

I.	Advances.....	20
J.	Foreclosure Bidding Instructions.....	20
V.	Loss Payment Procedure	21
A.	Claim Filing Process.....	21
1.	Claim Information	21
2.	Filing of Claim.....	21
3.	Calculation of Claim Amount.....	22
4.	Claim Settlement Period	23
B.	Company Options for Payment of Insurance Benefit.....	25
1.	Acquisition Option	25
2.	Percentage Option	25
3.	Third-Party Sale Option.....	25
C.	Refund in the Event of Redemption	26
D.	Discharge of Obligation.....	26
E.	Subrogation.....	26
1.	Company's Right of Subrogation	26
2.	Concurrent Subrogation Rights.....	27
3.	Procedures to Preserve Subrogation Rights.....	27
VI.	Additional Conditions	28
A.	Duty of Cooperation	28
B.	Effect of Borrower Bankruptcy	28
C.	Eminent Domain.....	28
D.	Notice	29
E.	Governing Law; Conformity to Statute	29
F.	Arbitration	29
G.	Suit; Limitation of Actions.....	29
H.	Entire Agreement	30
I.	No Waiver.....	30
J.	Parties in Interest; Beneficiaries; Agency.....	30
K.	Electronic Data Storage	31
VII.	Glossary	32
	Annex A: Terms and Conditions Related to Cooperative Properties	A-1
	Annex B: Terms and Conditions Related to Construction Loans	B-1

Borrower's Title to the Property, or a Third-Party Sale, or if the Insured or the Third-Party Beneficiary so elects, after expiration of the Borrower's right of redemption, if any. For purposes of this Section V(A)(2), the Insured or the Third-Party Beneficiary shall not be deemed to have acquired Borrower's Title until all procedures mandated by Applicable Law for transfer of title have been completed and the Insured or the Third-Party Beneficiary has full rights to the Property. Failure of the Insured or the Third-Party Beneficiary 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. Unavailability of Company forms is not a valid reason to delay filing a Claim. Within ninety (90) days after payment of the Claim by the Company, the Insured or, where it does so directly, the Third-Party Beneficiary shall be entitled to submit a supplemental Claim in an amount equal to Advances made pursuant to Section IV(I) (Advances) of this Policy subsequent to the commencement of the Claim Settlement Period that were not included in the initial Claim, and such supplemental Claim shall be paid by the Company within sixty (60) days after receipt thereof.

3. Calculation of Claim Amount. Subject to Sections VI(B) (Effect of Borrower Bankruptcy) and IV(C)(2) (Accelerated Claim), the Claim Amount will be an amount equal to the sum of:

- a) The amount of unpaid principal balance due under the Loan as of the date of Default without capitalization of delinquent interest, penalties or Advances, but including amounts added to the Loan balance as a result of (i) Negative Amortization provided for in the Loan documents or (ii) a loan modification approved by the Company; and
- b) The amount of accrued and unpaid interest due on the Loan computed at the contract rate stated in the Loan through the date that the Claim is filed with the Company, but excluding applicable late charges, penalty interest or other changes to the interest rate by reason of Default that in no event in excess of three (3) years; and
- c) The amount of Advances incurred by the Insured or the Third-Party Beneficiary under Section IV(I) (Advances) prior to filing of the Claim (except to Persons employed or controlled by the Insured or the Third-Party Beneficiary or their other internal costs) provided that payment of such Advances other than attorney's fees are prorated through the earlier of the date the Claim is submitted, or required to be submitted, to the Company or the Third Party Sale of the Property;

less:

- d) The amount of all rents and other payments (excluding proceeds of fire and extended coverage insurance and proceeds of a Third-Party Sale) collected or received by the Insured or the Third-Party Beneficiary, prior to the earlier of the date the Claim is submitted, or required to be submitted, which are derived from or in any way related to the Property;
- e) The amount of cash remaining in any escrow account to which the Insured or the Third-Party Beneficiary has a right, as of the last payment date;

- f) The amount of cash or other collateral to which the Insured or the Third-Party Beneficiary has retained the right of possession as security for the Loan;
- g) The amount paid under applicable fire and extended coverage policies which has not been applied to either the restoration of the Property, if the Property suffered Physical Damage, or to the payment of the Loan;
- h) The amount expended by the Insured or the Third-Party Beneficiary for Advances requiring approval by the Company which have not been approved by the Company;
- i) The amount of any payments, if any, previously made by the Company with respect to the Loan pursuant to Section IV(C)(3) (Claim Advances);
- j) The amount of any additional premium owed with respect to an approved Loan modification pursuant to Section III(E) (Modification of Property or of Loan Terms); and
- k) The amount, if any, excluded from coverage pursuant to Section II (Exclusions or Reductions in Coverage).

4. **Claim Settlement Period.** The Claim Settlement Period will be a sixty (60) day period after the Company's receipt of a Claim, calculated as follows:

a) **Information Requests.**

(1) **First Request.** If the Company needs additional information in order to process a Claim filed by the Insured, the Third-Party Beneficiary or the Servicer, the Company shall within twenty (20) days of receipt of such Claim, notify the Insured or the Servicer of all items reasonably required to perfect such Claim ("First Request"). The sixty-day period will be suspended until the Company receives such additional documents and information. The Company may request additional documents and information after such twenty (20) day period, and the Insured or the Servicer must use reasonable efforts to satisfy such request, but the sixty (60) day period will not be suspended. If the Company does not make a First Request within the twenty (20) day period following receipt of the Claim by the Company, then the Claim shall be deemed to be perfected as of the date the Company received the Claim.

(2) **Additional Requests.** The Company shall have an additional ten (10) day period after receipt of a response to a First Request within which to make any additional requests for documents or information ("Additional Request(s)"), and the Insured or the Servicer must use reasonable efforts to satisfy such Additional Request(s), but the sixty (60) day period will not be further suspended. If the Company does not make an Additional Request within such ten (10) day period, then the Claim will be deemed to be perfected as of the date the Company received the response to the First Request.

(3) **Claim Perfection after Denial of Claim.** If a Claim is denied on the basis that a response to a First Request or an Additional Request is

and the Third Party Beneficiary, if one, of any pending investigation with respect to the Loan or the Property and shall add to any later Insurance Benefit paid with respect to the Loan at issue, simple interest at the note rate plus ten percentage points (the latter, "Penalty Interest") accruing from the expiration date of the Claim Settlement Period until the date the Claim is paid. The Company must pursue any investigation expeditiously and in good faith. Penalty Interest shall not be included in the Insurance Benefit if the Company's failure to pay during the Claim Settlement Period is the result of (1) failure of payment systems beyond the control of the Company, or (2) a rescission of coverage with respect to a Loan that the Company later determines to reinstate.

B. Company Options for Payment of Insurance Benefit. Within the Claim Settlement Period, but only if the Insured has satisfied all requirements for payment of Loss and if the Company has received a Perfected Claim, the Company shall at its sole option exercise one of the options below and pay either:

1. **Acquisition Option.** An amount equal to the Claim Amount, less the amount of any payments of Loss previously made by the Company with respect to the Loan, and less any amounts by which the Insurance Benefit would be reduced in accordance with Section II(J) (Physical Damage), if applicable, payable in exchange for the conveyance of Good and Marketable title and Possession of the Property; provided, however, that if the Insured is unable to perform any conditions precedent to payment of a Claim within the later of thirty (30) days after the redemption period or ninety (90) days after the Claim Settlement Period, then so long as the Claim is not otherwise excluded, the Insured or Third-Party Beneficiary may retain title to the Property and the Insurance Benefit under this Acquisition Option shall be an amount equal to the Company's Anticipated Loss in connection with such Property. The Company shall send such deed for recording within sixty (60) days of receipt thereof and may not rescind its decision to acquire once the Insured has fulfilled the conditions of this Section V(B)(1); or
2. **Percentage Option.** The Claim Amount multiplied by the Coverage Percentage; or
3. **Third-Party Sale Option.** An amount equal to the lesser of the Percentage Option or the Actual Loss in connection with a Third-Party Sale of the Property. For purposes of this Section V(B)(3), "Actual Loss" means an amount equal to the Claim Amount, plus all commercially reasonable costs incurred in obtaining and closing such sale, less the proceeds of the Third-Party Sale and any cash contribution by the Borrower.

In addition to payment under one of the foregoing options, the Company will pay whatever Deficiency Expenses are payable to the Insured or Third-Party Beneficiary pursuant to Section V(E) (Subrogation). The Company will also refund any and all premiums paid for coverage after the date of Default. The Company will deduct from its payment of Loss such amounts as may be permitted by this Policy and the aggregate amounts of any payments of Loss which it had previously made. In the event of a Loss on a Loan with renewal premiums due monthly the Company shall deduct from the payment of Loss an amount equal to any unpaid renewal premiums for the subject Loan through the end of the monthly renewal period in which such Default occurred.

In the event the Third Party Sale Option has been selected and the Third Party Sale fails to close prior to the end of the Claim Settlement Period, the Company may postpone

payment of the Insurance Benefit for up to ninety (90) days, or if earlier, until such Third Party Sale closes or is terminated, provided that interest on the Default Amount at the rate due on the Loan during such postponement is paid to the Insured or Third-Party Beneficiary.

In the event the Property is sold by the Insured or the Third-Party Beneficiary without the Company's approval for an amount that Company determines based on reasonable evidence was less than its opinion of the market value of the Property, the Company shall pay the Third-Party Sale Option instead of denying the Claim. Actual Loss shall be calculated as if the Property had sold for the market value determined by the Company. For example, if the Property sold for \$100,000 with closing costs of three percent (i.e., Third-Party Sale proceeds of \$97,000) and the Company's opinion of the market value of the Property was \$125,000, then Third-Party Sale proceeds would equal \$121,250 (i.e., \$125,000 less \$3,750) for purposes of calculating Actual Loss.

C. Refund in the Event of Redemption. In the event the Property is redeemed by the Borrower after the payment of the Percentage Option, the Insured or Third-Party Beneficiary, as the case may be, shall be obligated to promptly refund to the Company the amount, if any, by which the redemption price plus the Insurance Benefit exceeds the Claim Amount.

D. Discharge of Obligation. Payment by the Company of the Insurance Benefit due in accordance with Section V(B) (Company Options for Payment of Insurance Benefit) and, if applicable Section V(E) (Subrogation, taking into account appropriate adjustments, or such other amount as may be paid by the Company and accepted by the Insured or Third-Party Beneficiary in settlement of any dispute regarding a challenge to or denial of coverage with respect to a Loan or the computation of the Claim Amount with respect to a Loan, shall be a full and final discharge of the Company's obligations with respect to the related Loan under this Policy. Notwithstanding the preceding sentence, the Company shall not be relieved of its obligation to pay any appropriate supplemental Claim filed pursuant to Section III(C) (Company Option after Notice of Default) or as may otherwise be agreed to by the Company.

E. Subrogation.

1. **Company's Right of Subrogation.** Upon the discharge of its obligation under V(D) (Discharge of Obligation) with respect to a Loan, the Company shall be subrogated, subject to Section V(E)(2) (Concurrent Subrogation Rights), to the Insured's or Third-Party Beneficiary's rights of recovery against the Borrower and any other Person relating to the Loan or to the Property, unless such subrogation rights are prohibited as a matter of law or pursuant to Section V(E)(3) (Procedures to Preserve Subrogation Rights), the Company has determined not to pursue such rights, or unless the Company shall have agreed to a modification of the Loan that includes forgiveness of a portion of the debt. The Insured or Third-Party Beneficiary shall execute and deliver at the request of the Company such instruments and papers and undertake such actions as may be necessary to transfer, assign and secure such rights. The Insured or Third-Party Beneficiary shall refrain from any action, either before or after the payment of an Insurance Benefit hereunder, that shall prejudice such rights. The Company shall indemnify and hold harmless the Insured or Third-Party Beneficiary for any loss, liability, expenses or costs (including reasonable attorney's fees) arising or resulting from this subsection.

2. **Concurrent Subrogation Rights.** If the Company has paid an Insurance Benefit in accordance with Section V(B)(2) (Percentage Option) or Section V(B)(3) (Third-Party Sale Option), the Company shall be subrogated to all of such rights, unless the Insured or Third-Party Beneficiary shall request that it retain a pro rata share of such rights for its own account. If such a request is made, the pro rata share of the Company shall be a fraction, the numerator of which shall be the amount of Insurance Benefit paid, and the denominator of which shall be the amount of the deficiency judgment. If the Company has paid the Insurance Benefit in accordance with Section V(B)(1) (Acquisition Option), the Company shall be subrogated to all such rights.

3. **Procedures to Preserve Subrogation Rights.** The Company will not require, but may request, that the Insured or Third-Party Beneficiary follow special foreclosure procedures or that the Insured or Third-Party Beneficiary take legal action against the Borrower after the foreclosure sale is consummated, in order to establish or maintain a deficiency judgment against the Borrower. Should the Insured or Third-Party Beneficiary agree to follow such special foreclosure procedures or to take such action solely for the benefit of the Company, the Company shall pay commercially reasonable Deficiency Expenses incurred by the Insured or Third-Party Beneficiary in pursuing such action on behalf of the Company, if the Insured or Third-Party Beneficiary determines to retain an interest in the outcome of such special foreclosure procedure or action, then the Company will pay its pro rata share of such Deficiency Expenses, as determined by Section V(E)(2) (Concurrent Subrogation Rights). Similarly, if the Insured or Third-Party Beneficiary undertakes to preserve and pursue a deficiency judgment without being so requested by the Company, the Company will determine whether to share in such deficiency pursuit and will promptly notify the Insured or Third-Party Beneficiary or the Servicer. If the Company will share in the pursuit, it will pay its pro rata share of the Deficiency Expenses thereof; if not, the Company will not pay any of such expenses. When making such determination, the Company and the Insured or the Third-Party Beneficiary, as the case may be, are each entitled to any information that the other may then have that is material to the likelihood of recovery. Such Deficiency Expenses will be paid within thirty (30) days after receipt by the Company of documentation substantiating the amount of such expenses, unless such expenses were previously remitted.

If the Company seeks to recover a deficiency balance from the Borrower, it shall have complete management and control of such recovery activity, provided, that for any Loan and at any time, the Insured or Third-Party Beneficiary may either (i) join with the Company in pursuit of the rights (i.e., the Company may not pursue the Borrower separately if the Insured or Third-Party Beneficiary chooses a shared pursuit under the Company's management and control) or (ii) pursue its pro rata share of the rights separately, subject in either event to its obligation to bear its pro rata share of Deficiency Expenses applicable to any period of shared pursuit.

When funds recovered, including payments received on any promissory note taken in settlement from a Borrower, are to be divided pro rata in accordance with V(E)(2) (Concurrent Subrogation Rights), the Company shall first pay, or reimburse, all recovery expenses paid to third parties, including legal expenses, if any; shall then retain ten percent (10%) of the remaining amount as compensation for its internal recovery expenses; and then shall divide the remainder between the Company and either the Insured or Third-Party Beneficiary, as the case may be, in accordance with Section V(E)(2) (Concurrent Subrogation Rights), within a reasonable time after such funds are

received; except that payments received on any promissory note during a preceding calendar quarter shall be so divided and the Insured's or Third-Party Beneficiary's share shall be paid within a commercially reasonable time after the close of such calendar quarter.

When the Insured or Third-Party Beneficiary does not request to share in the deficiency, or if the Company's share is equal to or exceeds one hundred percent (100%) under the pro rata formula set forth in Section V(E)(2) (Concurrent Subrogation Rights), the Company shall be entitled to retain all funds it recovers.

In the event of a shared pursuit, the Company shall have full authority to settle with, and release from liability, the Borrower and/or any other Person without the Insured's or Third-Party Beneficiary's consent. The Insured or Third-Party Beneficiary shall cooperate with the Company in the execution and delivery of the documentation reasonably required to bring about settlement of the deficiency and release of the Borrower from liability.

The execution by the Insured or Third-Party Beneficiary of a release and waiver of the right to collect the unpaid balance of a Loan shall release the Company from its obligation under its Certificate to the extent and amount of such release, anything in this Policy to the contrary notwithstanding.

VI. Additional Conditions.

A. Duty of Cooperation. Whenever reasonably requested by the Company, whether or not a Notice of Default has been submitted, the Insured shall cooperate with the Company and furnish all reasonable aid, evidence and information in the possession of the Insured or to which the Insured has access with respect to any Loan, including, but not limited to, all documents, files, computer data or other information as reasonably requested by the Company upon reasonable notice.

B. Effect of Borrower Bankruptcy. If under Applicable Law, a Loan's principal balance secured by a Property is reduced after all appeals of such reduction are final or the time for such appeals has lapsed without appeal (a so-called, "cram down"), the portion of such principal balance of the Loan not secured by the Property, and related interest, will be includable in the Claim Amount, as provided in this Section VI(B). If Default occurs on the Loan, the Insured or Third-Party Beneficiary has acquired Borrower's Title or Good and Merchantable Title to the Property as required by this Policy, the Insured has continued to pay premium on the full amount of the indebtedness, and all other requirements for filing of a Claim are complied with, the Insured or Third-Party Beneficiary will be entitled to include in the Claim Amount (a) the amount of the principal balance of the Loan which was deemed unsecured under Applicable Law, less any collections or payments on such unsecured principal balance received by the Insured or Third-Party Beneficiary, and (b) interest thereon at the rate and as computed in Section V(A)(3) (Calculation of Claim Amount), from the date of Default giving rise to the Claim (but for no prior period). In no event will any expenses or other amounts associated with the amount by which the principal balance of the Loan became unsecured be includable in the Claim Amount, directly or by an addition to the principal balance includable in the Claim Amount.

C. Eminent Domain. In the event that part or all of the Property is taken by eminent domain, condemnation or by any other proceeding by a federal, state or local governmental unit

or agency, the Insured shall require that the Borrower apply the maximum permissible amount of any compensation awarded in such proceedings to reduce the outstanding principal balance and interest due under the Loan, in accordance with the law of the jurisdiction where the Property is located, or as required in the Loan documents.

D. Notice. All written notices required or otherwise given to the Company pursuant to this Policy shall be (1) transmitted by posting to the Company's internet portal at www.essent.us, (2) transmitted in an alternative, commercially reasonable, electronic manner, e.g., secure e-mail, as shall have been agreed to in advance, in writing, by the Company, or (3) sent by regular mail postpaid, to the Company's Operations Office address as shown on the face page of this Policy.

Except where the Policy requires that notice be provided to the Insured and the Servicer, all notices to the Insured shall be given to the Servicer and shall be either (1) sent by overnight mail or other commercially reasonable method of delivery, (2) transmitted in a commercially reasonable, electronic manner (e.g., secure e-mail, posting to a web portal, etc.), or (3) sent by regular mail postpaid to the Person, at the address shown on the Certificate, or to the last known address for that Person as reflected in the records of the Company. Either party may notify the other of a change in address in the same manner provided for giving notice. All notices required to be submitted to the Company, the Insured, or the Third-Party Beneficiary shall be deemed to have been given five (5) days after the same is sent in the manner described above, unless actually received earlier.

E. Governing Law; Conformity to Statute. This Policy, including the Certificate, and the Claim or Insurance Benefit related to any Loan shall be governed by the law of the jurisdiction in which the named Insured is located as shown on the face of this Policy. Any provision of this Policy that is in conflict with the laws of such jurisdiction is hereby amended to conform to the minimum requirements of that law, it being the intention of the Insured and the Company that the specific provisions of this Policy shall be controlling whenever possible.

F. Arbitration. Unless prohibited by applicable law, any controversy or dispute, including any Claim made hereunder, arising out of or relating to this Policy, or the breach, interpretation or construction thereof, may, upon the mutual consent of all parties to the dispute, be settled by binding arbitration in accordance with the rules of the American Arbitration Association deemed most appropriate by such association, or other such rules as are mutually agreed to by all parties to the dispute. If this remedy is elected by all parties to the dispute, then the decision of the arbitrator(s) shall be final and binding on all the parties, and shall be enforceable in any court of competent jurisdiction in the United States of America.

G. Suit; Limitation of Actions.

1. No suit or action (including arbitration) for recovery of any Insurance Benefit under this Policy shall be sustained in any court of law or equity or by arbitration unless the Insured has materially and substantially complied with the terms and conditions of this Policy, except a suit or action where the issue is whether the Insured materially and substantially complied with the terms and conditions of the Policy, and unless the suit or action in equity is commenced within two (2) years, or such longer period of time as may be permitted by Applicable Law, after the Insured or Third-Party Beneficiary has acquired Borrower's Title to the Property or the sale of the Property approved by the Company is completed, whichever is later, and thereafter any such claim shall be barred. The Company and the Insured, as the case may be, shall each bear its own costs and expenses for any litigation under this Section VI(G)(2).

2. No suit or action on a Claim or Insurance Benefit may be brought against the Company until the Claim Settlement Period shall have elapsed, as applicable to a Loan, except with respect to suits or actions regarding a dispute related to a rescinded Certificate.

3. If the Insured or the Servicer becomes aware of a dispute that concerns a Loan and involves either the Property or the Insured or the Servicer, then the Insured shall promptly notify the Company of such dispute and, in each such case, the Company shall have the right to protect its interest by defending any action arising from such dispute, even if the allegations involved are groundless, false or fraudulent. The Company is not required to defend any lawsuit involving the Insured, the Servicer, the Property, or a Loan. The Company shall also have the right to direct the Insured to institute a suit on the Insured's behalf, at the Company's sole expense, if this suit is necessary or appropriate to preserve the Company's rights.

4. If, under Applicable Law, the Borrower successfully asserts defenses which have the effect of releasing, in whole or in part, the Borrower's obligation to repay the Loan, the Company shall be released to the same extent and amount from its liability under this Policy, except as provided in Section VI(B) (Effect of Borrower Bankruptcy).

5. No right or remedy of either the Company or the Insured or Third-Party Beneficiary provided for by this Policy will be exclusive of, or limit, any other rights or remedies set forth in this Policy or otherwise available to the Company or the Insured or Third-Party Beneficiary at law or equity.

H. Entire Agreement. The Company reserves the right to amend the terms and conditions of this Policy from time to time; provided however, that any such amendment will be effective only after the Company has given the Insured or the Third-Party Beneficiary ninety (90) days written notice thereof by endorsement setting forth the amendment. Such amendment will only be applicable to those Certificates where the related Commitment was issued on or after the effective date of the amendment. Additionally, the Company and the Insured or Third-Party Beneficiary, as the case may be, may modify or amend this Policy in any respect whatsoever or cancel this Policy without the consent of or notice to the Borrower or any other Person.

I. No Waiver. No condition or requirement of this Policy will be deemed waived, modified or otherwise compromised unless that waiver, modification or compromise is stated in writing properly executed on behalf of the Company. Each of the conditions and requirements of this Policy is severable, and a waiver, modification or compromise of one will not be construed as a waiver, modification or compromise of any other.

J. Parties in Interest; Beneficiaries; Agency.

1. Subject to Section III(D) (Change of Insured), this Policy shall be binding upon and inure to the benefit of the Company and its successors and assigns and the Insured, any Third-Party Beneficiary and their permitted successors and assigns.

2. A Commitment and Certificate issued as the result of any Application submitted hereunder and the coverage provided under this Policy with respect to Loans insured hereunder, shall be for the sole and exclusive benefit of the Insured and any Third-Party Beneficiary of the related Loan, and in no event will any Borrower or other Person be deemed a party to, or intended beneficiary of, this Policy or any Commitment or Certificate.

3. No payments made under this Policy to the Insured or a Third-Party Beneficiary shall affect or lessen the Insured's or Third-Party Beneficiary's rights of recovery against any Borrower.
4. None of the Insured, its Servicer, the Loan Originator, the Third-Party Beneficiary or any of their respective employees or agents shall be or shall be deemed to be agents of the Company, nor shall the Company or any of its employees or agents be or be deemed to be an agent of the Insured, its Servicer or the Third-Party Beneficiary, except to the extent of the recovery rights assigned to the Company pursuant to Section V(E) (Subrogation).
5. An approved Servicer is deemed to be an agent of the Insured or an authorized representative of the Third-Party Beneficiary with respect to all matters under this Policy, including but not limited to, giving and receiving notices, cancellation of a Certificate, payments of premiums and Insurance Benefit, receipt of any premium refund that may become due under this Policy, settling Claims, and performing acts required of the Insured under this Policy excepting for receipt of notices required under Section III(C) (Change of Servicing). The Insured or Third-Party Beneficiary shall be bound by the acts and omissions of the Servicer with respect to the Policy as if they were the Insured's or Third-Party Beneficiary's, as the case may be, own acts and omissions, provided however that the effect on the Third-Party Beneficiary of being so bound is limited to nonpayment of the Insurance Benefit as permitted by Applicable Law and the terms of the Policy, and the Third-Party Beneficiary shall have no other liability of any nature or kind whatsoever to the Company for any action or omission by the Insured or the Servicer. Notwithstanding the foregoing, if the Third Party Beneficiary is an approved institutional investor pursuant to Section III(D) (Change of Insured), including a Servicer that is also the Insured, the Servicer is not deemed an agent of such Third Party Beneficiary for purposes of payment of the Insurance Benefit or settlement of Claims or entering into any arrangement, contract, agreement or providing any consent, including without limitation any agreement or consent to arbitrate a dispute, with the Company regarding any Loan or group of Loans serviced for the Third-Party Beneficiary not specifically required as a condition of coverage under the terms of the Policy and the Third-Party Beneficiary shall not be bound thereby. Moreover, the Servicer, including a Servicer that is not the Insured, is not deemed an agent for or authorized representative of Fannie Mae or Freddie Mac with respect to management and disposition of Property securing a Loan.

K. Electronic Data Storage. It is understood that the Company, the Insured, the Third-Party Beneficiary and the Servicer may store information, and the contents or images of documents or other data, on electronic media or other media that may, from time to time, be generally accepted for business records. The data stored on such electronic or other media are equally acceptable between the parties for all purposes as information, documents or other data maintained in printed or written form, including but not limited to, for the purposes of litigation or arbitration.

VII. Glossary

Access means physical access to the Property sufficient, in the Company's reasonable judgment, to permit the Company or its agent to evaluate the Property for purposes of determining whether or not to exercise its Acquisition Option under Section V(B)(1) (Acquisition Option) of this Policy.

Acquisition Option means the method of determining the amount of Insurance Benefit with respect to a Loan as set forth in Section V(B)(1) (Acquisition Option).

Annex means the relevant Annex attached to, incorporated into and made part of, this Policy.

Anticipated Loss means, in connection with a Claim, an amount equal to the Company's cost of paying the full Claim Amount (net of Physical Damage to the Property) calculated in accordance with Section V(A)(3) (Calculation of Claim Amount), less the amount the Company reasonably anticipates receiving as net proceeds of the sale of the Property (including all anticipated costs of the sale and holding costs), but in any event, such amount shall never be greater than the Insurance Benefit calculated under the Percentage Option in accordance with Section V(B)(2) (Percentage Option).

Applicable Law means (i) any law, statute, constitution, regulation, ordinance, or subordinate legislation in force from time to time to which a party or its affiliates is subject; (ii) the common law as applicable to the parties from time to time; (iii) any court order, judgment, or decree that is binding on a party or its affiliates; and (iv) any directive, policy, rule, or order that is binding on a party or its affiliates and that is made or given from time to time by any regulator, government or government agency of, in the case of items (i) through (iv) above, any (x) country, or other national, federal, commonwealth, state, provincial, or local jurisdiction or (y) any exchange, association, or non-governmental entity that is charged with monitoring or overseeing the business practices or other activities of a party or its affiliates whose regulations are binding on either party pursuant to a self-regulating mechanism approved by a government entity.

Application means a request by the Insured for coverage under this Policy on a Loan, on a form or in a format provided by or acceptable to the Company, and all other statements, documents or information, furnished to the Company by the Insured or any other Person in connection with the insuring of the Loan, all of which, with respect to the Loan identified, are hereby made a part of, and are incorporated by reference into, this Policy. An Application will include the information, if so furnished to the Company, contained in the Borrower's loan application, appraisal, credit profile, verifications of income and deposit, plans and specifications for the Property, and all other exhibits and documents, including any data transferred by electronic means.

Appropriate Proceedings means any legal, administrative or non-judicial action or proceeding permissible under the laws of the jurisdiction where the Property is located, to enforce the Borrower's obligations under a Loan or to apply the Property to the satisfaction of the Borrower's obligations under a Loan, including, but not limited to: enforcing the terms of the Loan; preserving a deficiency recovery by making a bid at the foreclosure sale and pursuing a deficiency judgment until the end of the Claim Settlement Period, where appropriate and where directed by the Company; acquiring Borrower's Title or Good and Merchantable Title to the Property, as either may be required under this Policy, but excluding such title as may be acquired by a Voluntary Conveyance from the Borrower unless the Company's written consent is first obtained; or asserting the Insured's or Third-Party Beneficiary's interest in the Property in a Borrower's bankruptcy or similar proceeding.

Annex A: Terms and Conditions Related to Cooperative Properties

The following terms and conditions will apply only to a Loan if the Application submitted by the Insured identifies the Loan as being secured by ownership or membership in a cooperative housing corporation and the lease of a residential unit by such corporation to the stockholder or member.

1. The following defined terms are added to the Glossary of the Policy:

Collateral means (a) the stock or membership certificate issued to a tenant-stockholder or resident-member by a fee simple or leasehold cooperative housing corporation; and (b) the proprietary lease relating to one (1) unit in the cooperative housing corporation executed by said tenant-stockholder or resident-member and any other rights of said stockholder or member relating to any of the foregoing.

2. The following definitions are amended as follows:

Good and Marketable Title means a first mortgage lien on the entire real estate owned by the cooperative housing corporation, which has been disclosed to the Company in an Application for the Loan secured by the Collateral.

Property means the Residential real property and all improvements thereon which is owned by the cooperative housing corporation and which is leased to the Borrower who holds an ownership or membership interest in such cooperative housing corporation, which lease and interest secure the related Loan, together with all easements and appurtenances, all rights of access, all rights to use common areas, recreational and other facilities, and all replacements or additions to any of the foregoing.

3. The following Sections are amended, deleted, or otherwise changed, as indicated below:

A. For purposes of the Policy, wherever the term "Property" is used and instead refers to the stock or membership certificate, the lease, or any other asset or right related thereto, it shall be deemed to be changed to "Collateral," including for purposes of provisions relating to foreclosure, valuation or redemption; acquisition of title, lien or ownership; purchase, acquisition, sale, disposition or other conveyance by any Person.

B. Section IV(I)(4) (Advances) is deleted in its entirety and the following text substituted:

Maintenance fees, cooperative association dues and other pro-rated portions of shared fees related to the common areas attendant to the Property, to the extent ascertainable by the Servicer;

Annex B: Terms and Conditions Related to Construction Loans

The following terms and conditions will apply only to a Loan if the Application submitted by the Insured identifies the Loan as being a Construction Loan. "Construction Loan" shall mean a loan which is Closed prior to completion of, or restoration of substantial Physical Damage to, the Residential structure on the Property.

1. The following definition in the Glossary is amended as follows:

Effective Date means, for new Loans that are Construction Loans, 12:01 a.m. on the later to occur of one of the following events: (i) the date the Loan was Closed; (ii) the date the Borrower accepted the Property as complete; or (iii) the date a Certificate of Occupancy was issued for the Property or the Property became habitable under Applicable Law, provided the Insured or Third-Party Beneficiary gives notice to the Company of the occurrence of one of the above within forty-five (45) days of the end of the Commitment period.

2. Section I(D)(1) (Initial Premium) is deleted in its entirety and replaced with the following:

1. Initial Premium. Within forty-five (45) days from the end of the Commitment period of any Loan, the Insured shall forward the appropriate initial premium due to the Company to establish coverage for that Loan as of the Effective Date.

3. The following provision is hereby added to the end of Section II(A) (Balloon Payment):

In addition to the foregoing provisions of this conclusion, any Claim relating to a Construction Loan where the Default arose from the failure of the Insured, its Servicer or any other lender to rollover or convert the Construction Loan to a "permanent" or long term Loan for a term not shorter than that specified in the Application, or to offer the Borrower in writing before the due date of the Balloon Payment, a renewal or extension of such Construction Loan, or a new loan or take out loan at then current market rates, in an amount not less than the then outstanding principal balance and all anticipated accrued interest, for a term not shorter than that specified in the Application for the "permanent" or long term financing of the Property. If no term is specified in the Application for the "permanent" or long term financing of the Property then the term will be presumed to be thirty (30) years from the date the Loan Closed.