Loan is the one that appears in this Guide as of the Loan's Certificate Effective Date. Essent will contact you shortly after receipt of the Claim for Loss to request these Loan file documents when needed. When requested, it is acceptable to either submit the entire Origination File and Closing File, or at a minimum the following documents:

- The final signed Loan Application, where applicable the Uniform Residential Loan Application (Fannie Mae Form 1003/Freddie Mac Form 65);
- The credit report and any supplementary credit information;
- Verification of Rent (VOR) or Verification of Mortgage (VOM) as applicable;
- Automated Underwriting System (AUS) decisions, including the Desktop Underwriter (DU) Underwriting Findings Report and/or the Loan Prospector (LP) Feedback Certificate;
- The signed Form 4506-T;
- Employment/Income verifications, including such items as applicable:
  - Verification of Employment (VOE)
  - Verbal VOE
  - Paystubs
  - W-2 forms
  - Income tax returns/transcripts
- Asset verifications, including such items as applicable:
  - Verification of Deposit (VOD)
  - Bank/Account statements
  - Gift Letters
- Letters of explanation (as applicable) for such items as credit inquiries, derogatory credit, large deposits, gaps in employment, income stability, etc.;
- The real estate purchase contract and addendum(s);
- The final HUD 1 settlement statement (for Loans closed prior to or on 10/03/15) or Closing Disclosure (for Loans closed after 10/03/15) or other settlement statement;
- The appraisal report evidencing Original Value, on the appropriate form with all applicable photos, exhibits, & addendums; and
- As applicable, evidence of Essent's and/or Fannie Mae/Freddie Mac project approval for condominiums or cooperatives.

In the event that Essent should elect the Acquisition Option as the settlement option, some additional documents will be required. They are:

- A recordable deed in normal and customary form containing the customary warranties and covenants conveying to Essent Good and Merchantable Title to the Property; and
- A title insurance policy reasonably acceptable to Essent or an attorney's opinion of title reasonably acceptable to Essent, confirming that the Insured has and can convey title of the Property to Essent.



## **8.5 ESSENT'S OBLIGATION REGARDING ADDITIONAL DOCUMENTATION OR INFORMATION**

Essent has sixty (60) days to process and settle a Claim once the Claim is a Perfected Claim. If any documentation or information is needed to perfect the Claim, the sixty (60) day period may be suspended until Essent receives such additional documents and/or information.

If Essent needs additional documentation or information in order to process a Claim, Essent shall within twenty (20) days of receipt of a Claim, notify the Servicer of what is needed to perfect the Claim. If Essent should fail to request such additional documentation and/or information within the twenty (20) day period, Essent may still request such, but the sixty (60) day period which Essent has to process and settle the Claim is not suspended.

## **8.6 ACCESS TO THE PROPERTY**

Essent may require Access to the Property but only if Essent believes there is a possibility it may elect to acquire the Property as the Claim Settlement Option. Essent must request Access to the Property no later than the fortieth (40th) day of the Claim Settlement Period, which is sixty (60) days. When Essent does request Access timely, the Claim Settlement Period is suspended until Access to the Property is granted. Access does not mean that the Property must be vacant, only that the occupant allows an appraiser or realtor Access to the interior for an inspection.

## **8.7 CALCULATION OF THE CLAIM AMOUNT (CLAIMABLE ITEMS)**

It is important that the Calculation of the Claim Amount section of the Claim for Loss form be completed in its entirety. This will help us expedite the Insurance Benefit to you. Under Section V (3) (Calculation of Claim Amount) of the Master Policy the following items are claimable:

### **8.71 PRINCIPAL BALANCE**

Enter the amount of the unpaid principal balance as of the date of last payment. If there has been a modification of the principal balance during the life of the Loan, it will be helpful to Essent to include information about the modification.

### **8.72 ACCRUED AND UNPAID INTEREST**

Unpaid interest is allowed through the Claim filed date (maximum 60 days) after acquiring the Borrower's Title to the Property, or a Third-Party Sale, or if the Insured so elects, after expiration of the Borrower's right of redemption.

This Guide contains a Foreclosure Time Frames section (see Section 5.0 of this Guide). The time frames are established for each state and show the maximum amount of time Essent allows from the date the foreclosure was filed until the date of the foreclosure sale. These time frames do not include any additional time for redemption periods or bankruptcy filings.

The time frames are calculated to provide sufficient time for unforeseen events. However, if it takes longer to foreclose than what is shown on the Foreclosure Time Frames document for the applicable state, we ask that you send a chronology, or an explanation, as to the reason for the additional time. This will expedite the processing of the Claim.

### **8.73 HAZARD INSURANCE PREMIUMS**

Advances are claimable for Hazard Insurance Premiums paid during the Default period through the date the Claim for Loss is filed. However, the amount paid will be prorated when processing the Claim through the earlier of the date the Claim is filed, or was required to be filed. It is very important that the date the premiums were paid and the coverage periods be shown on the Claim for Loss form in order for Essent to calculate the proration of the premium payment and to expedite the payment of the Claim.



#### **8.74 TAXES, ASSESSMENTS AND OTHER PUBLIC CHARGES IMPOSED ON THE PROPERTY**

All city, county, school taxes and other assessments paid during the Default period through the date the Claim for Loss is filed are claimable. However, the amount paid will be prorated when processing the Claim through the earlier of the date the Claim is filed, or was required to be filed. It is very important that the date the taxes or assessments were paid, as well as the coverage periods, be shown on the Claim for Loss form in order for Essent to calculate the proration of the payments and to expedite the payment of the Claim. Interest and/or penalties for late payments of any tax or assessment are not claimable.

#### **8.75 PROPERTY PRESERVATION/REPAIRS**

It is in everyone's best interest that the Property is maintained and preserved once it becomes REO. Expenses incurred prior to filing the claim that are necessary and reasonable related to securing, preserving and maintaining the Property are claimable.

Expenses for normal wear-and-tear repairs are claimable in the event Essent elects to settle the Claim by selecting the Acquisition Option or Third-Party Sale option.

Approval from Essent is not necessary for any Property preservation or repair expenses that the Insured wishes to do prior to the Claim Settlement.

#### **8.76 CONDOMINIUM FEES**

Condominium fees, homeowners' association dues, maintenance fees, and cooperative association dues that are paid from the date of Default until the Claim is filed or was required to be filed are claimable.

#### **8.77 ATTORNEY FEES & COURT COSTS**

Actual attorney's fees, and including Court Expenses to complete the Appropriate Proceedings, and eviction of occupants that are incurred prior to the filing of the Claim are allowable, but the Attorney Fees may not exceed: (i) the lesser of \$6000 or five percent (5%) of the sum of the unpaid principal balance, and the accrued and accumulated interest due at the time the Claim is filed, if the unpaid principal balance is less than \$200,000; or (ii) three percent (3%) of the sum of the unpaid principal balance and the accrued and accumulated interest due at the time a claim is filed, if the unpaid principal balance is \$200,000 or more. Any agreed upon expenses for pursuit of a deficiency judgment would be claimable in addition to the allowable attorney, and court expenses to complete the Appropriate Proceedings and eviction of the occupants that are incurred prior to the filing of the claim.

Eviction fees and costs incurred after the Claim is filed will be claimable as a Supplemental Claim when Essent requires the Property to be vacant before the Claim Settlement, or if a Short Sale takes place after the Claim is filed that reduces Essent's loss and Essent elects to settle the Claim under the Third-Party Sale option.

#### **8.78 PREMIUM REFUND**

Essent will refund any and all premiums paid for coverage after the date of Default.

#### **8.79 ITEMS TO BE DEDUCTED**

The Master Policy requires the Insured to inform Essent when filing a Claim of any funds available that reduce the Claim Amount. They are as follows:

- Escrow funds remaining to which the Insured has a right as of the date of last payment;
- Rent or other payments received prior to the date the Claim is submitted or should have been submitted;



- Any cash or other collateral that the Insured has retained the right of possession as security for the Loan;
- Amounts previously paid by Essent with respect to the Loan pursuant to Section IV (C) (3) (Claim Advances); and/or
- Amounts paid under fire and extended coverage policies may be applicable when not applied to either the restoration of the Property, if the Property suffered Physical Damage or to the payment of the Loan.

## 9.0 Claim Settlement Options

The sum of the claimable items described in section 8.7 “Calculation of the Claim Amount” is the Claim Amount. Essent will select the appropriate Claim Settlement Option when settling the Claim. They are:

- **Acquisition Option**  
An amount equal to the Claim Amount, less any previous payments of Loss previously made by the Company with respect to the Loan or reductions for Physical Damage in exchange for conveyance of Good and Merchantable Title and Possession of the Property;
- **Percentage Option**  
An amount equal to the Claim Amount multiplied by the Coverage Percentage;
- **Third-Party Sale Option**  
An amount equal to the Insured’s loss when the Property is sold to a third party prior to the Claim Settlement and the sale results in a loss that is less than the Percentage Option.

## 10.0 Explanation of Benefit

An Explanation of Benefit (EOB) will be available for every Claim Settlement. The EOB will show the amount claimed and the amount allowed by Essent for each claimable item.

In the event Essent finds it necessary to change the amount claimed for any item, we will provide an explanation.

A copy of the EOB may be viewed and printed via Loss Management Online located at [essent.us](http://essent.us).

## 11.0 Supplemental Claims

A Supplemental Claim may be filed after the initial Claim Settlement for any claimable item that was not claimed on the original Claim for Loss. You may use the same Claim for Loss form or method, as used for the filing of the original Claim. Section V (2) (Filing of Claim) requires the Supplemental Claim to be filed within ninety (90) days after payment of the original Claim.

If any additional information and/or documentation is needed to process the Supplemental Claim, Essent will make such request within twenty (20) days of receipt of the Supplemental Claim and the sixty (60) days which Essent has to settle the Supplemental Claim will be suspended. If Essent should fail to request any needed documentation or information within the twenty (20) day period, the sixty (60) day period which Essent has to settle the Supplemental Claim is not suspended.

## 12.0 Subrogation and Pursuit of Deficiency Judgments

Under Section V (B) (E) (Subrogation) of the Master Policy Essent has the right of subrogation to the Insured’s rights of recovery against the Borrower. Therefore, Essent may pursue a Borrower for its loss when permitted under the applicable State law and regulations.



It is very important that the Servicer foreclose and bid in a manner that protects the deficiency rights. See Bidding Instructions in Section 6.0 of this Guide for the bidding requirements.

Essent may request of the Servicer to foreclose in a manner that is more expensive (e.g. judicial foreclosure), and to take legal action after the foreclosure sale to establish or maintain the deficiency judgment. Essent will reimburse the Servicer for the reasonable Deficiency Expenses incurred by the Servicer.

Should Essent elect to pursue a Borrower for its loss, Essent or the firm representing Essent in pursuit of the deficiency judgment may request the Insured or the Third-Party Beneficiary to execute and deliver such instruments and papers necessary to transfer, assign, and secure the rights to pursue the Borrower for the deficiency.

The Insured or Third-Party Beneficiary may request that it retain a pro rata share of the rights to pursue the Borrower for a deficiency. See Section V (B) (E) (3) (Parties Determination) of the Master Policy on how to calculate the pro rata share for any recovery, as well as sharing the expenses involved in obtaining the deficiency judgment.

## 13.0 Clarity of Servicing

Policyholders who understand the requirements of their Master Policy will experience its full benefits, expedite the payment of Claims and avoid any unnecessary Claim Curtailments. The following examples illustrate how we will enforce the Master Policy in the event of some hypothetical servicing violations. Any Claim Curtailments would be clearly described on the Explanation of Benefits (EOB) we provide. Examples are used to isolate potential issues; to the extent multiple issues present themselves, Essent's treatment may differ.

### 13.1 LATE CLAIM FILING

**Example:** Foreclosure sale is held on January 1st. The Claim for Loss is filed on December 31st.

**Essent Treatment:** Sixty (60) days of Interest and other Advances are permitted under the Master Policy, i.e., through March 2nd. Essent would not deny the Claim due to the late filing, but charges for Interest and Advances would not be honored beyond sixty (60) days of the foreclosure sale.

### 13.2 LATE DEFAULT REPORTING

**Example:** As of March 10th, the loan is due for the January 1st payment. The Default is never reported, and Essent is not made aware of the Default until the Claim for Loss is filed on December 31st.

**Essent Treatment:** The Master Policy requires that a Notice of Default be submitted to Essent within ten (10) days of the date when the Borrower becomes three (3) payments in Default, i.e., by March 10th. If this is the first time the issue has arisen, and it affects only a single Loan, Essent would not deny the Claim, but will instead work with the Insured and its Servicer to correct any process deficiencies, prior to making any adjustments to the Claim; continued issues of a similar nature from the same source (or issues respecting more than one Loan), would likely result in Claim Curtailments with respect to the incremental Interest and Advances incurred from the date the Default was required to be reported, in this case, March 10th through the date the Claim is filed, here, December 31st.

**Example:** Same circumstance as before, except that an initial Notice of Default is submitted to Essent by March 10th. Required monthly delinquency reports are provided to Essent in April and May, but not with respect to June or July. In August, the delinquency reporting resumes and continues until the Claim is filed on December 31st.



**Essent Treatment:** The Master Policy provides Essent with the right to exclude Claims to the extent we are prejudiced by the failure to observe policy terms, but only if such damage can be reasonably quantified. Since there was no damage to Essent, no adjustment would be made to the Claim. Essent's Loss Management Department will work with your servicing teams to correct any reporting issues and ensure you reap the full benefit of your Master Policy.

### 13.3 LATE FILING OF THE COMPLAINT

**Example:** The Borrower does not make the January 1st payment. The foreclosure complaint is filed on December 1st. This Guide, at Section 5.0 contains state-specific maximum timeframes by which the foreclosure should be completed once Appropriate Proceedings have commenced, which are updated from time to time.

**Essent Treatment:** The Master Policy requires that Appropriate Proceedings be initiated no later than a date upon which the Loan becomes eight (8) payments in Default (i.e., after August 1st), assuming no bankruptcy filing or moratoriums imposed under Applicable Law. Assuming the Appropriate Proceedings were completed in the normal time frames, Essent would not deny the Claim, but Interest and Advances would not be allowed from the date the Appropriate Proceedings were required to be filed (i.e. August 1st through the date they were initiated December 1st), as it would appear in this example that the late filing of the Appropriate Proceedings delayed the entire foreclosure process by at least one hundred and twenty (120) days.

**Example:** The Borrower does not make the January 1st payment. The foreclosure is not filed until October 1st, i.e. sixty (60) days late. The foreclosure was completed in one hundred and twenty (120) days after the complaint was filed, however, Essent allows up to one hundred and eighty (180) days to complete the foreclosure in this state. The foreclosure process was completed faster than normal.

**Essent Treatment:** Even though the foreclosure complaint was filed sixty (60) days late Essent would not deny nor adjust the claim for the late filing as the foreclosure process was completed sixty (60) days earlier than anticipated.

### 13.4 LACK OF DILIGENCE IN PURSUING APPROPRIATE PROCEEDINGS

**Example:** The Borrower defaults on the January 1st payment and Appropriate Proceedings are commenced timely on July 1st. The foreclosing attorney misplaces the file and does not follow up appropriately to keep the foreclosure progressing timely. Appropriate Proceedings are finally completed June 30 (five hundred and seventy (570) days from the date of the last paid installment of December 1st).

**Essent Treatment:** Essent's Default and Claims Servicing Guide for this state allows four hundred and fifty (450) days from the date of the last paid installment to the date of the foreclosure sale, unless there are uncontrollable circumstances such as a bankruptcy filing. In this scenario, it appears that the misplacing of the file by the attorney delayed the foreclosure process by one hundred and twenty (120) days.

Essent would not deny the claim but would adjust the Interest and other Advances for the one hundred and twenty (120) days. Change the example: Assume the delay was not due to the attorney's error, but due to the Borrower having filed a bankruptcy petition. In this case, the automatic stay would impose the delays outside the servicer's control, and so no adjustment would be made.

### 13.5 INADEQUATE HOME RETENTION EFFORTS

**Example:** Essent's review of the Servicer's effort to contact the Borrower indicates that no attempts were made to contact the Borrower by phone, nor to perform any skip tracing. The Borrower filed a bankruptcy petition after the foreclosure action was commenced. Additionally it was also determined that the Borrower had moved out of the Property prior to defaulting. On this basis, Essent determines that any efforts to assist the Borrower would have been in vain.





**Essent Treatment:** Essent will not deny the Claim, nor will it apply any adjustment, as there is no evidence that Borrower contact efforts by the Servicer would have affected the outcome.

**Alter the Example:** Essent's review of the Servicer's efforts to contact the borrower indicates that no attempts were made to contact the Borrower by phone, nor was any skip tracing performed. The Servicer knows nothing about the Borrower's situation or the reason for Default. Accordingly, Essent cannot determine whether the outcome would have been affected, had the Servicer had been more diligent.

**Essent Treatment:** Essent's Master Policy requires that the Insured cause its Servicer to use commercially reasonable efforts to limit and mitigate loss including home retention efforts by adhering to customary servicing standards applicable to delinquent loans. Therefore, if the requirements of the CFPB Mortgage Servicing Rules as they relate to home retention are met, Essent will consider the related efforts to have been sufficient, and will not deny a Claim on such a basis. In cases where the CFPB Mortgage Servicing Rules home retention requirements are not met, this is the first time the issue has arisen, and it affects only a single Loan, Essent would not deny or curtail the Claim, but will instead work with the Insured and its Servicer to correct any process deficiencies; continued issues of a similar nature from the same source (or issues respecting more than one Loan) may result in Claim Curtailments.

### 13.6 ADJUSTMENTS FOR MISSING DOCUMENTATION OF THE COLLECTION EFFORTS

**Example:** Essent only asks for collection documentation when the Servicer has failed to make us aware of the collection efforts subsequent to Default. Upon such an Essent request, the Servicer is unable to produce the requested collection documentation.

**Essent Treatment:** If the requirements of the CFPB Mortgage Servicing Rules as they relate to documentation of delinquent Borrower contact efforts are met, Essent will consider the documentation of such collection efforts to have been sufficient, and will neither deny nor curtail a Claim on such a basis. If the CFPB Mortgage Servicing Rule requirements are not met, this is the first time the issue has arisen and it affects only one Loan, Essent would not deny or curtail the Claim, but will instead work with the Insured and its Servicer to correct any process deficiencies; continued issues of a similar nature (or issues respecting more than one Loan) from the same source may result in Claim Curtailments.

### 13.7 DISPUTE RESOLUTION

Essent will work with policyholders in resolving coverage disputes as set forth in the Master Policy and Section 14.0 of this Guide. In addition to those policyholder rights and defenses, Essent will not mischaracterize a rebuttal or appeal as a Supplemental Claim, which must be filed within ninety (90) days from Essent's payment of Insurance Benefits.

## 14.0 Appeals

Essent may from time to time exercise its rights under the Master Policy in good faith by issuing a Rescission, Claim Denial, Certificate Cancellation, Claim Curtailment or Exclusion, which may be provided by EOB. In lieu of issuing a Rescission, Essent may issue a notice of its intent to issue a Rescission, which notice will provide ninety (90) days within which Essent's conclusions may be rebutted or appealed, in the absence of which the Company will issue a Rescission. Essent will respond to all such rebuttals or appeals within ninety (90) days, whether or not we have a full response to the rebuttal or appeal. If we do not agree after review of the rebuttal or appeal, the Insured or Third-Party Beneficiary may request referral to a dispute resolution committee, which would consist of employees of each of ours as we may agree. The committee will meet within thirty (30) days of receiving the contested matter and shall attempt to resolve the dispute. If the committee is unable to resolve the dispute, then Essent's initial notice shall stand. Essent is amenable to binding arbitration to resolve matters which remain at impasse, provided the Insured or Third-Party Beneficiary, as the case may be, provides advance written consent to such proceedings.