

TABLE OF CONTENTS

1.	DEFINITIONS	4
1.1	Acquisition of Borrower's Title –	4
1.2	Acquisition Option –	4
1.3	Anticipated Loss –	4
1.4	Appeals Guide –	4
1.5	Application –	4
1.6	Appraisal –	4
1.7	Appropriate Proceedings –	5
1.8	Borrower –	5
1.9	Borrower's Own Funds –	5
1.10	Borrower's Title –	5
1.11	Certificate –	5
1.12	Certificate Cancellation –	5
1.13	Claim –	5
1.14	Claim Amount –	5
1.15	Claim Denial –	5
1.16	Claim Settlement Options –	5
1.17	Claim Settlement Period –	6
1.18	Claims Guide –	6
1.19	Collateral –	6
1.20	Commitment –	6
1.21	Company –	6
1.22	Condo-Hotel –	6
1.23	Consummated –	6
1.24	Cooperative Property –	7
1.25	Court Expenses –	7
1.26	Coverage Effective Date –	7
1.27	Coverage Percentage –	7
1.28	Covered Loan –	7
1.29	Credible Evidence –	8
1.30	Default –	8
1.31	Default Amount –	8
1.32	Deficiency Judgment –	8
1.33	Due-on-Sale Clause –	8
1.34	Eligibility Criteria –	8
1.35	Eligibility Criteria Schedule –	8
1.36	Environmental Impairment –	8
1.37	Exclusions –	9
1.38	Factory-Built Housing –	9
1.39	Fair Market Value –	9
1.40	Fannie Mae –	9
1.41	First Deed of Trust –	9
1.42	First Party –	9
1.43	Freddie Mac –	9
1.44	Good and Merchantable Title –	10
1.45	Independent Validation –	10
1.46	Insured –	10
1.47	Insured Loan Amount –	11
1.48	Lapse Date –	11
1.49	Loan File Documents –	11
1.50	Loan Originator –	12
1.51	Loan Transaction –	12
1.52	Loss –	12

1.53	Loss-on-Sale Option –	12
1.54	Manufactured Housing –	12
1.55	Mixed-Use Property –	13
1.56	Modification –	13
1.57	Negative Amortization –	13
1.58	Owner of the Covered Loan –	13
1.59	Percentage Option –	13
1.60	Permitted Encumbrances –	13
1.61	Person –	13
1.62	Physical Damage –	13
1.63	Policy –	14
1.64	Policy Commitment Letter –	14
1.65	Policy Effective Date –	14
1.66	Possession of the Property –	14
1.67	Property –	14
1.68	REO Sale –	14
1.69	Rescission –	14
1.70	Residential –	14
1.71	Seller –	15
1.72	Servicer –	15
1.73	Servicing Report –	15
1.74	Special Rating Plan –	15
1.75	Third-Party Sale –	15
1.76	Total Loss –	15
1.77	Underwriting Requirements –	15
1.78	Uninhabitable –	16
2.	COVERAGE	17
2.1	Obtaining Coverage –	17
2.2	Representations of the Insured –	17
2.3	Company's Remedies for Misrepresentation –	19
2.4	Incontestability for Certain Misrepresentations –	19
2.5	Coverage Eligibility Mistakes –	21
2.6	Payment of Incorrect Premium –	21
3.	PREMIUM	22
3.1	First Premium –	22
3.2	Subsequent Premium –	22
3.3	Special Rating Plans –	23
3.4	Lapse of Coverage for Covered Loan for Failure to Pay Subsequent Premium; Reinstatement –	23
3.5	Receipt and Deposit of Premium –	24
4.	ADMINISTRATION OF POLICY	25
4.1	Owner of the Covered Loan –	25
4.2	Change of Insured –	25
4.3	Servicing Reports –	25
4.4	Servicing –	25
4.5	Modification of Covered Loan Not in Default or Not in Imminent Default –	26
4.6	Assumption of Covered Loan Not in Default or Not in Imminent Default –	27
4.7	Change of Servicing –	27
4.8	Examinations and Reviews –	28
4.9	Co-ordination and Duplication of Coverage –	28
5.	TERMINATION AND CANCELLATION	29
5.1	Termination of Coverage on a Covered Loan –	29
5.2	Cancellation of Coverage on a Covered Loan by Insured –	29
5.3	Cancellation of Policy –	29
5.4	Certificate Cancellation by Company –	30

6.	EXCLUSIONS FROM COVERAGE	31
6.1	Assumption –	31
6.2	Balloon Payment –	31
6.3	Breach of Conditions and Insured’s Obligations at Loan Origination –	31
6.4	Down Payment –	31
6.5	Effective Date and Cancellation –	32
6.6	Failure to Satisfy Post-Origination Conditions and Obligations –	32
6.7	First Payment Default –	32
6.8	Incomplete Construction –	32
6.9	Ineligible Loan	32
6.10	Loan File Documents –	32
6.11	Loan-to-Value –	33
6.12	Loan Transaction –	33
6.13	Modifications –	33
6.14	Negligence –	33
6.15	No First Deed of Trust –	33
6.16	Physical Damage –	33
6.17	Pre-Existing Environmental Impairment –	34
6.18	Release of Indebtedness –	34
6.19	Residential Property –	35
6.20	Servicing Report –	35
6.21	Refund of Premiums –	35
7.	LOSS MITIGATION	36
7.1	Loss Mitigation –	36
7.2	Specific Loss Mitigation Requirements –	37
8.	CLAIM FILING AND SETTLEMENT	39
8.1	Claim Filing –	39
8.2	Conditions Precedent to Claim Settlement –	41
8.3	Selection of Settlement Option –	41
8.4	Extension of Claim Settlement Period –	41
8.5	Claim Settlement Options –	41
8.6	Calculation of Claim Amount –	42
8.7	Claim Settlement –	46
8.8	Refund In the Event of Redemption –	46
8.9	Failure to Timely Pay Loss –	46
8.10	Discharge of Obligation –	46
8.11	Early Claim Filing –	47
8.12	Supplemental Claim –	47
9.	ADDITIONAL CONDITIONS	48
9.1	Subrogation –	48
9.2	Proceedings in Eminent Domain –	49
9.3	Notice –	49
9.4	Suit –	49
9.5	Parties in Interest –	50
9.6	Agency –	50
9.7	Governing Law; Conformity to Statute –	50
9.8	Electronic Data –	51
9.9	Amendments; No Waiver; Rights and Remedies –	51

1. DEFINITIONS

1.1 Acquisition of Borrower's Title –

Acquisition of Borrower's Title means the acquisition of the Borrower's Title to the Property by the Insured or any other Person in accordance with the terms and conditions of this Policy.

1.2 Acquisition Option –

Acquisition Option means a method of settling a Claim that results in the conveyance to the Company of Good and Merchantable Title to the Property and possession by the Company of the Property as outlined in Section 8.5 (Claim Settlement Options) of this Policy.

1.3 Anticipated Loss –

Anticipated Loss means, in connection with a Claim, an amount equal to the Company's cost of paying the Acquisition Option Claim Amount (net of Physical Damage to the Property) calculated in accordance with Section 8.6(a), 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 Percentage Option Claim Amount calculated in accordance with Section 8.6(b). In settling a Claim according to the Company's Anticipated Loss, provided the Claim is otherwise complete under Section 8.1(c), the date as of which the Claim is considered complete shall be extended to the earlier of (i) the date access to the Property is provided or (ii) the date which is two hundred ten (210) days following submission of the Claim; provided, however, for purposes of settling a Claim according to the Company's Anticipated Loss under Section 8.5(a) (Acquisition Option), the date as of which the Claim is considered complete under Section 8.1 shall be extended to the date which is two hundred ten (210) days following submission of the Claim. Upon application of the Anticipated Loss, title to the Property shall not be conveyed to the Company.

1.4 Appeals Guide –

Appeals Guide means the guide maintained by the Company with respect to the Company's guidelines for the appeal of a Claim curtailment, Claim Denial, Certificate Cancellation or a Rescission, and the documents required in connection therewith; the Appeals Guide shall be published and updated by the Company from time to time, and shall be made available at the Company's web site or otherwise made available to Insureds, Servicers, and Owners of Covered Loans.

1.5 Application –

Application means a request by the Insured for coverage on a loan as a Covered Loan under this Policy, as evidenced by the applicable information included on a Company-approved form or in a Company-approved format delivered by the Insured to the Company, and shall include all other statements, documents or information, both oral and written, furnished to the Company by the Insured or any other Person acting for or on behalf of the Insured in connection with the request for coverage.

1.6 Appraisal –

Appraisal means the document (such as the Uniform Residential Appraisal Report (URAR) or applicable version of the URAR) created to express an opinion of value of real property that conforms to the Uniform Standards of Professional Appraisal Practice (USPAP), unless another format is approved by the Company in advance in a Policy Commitment Letter.

1.7 Appropriate Proceedings –

Appropriate Proceedings means any legal or administrative action by the Insured affecting either the Covered Loan or the title to the Property, and includes, but is not limited to,

- (a) enforcing the terms of the Covered Loan as allowed by the laws where the Property is located or
- (b) eviction proceedings
- (c) pursuing Acquisition of Borrower's Title other than by any voluntary conveyance by the Borrower or
- (d) asserting the Insured's interest in the Property in a Borrower's bankruptcy.

1.8 Borrower –

Borrower means any Person required to repay the debt obligation created pursuant to the Covered Loan. The Borrower may be more than one Person, and the term shall include any co-signer or guarantor of the Covered Loan.

1.9 Borrower's Own Funds –

Borrower's Own Funds means any funds owned by the Borrower or derived from assets owned by the Borrower (including loans secured by assets owned by the Borrower) but does not include funds received as a gift, grant or other funds that are subject to refund, rebate or repayment.

1.10 Borrower's Title –

Borrower's Title means such title to a Property as was vested in the Borrower at the time of a conveyance to the Insured or to a third party, extinguishing all of the Borrower's rights in the Property; provided, however, if the Insured so elects, the redemption period need not have expired. The deed evidencing such transfer of title to the Insured need not be recorded unless required by applicable law.

1.11 Certificate –

Certificate means the document extending the indicated coverage option to a specified Covered Loan under this Policy. A Certificate shall include a reference identifying the Policy it relates to.

1.12 Certificate Cancellation –

Certificate Cancellation means written notification by the Company to the Insured as more fully described in Section 5.4 (Certificate Cancellation by Company) below that the Company has cancelled coverage in connection with a particular Covered Loan as of a specified date due to a breach of one or more specified provisions of this Policy.

1.13 Claim –

Claim means the request to receive benefits of this Policy filed in accordance with Section 8.1 (Claim Filing) and containing all information required by the Company pursuant to Section 8.1 (Claim Filing).

1.14 Claim Amount –

Claim Amount means the amount calculated in accordance with Section 8.6 (Calculation of Claim Amount).

1.15 Claim Denial –

Claim Denial means written notification from the Company to the Insured that it will not pay a Claim filed in connection with a particular Covered Loan due to a breach of one or more specified terms of this Policy.

1.16 Claim Settlement Options –

Claim Settlement Options means those options identified in Section 8.5 (Claim Settlement Options) that may be exercised by the Company in settlement of a Claim.

1.17 Claim Settlement Period –

Claim Settlement Period means, with respect to a given Claim, the date beginning on the date the Claim is complete as specified in Section 8.1 (Claim Filing) and ending sixty (60) days from that date, unless extended pursuant to Section 8.4 (Extension of Claim Settlement Period).

1.18 Claims Guide –

Claims Guide means the guide maintained by the Company with respect to the Company's requirements for the filing of a Claim and the documents required to complete a Claim; the Claims Guide shall be published and updated by the Company from time to time, and shall be made available at the Company's web site or otherwise made available to Insureds, Servicers, and Owners of Covered Loans.

1.19 Collateral –

Collateral means the stock or membership certificate issued to a tenant-stockholder or resident-member by a cooperative housing corporation and the proprietary lease relating to one (1) unit in the cooperative housing corporation that is executed by the stockholder or member and any other rights of the stockholder or member.

1.20 Commitment –

Commitment means the document issued by the Company pursuant to this Policy indicating the terms and conditions under which the Company will extend the indicated coverage option to a specified loan and which will become a Certificate upon satisfaction of the requirements set forth in the Commitment. A Commitment shall include a reference identifying the Policy it relates to.

1.21 Company –

Company means the mortgage guaranty insurance company identified on the Declarations Page of this Policy.

1.22 Condo-Hotel –

Condo-Hotel means

- (a) units that are marketed for sale based on the availability of short-term rental rates or
- (b) properties that are marketed as hotels including, but not limited to, projects with units that are available to be rented on a daily basis or projects with names that include the words "hotel," "resort," "motel," "inn," or "lodge" or
- (c) properties that have a significant level of hotel-type services such as, but not limited to, a registration service to support short-term rentals, daily unit cleaning services, food and beverage services, and central or integrated telephone service or
- (d) units subject to timeshare or segmented ownership or
- (e) mandatory rental pooling agreements that require the unit owners to either rent their units or to give a management firm control over the occupancy of the units or
- (f) projects with non-incident business operations owned or operated by the owners association such as, but not limited to, a restaurant.

1.23 Consummated –

Consummated means the later of

- (a) the date on which the Covered Loan was closed and all Covered Loan documents were executed or
- (b) the date of initial disbursement of Covered Loan funds to or for the account of the Borrower.

1.24 Cooperative Property –

Cooperative Property means Residential Property, ownership of which is evidenced by ownership or membership in a cooperative housing corporation and the lease of a Residential unit by such corporation to the tenant-stockholder or resident-member, who shall be a Borrower. A loan secured by a Cooperative Property may be a Covered Loan if the Application submitted by the Insured identifies the Covered Loan as being secured by a Cooperative Property.

For a Covered Loan secured by a Cooperative Property the following definitions apply

- (a) Good and Merchantable Title to Collateral exists even if there is a first mortgage lien on the entire real estate owned by the cooperative housing corporation, provided it has been disclosed to the Company in the Application for the Covered Loan secured by the Collateral.
- (b) Property means
 - (i) the Residential real property and all improvements on the real property 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 Covered 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, and
 - (ii) wherever the term “Property” is used and instead refers to the stock or membership certificate, the lease, or any other asset or right related to it, it shall be deemed to be changed to “Collateral,” including for purposes of provisions relating to foreclosure, valuation or redemption; acquisition of title or other status of title, lien or ownership; or purchase, acquisition, sale, disposition or other conveyance by any Person.

1.25 Court Expenses –

Court Expenses means the reasonable out-of-pocket cost of initiating and conducting Appropriate Proceedings and any eviction proceedings, and moving expenses, if moving expenses are required by law to be paid by the evicting party. These expenses do not include reimbursement for any time spent by the Insured or the Insured's employees, officers or agents, nor do these expenses include attorneys' fees.

1.26 Coverage Effective Date –

Coverage Effective Date means the date on which coverage of a Covered Loan becomes effective as specified on the Certificate, which is

- (a) for new Covered Loans, 12:01 a.m. the date the Covered Loan was Consummated and
- (b) for other Covered Loans, 12:01 a.m. the date of coverage as indicated on the Certificate.

A new Covered Loan is a Covered Loan which was not Consummated as of the date the Insured submitted an Application for coverage under this Policy.

1.27 Coverage Percentage –

Coverage Percentage means that certain percentage amount specified in the “Coverage Percentage” block in the Certificate for the Covered Loan.

1.28 Covered Loan –

Covered Loan means any note or other evidence of indebtedness and the indebtedness it evidences, together with the mortgage, bond, deed of trust, or other instrument securing said indebtedness, that satisfies the Eligibility Criteria and to which coverage under this Policy has been extended by the issuance of a Certificate.

1.29 Credible Evidence –

Credible Evidence means: (a) information contained in the Loan File Documents (whether such information was submitted to the Company prior to or after the Coverage Effective Date); (b) information relating to the Covered Loan (whether written, electronic or oral) provided at any time by a First Party to the Company; or (c) any other information (whether written, electronic or oral) received or obtained by the Company at any time from any Person provided that such information would be viewed by a reasonable person familiar with all other Credible Evidence as having a basis in fact and not exhibiting falsity or material internal inconsistency. Credible Evidence shall not include any written or oral statement made by the Borrower to the Company or the Company's agents after the date the Covered Loan was closed unless (i) such statement was made under oath and penalty of perjury or (ii) such statement was not made under oath but is otherwise supported by other information or documentation to corroborate the statement.

1.30 Default –

Default means the failure by a Borrower to pay when due one (1) regular scheduled payment due under the terms of a Covered Loan or the failure by a Borrower to pay all amounts due under a Covered Loan after the exercise by the Insured of the "due-on-sale" provision of such Covered Loan. Default does not mean any non-monetary default or violation of any other term or condition of the Covered Loan that would allow for acceleration of the debt or foreclosure or other action to realize upon the security provided by the Covered Loan. A Covered Loan is deemed to be in Default for the period for which, as of the close of business on the installment due date, a scheduled installment payment has not been made. For example, a Covered Loan is "two (2) months in Default" if the monthly installments due on January 1 and February 1 remain unpaid as of the close of business on February 1.

1.31 Default Amount –

Default Amount means the unpaid principal balance of a Covered Loan on the date of the Default and shall include (a) any amount that was discharged in a Chapter 13 "cramdown", (b) Negative Amortization and (c) any capitalized interest resulting from a Modification.

1.32 Deficiency Judgment –

Deficiency Judgment means a court judgment imposing personal liability on the Borrower for the unpaid amount remaining under the terms of a Covered Loan when the proceeds of a foreclosure sale of the Property securing the Covered Loan were insufficient to fully satisfy the outstanding debt.

1.33 Due-on-Sale Clause –

Due-on-Sale Clause means a contractual provision granting to the Insured the right to accelerate the maturity of the Covered Loan upon a transfer of title to or an interest in the Property.

1.34 Eligibility Criteria –

Eligibility Criteria means those items specified on the Eligibility Criteria Schedule.

1.35 Eligibility Criteria Schedule –

Eligibility Criteria Schedule means that document made a part of the Declarations Page of this Policy which lists the Eligibility Criteria.

1.36 Environmental Impairment –

Environmental Impairment means (a) any condition giving rise to liability under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. 9601 et seq., as amended from time to time) or any similar federal law or law of the state or locality where the Property is located, (b) any "Hazardous Waste" or "Regulated Substance" as those terms are defined by the federal Resource Conservation and Recovery Act (42 U.S.C. §6901, et seq., as amended from time to time) or any similar federal law or law of the state or locality where the Property is located, (c) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "contaminants" or "pollutants" or words of similar meaning and effect

under applicable law, or (d) any other substance or condition that renders the principal Residential structure on the Property Uninhabitable. The presence of radon gas, lead paint or asbestos in the dwelling on the Property, shall not be deemed to be Environmental Impairment.

1.37 Exclusions –

Exclusions mean those exclusions from coverage set forth in Section 6 (Exclusions from Coverage).

1.38 Factory-Built Housing –

Factory-Built Housing means prefabricated single-family housing (such as panelized, modular, or sectional housing), which is constructed in a factory (and, if applicable, in accordance with the building codes of the state in which the factory is located) and is subsequently joined together at a permanent building site, assumes the characteristics of site-built housing (such as permanent connections to water, electrical, and waste disposal systems), and is legally classified as real property.

1.39 Fair Market Value –

Fair Market Value means the lesser of

- (a) the value of the Property specified in the Appraisal or
- (b) if applicable, the purchase price (or the construction cost plus lot value, if applicable) of the Property, as both are shown on the related Certificate.

1.40 Fannie Mae –

Fannie Mae means the Federal National Mortgage Association, as created by the Federal National Mortgage Association Charter Act (12 U.S.C.1716 et seq.), together with its conservator, successors and assigns (including, without limitation, any successors or assigns with respect to one or more Covered Loans).

1.41 First Deed of Trust –

First Deed of Trust means a mortgage, deed of trust, or other instrument which

- (a) constitutes or is equivalent to a first lien or encumbrance on the Property, subject only to the Permitted Encumbrances, and
- (b) will allow the Person secured, directly or by a trustee or other Person, to foreclose on the Property (by power of sale, judicially or otherwise) upon default to acquire title to the Property, subject only to the Permitted Encumbrances.

1.42 First Party –

First Party means

- (a) the original Insured or any officer, employee or agent of the original Insured, including any independent contractor of the Insured, and
- (b) any of the following Persons: the Loan Originator, mortgage loan broker, mortgage broker, the Seller, any escrow or closing agent or attorney, or anyone retained by, or acting on behalf of, any of the Persons listed in this subsection (b) in connection with the origination of such Covered Loan, including but not limited to, any appraiser, provider of an automated valuation model or other provider of Property valuation, or title agent, or officer, employee, agent or independent contractor of any of the Persons listed in this subsection (b).

1.43 Freddie Mac –

Freddie Mac means the Federal Home Loan Mortgage Corporation, as created by the Federal Home Loan Mortgage Corporation Act (12 U.S.C.1451 et seq.), together with its conservator, successors and assigns (including, without limitation, any successors or assigns with respect to one or more Covered Loans).

1.44 Good and Merchantable Title –

- (a) Good and Merchantable Title means title to the Property, free and clear of all liens and encumbrances, covenants, conditions, restrictions, easements and rights of redemption except for Permitted Encumbrances.
- (b) The Property must have, at a minimum, the following characteristics to establish Good and Merchantable Title
 - (i) adequate means of ingress and egress, and
 - (ii) the right to use public or private water and sewer facilities appertaining to the Property, whether such rights be by virtue of public easement or private grant, and
 - (iii) the Property must be free of any lien for (A) any condition giving rise to liability under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. 9601 *et seq.*, as amended from time to time) (CERCLA) or any similar federal law or the law of the state where the Property is located and (B) any “Hazardous Waste” or “Regulated Substance” as those terms are defined by the federal Resource Conservation and Recovery Act (42 U.S.C. §6901, *et seq.*, as amended from time to time) (RCRA) unless otherwise agreed to by the Company, and
 - (iv) the Property must not be under investigation, order, directive or legal action by a governmental entity under or pursuant to CERCLA or RCRA or their state or local equivalents.

1.45 Independent Validation –

Independent Validation means, (i) with respect to Borrower representations and Underwriting Requirements an independent post-close reunderwriting by the Company of the Borrower and the Covered Loan for compliance with Underwriting Requirements (“Independent Validation of the Borrower and Underwriting Requirements”), or (ii) with respect to the Appraisal and collateral eligibility, a pre-closing or post-closing review by the Company of the Fair Market Value of the Property and Property valuation requirements (“Independent Validation of the Appraisal”). Such reunderwriting and review shall be conducted regardless of whether the Company performs any initial underwriting to grant coverage under this Policy, and shall include, but not be limited to:

- (a) review of all Loan File Documents including the Borrower’s credit report, loan application, and verifications of income, employment and assets with respect to 1.45(i); and
- (b) confirmation that the evidence of Fair Market Value complies with the Company’s Property eligibility requirements and that the estimate of value is adequately supported with respect to 1.45(ii).

If the Company identifies discrepancies, errors or other questionable data or information that in its reasonable judgment is in need of re-verification, the Company will independently obtain additional information using reasonably reliable independent sources and records recognized as such in the mortgage origination industry.

1.46 Insured –

Insured means, with respect to any Covered Loan, (a) the Person designated on the declarations page of this Policy, either for its own benefit or as trustee for the benefit of a third party, or (b) the Owner of the Covered Loan upon request by the Owner of the Covered Loan to become the Insured, or (c) the Servicer upon notification to the Company that the original Insured is no longer servicing the Covered Loan, unless the Company is notified to the contrary by the Insured or the Owner of the Covered Loan.

1.47 Insured Loan Amount –

Insured Loan Amount means the unpaid principal balance of a Covered Loan on its Coverage Effective Date.

1.48 Lapse Date –

Lapse Date means the date on which coverage for a particular Covered Loan under this Policy is terminated for non-payment of subsequent premium in accordance with Section 3.2(a), which date is the first day of the coverage period (for example, monthly or annually) immediately following the coverage period through which the premium has been paid.

1.49 Loan File Documents –

Loan File Documents means (the original or copy of the original)

- (a) promissory note or other evidence of indebtedness signed by the Borrower(s), and
- (b) recorded First Deed of Trust signed by all Persons with an interest in the Property, together with any addenda to it, and
- (c) application for the loan, fully completed, signed and dated by the Borrower(s) and Loan Originator, and
- (d) all credit bureau reports on Borrower(s) obtained by the Insured in the loan application process and any subsequent credit bureau reports, acceptable under and conforming to the Underwriting Requirements and (if applicable) credit explanation and supporting documentation, if required by the Company, and
- (e) all underwriter approvals and transmittals from any third party, including but not limited to all third party underwriting submission service findings and all documents and conditions listed in the underwriter approval and transmittal, and
- (f) verification of Borrower(s)' employment obtained by the Insured in the loan application process or thereafter acceptable under and conforming to the Underwriting Requirements, and
- (g) verification of Borrower(s)' income obtained by the Insured in the loan application process or thereafter acceptable under and conforming to the Underwriting Requirements, and
- (h) verification of Borrower(s)' assets obtained by the Insured in the loan application process or thereafter acceptable under and conforming to the Underwriting Requirements, and
- (i) Insured's copy of the Application for coverage under this Policy with respect to the Covered Loan, and
- (j) Insured's copy of the Certificate issued with respect to the Covered Loan, and
- (k) documentation (such as canceled checks) that any debts to be paid with the proceeds of the Covered Loan were paid directly by the Insured (if applicable), and
- (l) original title insurance policy or, as applicable, attorney's opinion letter of title, relating to the Property (if applicable), and
- (m) Appraisal, and
- (n) fully-executed contract of sale and all addendums signed by all parties (if applicable), and
- (o) original HUD-1 Settlement Statement signed by all parties or stamped true and certified and the original Verification of Mortgage Balance (if applicable), and
- (p) all additional documentation in the loan origination file not listed in this Section as further described in the Underwriting Requirements, including but not limited to, verification of mortgage/rent, proof of residency, Borrower(s)' authorization form, and original IRS form 4506(T) (if applicable), and

- (q) all documentation required by any Special Rating Plan or other program under which the Insured submitted its Application for coverage under this Policy with respect to the Covered Loan (if applicable), and
- (r) complete payment history, in the format maintained by Insured in its normal course of business, including all transactions related to the Covered Loan, and
- (s) assumption agreement (if applicable), and
- (t) Modification documentation (if applicable), and
- (u) the documentation of all valuations of the Property in addition to the Appraisal (if applicable), and
- (v) the documentation of the Insured's efforts to effect a cure of any Default and to collect on the Covered Loan (such as the collection history) (if applicable), and
- (w) the short sale documentation including but not limited to the original HUD-1 Settlement Statement, the proceeds check and the short sale purchase agreement (if applicable), and
- (x) all documentation pertaining to any foreclosure action (if applicable), and
- (y) deed in lieu of foreclosure (if applicable), and
- (z) any documents as may be specified in the Underwriting Requirements as of the applicable Certificate Coverage Effective Date, and
- (aa) FNMA Form 710 (Uniform Borrower Assistance Form) or Financial Analysis Form (if applicable), and
- (bb) property tax information (such as coverage periods, date paid, penalties and interest).

1.50 Loan Originator –

Loan Originator means the Person(s) that originated the Covered Loan (that is, did some or all of the following: verified the information on the loan application, processed it, created the closing documents and/or closed the loan).

1.51 Loan Transaction –

Loan Transaction means that transaction between the Insured and another Person having the loan, property and other characteristics as set forth on the Commitment issued with respect to the Covered Loan.

1.52 Loss –

Loss means the liability of the Company with respect to a Covered Loan calculated in accordance with the Claim Settlement Option selected by the Company. A Loss shall be deemed to have occurred when a Default occurs while coverage is in force for a Covered Loan, notwithstanding that the amount of the Loss is not then either presently ascertainable or due and payable.

1.53 Loss-on-Sale Option –

Loss-on-Sale Option means a method of settling a Claim where there has been an REO Sale or a Third-Party Sale as outlined in Section 8.5 (Claim Settlement Options) of this Policy.

1.54 Manufactured Housing –

Manufactured Housing means a dwelling unit (a) built on a permanent chassis (i.e., steel undercarriage, towing hitch, and wheel assembly for transportation), (b) built in compliance with the Federal Manufactured Home Construction and Safety Standards in force at the time the dwelling is manufactured and (c) with a HUD Data Plate affixed in a permanent manner in a readily-accessible and visible location on the dwelling unit, but does not mean a dwelling unit not built on a permanent chassis, such as modular, prefabricated, panelized, or sectional housing.

1.55 Mixed-Use Property –

Mixed-Use Property means a dwelling that features distinct functional use for both residential and commercial business purposes including, for example but not limited to, a two-story structure with the first floor serving as a commercial business (e.g., shop, office space, etc.) and the second floor serving as residential space for the owner of the dwelling and the commercial business.

1.56 Modification –

Modification means

- (a) any change in (i) the amount of indebtedness (for example, capitalization of interest arrearages), (ii) the interest rate, (iii) the use of escrow funds or other funds, or (iv) the term or the amortization schedule of a Covered Loan, unless such change is prescribed in the Covered Loan documents, or
- (b) any change in the Property that adversely affects its value as security for the Covered Loan, or
- (c) the release of any Borrower from liability on a Covered Loan.

1.57 Negative Amortization –

Negative Amortization means the additions to the principal amount of a Covered Loan arising from the insufficiency of payments to cover interest as it accrues against the principal amount of the Covered Loan as provided for in the loan documents relating to the Covered Loan.

1.58 Owner of the Covered Loan –

Owner of the Covered Loan is that Person owning the Covered Loan as set forth in Section 4.1 (Owner of the Covered Loan).

1.59 Percentage Option –

Percentage Option means a method of determining the amount of the Loss payable with respect to a Covered Loan in Default as outlined in Section 8.5 (Claim Settlement Options) of this Policy.

1.60 Permitted Encumbrances –

Permitted Encumbrances means

- (a) any lien established by public bond, assessment or tax, when no installment, call or payment of or under such bond, assessment or tax is delinquent and
- (b) any municipal and zoning ordinances and exceptions to title waived by the regulations of federal mortgage insurers and guarantors with respect to mortgages on one-to-four family residences in effect on the date on which the Covered Loan was closed and all documents were executed and
- (c) any impediments which will not have a materially adverse effect on either the transferability of the Property or the sale of the Property to a bona fide purchaser.

1.61 Person –

Person means any natural person, or any corporation, partnership, association or other legally-recognized entity.

1.62 Physical Damage –

Physical Damage means damage to a Property that materially adversely affects the use, marketability, or value of the Property, whether caused by accident, natural occurrence or otherwise, including, but not limited to, damage caused by reason of fire, destruction of tangible property, defects in construction, land subsidence, earth movement or slippage, natural disaster (such as hurricane, flood, earthquake, etc.), war, civil insurrection, or riot. Physical Damage includes Environmental Impairment and the destruction or removal of any chattel items (including any built-in appliances) deemed part of the real property under applicable law and chattel items affixed to the real property and identified in the Appraisal of the Property at the time the Covered Loan was made, whether or not they are deemed part of the real property. For purposes of this definition, damage shall be considered

to materially adversely affect the use, marketability, or value of the Property if the estimated cost to repair a Property is equal to, or greater than, \$5,000. The presence of radon gas, lead paint or asbestos in the dwelling on the Property shall not be deemed to be Physical Damage.

1.63 Policy –

Policy means this contract of insurance and all Applications, Policy Commitment Letters, attachments, Commitments, Certificates, amendments, endorsements and schedules relating to this Policy, which are incorporated into this Policy and made a part of this Policy with respect to the Covered Loans to which they relate.

1.64 Policy Commitment Letter –

Policy Commitment Letter means the applicable letter agreement provided by the Company in connection with this Policy and accepted by the Insured.

1.65 Policy Effective Date –

Policy Effective Date means the date as specified on the Declarations Page of this Policy.

1.66 Possession of the Property –

Possession of the Property means undisputed, actual and physical occupancy and control of the Property, subject only to possessory rights of third parties, if any, contemplated by the Application for coverage submitted to the Company with respect to the related Covered Loan.

1.67 Property –

Property means the Residential real property and all improvements on the real property including any chattel items (including any built-in appliances) which are an element of the Fair Market Value at the time the Covered Loan was originated, including all replacements or additions to the chattel items, together with all easements and appurtenances, all rights of access, all rights to use (as well as any right to use and co-ownership interests in) common areas, recreational and appurtenant facilities, and all replacements or additions to those items.

1.68 REO Sale –

REO Sale means a sale of a Property by the Insured after foreclosure and before the Claim Settlement Period would otherwise expire, which sale is approved by the Company.

1.69 Rescission –

Rescission means written notification by the Company to the Insured that the coverage provided in connection with a particular Covered Loan breaches one or more of the Insured's representations of this Policy with the result that coverage is deemed never to have been in force and the Company is concurrently returning to the Insured all premiums paid in connection with such Covered Loan.

1.70 Residential –

Residential means

- (a) a type of building which is designed for occupancy by not more than four (4) families, or
- (b) a single condominium or planned unit development unit, or
- (c) a Cooperative Property, or
- (d) a Mixed-Use Property, provided that the mixed-use represents a legal, permissible use of the Property under local zoning requirements, the Property contains only a one-family dwelling unit that Borrower occupies as a principal resident, Borrower is both the owner and operator of the commercial business located in the building and the Property is primarily intended for residential use, or
- (e) a Factory-Built Housing Property, or

- (f) any other single residence unit as to which Good and Merchantable Title may be held or conveyed freely under law

but does not include

- (g) Condo-Hotels, or
- (h) Manufactured Housing.

1.71 Seller –

Seller means any seller of Covered Loans that delivers loans to the Insured for coverage under this Policy.

1.72 Servicer –

Servicer means that Person, other than a natural Person, that at a given time is servicing a Covered Loan (or acting as a master servicer, if subservicing is also involved) on behalf of the Insured or Owner of the Covered Loan or pursuant to any applicable delegation of authority Insured or Owner of the Covered Loan may have made to the Servicer to perform loss mitigation without prior approval of Insured or Owner of the Covered Loan. Actions required by this Policy to be performed by the Insured or Owner of the Covered Loan may, at the option of Insured or Owner of the Covered Loan, be performed by a Servicer. The Servicer acts on behalf of the Insured or Owner of the Covered Loan in performing acts under this Policy.

1.73 Servicing Report –

Servicing Report means the report specified in Section 4.3 (Servicing Report).

1.74 Special Rating Plan –

Special Rating Plan means any plan for which the rate for periods subsequent to the initial premium period is not determined at the time coverage begins but can vary according to the terms of the applicable rating plan or any plan for which the rate is based upon an agreement with Insured or any Person by which Insured or such other Person agrees to special Eligibility Criteria for the loans to be insured and/or to indemnify the Company for a portion of any Loss paid or to be paid by the Company with respect to such Covered Loans according to the terms of the applicable rating plan.

1.75 Third-Party Sale –

Third-Party Sale means

- (a) a sale of a Property arranged by Servicer and/or Borrower, and approved by Insured or Servicer, prior to foreclosure, or
- (b) a foreclosure or trustee's sale of a Property to a third party at a price equal to or greater than the minimum bid established and submitted by Servicer as provided in Section 7.2(c).

1.76 Total Loss –

Total Loss means the Claim Amount plus: (i) in the case of a Third-Party Sale pursuant to Section 7.2(e), the amount of all commercially reasonable costs incurred in obtaining and closing the Third-Party Sale, less the proceeds of the Third-Party Sale; (ii) in the case of a conveyance in lieu of foreclosure pursuant to Section 7.2(f), the amount of all commercially reasonable costs incurred in obtaining and closing such conveyance, if any, less the estimated value of the Property as determined by the Company using a supportable valuation method; and (iii) in the case of Subrogation pursuant to Section 9.1, all expenses (including, court costs, attorneys' fees, other advances required of the Insured under 7.1(c)) associated with the preservation and pursuit of the deficiency rights in excess of those expenses associated with the normal and customary foreclosure process.

1.77 Underwriting Requirements –

Underwriting Requirements means those items specified in the Policy Commitment Letter.

1.78 Uninhabitable –

Uninhabitable means that an Environmental Impairment to the principal Residential dwelling on the Property exceeds generally recognized standards for safe residential occupancy or, if there are no such standards, that a fully-informed and reasonable person would conclude that such dwelling does not provide a reasonably safe place to live without fear of injury to health or safety.

Pronouns, when used in this Policy, shall mean the singular or plural, masculine or feminine, as the context requires.

SAMPLE

2. COVERAGE

2.1 Obtaining Coverage –

- (a) **Application for Insurance** – To obtain coverage for a loan under this Policy, the Insured or a Person acting on behalf of the Insured shall submit an Application in a form or format approved by the Company. As specified in a Policy Commitment Letter, the Company may agree to accept alternate forms of submission, including but not limited to fully-electronic submissions, as an Application. Use of an alternative form of Application shall not waive or change any term or condition of this Policy.
- (b) **Approval of Coverage** – The Company will indicate the terms and conditions under which it will extend coverage to a loan under this Policy by issuing a Commitment or Certificate.
- (c) **Declination of Coverage** – The Company shall have the right, in its sole discretion, to decline to issue a Commitment or Certificate with respect to any Application. In that event, the Company shall notify the Insured. If the original Insured subsequently denies the loan application received by it from the applicant, the original Insured shall, and by submitting such Application, agrees to, bear full responsibility for notifying the applicant of the denial of the loan application in compliance with all applicable state or federal laws or regulations including, without limitation, the federal Equal Credit Opportunity Act (15. U.S.C. 1591 et seq., as amended from time to time) and any similar state law or regulation, and the original Insured shall indemnify and hold the Company harmless from any loss or liability arising as a result of the original Insured's breach of this subsection (c).
- (d) **Multiple Offices** – If Insured has more than one (1) office or location from which Applications are submitted by it to the Company under this Policy, the Company shall have the right, from time to time, in its sole discretion, to decline to accept Applications from any one (1) or more of such offices or locations by providing notice of such action to the Insured. Declining to accept Applications from an office will not terminate this Policy.

2.2 Representations of the Insured –

The Insured represents that

- (a)
 - (i) all statements made and information provided to the Company in an Application (and also as such is related to continuation of coverage upon assumption of a Covered Loan), whether by the Insured, the Borrower, or any other Person, have been made and presented for and on behalf of the Insured, and
 - (ii) such statements and information with respect to any loan are not false or misleading in any respect that is material to either the Company's acceptance of the risk or to the hazard assumed by the Company as of the date(s) on which they are made or provided and do not omit any fact necessary to make such statements and information not false or misleading in any material respect as of such date(s), and
 - (iii) each Covered Loan meets the Eligibility Criteria and the Underwriting Requirements, and
 - (iv) on tender of the first premium,
 - A. any conditions included by the Company in the Commitment, if any, issued with respect to the related Covered Loan, have been satisfied, and
 - B. no payment which is due under the Covered Loan at the time the first premium is tendered is more than thirty (30) days past due, and
 - C. during the twelve (12) months preceding such tender of the first premium not more than one (1) payment due under the Covered Loan was delinquent (that is, more than thirty (30) days past due), and

- (v) if an automated underwriting recommendation concerning the Covered Loan (including recommendations under an automated underwriting system of the Insured) in connection with origination of the Covered Loan is disclosed to the Company in insuring the Covered Loan, all statements and information submitted through the automated underwriting system to obtain such recommendations are not false or misleading in any respect that is material to either the Company's acceptance of the risk or to the hazard assumed by the Company as of the date provided and do not omit any fact necessary to make such statements and information not false or misleading in any respect as of such date, and
 - A. the information and data entered into the automated underwriting system are consistent in all material respects with the information and data included in the Loan File Documents for the Covered Loan, and
 - B. the automated underwriting recommendation concerning the Covered Loan disclosed to the Company was relied upon by the Loan Originator in making the Covered Loan, and
 - C. the automated underwriting recommendation concerning the Covered Loan disclosed to the Company is the final recommendation, and
 - D. any finding reports and other processing instructions regarding the Covered Loan that are part of the final results of the automated underwriting system, including those that may call for another evaluation of the Covered Loan by the automated underwriting system after re-verification of information or acquisition of additional data as part of such instructions, have been complied with, to the extent required by the Loan Originator's underwriting guidelines or consistent with instructions of the Insured
- (b) and agrees that
 - (i) such statements and information in the aggregate and individually are material to the Company's decision to offer, provide or continue coverage on the related Covered Loan, and
 - (ii) the Company has issued coverage on the Covered Loan or has continued coverage on the Covered Loan in reliance on the accuracy and completeness of such statements and information and without any obligation to independently verify the statements and information submitted to it, and
 - (iii) the Company's reliance on the representations in subsection (a) survive the issuance of coverage on a Covered Loan or continuation of coverage, and
 - (iv) the representations in subsection (a) shall be effective whether or not they are made with the intent to deceive or mislead or with the knowledge they are not true and correct and
- (c) without otherwise limiting the scope of this Section, agrees that if an Exclusion under Section 6.11 (Loan-to-Value) occurs, it shall be deemed a material misrepresentation for the purposes of this Section.
- (d) Third-Party Underwriting Submission Services – If Insured chooses to submit a loan using a third-party underwriting submission service approved by the Company, Insured agrees that submission to the third-party underwriting submission service does not constitute an Application under this Policy and if
 - (i) the third-party underwriting submission service
 - A. makes a material alteration in the data submitted by the Loan Originator of a Covered Loan resulting in the Company issuing a Commitment or Certificate, as applicable, for the Covered Loan which would not have been issued in the absence of such material alteration (a "System Error") or

B. communicates to the Company in error that a loan meets the criteria of the third-party underwriting submission service when, based on the data received by that service, the loan does not meet those criteria (a “System Error,” and collectively with the System Error in subsection (e)(i)(A) “System Errors”) or

(ii) there is any negligent, dishonest, fraudulent, criminal or knowingly wrongful act (including error or omission) by the third-party underwriting submission service or any of its employees or any persons or entities contracted by the third-party underwriting submission service to provide collateral assessment services with respect to any Covered Loan,

the Company shall have the right, subject to Section 2.4 (Incontestability for Certain Misrepresentations), to issue a Rescission for the particular Covered Loan or cancel this Policy as if such System Error or dishonest, fraudulent, criminal or knowingly wrongful act (including error or omission) was committed by Insured.

2.3 Company’s Remedies for Misrepresentation –

- (a) Subject to Section 2.4 (Incontestability for Certain Misrepresentations), if any of the Insured’s, Borrower’s or other Person’s representations in Section 2.2 (Representations of the Insured) are false or misleading with respect to a Covered Loan, the Company will have the right, to the extent permitted by applicable law, to issue a Rescission on a Covered Loan retroactively to the effective date of coverage (or, if the misrepresentation occurs with respect to continuation of coverage upon assumption of a Covered Loan, to issue a Rescission retroactively to the date of such continuation). In the case of such Rescission, the Company shall return at that time all premiums paid for coverage after such applicable date.
- (b) Notwithstanding the foregoing, the Company will not issue a Rescission if, after finding evidence of a false or misleading misrepresentation under Section 2.2 (Representations of the Insured), the Company determines, in its sole judgment, that such misrepresentation is not material.

2.4 Incontestability for Certain Misrepresentations –

For loans submitted to the Company for coverage without all origination Loan File Documents and the Insured represents the loan meets the Underwriting Requirements (“**Delegated Data Submission Method**”), if allowed, or for loans submitted to the Company for coverage with all origination Loan File Documents needed to make a coverage decision (“**Full File Submission Method**”), the following provisions apply:

- (a) Notwithstanding Section 2.2 (Representations of the Insured) and 2.3 (Company’s Remedies for Misrepresentation), the Company will not issue a Rescission on a Covered Loan by reason of any misstatements, misrepresentations, omissions or data inaccuracies under Section 2.2 (Representations of the Insured) arising out of the origination (including the taking of the Covered Loan application and processing of the Covered Loan through disbursement of the funds) of a Covered Loan, provided that all of the following requirements, conditions and circumstances are satisfied:
- (i) the Covered Loan is not in Default (with allowance for a fifteen (15) day grace period for the Borrower to make the payment as of such date) as of the date which is thirty-six (36) months following the due date of the Borrower’s first payment of principal, interest and impound or escrow amounts in the amounts as called for by the Covered Loan (“First Payment”), and all such payments during this thirty-six (36)-month period have been made from the Borrower’s Own Funds unless expressly set forth in the Application, and
- (ii) the Covered Loan (i) had no more than two thirty (30) day delinquent payments and (ii) had no sixty (60) day or greater delinquent payments during the first thirty-six (36) months following the due date of the First Payment, and
- (iii) the Covered Loan has not been subject to a forbearance agreement, repayment plan or otherwise been modified from its original terms during the thirty-six (36) months following the due date of the First Payment.

- (b) Notwithstanding that the conditions of Section 2.4(a) are met, the Company will issue a Rescission upon determination of any intentional and knowing material misstatement, misrepresentation, omission or data inaccuracy by a First Party with respect to a single loan, (i) where the Company determines through Credible Evidence that such material misstatement, misrepresentation, omission or data inaccuracy occurred in the origination or closing of the Covered Loan, and (ii) where the Company relied on such information in issuing a Certificate. Examples of Credible Evidence may be found in the Claims Guide in effect as of the Coverage Effective Date.
- (c) Notwithstanding that the conditions in Section 2.4(a) are met, the Company will issue a Rescission upon its determination through Credible Evidence of any pattern activity of misstatement, misrepresentation, omission or data inaccuracy involving two (2) or more parties (i.e., the Borrower and one or more "Pattern Parties," or two (2) or more "Pattern Parties") and two (2) or more loans, at least one of which is insured by the Company. For purposes of this Section 2.4(c), "Pattern Party" means (i) any individual acting with actual or apparent authority for the initial Insured, or (ii) any First Party other than the initial Insured, or (iii) any property seller, property builder, real estate broker or real estate agent.
- (d) Provided that the conditions in Section 2.4(a) are met, the Company will not request files from the Insured (other than those required for filing a Claim pursuant to Section 8.1) or issue a Rescission or a Certificate Cancellation for failure to receive requested files from the Insured, unless it becomes aware of Credible Evidence of First Party material misstatement, misrepresentation, omission or data inaccuracy in connection with a Covered Loan establishing reasonable grounds for a belief that the First Party intentionally and knowingly participated in the misstatement, misrepresentation, omission or data inaccuracy. Examples of Credible Evidence may be found in the Claims Guide in effect as of the Coverage Effective Date.
- (e) Notwithstanding any other provision of this Policy, the Company shall issue a Rescission on a Covered Loan if, prior to the end of the thirty-six (36)-month period referenced in Section 2.4(a), the Company notifies the Insured in writing that the Company has Credible Evidence to establish a material misrepresentation under Section 2.2 (Representations of the Insured) was made with respect to such Covered Loan and the Company provides to the Insured a description of such misrepresentation.
- (f) The Company's payment of a Claim will not limit any additional rights in law or in equity the Company may have for any misrepresentation under Section 2.2 (Representations of the Insured).
- (g) For loans submitted to the Company under the **Full File Submission Method** the Company shall conduct an Independent Validation of the Appraisal within one hundred twenty (120) calendar days following receipt of the Appraisal (or such other time as may be specified in the Policy Commitment Letter, not to exceed six (6) months), and the following provisions shall apply:
- (i) Notwithstanding anything in Section 2.4(a) through (f) (Incontestability for Certain Misrepresentations), Section 2.2 (Representations of the Insured) and 2.3 (Company's Remedies for Misrepresentation), the Company will not issue a Rescission on a Covered Loan that has been subject to an Independent Validation of the Appraisal by reason of any misstatements, misrepresentations, omissions or data inaccuracies under Section 2.2 (Representations of the Insured) arising out of the Appraisal or collateral eligibility, provided that all of the following requirements, conditions and circumstances are satisfied:
- (A) the Covered Loan is not in Default (with allowance for a fifteen (15) day grace period for the Borrower to make the payment as of such date) as of the date which is twelve (12) months following the due date of the Borrower's first payment of principal, interest and impound or escrow amounts in the amounts called for the Covered Loan ("First Payment"), and all such payments during this twelve (12) month period have been made from the Borrower's Own Funds unless expressly set forth in the Application, and

- (B) the Covered Loan had no thirty (30) day or greater delinquent payments during the first twelve (12) months following the due date of the First Payment, and
 - (C) the Covered Loan has not been subject to a forbearance agreement, repayment plan or otherwise been modified from its original terms during the first twelve (12) months following the due date of the First Payment, and
- (ii) If in completing an Independent Validation of the Appraisal, should the Covered Loan fail such Independent Validation, the Company will, as applicable, either (1) issue a Rescission with respect to the Covered Loan if it finds Credible Evidence of material misstatement, misrepresentation, omission or data inaccuracy in the Appraisal, or (2) notify the Insured that the Covered Loan is not eligible for relief under this Section 2.4(g), whether due to missing documents or inconclusive evidence of material misstatement, misrepresentation, omission or data inaccuracy in the Appraisal, in which case the Covered Loan will otherwise be considered for relief under Section 2.4(a) through (f).

2.5 Coverage Eligibility Mistakes –

If the Company makes an underwriting or coverage eligibility mistake (including, but not limited to, miscalculation of debt-to-income ratio or misapplication of the Company's Eligibility Criteria or Underwriting Requirements) based upon accurate information provided by the Insured or other Person provided in the Full File Submission Method or during any Independent Validation and erroneously provides coverage on such loan or erroneously continues coverage on such loan, then the Company shall not issue a Rescission on such Covered Loan solely on the basis of such mistake.

2.6 Payment of Incorrect Premium –

- (a) Subject to Section 2.4 (Incontestability for Certain Misrepresentations), if the Company discovers or is notified that inaccurate or incorrect information was submitted to the Company in an Application or workout, resulting in an incorrect premium rate, and that a Covered Loan would have been insurable had the correct or accurate information been submitted, but at a different premium rate, the Company may provide notice to the Servicer of the additional premium amount required to continue coverage. If such amount is not paid within 60 days of the notice, the Company shall issue a Rescission to the Insured, with a copy to the Owner of the Covered Loan, if requested.
- (b) The Company will not require payment of additional premium pursuant to this Section 2.6 in the case of an inaccurate Appraisal that is not a material misrepresentation.

3. PREMIUM

3.1 First Premium –

- (a) Tender of First Premium – On or prior to the Commitment Expiration Date set forth on the Commitment,
 - i. the loan shall be Consummated, and
 - ii. the Insured shall notify the Company, in a manner approved by the Company, that the loan has been Consummated, and
 - iii. if required by the applicable premium plan, the Insured shall remit the full first premium to the Company.
- (b) The first premium shall be due as set forth in the applicable premium plan.
- (c) If the Insured fails to comply with subsection (a), the Company shall not be obligated to accept any first premium tendered and, if it does so, its liability shall in no event exceed the amount of that first premium tendered should any Default have occurred prior to compliance with subsection (a) and receipt of the full first premium by the Company.
- (d) If the Insured does not pay the full first premium, the Company shall not be obligated to accept any premium tendered, shall return to the Insured the premium tendered and there shall not be any coverage under this Policy on the related loan.
- (e) Provided notification is made and premium is paid in accordance with this Section, coverage for the related Covered Loan shall be effective as of the applicable Coverage Effective Date.

3.2 Subsequent Premium –

- (a) Subsequent premium shall be paid as provided in the applicable premium plan and shall be due within sixty (60) days after the date through which the applicable premium has been paid (for example, monthly or annually) unless otherwise provided in the premium plan. Provided premium is paid in accordance with this Section, coverage for the related Covered Loan shall remain in effect until terminated or canceled in accordance with this Policy. If the Insured does not pay the full subsequent premium as required, the Company shall not be obligated to accept any premium tendered, shall return to the Insured the subsequent premium tendered and coverage under this Policy on the Covered Loan shall be canceled as of the first premium due date for which the full premium was not tendered.
- (b) In the event the principal balance of a Covered Loan is increased pursuant to the terms of the note, mortgage, deed of trust or other instrument relating to the Covered Loan or in accordance with Section 4.4 (Servicing) or Section 4.5 (Modification of Covered Loan Not in Default or Not in Imminent Default) or through any other process approved by the Company, the Insured shall pay subsequent premium on the increased principal balance. In the case of a monthly premium, the monthly premium on the increased principal balance shall be paid beginning with the month in which such principal balance increased. In the case of an annual premium, the annual premium on the increased principal balance will be paid beginning with the first annual premium due after the month in which such increased principal balance is increased. In the event of a Default prior to the payment of the required premium for any increase in principal balance, or if the Insured fails to report the increase in principal balance and pay such additional premium, such increase in the principal balance will not be covered. This Section will not apply if a single premium was paid under the applicable premium plan.
- (c) If the Insured does not pay the full subsequent premium, the Company shall not be obligated to accept any premium tendered, shall return to the Insured the premium tendered and there shall not be any continued coverage under this Policy on the related loan.

3.3 Special Rating Plans –

If the Insured elects to pay the premium based on a then-applicable Special Rating Plan

- (a) the terms and conditions on the applicable Special Rating Plan rate schedule shall apply and
- (b) the Insured shall complete and return to the Company all required documentation, if applicable, and shall provide to the Company all information necessary for the Company to administer the Special Rating Plan and
- (c) the Insured agrees the Company may disclose to any Person information relating to the documentation and information specified in subsection (b), as defined in the applicable Special Rating Plan rate schedule, which is necessary for billing, servicing or otherwise handling premium payments under the Special Rating Plan and
- (d) the Company shall have the right on ten (10) days' notice to examine the books and records of the Insured to the extent necessary to determine that the documentation and information provided to the Company by the Insured with respect to the Special Rating Plan is accurate and complete and
- (e) if the Company determines that the documentation and information provided to the Company by the Insured with respect to the Special Rating Plan is not accurate and complete, or if the Insured fails to complete and return to the Company the documentation and information required by the Special Rating Plan, the Company shall have the right to charge the greater of
 - (i) the standard rates it would charge in the absence of a Special Rating Plan or
 - (ii) the maximum premium permitted under the applicable Special Rating Plan,in either event, as of the next anniversary date for an annual plan or, if a monthly plan, as of the first full month beginning sixty (60) days after the Company has informed the Insured of such violation and
 - (i) the Company shall give notice to the Insured of subsequent premiums; if all or a portion of the subsequent premium for any Covered Loan, or for the group of Covered Loans, insured under the applicable Special Rating Plan is not paid within the time period specified in the notice, the liability of the Company with respect to the applicable Covered Loan, or the group of Covered Loans, as the case may be, shall terminate.
- (f) If a Covered Loan, or the group of Covered Loans, insured under a Special Rating Plan is sold, assigned or transferred, the provisions of this Section shall continue to apply to that Covered Loan, or that group of Covered Loans, as the case may be, and the Insured agrees to notify the purchaser of the provisions of this Section prior to contracting to transfer such Covered Loans.

3.4 Lapse of Coverage for Covered Loan for Failure to Pay Subsequent Premium; Reinstatement –

- (a) If subsequent premium is not paid as provided in this Policy, the Company shall have no liability with respect to a Default that occurs on or after the Lapse Date. The liability of the Company shall continue with respect to a Default on a Covered Loan existing prior to the Lapse Date.
- (b)
 - (i) If coverage lapses and Insured wishes to reinstate coverage after the subsequent premium due date, Insured shall forward to the Company the appropriate premium payment within sixty (60) days after the Lapse Date and coverage shall be reinstated by the Company without interruption.
 - (ii) If coverage lapses and Insured wishes to reinstate coverage more than sixty (60) days after the Lapse Date, Insured shall forward to the Company the appropriate premium payment including the amount specified in subsection (c) below and information required by the Company, including but not limited to the complete payment history of the Covered Loan in the format maintained by the Insured in its normal course of business including all

transactions related to the Covered Loan, together with its request for reinstatement. In its sole discretion, the Company may agree to reinstate coverage on the relevant Covered Loan. Such agreement will be evidenced by its acceptance of the premium payment together with the amount specified in subsection (c); provided, however, that Insured acknowledges that the Company deposits all payments immediately on receipt and, accordingly, Insured agrees that the receipt and deposit of premium by the Company does not constitute acceptance by the Company until final reconciliation by the Company of the Company's records with such premium, which reconciliation will occur no later than sixty (60) days after receipt of premium by the Company.

- (iii) Notwithstanding the provisions of this subsection (b) above, if the Company is notified in writing by the Servicer, the Insured or the Owner of the Covered Loan after sixty (60) days of the Lapse Date, but no later than one hundred twenty (120) days after the Lapse Date, that the failure to pay the Covered Loan's subsequent premium arose in connection with a transfer, seizure or surrender of servicing rights affecting such Covered Loan, coverage on the Covered Loan shall be reinstated by the Company, without interruption, on payment of the appropriate premium payment without (A) the additional lapsed premium amount specified in subsection (c) below and (B) the requirement to provide a payment history.
- (c) If the Company elects to accept subsequent premium after the Lapse Date pursuant to subsection (b)(ii) above, unless otherwise provided for in the applicable premium plan, the Insured shall pay an additional lapsed premium amount provided by the applicable premium plan to continue coverage.
- (d) Effective on the date of the Company's acceptance of premium after the subsequent premium due date, coverage on the relevant Covered Loan shall be reinstated and shall continue without interruption, as if there had been no lapse, and a Default occurring prior to the Lapse Date or during the period between the Lapse Date and the date of reinstatement of coverage will be covered. Receipt, deposit and retention of a premium will not constitute a waiver of any other defense with respect to the Covered Loan which the Company has under this Policy.
- (e) If, after Default on a Covered Loan, the Insured fails to pay subsequent premium, that Default shall be covered under this Policy, but coverage on the Covered Loan shall not continue after the Lapse Date and any subsequent Default shall not be covered. If the Insured wishes to continue coverage on the Covered Loan after Default, it may continue to pay premium under the applicable premium plan pursuant to the terms and conditions of this Policy and shall continue to have coverage on the Covered Loan if there is a cure of the Default without submission of a new Application for coverage. If the Insured continues to pay premium after the Default and the Default does not cure, the Company will refund to the Owner of the Covered Loan if such owner is Fannie Mae or Freddie Mac, otherwise to the Insured, any premium paid after the Default. If the Insured does not continue to pay premium after Default on the Covered Loan and there is a subsequent cure of the Default, no subsequent default will be covered under the Certificate on the Covered Loan and the Insured, if it wishes to obtain coverage for a possible subsequent default, the Insured must submit a new Application for coverage.
- (f) The Company shall deduct from its payment of the Loss any premium with respect to the Covered Loan that is due but unpaid through the date of Default, or any premium previously returned to the Insured or the Owner of the Covered Loan.

3.5 Receipt and Deposit of Premium –

Insured acknowledges that in all circumstances the Company deposits all premiums immediately on receipt and, accordingly, Insured agrees that receipt and deposit of premium by the Company does not constitute acceptance by the Company until final reconciliation by the Company of the Company's records with such premium, which reconciliation will occur no later than sixty (60) days after receipt of premium by the Company.

4. ADMINISTRATION OF POLICY

4.1 Owner of the Covered Loan –

The Company and Insured agree that if a Covered Loan is sold, assigned or transferred by the Insured, and the Company is notified or becomes aware of the change, then the purchaser of the Covered Loan shall become the Owner of the Covered Loan effective as of the date of such sale, assignment or transfer. On notification of the identity of the Owner of the Covered Loan, the Insured agrees that the Company shall provide such information regarding the Covered Loan to the Owner of the Covered Loan as is reasonably requested by the Owner of the Covered Loan.

4.2 Change of Insured –

On written request by the Owner of the Covered Loan, coverage under this Policy and the related Certificate on the Covered Loan shall be assigned to the Owner of the Covered Loan subject, nevertheless, to all of the terms and conditions of this Policy, including all requirements placed on the Insured and Servicer, and the related Policy Commitment Letter and Certificate and to all defenses which the Company may have had against the original and any subsequent Insured, including but not limited to, provisions of the Policy Commitment Letter issued with respect to this Policy.

4.3 Servicing Reports –

- (a) For so long as this Policy is in effect, the Insured shall provide to the Company, on request by the Company, one or more Servicing Reports, including information on the Covered Loans. The Servicing Reports will be delivered by the Insured to the Company in the manner and format and within the time frame specified by the Company.
- (b) The Insured shall give the Company notice of Default within ten (10) days after the earlier to occur of (a) the date when the Borrower becomes two (2) months in Default on the Covered Loan or (b) the date when any proceeding, including but not limited to foreclosure, which affects the Covered Loan or the Property or the Insured's or Borrower's interest in the Covered Loan or the Property, has been commenced.

4.4 Servicing –

- (a) The Insured shall give the Company notice of the Servicer of a Covered Loan, if different from the Insured. The Company shall be notified of any change in Servicer through the Servicing Report or other form or format approved by the Company.
- (b) The Insured shall give notice to any Servicer of a Covered Loan that
 - (i) the Insured has procured a mortgage guaranty insurance policy from the Company, and
 - (ii) if such insurance is procured, the Servicer's name and address may be given to the Company, and
 - (iii) the Servicer shall cooperate with the Company and provide access to Borrower and provide information about Borrower and the Covered Loan and the Property to the Company, and
 - (iv) the Insured has given the Company authorization to contact Borrower.
- (c) To the extent not inconsistent with the terms and conditions of this Policy,
 - (i) Covered Loans will be serviced by a Servicer or Servicers selected by the Insured consistent with the Insured's normal business practices and in accordance with Section 4.7 (Change of Servicing) of this Policy and in accordance with servicing guidelines that are at least as rigorous as the servicing guide applied to loans owned by the Insured and

- (ii) the Insured may give the Servicer delegated authority to perform loss mitigation without the Insured's prior approval, which otherwise would be required. It is also understood and agreed that the Company may have given the Insured authority, which shall be in writing, to perform loss mitigation without the Company's prior approval, which otherwise would be required by this Policy.
- (d) Servicing actions undertaken in accordance with any applicable authority granted by the Company to the Insured pursuant to subsection (c) shall be deemed approved by the Company and will not result in a loss or diminution of coverage under this Policy. Servicing actions not so undertaken must be in accordance with the terms of this Policy, including Section 7 (Loss Mitigation). Failure by Insured to obtain any required approval from the Company or to mitigate a Loss shall constitute a waiver of a Claim for the affected Covered Loan, but only if the action or inaction by the Insured
 - (i) materially contributed to the Default resulting in such Claim or
 - (ii) increased the Loss, provided, however, that if the Company can reasonably determine the amount of such increase, the Company will not issue a Claim Denial, but the Loss will be adjusted to the extent of such amount.

4.5 Modification of Covered Loan Not in Default or Not in Imminent Default –

The terms of a Covered Loan not in Default or not in imminent Default

- (a) may be changed by agreement with a Borrower, and the Borrower may retain Possession of the Property, if all of the following conditions are met
 - (i) no broker's price opinion or appraisal of the Property shall be required, and
 - (ii) any extension of the loan term may not result in a total loan term in excess of four hundred eighty (480) months from the origination date (that is, including the months the Covered Loan has already been in existence), and
 - (iii) fixed-rate Covered Loans must remain fixed-rate, except for step-rate Covered Loans, and
 - (iv) the final step rate cannot exceed the higher of the original note rate or the market rate at time of the Modification, and
 - (v) the Borrower's regularly-scheduled payment must be equal to or lower than the original scheduled payment, and
 - (vi) the Modification must put the Borrower in a better financial position, and
 - (vii) the Insured Loan Amount must not increase, but
- (b) unless advance written approval is provided by, or obtained from, the Company, including approval in a Policy Commitment Letter applicable to all Covered Loans insured under this Policy, the Insured may not make any change in the terms of a Covered Loan other than those specified in subsection (a) above, except as set forth in the terms of the Covered Loan, nor make or permit to be made any change in the Property or other collateral securing the Covered Loan, nor release the Borrower from liability on a Covered Loan but
- (c) if the Insured submits a written request for approval of a change in the terms of a Covered Loan other than those specified in this Section which provides both that (i) the payment made by the Borrower (monthly or as set forth in the Covered Loan) remains at the same amount or is lower and (ii) the Borrower is placed in a better position than he/she would have been had the change not been made, the Company will approve or deny the change in writing within ten (10) business days of receipt of the Insured's request and

- (d) for purposes of this Section, the Company may, in its sole discretion, determine that a loan transaction in which Borrower executes a new set of loan documents is nonetheless a Modification of a Covered Loan (as compared to a refinance transaction) if conditions as determined by the Company are met, and
- (e) for purposes of this Section, "imminent Default" shall mean it is reasonably foreseeable that the Borrower will not be making payments on the Covered Loan.

4.6 Assumption of Covered Loan Not in Default or Not in Imminent Default –

With respect to Covered Loans not in Default or with respect to Covered Loans not in imminent Default, the following provisions apply

- (a) The Insured shall submit under Section 2.1 (Obtaining Coverage) in writing any request for an assumption that will release the Borrower from liability under the Covered Loan. The Company will approve or deny the request in writing within ten (10) business days of receipt of the Insured's request.
- (b) If a Covered Loan is assumed without the Company's prior written approval or if a Property is transferred and the Borrower is released from liability under the Covered Loan, the Company shall issue a Certificate Cancellation as of the date of such assumption or transfer, unless the Company approves the assumption or transfer in writing at a later date. On termination of coverage under this Section, the Company's liability shall only be for return of all related premium for the time period after the occurrence of the event giving rise to the termination.
- (c) It is understood that coverage will continue and the restrictions of this Section will not apply if, under the Covered Loan or applicable law, the Insured cannot exercise a Due-on-Sale Clause or is obligated to consent to such assumption under the Covered Loan or applicable law.
- (d) For the purposes of this Section, "imminent Default" shall mean it is reasonably foreseeable that the Borrower will not be making payments on the Covered Loan.

4.7 Change of Servicing –

The Company shall be automatically deemed to have approved as a Servicer any Person to whom a Policy has been issued by the Company if such Policy has not been cancelled. The Company may revoke its approval of a Servicer or may require that the servicing of some or all of the Covered Loans under this Policy be transferred to a different Servicer in order to continue coverage under this Policy. In that event, the Company shall notify the Insured in writing that the servicing must be transferred and in that notification

- (a) identify the specific affected Covered Loans, and
- (b) specify the material performance deficiencies necessitating the transfer of servicing, and
- (c) allow at least sixty (60) days after the notification for the Insured to remedy those deficiencies to the Company's satisfaction.

If the deficiencies are not so remedied within the time specified in the notification, the notification shall allow the Insured at least ninety (90) days from the date of the notification to effect the transfer to another Servicer approved by the Company to service the Covered Loans.

4.8 Examinations and Reviews –

- (a) **Examinations and Requests for Loan File Documents** – For so long as this Policy or any Certificate issued under it is in effect, whether prior to or after the filing of a Claim, the Company shall have the right to request from Insured Loan File Documents relating to any Covered Loan unless limited by Section 2.4 (Incontestability for Certain Misrepresentations). Insured shall provide such requested Loan File Documents within thirty (30) days of Company's written request. If Insured fails to provide the requested Loan File Documents within such thirty (30) day period, the Company will provide a second written notice to Insured, allowing Insured to provide copies of the identified Loan File Documents to the Company within an additional thirty (30) day period. If Insured fails to make the identified Loan File Documents available to the Company within the second thirty (30) day period, the Company may issue a Certificate Cancellation for the related Certificate and there shall be no refund of premium.
- (b) **Examinations of Servicing and Loss Mitigation** – The Company shall have the right to perform periodic examinations of Insured and its Servicer to confirm that servicing and loss mitigation actions are being performed by the Insured or its Servicer consistent with this Policy. The Insured and the Servicer shall actively cooperate with and assist the Company in performing the periodic examinations. In the event such reviews identify adverse non-compliance, upon written notice by the Company to the Insured, the Insured shall exercise its best efforts to remedy such non-compliance and cause the identified servicing deficiencies to be corrected. In the event the deficiencies are not corrected to the Company's satisfaction, the Company shall have, in addition to all other rights under this Policy, the right to disapprove the use of the Servicer pursuant to Section 4.7 (Change of Servicing).

4.9 Co-ordination and Duplication of Coverage –

- (a) The coverage under this Policy is first instance, primary mortgage guaranty insurance. Any Loss that becomes payable under this Policy shall be paid by the Company regardless of the existence of any other supplemental or pool mortgage guaranty insurance that may be in force with respect to a Covered Loan.

5. TERMINATION AND CANCELLATION

5.1 Termination of Coverage on a Covered Loan –

- (a) Provided that all applicable premiums have been paid with respect to a Covered Loan, coverage shall continue until, and shall automatically terminate upon, the first to occur of the following events:
 - (i) the Covered Loan is paid in full, or
 - (ii) the Company pays the Insured the Loss with respect to the Covered Loan, or
 - (iii) the loan-to-value ratio of the Covered Loan is reduced to a level requiring coverage termination under applicable state or federal law.
- (b) In the event coverage of a Covered Loan terminates for the reason set forth in subsection (a)(iii), a Default existing at the time coverage terminates shall remain covered under this Policy, but the Company shall have no liability for a Claim arising out of any subsequent Default.
- (c) The Insured shall provide notice to the Company, and all supporting documentation requested by the Company, within sixty (60) days of the termination date specified in subsections (a)(i) and (a)(iii).

5.2 Cancellation of Coverage on a Covered Loan by Insured –

Except as provided in Section 5.1 (Termination of Coverage on a Covered Loan), Insured may cancel coverage on a Covered Loan by returning the Certificate to the Company or by making a written request for cancellation to the Company. The Insured covenants and agrees that

- (a) it shall not request cancellation of any Certificate unless
 - (i) it is the Owner of the Covered Loan or is requesting cancellation at the instructions of and on behalf of the Owner of the Covered Loan, and the Company need not confirm such instructions with the Owner of the Covered Loan, and
 - (ii) the original Certificate has been returned to the Company, or destroyed or marked “canceled,” and
- (b) the related loan shall not be sold with any statements, express or implied, that it is insured by the Company.

On receipt of a cancellation notice from Insured, the Company shall refund or collect such sum as may be determined to be due in accordance with the applicable cancellation schedule or premium plan. However, no refund on a Certificate will be paid if a Claim has been filed, and no refund shall be made retroactively effective more than sixty (60) days from the date of receipt by the Company of a cancellation notice from Insured. On request by Insured, the Company will provide Insured with a copy of the applicable cancellation schedule or premium plan. Cancellation of coverage on a Covered Loan will not cancel this Policy.

5.3 Cancellation of Policy –

Either the Company or the Insured may cancel this Policy on thirty (30) days prior written notice; provided, however, that Covered Loans with a Coverage Effective Date prior to the cancellation date of this Policy shall continue to have coverage so long as all premiums are paid pursuant to, and subject to all other terms and conditions of, this Policy, and further provided that mortgage loans on which an initial mortgage loan application has been received by a Loan Originator prior to such effective date of cancellation will be eligible to become a Covered Loan but mortgage loans for which such application is received on or after such date will not be so eligible.

5.4 Certificate Cancellation by Company –

The Company shall have the right, at its option and to the extent permitted by applicable law, without limitation or waiver of other rights or remedies available to the Company at law or in equity, and regardless of whether a Claim has been filed, to issue a Certificate Cancellation with respect to the related Covered Loan if the coverage has lapsed under Section 3.4 (Lapse of Coverage for Covered Loan for Failure to Pay Subsequent Premium; Reinstatement) or if the Insured, Servicer or Owner of the Covered Loan has otherwise materially breached any of its respective obligations (whether individually or in the aggregate) hereunder in connection with such Covered Loan or related Certificate including Section 2.2 (Representations of the Insured), and Section 6 (Exclusions from Coverage), unless limited by Section 2.4 (Incontestability for Certain Misrepresentations). The Company shall issue to the Insured a Certificate Cancellation under this Section 5.4 within thirty (30) days after making such determination. Cancellation of coverage under this Certificate Cancellation shall be effective 30 days after notice is sent by the Company, unless such breach has been cured in all material respects. In the event a Certificate Cancellation is issued by the Company under this Section 5.4, the Company shall return to the Insured, Owner of the Covered Loan or its Servicer all related premium for the time period after the occurrence of the event giving rise to the right of cancellation.

SAMPLE

6. EXCLUSIONS FROM COVERAGE

Even if a particular Covered Loan satisfies the Eligibility Criteria and Underwriting Requirements, the Company shall not be liable for, and the Policy shall not apply to, extend to, or cover a Claim on such loan to the extent it is described in one of the Exclusions listed in this Section 6.

6.1 Assumption –

Any Claim if a Covered Loan is assumed without the Company's prior written approval; provided, however, this Exclusion shall not apply if the Insured cannot exercise a Due-on-Sale Clause or is obligated to consent to such assumption under the Covered Loan or applicable law. If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial.

6.2 Balloon Payment –

Any Claim arising out of or in connection with the failure of the Borrower to make any payment of principal and/or interest due under a Covered Loan, which payment becomes due when the Insured exercises its right to call the Covered Loan when not in Default or because the term of the Covered Loan is shorter than the amortization period, and which payment is for an amount more than twice the regular periodic payment of principal and interest that is set forth in the Covered Loan (commonly referred to as a "Balloon Payment"); provided, however, that this Exclusion shall not apply if the Insured or its Servicer offers the Borrower unconditionally and in writing, before the due date of the Balloon Payment, a renewal, refinance, or extension of the Covered Loan or a new loan

- (a) at the then-current market rate, and
- (b) in an amount not less than the then-outstanding principal balance, and
- (c) with no decrease in the remaining amortization period, and
- (d) without additional qualification by the Borrower, and
- (e) in compliance with the requirements of Section 4.5 (Modification of a Covered Loan Not in Default or With Respect to Which Default is Not Imminent), and
- (f) the Borrower declines to accept such renewal, refinancing or extension, or new loan.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial.

6.3 Breach of Conditions and Insured's Obligations at Loan Origination –

Subject to Section 2.4 (Incontestability for Certain Misrepresentations), any Claim involving or arising out of any breach by the Insured of its obligations under, or its failure to comply with, the terms of this Policy or of its obligations as imposed by operation of law with respect to such breach or failure occurring up to the Coverage Effective Date, if the breach or failure

- (a) was material to either the acceptance of the risk or the hazard assumed by the Company, or
- (b) materially contributed to the Default resulting in such Claim.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Rescission.

6.4 Down Payment –

Subject to Section 2.4 (Incontestability for Certain Misrepresentations), any Claim involving a Covered Loan which is for the purchase of the Property and for which the Borrower did not make the down payment, if any, from Borrower's Own Funds as required by the Underwriting Requirements. If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Rescission.

6.5 Effective Date and Cancellation –

Any Claim resulting from a Default occurring

- (a) before the Policy Effective Date, or
- (b) before the Coverage Effective Date for the Covered Loan, or
- (c) after the Lapse Date applicable to the Covered Loan (unless coverage is reinstated pursuant to Section 3.4 (Lapse of Coverage for Covered Loan for Failure to Pay Subsequent Premium), or
- (d) after coverage with respect to the Covered Loan is terminated or canceled.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial.

6.6 Failure to Satisfy Post-Origination Conditions and Obligations –

Any Claim if the Insured fails to mitigate loss in accordance with Section 7 (Loss Mitigation) or any Claim involving or arising out of any breach by the Insured of its obligations under, or its failure to comply with, the terms of this Policy or of its obligations as imposed by operation of law with respect to such breach or failure occurring after the Coverage Effective Date.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial. However, provided that if the Company can reasonably determine the amount that such failure increased the Company's loss, the Company will not issue a Certificate Cancellation or Claim Denial, but the Claim Amount will be reduced to the extent of such amount. The explanation of benefits shall contain the calculation for any such reduction in Claim Amount.

6.7 First Payment Default –

Any Claim if a Default exists at the time the Claim is submitted with respect to the first loan payment due under the Covered Loan, and no loan payments were ever made, in such case the Company will issue a Claim Denial denying the Claim in full.

6.8 Incomplete Construction –

Any Claim when, as of the date of such Claim, construction of the Property or, if coverage is extended to the Covered Loan subject to completion of improvements or repairs to the Property, such improvements or repairs, has not been completed in accordance with the Appraisal obtained, or the construction or improvement or repair plans and specifications approved, at the time the Covered Loan was originated or on which the Fair Market Value at the time the Covered Loan was originated was based. If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Rescission.

6.9 Ineligible Loan

Subject to Section 2.4 (Incontestability for Certain Misrepresentations), any Claim with respect to a loan that does not satisfy

- (a) the Eligibility Criteria set forth in the Eligibility Criteria Schedule and
- (b) the Underwriting Requirements.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Rescission.

6.10 Loan File Documents –

Any Claim if the Insured does not provide to the Company the Loan File Documents with respect to the Covered Loan when requested by the Company according to Section 8.1 (Claim Filing). If a Covered Loan falls under this exclusion, the Company shall have the right, at its option, to issue a Claim Denial.

6.11 Loan-to-Value –

Subject to Section 2.4 (Incontestability for Certain Misrepresentations), any Claim if the Insured Loan Amount of the Covered Loan on the date the Covered Loan is closed divided by the Fair Market Value of the Property at the time the Covered Loan was originated exceeds one hundred three percent (103%) or if any portion of the percentage greater than one hundred percent (100%) is not used to finance fees and closing costs on the Covered Loan. If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Rescission.

6.12 Loan Transaction –

Subject to Section 2.4 (Incontestability for Certain Misrepresentations), any Claim if the loan transaction with respect to a Covered Loan, as shown on the Certificate, differed from the Loan Transaction agreed to by the Company. If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Rescission.

6.13 Modifications –

Any Claim if a Covered Loan is the subject of a Modification that does not conform to the requirements of Section 4.5 (Modification of Covered Loan Not in Default or Not in Imminent Default) or Section 7.2(d). If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial.

6.14 Negligence –

Subject to Section 2.4 (Incontestability for Certain Misrepresentations), any Claim that involves or arises out of the negligence of the Insured, a First Party, Borrower or a Servicer, which negligence is (a) material either to the acceptance of the risk or to the hazard assumed by the Company, (b) materially contributed to the Default resulting in such Claim or (c) increased the Claim Amount.

If the negligence took place prior to or on the Coverage Effective Date, the Company shall have the right to issue a Rescission. If the negligence took place after the Coverage Effective Date, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial. If subsection (c) of the preceding paragraph applies, if the Company can reasonably determine the amount of such increase, the Company will not issue a Certificate Cancellation, Claim Denial, or Rescission, but the Claim Amount will be reduced to the extent of such amount. The explanation of benefits shall contain the calculation for any such reduction in Claim Amount.

6.15 No First Deed of Trust –

Any Claim if the Covered Loan is not secured by a First Deed of Trust as of the date the Covered Loan is Consummated. If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Rescission.

6.16 Physical Damage –

Any Claim to the extent of any Physical Damage to the Property (other than pre-existing Environmental Impairment) occurring or manifesting itself after the date on which the related Covered Loan is closed, unless the Property has been restored to its fully-completed condition as evidenced by the Appraisal at the time the Covered Loan was originated, reasonable wear and tear excepted. This exclusion shall apply only if such damage occurred or manifested itself prior to the expiration of the Claim Settlement Period and

- (a) the estimated cost to repair the Property is equal to or greater than \$5,000 or
- (b) the Property is sold prior to expiration of the Claim Settlement Period for less than the repaired value, impacting the Company's ability to mitigate its loss or
- (c) the Company elects to acquire the related Property in settlement of a Claim.

For purposes of this Section, the Property subject to restoration will consist only of the land, improvements or personal property and any chattel items (including any built-in appliances) deemed part of the real property under applicable law and chattel items affixed to the real property and

identified in the Appraisal of the Property at the time the Covered Loan was made, whether or not they are deemed part of the real property.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial. At its option, the Company may reduce the Claim Amount by an amount equal to the cost of restoring the Property to its fully-completed condition as evidenced by the Appraisal at the time the Covered Loan was originated. In establishing the cost to restore the Property, the Company may either obtain a repair estimate from an independent third party of its choosing or rely on repair estimates obtained by the Servicer or the Owner of the Covered Loan, provided, however, that all such estimates will be based on review of both the interior and exterior of the Property. If the Company relies on a repair estimate not obtained by the Servicer or the Owner of the Covered Loan, the Company will provide a copy of the estimate to the Servicer or the Owner of the Covered Loan upon request. The Company will specify the amount of any reduction in the Loss paid on account of Physical Damage and any such reduction may be appealed in accordance with Subsection 8.1(i) (Claim Filing). If the Company is unable to gain access to the Property to obtain a repair estimate, the Company may settle the Claim by paying the Anticipated Loss.

6.17 Pre-Existing Environmental Impairment –

Any Claim to the extent of any Environmental Impairment to the Property which has not been removed or remedied in accordance with applicable federal, state or local laws and which

- (a) existed on or prior to the date on which the related Covered Loan was Consummated (whether or not known to the Borrower, Insured, or Servicer) if the existence, or suspected existence, of the Environmental Impairment was not disclosed in the Application and
- (b) was the proximate cause of the Default and has made the principal Residential structure on the Property Uninhabitable.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial.

6.18 Release of Indebtedness –

Any Claim if, under applicable law, the Borrower did successfully assert any defense against the Insured, or could have asserted any defense that would be reasonably likely to prevail, in view of then-current legal precedent in the applicable jurisdiction, so as to release in whole or in part the Borrower's obligation to repay the Covered Loan provided, however, that

- (a) this Exclusion shall only apply to the extent and amount of such release, and
- (b) this Exclusion shall not apply where the release of the Borrower is the result of the Covered Loan having been divided into secured and unsecured portions pursuant to proceedings under the federal bankruptcy laws (a so-called "cram-down") so long as all other conditions of this Policy have been met, and
- (c) in the event the Borrower failed to assert a defense, the Company has the burden of proof to show the Borrower would have been reasonably likely to prevail if it had asserted a defense against the Insured.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial.

6.19 Residential Property –

Any Claim where the Property was not a Residential Property on

- (a) the date the Covered Loan is Consummated, or
- (b) the date the Claim is filed, unless the non-residential use both complies with all relevant laws and regulations and the inappropriate modification does not diminish the fair market value of the Property as of the date the Claim is filed.

If a Covered Loan falls under subsection (a) of this exclusion, the Company shall have the right to issue a Rescission. If a Covered Loan falls under subsection (b) of this exclusion, the company shall have the right, at its option, to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial, provided that if the Company can reasonably determine the amount by which the Claim Amount was increased because the Property was not a Residential Property on the date the Claim is filed, the Company will not issue a Certificate Cancellation or Claim Denial, but the Claim Amount will be reduced to the extent of such increase. The explanation of benefits shall contain the calculation for any such reduction in Claim Amount. In establishing the cost to restore the Property to be a Residential Property, the Company may either obtain a repair estimate from an independent third party of its choosing or rely on repair estimates obtained by the Servicer or the Owner of the Covered Loan, provided, however, that all such estimates will be based on review of both the interior and exterior of the Property. If the Company relies on a repair estimate not obtained by the Servicer or the Owner of the Covered Loan, the Company will provide a copy of the estimate to the Servicer or the Owner of the Covered Loan upon request. The Company will specify the amount of any reduction in the Loss paid on account of non-residential use and any such reduction may be appealed in accordance with Subsection 8.1(i) (Claim Filing). If the Company is unable to gain access to the Property to obtain a repair estimate, the Company may settle the Claim by paying the Anticipated Loss.

6.20 Servicing Report –

Any Claim if the information contained in a Servicing Report relating to the particular Covered Loan is false or misleading in any material respect as of the date of the Servicing Report or omits to state any fact necessary in order to make such information not false or misleading in any material respect as of such date, provided the Company relied on such false or misleading statement or omission in continuing coverage on the related Covered Loan prior to correction of such statement or omission.

If a Covered Loan falls under this exclusion, the Company shall have the right to issue a Certificate Cancellation or, if a Claim has been filed, a Claim Denial, provided that, if the Company can reasonably determine the amount by which the Claim Amount was increased by the error in the Servicing Report, the Company will not issue a Certificate Cancellation or Claim Denial, but the Claim Amount will be reduced to the extent of such amount. The explanation of benefits shall contain the calculation for any such reduction in Claim Amount.

6.21 Refund of Premiums –

In the event any loan is excluded from coverage under this Section 6 (Exclusions from Coverage), the Company will promptly refund all premiums for that loan for the period following the occurrence of the event giving rise to such Exclusion for a Certificate Cancellation or Claim Denial, and the Company will promptly refund all premiums in the event of a Rescission.

7. LOSS MITIGATION

Unless otherwise provided for in the Policy Commitment Letter,

7.1 Loss Mitigation –

- (a) The Insured shall not administer or apply its applicable guidelines for loss mitigation to Covered Loans in a manner that is inconsistent with or different from such administration or application of such guidelines to any non-insured mortgage loan, if such inconsistency or difference could result in
 - (i) a material increase in the likelihood of a Default resulting in a Claim or
 - (ii) an increase in a Loss.
- (b) The Insured shall actively cooperate with and assist the Company to prevent and mitigate a Loss including, but not limited to, if applicable, the Insured making good faith efforts to obtain a cure of the Default, collect monies due under the Covered Loan, inspect and appraise the Property, facilitate Modifications and workouts and effectuate the early disposition of the Property.
- (c) The Insured shall advance
 - (i) reasonable, necessary and customary sums for the payment of real estate taxes and fire and extended coverage insurance premiums on the Property and
 - (ii) reasonable, necessary and customary sums
 - A. to prevent Physical Damage to and to maintain the Property in at least as good a condition as of the Effective Date of the Commitment, ordinary wear and tear excepted, or, if the Property was not completed in accordance with the construction plans and specifications as of the Commitment Date set forth on the Commitment, to complete the Property to the condition contemplated by such plans and specifications, ordinary wear and tear excepted, as contemplated at the time of the Commitment, and
 - B. in the event of Physical Damage to the Property, to restore the Property as provided for in this Policy, and
 - C. in the event the Property was not completed in accordance with the construction plans and specifications as of the date of Default, to complete the Property as contemplated by such construction plans and specifications, except as provided in this Policy and
 - (iii) reasonable, necessary and customary expenses including Court Expenses and attorneys' fees to conduct Appropriate Proceedings and to obtain Good and Merchantable Title to and Possession of the Property or Acquisition of Borrower's Title, as applicable, and
 - (iv) condominium fees, homeowner association dues and pro-rated portions of shared fees related to common areas related to the Property or, with respect to a Cooperative Property, maintenance fees or a pro-rated portion of the building mortgage.
- (d)
 - (i) At any time following notice of Default on a Covered Loan, the Company may advance partial payment of a Loss on terms and conditions specified by the Company. If any Claim is later filed with respect to the related Covered Loan (whether with respect to that Default or a later Default), the amount of the advance will be deducted from any payment of a Loss with respect to the Covered Loan. If the Company issues a Claim Denial or Rescission, the Insured will pay the amount of all advances to the Company.
 - (ii) Notwithstanding the foregoing, in connection with Covered Loans in which the Owner of the Covered Loan is Fannie Mae or Freddie Mac, Section 7.1(d)(i) shall be subject to the prior written approval of the Owner of the Covered Loan.

7.2 Specific Loss Mitigation Requirements –

With respect to Covered Loans in Default or imminent Default, the following provisions apply

- (a) **Foreclosure Initiation** – Unless: (i) delayed by a court order or a moratorium of general applicability to a specific jurisdiction imposed by a government agency; or (ii) prohibited by applicable law; or (iii) the Insured is actively and diligently pursuing loss mitigation efforts or has placed a Borrower into a loss mitigation solution, in either case, in accordance with Section 7.1 (Loss Mitigation) or Section 7.2 (Specific Loss Mitigation Requirements); or (iv) the Company provides written instructions that some other action not precluded by applicable law be taken, the Insured must commence Appropriate Proceedings (by filing a complaint in the appropriate court, publishing a notice of sale, or by such other process as required by applicable law to initiate Appropriate Proceedings) by the later of (a) thirty (30) days after the date the Covered Loan remains in Default for a period of six (6) consecutive months, or (b) sixty (60) days after the earliest date that Appropriate Proceedings may be commenced under Applicable law; provided, however, that where the Owner of the Covered Loan is Fannie Mae or Freddie Mac, any written instructions from the Company must be approved in writing by the applicable entity prior to the Company communicating them to the Insured.

Notwithstanding any other provision of this Policy to the contrary: (x) if the Insured fails to commence Appropriate Proceedings in accordance with this Section 7.2, the Company's remedy in connection with any resulting Claim shall be limited to the curtailment of accrued and unpaid interest for the period beginning on the date Appropriate Proceedings should have been commenced and ending on the date that is eighteen (18) months following the date of Default; and (y) if the Insured fails to commence Appropriate Proceedings by the date that is eighteen (18) months following the date of Default, the Company's remedy in connection with any resulting Claim may be either the continued curtailment of accrued and unpaid interest or the issuance of a Claim Denial, as the Company deems appropriate. For the avoidance of doubt, if the Company determines there is a breach of one or more specified terms of this Policy unrelated to the commencement of Appropriate Proceedings, the Company's remedies for such other breaches are not limited by this Section 7.2.

- (b) **Postponement of Foreclosure Sale** – Notwithstanding Section 7.2(a) (Foreclosure Initiation) a foreclosure sale may be postponed in order to complete a workout transaction with a Borrower if the Insured is then currently involved in a workout with the Borrower that Insured reasonably anticipates will reduce the likelihood of a Claim. Unless the postponement of the foreclosure sale is agreed to in writing in advance by the Company or is a result of a court order or a moratorium of general applicability to a specific jurisdiction imposed by a government agency, then if the Company's stated foreclosure time lines are exceeded, the Company may review the reason for delay at the time of Claim processing and determine whether the delay was caused by Insured's neglect or failure to comply with this Policy and, if so, adjust the Claim Amount by the amount by which the delay increased the Claim Amount. Notwithstanding the foregoing, the Company may adjust the Claim Amount by the amount by which the delay increased the Claim Amount when the delay was caused by a court order or moratorium applicable only to specific named Servicers. Nothing in this Section 7.2(b) (Postponement of Foreclosure Sale) shall be construed to prevent the Insured or Owner of the Loan to make the final decision to foreclose, in lieu of pursuing a workout transaction.
- (c) **Foreclosure Bidding** – At foreclosure Insured shall bid in accordance with Company's instructions unless the Owner of the Covered Loan is Fannie Mae or Freddie Mac. In such case, such instructions must have been approved in writing and in advance by the applicable Owner of the Covered Loan.
- (d) **Modifications and Assumptions** –
- (i) **Modifications** – Unless advance written approval is provided by or obtained from the Company through loss mitigation delegation agreements or other similar agreements, Insured may not make any change in the terms of a Covered Loan, including the borrowed amount, increase in interest rate, term or amortization schedule of the Covered Loan, except as set

forth in the terms of the Covered Loan, nor make nor permit to be made any change in the Property or other collateral securing the Covered Loan, nor release the Borrower from liability on a Covered Loan, except that if the Insured submits a written request for approval of a change in the terms of a Covered Loan the Company will approve or deny the change in writing within ten (10) business days of receipt of the Insured's request with necessary documentation reasonably required by the Company. If a Covered Loan is modified without the Company's prior written approval, the Company shall issue a Certificate Cancellation as of the date of such Modification. On termination of coverage under this Section 7.2(d)(i), the Company's liability shall only be for return of all related premium for the time period after the occurrence of the event giving rise to the termination.

- (ii) **Assumptions** – The Insured shall submit in writing any request for an assumption that will release the Borrower from liability under the Covered Loan. The Company will approve or deny the request for an assumption in writing within ten (10) business days of receipt of the Insured's request. If a Covered Loan is assumed without the Company's prior written approval or if a Property is transferred and the Borrower is released from liability under the Covered Loan, the Company shall issue a Certificate Cancellation as of the date of such assumption or transfer. On termination of coverage under this Section 7.2(d)(ii), the Company's liability shall only be for return of all related premium for the time period after the occurrence of the event giving rise to the termination. It is understood that coverage will continue and the restrictions of this Section 7.2(d)(ii) will not apply if, under the Covered Loan or applicable law, the Insured cannot exercise a Due on Sale Clause or is obligated to consent to such assumption under the Covered Loan or applicable law.
- (e) **Third-Party Sale by Borrower** – Unless advance written approval is provided by, or obtained from the Company through loss mitigation delegation agreements or other similar agreements, Insured may not consent to a Third-Party Sale of the Property by the Borrower prior to a foreclosure sale. If the Insured submits a written request for approval of a Third-Party Sale, the Company will approve or deny the Third-Party Sale in writing within ten (10) business days of receipt of the Insured's request with necessary documentation reasonably required by the Company. The Company may require, as a condition of its approval, that the Borrower or any other Person make a contribution, either in the form of cash or a promissory note, which net contribution amount (i.e., net of any commercially reasonable expenses incurred in documenting and collecting such contribution) shall be shared pro rata by the Company and Insured. The Company's pro rata share shall be a fraction, the numerator of which is the Loss paid and the denominator of which is the Total Loss, and shall be distributed when the cash is received or when the note payments are made by the Borrower over time.
- (f) **Deed-in-Lieu of Foreclosure** – Unless advance written approval is provided by, or obtained from, the Company, Insured may not accept a voluntary conveyance of the Property from the Borrower in lieu of foreclosure or other proceeding. If the Insured submits a written request for approval of a deed-in-lieu of foreclosure, the Company will approve or deny the deed-in-lieu in writing within ten (10) business days of receipt of the Insured's request with necessary documentation reasonably required by the Company. The Company may require, as a condition of its approval, that the Borrower or any other Person make a contribution, either in the form of cash or a promissory note, which net contribution amount (i.e., net of any commercially reasonable expenses incurred in documenting and collecting such contribution) shall be shared pro rata by the Company and Insured. The Company's pro rata share shall be a fraction, the numerator of which is the Loss paid and the denominator of which is the Total Loss, and shall be distributed when the cash is received or when the note payments are made by the Borrower over time.
- (g) **Repayment Plans** – Unless advance written approval is provided by, or obtained from, the Company, the Insured may not allow mortgage payment arrearages on a Covered Loan to be repaid through increased monthly payments.
- (h) **"Imminent Default"** – for the purposes of this Section, "Imminent Default" shall mean it is reasonably foreseeable that the Borrower will not be making payments on the Covered Loan.

8. CLAIM FILING AND SETTLEMENT

It is a condition to the Company's obligation to pay a Claim that the Insured comply with all of the following

8.1 Claim Filing –

- (a) A Claim shall be submitted by the Insured to the Company within sixty (60) days of the earlier of (i) the date of Insured's Acquisition of Borrower's Title to the Property, (ii) the date a Third-Party Sale is closed or (iii) the date a request is made by the Company. Notwithstanding the foregoing, if an REO Sale is approved, following the submission of a Claim, the Company will re-establish the Claim submission date to sixty (60) days following the date such REO Sale closed. For avoidance of doubt, re-establishment of the Claim submission date means that the Claim must be submitted no later than sixty (60) days after the consummation of the REO Sale, and advances incurred and paid subsequent to the date of the original submission of the Claim, and through the date of resubmission of the Claim, shall be considered as part of the Claim Amount under Section 8.6 (Claim Calculation Amount), including unpaid and accrued interest.
- (b) Claims may be submitted electronically, may reference one or more Covered Loans and shall include the following information with respect to each Covered Loan
 - (i) Covered Loan/Insured loan number, and
 - (ii) Certificate number, and
 - (iii) Borrower(s) name, and
 - (iv) Property address, and
 - (v) date Insured acquired Borrower's Title or date a Third-Party Sale or REO Sale closed, and
 - (vi) in the event of foreclosure, final bid amount, and
 - (vii) Claim Amount calculation, and
 - (viii) statement showing net proceeds and payee of the Third-Party Sale or REO Sale, if applicable, and
 - (ix) name and address of Servicer, and
 - (x) all Loan File Documents for the Covered Loan, and
 - (xi) evidence of Insured's title to the Property (if applicable), and
 - (xii) such other documents as may be specified in the Claims Guide as of the Claim filing date.
- (c) The Claim shall be considered complete when the Company has received all items listed in subsection (b) or in the case of an accelerated Claim filing under section 8.1(a)(iii) above, the Claim shall be considered complete when the Company has received all items listed in subsection (b) that are in existence on the accelerated Claim filing date.
- (d)
 - (i) The Company shall send an acknowledgement letter within twenty (20) days of receipt of a Claim and request any items listed in subsection (b) not yet received. The Claim shall be considered complete as of the date the Company received the Claim if the Company does not make a request for any items listed in subsection (b).
 - (ii) The Company shall have an additional ten (10) day period after receipt of a response to the acknowledgement letter within which to make any additional requests for documents or information, but the Claim Settlement Period will not be suspended.

- (iii) If all items requested are not received within thirty (30) days of the request under subsection (d)(i) and the Claim is not considered complete, the Company will send a reminder for the items to the Servicer and a copy to the Owner of the Covered Loan, if requested.
- (iv) If the Insured fails to provide all of the items requested within one hundred twenty (120) days after the filing of a Claim, the Company will issue a Claim Denial which sets forth such failure as the reason for the Claim Denial. In no event will the Company issue a Claim Denial in less than one hundred twenty (120) days following the date the Claim is filed solely for failure to receive all items listed in subsection (b). All documents requested under this Section 8.1 (Claim Filing) shall be deemed material to the Claim.
- (e) After the Claim is complete under subsection (c), if the Company seeks access to the Property and is not in fact granted such access on the date for which access was requested, the Company shall so notify the Insured. If the Insured is unable to provide access by the date which is two hundred ten (210) days following the date the Claim was submitted, the Claim shall be settled according to the Company's Anticipated Loss.
- (f) If the Company chooses to pay the Loss under the Acquisition Option and if the Insured has not, at least ten (10) business days before the end of the Claim Settlement Period, completed any restoration required (or elected not to complete restoration to avoid the exclusion of Physical Damage), the Claim Settlement Period shall be deemed to end on the tenth (10th) business day after the Insured meets the requirement to complete restoration (or makes the election not to do so).
- (g)
 - (i) If the Insured fails to file a Claim within the time required by subsection (a), but does file a Claim within one (1) year after the applicable event described in subsection (a), the Company shall process the Claim under this Policy; however, there shall be no further interest, taxes, insurance or other expenses, if applicable, included in the Claim Amount following the applicable time to file the Claim.
 - (ii) If the Insured fails to file a Claim within the one (1) year period specified, such failure shall be deemed to have been an election by the Insured to waive any right to any benefit under this Policy with respect to such Covered Loan.
- (h) On written request by the Insured or the Owner of the Loan, the Company will provide to the Insured or the Owner of the Loan the same communications it provides under this Section to the Servicer.
- (i) An Insured or Owner of the Covered Loan may appeal a Claim curtailment, Claim Denial, Certificate Cancellation, or a Rescission by utilizing the procedures set forth in the Company's Appeals Guide. If these procedures are changed over time, the version that applies to a given Covered Loan is the version in effect on the Claim filing date for such Covered Loan. The total time to resolve any appeal cannot be more than a total of 180 days following the Loan decision, and if coverage is not reinstated within 180 days, the Claim curtailment, Claim Denial, Certificate Cancellation, or a Rescission will stand. If a Claim had been filed prior to the initiation of an appeal and coverage is reinstated as a result of the appeal, such Claim will be deemed complete as of the date the coverage was reinstated and must be settled within the remaining Claim Settlement Period or within 10 business days after reinstatement; if the reinstatement resulted from the action of the Company without the production of new information by the Insured or Owner of the Covered Loan, the Claim Amount shall include interest at the rate due upon the Covered Loan from the date of the Company's receipt of the appeal to the date the Company pays the Loss.
- (j) The Company shall pursue Claim investigations expeditiously and in good faith.

8.2 Conditions Precedent to Claim Settlement –

The following procedures shall constitute conditions precedent to, and additional limitations on, the Company's obligation to pay a Loss under this Policy.

- (a) **Third-Party Sale at Foreclosure** – In the event of a Third Party Sale at a trustee's sale or foreclosure sale, the Loss shall be paid pursuant to the Loss-on-Sale Option.
- (b) **REO Sale** – In the event the Insured or Owner of the Covered Loan receives any third-party offer to purchase the Property after the Insured's Acquisition of Borrower's Title, but prior to notification by the Company to Insured that it has selected the Acquisition Option and prior to expiration of the Claim Settlement Period, and the Insured or Owner of the Covered Loan desires to accept such offer, the Insured or Owner of the Covered Loan shall promptly notify the Company in writing of the terms of such offer. The Company shall either approve or disapprove the offer within ten (10) business days of receipt of notice of such offer by the Company and such approval or disapproval shall be final. In the event the Company fails to respond within ten (10) business days, the Company shall be deemed to have approved the offer. Approval by the Company may not unreasonably be withheld. If the Company approves or is deemed to have approved the offer, the Loss shall be paid pursuant to the Loss-on-Sale Option. If the Company disapproves the offer, the Company shall notify the Insured or Owner of the Covered Loan of its option to select the Acquisition Option or the Percentage Option. If the Insured or Owner of the Covered Loan fails to follow the process for approval of the REO Sale, the Company shall process the Claim and adjust the Claim Amount by the amount by which the failure to follow the process increased the Claim based upon an estimation of value acceptable to the Company.
- (c) **Marketing Information and Access to the Property** – Following Insured's Acquisition of Borrower's Title and extending until the last day of the Claim Settlement Period, Insured shall authorize its agent, when requested by the Company, to release marketing information for the Property to the Company, and the Insured or Owner of the Covered Loan shall grant the Company, except in cases where the Property is occupied subject to eviction or redemption, reasonable access to the Property in order to inspect and/or value the Property.

8.3 Selection of Settlement Option –

On or before the last day of the Claim Settlement Period, the Company shall select the Claim Settlement Option.

8.4 Extension of Claim Settlement Period –

In the event that a Third-Party Sale or REO Sale by the Insured approved under Section 8.2 (Conditions Precedent to Claim Settlement) fails to close prior to the end of the Claim Settlement Period, the Company may postpone payment of the Loss for up to ten (10) business days after either receipt of the closing statement for the proposed Third-Party Sale or REO Sale or the agreement providing for such sale is terminated; provided that the Company will pay to the Insured interest on the note evidencing the Covered Loan based on the then-unpaid principal balance of such note during such postponement at the rate due upon the Covered Loan; and provided further that if the agreement providing for the proposed Third-Party Sale or REO Sale is terminated, the Company shall pay the Insured the Percentage Option or the Acquisition Option.

8.5 Claim Settlement Options –

The Company may choose, at its option, one of the following Claim Settlement Options:

- (a) **Acquisition Option** – An amount equal to the Acquisition Option Claim Amount, plus any liquidated damages owed under Section 8.9 (Failure to Timely Pay Loss), payable in exchange for the conveyance of a duly and properly-executed and recordable deed, in customary form and containing customary warranties and covenants, conveying Good and Merchantable Title to the Property (unless, however, the Company elects to accept a deed when the redemption period has not expired, in which case redemption rights shall be an exception to Good and Merchantable Title) and Possession of the Property to the Company. The Company may exercise the Acquisition Option only during the Claim Settlement Period. The Company shall: (i) pay the Loss

within five (5) business days of receiving the deed; and (ii) send the deed to its appropriate jurisdiction for recording within sixty (60) days from the Company's receipt of the deed. If the Company elects the Acquisition Option and the Insured is unable to convey Good and Merchantable Title to and Possession of the Property to the Company by the date which is two hundred ten (210) days following the date the Claim was submitted, then the Claim shall be settled according to the Company's Anticipated Loss.

- (b) **Percentage Option** – An amount equal to the Percentage Option Claim Amount multiplied by the Coverage Percentage, less all advance payments on a Loss made by the Company pursuant to Section 7.1(d), plus, (i) any liquidated damages owed under Section 8.9 (Failure to Timely Pay Loss), and (ii) solely with respect to a Covered Loan for which the Insured chose to pay the premium for coverage under this Policy as a single or partially up-front premium that was financed by the Loan Originator and included in the Insured Loan Amount of the Covered Loan, the amount calculated in Section 8.6(b)(xiv). If the Company selects the Percentage Option, the Insured shall be entitled to dispose of the Property on any terms it deems acceptable so long as it takes no action which prejudices the Company's rights to subrogation pursuant to Section 9.1 (Subrogation).
- (c) **Loss-on-Sale Option** – An amount equal to the lesser of (i) the Percentage Option or (ii) the Loss-on-Sale Option Claim Amount, plus, (x) any liquidated damages owed under Section 8.9 (Failure to Timely Pay Loss), and (y) solely with respect to a Covered Loan for which the Insured chose to pay the premium for coverage under this Policy as a single or partially up-front premium that was financed by the Loan Originator and included in the Insured Loan Amount of the Covered Loan, and where the Loss payable is the Percentage Option, the amount calculated in Section 8.6(c)(xv).

8.6 Calculation of Claim Amount –

The Claim Amount shall be calculated pursuant to this Section.

- (a) The Acquisition Option Claim Amount shall be the sum of
 - (i) the Default Amount and solely with respect to a Covered Loan for which the Insured chose to pay the premium for coverage under this Policy as a single or partially up-front premium that was financed by the Loan Originator and included in the Insured Loan Amount of the Covered Loan the Company will deduct the amount of said financed premium from the Default Amount, and
 - (ii) the amount of accumulated delinquent interest due on the Covered Loan computed at the contract rate stated in the Covered Loan through the date the Loss is paid, but excluding applicable late charges, penalty interest or other changes in the interest rate by reason of Default but in no event in excess of three (3) years, and
 - (iii) sums reasonably and necessarily advanced by the Insured for the payment of real estate taxes and fire and extended coverage insurance premiums on the Property prorated from the last payment date through the date the Claim is submitted or is required to be submitted, and
 - (iv) reasonable, necessary and customary sums advanced by the Insured to prevent Physical Damage to and to maintain the Property preceding the date the Claim is submitted or is required to be submitted but not sums advanced by the Insured to restore Physical Damage to, or to complete, the Property, and
 - (v) attorneys' fees reasonably and necessarily incurred in conducting foreclosure proceedings and in obtaining Borrower's Title to, or Good and Merchantable Title to, and Possession of the Property, as required by this Policy, provided that such attorneys' fees
 - A. for a Covered Loan with an Insured Loan Amount less than \$200,000 shall not exceed the lesser of (I) five percent (5%) of the sum of the Default Amount and the accumulated delinquent interest due as calculated in this Section or (II) \$6,000, and

- B. for a Covered Loan with an Insured Loan Amount equal to or greater than \$200,000 shall not exceed three percent (3%) of the sum of the Default Amount and the accumulated delinquent interest due as calculated in this Section and
- (vi) Court Expenses reasonably and necessarily incurred in conducting foreclosure proceedings and in obtaining Good and Merchantable Title to, or Borrower's Title to, and Possession of the Property, as required by this Policy; provided, however, in the case of a Claim where eviction proceedings are required to obtain Good and Merchantable Title and Possession to the Property, and the Company elected the Acquisition Option, the Claim Amount will include advances paid by the Insured, Servicer, or Owner of the Covered Loan in connection with such eviction proceedings through the date such eviction proceedings are completed, and
 - (vii) condominium fees, homeowner association dues and pro-rated portions of shared fees related to common areas related to the Property or, with respect to a Cooperative Property, maintenance fees or a pro-rated portion of the building mortgage, if advanced
- less
- (viii) the amount of all rents and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Insured and that the Insured is entitled to retain, which are derived from or in any way related to the Property and received by the Insured prior to a Claim being filed, and
 - (ix) the amount of cash remaining in any escrow account as of the last payment date, if the Insured has a right to such cash and
 - (x) the amount of cash to which the Insured has retained the right of possession as security for the Covered Loan and all sums as to which the Insured has the right of set-off, and
 - (xi) the amount paid under applicable fire and extended coverage policies which has not been applied to the cost of restoring and repairing the Property or to the payment of the Covered Loan, and
 - (xii) any other amounts claimed by the Insured to the extent they are excluded from the Claim Amount by reason of Section 6 (Exclusions from Coverage), and
 - (xiii) all advance payments on a Loss made by the Company with respect to the related Covered Loan in accordance with Sections 7.1(c) and 7.1(d).
- (b) The Percentage Option Claim Amount shall be the sum of
- (i) the Default Amount and solely with respect to a Covered Loan for which the Insured chose to pay the premium for coverage under this Policy as a single or partially up-front premium that was financed by the Loan Originator and included in the Insured Loan Amount of the Covered Loan the Company will deduct the amount of said financed premium from the Default Amount, and
 - (ii) the amount of accumulated delinquent interest due on the Covered Loan computed at the contract rate stated in the Covered Loan through the date the Claim is submitted or is required to be submitted but excluding applicable late charges, penalty interest or other changes in the interest rate by reason of Default but in no event in excess of three (3) years, and
 - (iii) sums reasonably and necessarily advanced by the Insured for the payment of real estate taxes and fire and extended coverage insurance premiums on the Property prorated from the last payment date through the date the Claim is submitted or is required to be submitted, and

- (iv) reasonable, necessary and customary sums advanced by the Insured to prevent Physical Damage to and to maintain the Property preceding the date the Claim is submitted or is required to be submitted but not sums advanced by the Insured to restore Physical Damage to, or to complete, the Property, and
- (v) attorneys' fees reasonably and necessarily incurred in conducting foreclosure proceedings and in obtaining Borrower's Title to, or Good and Merchantable Title to, and Possession of the Property, as required by this Policy, provided that such attorneys' fees
 - A. for a Covered Loan with an Insured Loan Amount less than \$200,000 shall not exceed the lesser of (I) five percent (5%) of the sum of the Default Amount and the accumulated delinquent interest due as calculated in this Section or (II) \$6,000, and
 - B. for a Covered Loan with an Insured Loan Amount equal to or greater than \$200,000 shall not exceed three percent (3%) of the sum of the Default Amount and the accumulated delinquent interest due as calculated in this Section and
- (vi) Court Expenses reasonably and necessarily incurred in conducting foreclosure proceedings and in obtaining good and Merchantable Title to, or Borrower's Title to, and Possession of the Property, as required by this Policy, and
- (vii) condominium fees, homeowner association dues and pro-rated portions of shared fees related to common areas related to the Property or, with respect to a Cooperative Property, maintenance fees or a pro-rated portion of the building mortgage, if advanced,

less
- (viii) the amount of all rents and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Insured and that the Insured is entitled to retain, which are derived from or in any way related to the Property and received by the Insured prior to a Claim being filed, and
- (ix) the amount of cash remaining in any escrow account as of the last payment date, if the Insured has a right to such cash, and
- (x) the amount of cash to which the Insured has retained the right of possession as security for the Covered Loan and all sums as to which the Insured has the right of set-off, and
- (xi) the amount paid under applicable fire and extended coverage policies which has not been applied to the cost of restoring and repairing the Property or to the payment of the Covered Loan, and
- (xii) any other amounts claimed by the Insured to the extent they are excluded from the Claim Amount by reason of Section 6 (Exclusions from Coverage), and
- (xiii) all advance payments on a Loss made by the Company with respect to the related Covered Loan in accordance with Section 7.1(c) and 7.1(d) and
- (xiv) solely with respect to a Covered Loan for which the Insured chose to pay the premium for coverage under this Policy as a single or partially up-front premium that was financed by the Loan Originator and included in the Insured Loan Amount of the Covered Loan, an amount calculated as (x) the premium paid to the Company for coverage of the Covered Loan, multiplied by (y) a percentage (not to exceed 100 percent) equal to the Default Amount divided by the Insured Loan Amount.

- (c) The Loss-on-Sale Option Claim Amount shall be the sum of
- (i) the Default Amount and solely with respect to a Covered Loan for which the Insured chose to pay the premium for coverage under this Policy as a single or partially up-front premium that was financed by the Loan Originator and included in the Insured Loan Amount of the Covered Loan the Company will deduct the amount of said financed premium from the Default Amount, and
 - (ii) the amount of accumulated delinquent interest due on the Covered Loan computed at the contract rate stated in the Covered Loan through the later of (A) the date the Claim is submitted or is required to be submitted or (B) the date the sale of the Property is closed, but excluding applicable late charges, penalty interest or other changes in the interest rate by reason of Default but in no event in excess of three (3) years, and
 - (iii) sums reasonably and necessarily advanced by the Insured for the payment of real estate taxes and fire and extended coverage insurance premiums on the Property, and
 - (iv) reasonable, necessary and customary sums advanced by the Insured to prevent Physical Damage to and to maintain the Property through the later of (A) the date the Claim is submitted or is required to be submitted or (B) the date the sale of the Property is closed, but not sums reasonably and necessarily advanced by the Insured to restore Physical Damage to, or to complete, the Property, and
 - (v) attorneys' fees reasonably and necessarily incurred in conducting foreclosure proceedings and in obtaining Borrower's Title to, or Good and Merchantable Title to, and Possession of the Property, as required by this Policy, provided that such attorneys' fees
 - A. for a Covered Loan with an Insured Loan Amount less than \$200,000 shall not exceed the lesser of (I) five percent (5%) of the sum of the Default Amount and the accumulated delinquent interest due as calculated in this Section or (II) \$6,000, and
 - B. for a Covered Loan with an Insured Loan Amount equal to or greater than \$200,000 shall not exceed three percent (3%) of the sum of the Default Amount and the accumulated delinquent interest due as calculated in this Section and
 - (vi) Court Expenses reasonably and necessarily incurred in conducting foreclosure proceedings and in obtaining Good and Merchantable Title to, or Borrower's Title to, and Possession of the Property, as required by this Policy, and
 - (vii) condominium fees, homeowner association dues and pro-rated portions of shared fees related to common areas related to the Property or, with respect to a Cooperative Property, maintenance fees or a pro-rated portion of the building mortgage, if advanced,
less
 - (viii) the amount of all rents and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Insured and that the Insured is entitled to retain, which are derived from or in any way related to the Property and received by the Insured prior to a Claim being filed, and
 - (ix) the amount of cash remaining in any escrow account as of the last payment date, if such cash secures the debt, and
 - (x) the amount of cash to which the Insured has retained the right of possession as security for the Covered Loan and all sums as to which the Insured has the right of set-off, and
 - (xi) the amount paid under applicable fire and extended coverage policies which has not been applied to the cost of restoring and repairing the Property or which has not been applied to the payment of the Covered Loan, and

- (xii) the net proceeds on a Third-Party Sale or REO Sale of the Property, consisting of the gross sales price less all reasonable and necessary costs incurred in obtaining and closing the sale, less the Insured's share of any contribution as determined according to Section 7.2(e), and
- (xiii) any other amounts claimed by the Insured to the extent they are excluded from the Claim Amount by reason of Section 6 (Exclusions from Coverage), and
- (xiv) all advance payments on a Loss made by the Company with respect to the related Covered Loan in accordance with Section 7.1(c) and 7.1(d) and
- (xv) solely with respect to a Covered Loan for which the Insured chose to pay the premium for coverage under this Policy as a single or partially up-front premium that was financed by the Loan Originator and included in the Insured Loan Amount of the Covered Loan, and where the Loss payable under Section 8.5(c) (Loss-on-Sale Option) is the Percentage Option, an amount calculated as (x) the premium paid to the Company for coverage of the Covered Loan, multiplied by (y) a percentage (not to exceed 100 percent) equal to the Default Amount divided by the Insured Loan Amount.

8.7 Claim Settlement –

The Company, within the Claim Settlement Period, shall pay the Loss to the Insured.

8.8 Refund In the Event of Redemption –

In the event the Property is redeemed after payment of the Loss, the Insured shall be obligated to promptly refund to the Company the amount, if any, by which the redemption price plus the Loss paid exceeds the Claim Amount.

8.9 Failure to Timely Pay Loss –

- (a) Subject to Section 8.4 (Extension of Claim Settlement Period), in the event the Company does not pay the Loss within the Claim Settlement Period, it shall pay liquidated damages on the Loss computed as follows: (i) at the rate due upon the Covered Loan commencing on and including the day immediately following the expiration of the Claim Settlement Period until the date that is sixty (60) days after the expiration of the Claim Settlement Period, and (ii) at the rate due upon the Covered Loan plus ten (10) percentage points, commencing on and including the day immediately following sixty (60) days after the last day of the Claim Settlement Period up to but excluding the date on which the Loss is paid. The Company's failure to pay a Loss within the Claim Settlement Period will not constitute a waiver of the Company's rights or defenses relating to that Claim.
- (b) If the Company does not pay the Loss within the Claim Settlement Period and thereafter determines it will pay the Loss without requiring additional information from the Insured and due to an error made by the Company, the Company shall pay liquidated damages on the Loss at the rate due upon the Covered Loan commencing on and including the day immediately following the expiration of the Claim Settlement Period and at the rate due upon the Covered Loan plus ten (10) percentage points, commencing on and including the day immediately following sixty (60) days after the date on which the Insured in writing requested the Company to reconsider its decision not to pay the Loss through the date the Company pays the Loss.
- (c) Liquidated damages shall not be added to the Loss to the extent the Company's failure to pay is the result of (i) failure of payment systems beyond the control of the Company or (ii) a Rescission of coverage with respect to a Covered Loan that the Company later determines to reinstate after receiving additional information from the Insured.

8.10 Discharge of Obligation –

Payment by the Company of the Loss due in accordance with this Policy shall be a full and final discharge of the Company's obligation under this Policy with respect to the related Covered Loan.

8.11 Early Claim Filing –

- (a) If a Claim is submitted at the request of the Company pursuant to Section 8.1(a)(iii) then the Insured shall be entitled to file a supplemental claim within 90 days of Acquisition of Borrower's Title in an amount equal to the sum of the advances, not included in the initial Claim, made by the Insured under Section 7.1(c), subject to the limitations of Section 8.1(g) and 8.6(b) in applying the Percentage Option Claim Amount.
- (b) In the event that:
 - (i) the Company requests that a Claim be submitted pursuant to Section 8.1(a)(iii); and
 - (ii) the Company pays the Loss relating to that Claim; and
 - (iii) the Covered Loan that is the subject of the Claim is no longer in Default;

then the Insured will refund to the Company any and all amounts paid relating to that Claim within 60 days of the date the Loan is no longer in Default, and the Claim shall be considered withdrawn. Notwithstanding the foregoing, if the Owner of the Covered Loan is Fannie Mae or Freddie Mac, the Company may request a refund, but Fannie Mae or Freddie Mac are not obligated to provide the refund unless it has agreed to do so in writing.

8.12 Supplemental Claim –

Within 90 days after payment of a Loss, the Insured, Servicer, or Owner of the Covered Loan shall be entitled to submit a supplemental Claim for advances not included in the initial Claim; provided, however, nothing herein shall be deemed to entitle the Insured, Servicer or Owner of the Covered Loan to seek a supplemental or additional payment of anything other than such advances. Advances are allowable in an amount equal to the sum of the advances, not included in the initial Claim, made by the Insured under Section 7.1(c), subject to the limitations of Section 8.1(g) and 8.6. If the supplemental Claim for advances and all required documentation related thereto, as described in the Claims Guide, are submitted within the 90-day period required by this paragraph, the Company will pay any such amounts determined to be payable under this Policy within 60 days of receipt of the complete supplemental Claim with required documentation.

9. ADDITIONAL CONDITIONS

9.1 Subrogation –

- (a) The Company will be subrogated, upon payment of a Loss, in the amount thereof in equal priority to all of the Insured or Owner of the Covered Loan's rights of recovery, if any, against a Borrower or any other Person relating to the applicable Covered Loan or Property. Upon the Company's request, or a request by the Company's designee on its behalf, the Insured or Owner of the Covered Loan shall provide such information and execute and deliver to the Company or its designee such documents and instruments and undertake such actions as may be necessary to transfer, assign and secure such rights. The Insured and Owner of the Covered Loan shall not, and shall cause their agents not to, either before or after payment of a Loss, prejudice such rights.
- (b) If either the Insured, or Owner of the Covered Loan if the Insured is not the Owner of the Covered Loan, or the Company desires to pursue a Deficiency Judgment against a Borrower in connection with a Covered Loan insured under this Policy, the party seeking to pursue such Deficiency Judgment shall contact the other party to determine whether the Deficiency Judgment should be sought for the account of both parties or only for its own account; provided, however, that if under the laws of the applicable jurisdiction pursuit of a Deficiency Judgment will substantially increase the expenses associated with foreclosure, the Insured or Owner of the Covered Loan shall contact the Company prior to the initiation of a form of foreclosure proceedings that would increase the costs of foreclosure to determine whether a Deficiency Judgment is to be sought and, if so, whether such Deficiency Judgment is to be sought for the account of both parties or only for the account of the Company or the Insured or Owner of the Covered Loan. In connection with the determination regarding pursuit of a Deficiency Judgment, each of the Insured or Owner of the Covered Loan and the Company must provide the other with all information it may have concerning the assets of the Borrower, possible defenses, and other information material to the decision.

If the parties determine that the Deficiency Judgment shall be pursued solely for the account of the Company, the Company shall be subrogated to all of the Insured's rights of recovery against the Borrower and any other Person relating to the Covered Loan or the Property with respect to which the Company has paid a Claim for Loss. If the parties determine that the Deficiency Judgment shall be pursued for the account of both parties, the Company shall be subrogated pro rata to such rights of recovery. If the parties determine that the Deficiency Judgment shall be pursued solely for the account of the Insured or Owner of the Covered Loan, or if the Company is prohibited by law from pursuing the Deficiency Judgment, the Company shall not be subrogated to any of the Insured's rights of recovery against the Borrower and any other Person relating to the Loan or the Property with respect to which the Company has paid a Claim for Loss.

The Insured and Owner of the Covered Loan shall cooperate with the Company in any action or proceeding to enforce any rights of recovery or other remedies that the Company may have or may have acquired pursuant to this Section against the Borrower or any other Person and shall refrain from any action, either before or after payment of a Loss hereunder, that shall in any manner prejudice such rights.

- (c) If the Company elects to pursue the Deficiency Judgment and the Insured, or Owner of the Covered Loan if the Insured is not the Owner of the Covered Loan, elects not to participate, the Company will bear all expenses (including court costs, attorneys' fees and other advances required of the Insured under Section 7.1(c)) associated with preservation and pursuit of the Deficiency Judgment in excess of those expenses associated with the normal and customary foreclosure process and shall reimburse the Insured or Owner of the Covered Loan for such amounts as part of its Claim payment.

If the Insured or Owner of the Covered Loan elects to pursue a Deficiency Judgment jointly with the Company, all expenses (including, court costs, attorneys' fees, other advances required of the Insured under 7.1(c)) associated with the preservation and pursuit of the Deficiency Judgment in

excess of those expenses associated with the normal and customary foreclosure process shall be shared by the Company and the Insured or Owner of the Covered Loan pro rata and reimbursed not later than the date that such Deficiency Judgment is obtained.

If the Insured or Owner of the Covered Loan elects to pursue a Deficiency Judgment, and the Company elects not to participate, only those expenses associated with the normal and customary foreclosure process shall be includable in the Claim Amount under Section 8.6 of this Policy and no additional expenses associated with obtaining a Deficiency Judgment shall be reimbursed by the Company.

- (d) For the purposes of this Section, the Company's pro rata share shall be a fraction, the numerator of which is the Loss paid and the denominator of which is the Total Loss, and shall be distributed when the cash is received.
- (e) Outside of the pursuit of formal court judgments in accordance with Sections 9.1(b), (c) and (d), the Company and the Insured or Owner of the Covered Loan are free, subject to Section 9.1(a), to independently pursue collection activities against the Borrower that comply with applicable law for the recovery of any post-foreclosure deficiency.

9.2 Proceedings in Eminent Domain –

In the event that part or all of the Property is taken by eminent domain, condemnation or by any other proceedings by a federal, state or local governmental unit or agency, the Insured shall require that the Borrower apply the maximum permissible amount of compensation awarded to reduce the principal balance and interest due of the Covered Loan in accordance with applicable law and the terms of the Covered Loan.

9.3 Notice –

All written notices required or otherwise given to the Company pursuant to this Policy shall be (a) transmitted by posting to the Company's internet portal at www.ugcorp.com (b) 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 (c) sent by regular mail postpaid, to the Company's 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 to any Owner of the Covered Loan upon its request, and shall be either (a) sent by overnight mail or other commercially reasonable method of delivery, (b) transmitted in a commercially reasonable, electronic manner (e.g., secure e-mail, posting to a web portal, etc.), or (c) sent by regular mail postpaid, to the 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 at the request of the Owner of the Covered Loan shall be deemed to have been given five (5) days after the same is sent in the manner described above, unless actually received earlier.

9.4 Suit –

- (a) No suit or action under this Policy shall be sustained in any court of law or equity 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 this Policy or what was required to do so, and unless the suit or action in equity is commenced within one (1) year after (i) a claim for benefits under this Policy has been denied or (ii) the date on which the cause of action accrued, whichever is earlier. Any tolling of this period must be in a writing properly executed by the Insured and the Company. No suit or action on a Claim or Loss may be brought against the Company until sixty (60) days have elapsed from the last day of the Claim Settlement Period.
- (b) If a dispute arises concerning a Covered Loan and involves either the Property or the Insured, the Company has 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 Property, or a Covered Loan. The Company and the Insured shall each bear its own costs and expenses for any litigation under this Section.

- (c) 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 Covered Loan, the Company shall be released to the same extent and amount from its liability under this Policy. This Section shall not apply in the event of a Chapter 13 "cramdown."

9.5 Parties in Interest –

This Policy shall be binding upon and inure to the benefit of the Company and its successors and assigns and the Insured, any Owner of the Covered Loan and its permitted successors and assigns. Any Commitment and Certificate issued as the result of any Application submitted and the coverage provided under this Policy with respect to Covered Loans insured, shall be for the sole and exclusive benefit of the Insured and any Owner of the Covered Loan, and in no event will any Borrower, any successor owner of a Property, any mortgage guaranty pool insurance company or any other Person be included or intended as a third-party beneficiary to this Policy or any Commitment and Certificate.

9.6 Agency –

- (a) None of the Insured, its Servicer, or any Person, 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.
- (b) A Servicer is deemed to be an agent of the Insured or an authorized representative of the Owner of the Covered Loan with respect to all matters under this Policy, including but not limited to, giving and receiving notices, cancellation of coverage under a Certificate, payments of premium and payments of Loss, receipt of any premium refund that may become due under this Policy, settling Claims, and performing acts required of the Insured under this Policy.
- (c) The Insured or Owner of the Covered Loan shall be bound by the acts and omissions of the Servicer with respect to the Policy as if they were the Insured's or Owner of the Covered Loan's, as the case may be, own acts and omissions, provided however that the effect on the Owner of the Covered Loan of being so bound is limited to nonpayment of the Loss as permitted by applicable law and the terms of the Policy, and the Owner of the Covered Loan 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, unless the Owner of the Covered Loan is also the Insured.
- (d) Notwithstanding the foregoing, if the Owner of the Covered Loan is Fannie Mae or Freddie Mac, the Servicer, including a Servicer that is also the Insured, is not deemed an agent of such Owner of the Covered Loan for purposes of payment of the Loss 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 Covered Loan or group of Covered Loans serviced for the Owner of the Covered Loan not specifically required as a condition of coverage under the terms of the Policy and the Owner of the Covered Loan shall not be bound thereby. Moreover, the Servicer, including a Servicer that is not the Insured, is not deemed an agent of the authorized representative of Fannie Mae or Freddie Mac with respect to management and disposition of Property securing a Covered Loan.

9.7 Governing Law; Conformity to Statute –

This Policy shall be governed by, and construed and enforced in accordance with, the laws of the state of Delaware (excluding the conflict of laws rules). Any provision of this Policy that is in conflict with the law of that jurisdiction is amended by this Section to conform to the minimum requirements of that law.

9.8 Electronic Data –

The Company and the Insured agree that each may originate and maintain information, documents or other data (in this Section referred to as “data”) as electronic records using electronic media generally accepted as usual and customary for business records and that such data are as acceptable for all purposes under this Policy as data maintained in printed or written form, so long as the data is not denied legal effect or enforceability solely because it is in electronic format. If this Policy requires data to be in original form, the requirement for an original is satisfied by the electronic record if the data was originated in electronic form or converted to electronic form in the ordinary course of business or the Company agrees in a Policy Commitment Letter to accept the electronic record as the original. Notices required by this Policy (whether required to be given in writing or otherwise) may be sent by electronic means and if so sent shall have the same effect as if sent in paper form. Such data and other information may constitute “electronic records” and may include “electronic signatures” within the meaning of the Electronic Signatures in Global and National Commerce Act (“ESIGN”) and the Uniform Electronic Transactions Act (“UETA”) as adopted in the jurisdiction in which the Insured is located. The Company and Insured agrees that ESIGN and UETA apply to any such electronic records and signatures and further agrees to be bound thereby.

9.9 Amendments; No Waiver; Rights and Remedies –

- (a) 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 written notice of the amendment by endorsement setting forth the amendment. Such amendment will only be applicable to those Covered Loans where the Coverage Effective Date for the Covered Loan is on or after the effective date of the amendment. Any amendments shall include a reference identifying the Policy it relates to.
- (b) No condition or requirement of this Policy will be deemed waived, modified or otherwise compromised unless that waiver, modification or compromise is stated in a 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.
- (c) No right or remedy of the Company 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 at law.

ATTACH TO DECLARATIONS PAGE

ELIGIBILITY CRITERIA SCHEDULE

ELIGIBILITY CRITERIA

A Covered Loan must meet the following criteria as of the Coverage Effective Date to be eligible for coverage under this Policy:

1. Compliance with Laws.

Each Covered Loan must comply with all applicable federal, state and local laws, regulations and ordinances regarding the origination, servicing, sale, or purchase of residential mortgage loans, including, but not limited to, any applicable "fair lending" laws and including a duly diligent review to ensure that the Borrower is not at the date of Commitment a "specially designated national" or "blocked person" as designated by the Department of Treasury's Office of Foreign Assets Control.

2. Predatory Lending.

Each Covered Loan is not a "High-Cost Mortgage" or a "Higher-Priced Mortgage Loan" under the Federal Truth in Lending Act (12 CFR Part 226) or subject to the Home Ownership and Equity Protection Act of 1994 ("HOEPA"), or any implementing regulations.

3. Contractual Interest Rate.

Each Covered Loan has a contractual rate of interest which does not exceed legal or regulatory maximums.

4. Amortization.

Each Covered Loan is not subject to Negative Amortization except as part of loss mitigation activities.

5. First Deed of Trust; Property Type.

Each Covered Loan is secured by a First Deed of Trust on a Residential Property located in a state or the District of Columbia in the United States.

6. Next Payment Due Date.

Each Covered Loan has a next payment due date even with or after the Coverage Effective Date. For example, if the applicable Coverage Effective Date is June 1, the Covered Loan's next payment due date must be June 1 or later.

7. Fully-Documented Credit Risk.

Each Covered Loan is fully documented as specified in the Underwriting Requirements relative to credit risk factors such as income, employment, and Borrower assets.

8. Mixed-Use Property.

Each Covered Loan is not secured by a lien on a Mixed-Use Property; provided however, that a loan secured by a Mixed-Use Property may be extended coverage to the extent allowed by this Policy if the commercial business purpose does not adversely impact the value, marketability or title of the Property as a Residential Property.

9. Citizenship.

All Borrowers with respect to the Covered Loan who are natural persons are United States citizens, or are lawfully admitted for residence as defined in 8 U.S.C. § 1101(a)(20).