

# **Mortgage Guaranty Insurance Corporation**

## Master Policy Terms and Conditions, Endorsements and Notices

This document includes Mortgage Guaranty Insurance Corporation's Master Policy Terms and Conditions, form endorsements and notices. Endorsements are listed in endorsement number order. Notices are state-specific and are listed in state order after the endorsements.

Your Declaration Page specifies the endorsements that may apply to loans insured under your Master Policy. Endorsements applicable to a specific loan are listed on the Commitment/Certificate.

**Mortgage Guaranty Insurance Corporation  
Master Policy and Endorsements**

<b>MGIC Form #</b>	<b>Rev. Date</b>	<b>Form Name</b>
71-7135	8/94	Mortgage Guaranty Master Policy – Terms and Conditions
71-7138	8/94	Subrogation Endorsement
71-7139	2/04	Master Reporting Program Endorsement
71-7140	8/94	Endorsement for Insurance of Loans Relating to Cooperative Properties
71-7141	8/94	Subrogation Endorsement
71-7144	8/94	Endorsement Deleting Arbitration
71-7145	8/94	Wisconsin Amendatory Endorsement – Remedies for Misrepresentation
71-7149	10/94	Fraud Warning Endorsement
71-7155	11/94	Virginia Amendatory Endorsement – Material Misrepresentation Section 2
71-7156	1/95	Cancellation Endorsement
71-7157	12/94	Texas Amendatory Endorsement – Elected Official
71-7158	1/95	Illinois Endorsement – Cancellation of Policy 2.9 (also 7.6b, 7.12)
71-7160	1/95	Minnesota Endorsement – Remedies for Misrepresentation 2.3, Cancellation 2.9 (also 6.5 and 7.3)
71-7184	4/97	Endorsement for Insurance of Loans with Additional Approved Collateral
71-70008	5/96	Endorsement to Mortgage Guaranty Master Policy (Deferred Initial Premium)
71-70054	4/97	Endorsement to Mortgage Guaranty Master Policy (Deferred Initial Premium)
71-70110	11/97	Endorsement to Mortgage Guaranty Master Policy (Loans with Premium Amount Included in the Loan's Principal Amount)
71-70262	2/04	Endorsement to Mortgage Guaranty Master Policy (Origination of Loans)
71-70284	5/05	Endorsement to Mortgage Guaranty Master Policy (Definition of Insured and Other Matters)
71-70288	8/05	Endorsement to Mortgage Guaranty Master Policy (Definition of Insured and Other Matters)
71-70296	10/05	Endorsement to Mortgage Guaranty Master Policy (Definition of Insured and Other Matters)
71-70326	1/10	Endorsement to Mortgage Guaranty Master Policy (Suits and Actions Brought by the Insured)
71-70336	5/12	Gold Cert <sup>SM</sup> Endorsement to Mortgage Guaranty Master Policy – Most States
71-70337	5/12	Gold Cert <sup>SM</sup> Endorsement to Mortgage Guaranty Master Policy – Puerto Rico
71-70338	5/12	Gold Cert <sup>SM</sup> Endorsement to Mortgage Guaranty Master Policy – Virginia
71-9837	2/05	State Insurance Notice – Arkansas – Important Information to Policyholders
71-20796	11/05	State Insurance Notice – Arkansas – “Insurance Producer” Information
71-20601	10/00	State Insurance Notice – Georgia – Important Information to Policyholders
71-5794	2/05	State Insurance Notice – Indiana – Important Information to Policyholders
71-70334	5/11	Producer Compensation Transparency Disclosure
71-20456	6/07	State Insurance Notice – Texas – Important Notice
71-9670	2/05	State Insurance Notice – Virginia – Important Information to Policyholders
71-20015	2/05	State Insurance Notice – Wisconsin – Keep this Notice with Your Insurance Papers

**Table of Contents**  
**Mortgage Guaranty Master Policy**

**1 Definitions**

- 1.1 **Application**
- 1.2 **Appropriate Proceedings**
- 1.3 **Borrower**
- 1.4 **Borrower's Title**
- 1.5 **Certificate**
- 1.6 **Certificate Effective Date**
- 1.7 **Claim**
- 1.8 **Claim Amount**
- 1.9 **Commitment**
- 1.10 **Default**
- 1.11 **Environmental Condition**
- 1.12 **Good and Merchantable Title**
- 1.13 **Insured**
- 1.14 **Loan**
- 1.15 **Loss**
- 1.16 **Owner or Owner of the Loan**
- 1.17 **Perfected Claim**
- 1.18 **Person**
- 1.19 **Physical Damage**
- 1.20 **Policy**
- 1.21 **Possession of the Property**
- 1.22 **Property**
- 1.23 **Residential**
- 1.24 **Servicer**
- 1.25 **Settlement Period**
- 1.26 **Value**

**2 Obtaining Coverage and Payment of Premiums**

- 2.1 **Application and Certificate**
- 2.2 **Representations of the Insured**
- 2.3 **Company's Remedies for Misrepresentation**
- 2.4 **Incontestability for Certain Misrepresentations**
- 2.5 **Initial Premium and Term of Coverage**
- 2.6 **Renewal of Certificate and Termination for Non-Payment of Renewal Premium; Reinstatement of Terminated Coverage**
- 2.7 **Special Procedures for Certification of Coverage; Payment of Initial and Renewal Premiums**
- 2.8 **Cancellation by the Insured of a Certificate**
- 2.9 **Cancellation of Policy**
- 2.10 **Relationship Among the Company, the Owner of a Loan, and the Servicer of a Loan**
- 2.11 **Refund of Premium for Denial of Claim in Full**

**3 Changes in Various Loan Terms, Servicing and Insured; Co-ordination and Duplication of Insurance Benefits**

- 3.1 **Loan Modifications**
- 3.2 **Open End Provisions**
- 3.3 **Assumptions**
- 3.4 **Change of Servicing**
- 3.5 **Change of Owner**
- 3.6 **Co-ordination and Duplication of Insurance Benefits**

#### **4 Exclusions From Coverage**

- 4.1 **Balloon Payment**
- 4.2 **Effective Date**
- 4.3 **Incomplete Construction**
- 4.4 **Fraud, Misrepresentation and Negligence**
- 4.5 **Non-Approved Servicer**
- 4.6 **Physical Damage (Other than Relating to Pre-Existing Environmental Conditions)**
- 4.7 **Pre-Existing Environmental Conditions**
- 4.8 **Down Payment**
- 4.9 **First Lien Status**
- 4.10 **Breach of the Insured's Obligations or Failure to Comply with Terms**

#### **5 Conditions Precedent to Payment of Claim**

- 5.1 **Notice of Default**
- 5.2 **Monthly Reports**
- 5.3 **Company's Option to Accelerate Filing of a Claim**
- 5.4 **Voluntary Conveyance**
- 5.5 **Appropriate Proceedings**
- 5.6 **Mitigation of Damages**
- 5.7 **Advances**
- 5.8 **Claim Information and Other Requirements**
- 5.9 **Acquisition of Borrower's Title Not Required**
- 5.10 **Sale of a Property by the Insured Before End of Settlement Period**
- 5.11 **Foreclosure Bidding Instructions Given by the Company**
- 5.12 **Effect of Unexpired Redemption Period on Payment of a Claim**
- 5.13 **Collection Assistance**

#### **6 Loss Payment Procedure**

- 6.1 **Filing of Claim**
- 6.2 **Calculation of Claim Amount**
- 6.3 **Payment of Loss; Company's Options**
- 6.4 **Calculation of Settlement Period**
- 6.5 **Payment by the Company After the Settlement Period**
- 6.6 **Discharge of Obligation**

#### **7 Additional Conditions**

- 7.1 **Proceedings of Eminent Domain**
- 7.2 **Pursuit of Deficiencies**
- 7.3 **Subrogation**
- 7.4 **Policy for Exclusive Benefit of the Insured and the Owner**
- 7.5 **Effect of Borrower Insolvency or Bankruptcy on Principal Balance**
- 7.6 **Arbitration of Disputes; Suits and Actions Brought by the Insured**
- 7.7 **Release of Borrower; Defenses of Borrower**
- 7.8 **Amendments; No Waiver; Rights and Remedies; Use of Term "Including"**
- 7.9 **No Agency**
- 7.10 **Successors and Assigns**
- 7.11 **Applicable Law and Conformity to Law**
- 7.12 **Notice**
- 7.13 **Reports and Examinations**
- 7.14 **Electronic Media**

## Terms and Conditions

### 1 Definitions

- 1.1 **Application** means a request for coverage, including assumption of coverage, under this Policy for a Loan on a form or in a format provided by the Company, and all other statements, documents or information furnished to the Company by the Insured or any other Person in connection with the insuring of the Loan. An application will include information, if so furnished to the Company, contained in the Borrower's Loan application, appraisal, verifications of income and deposit, plans and specifications for the Property, and all other exhibits and documents, and will include all data and information so furnished by electronic means.
- 1.2 **Appropriate Proceedings** means any legal or administrative action by the Insured affecting either a Loan or title to a Property, including:
- a. Preserving a deficiency recovery by making a bid at the foreclosure sale and pursuing a deficiency judgment until the end of the Settlement Period, where appropriate and permissible and where directed by the Company; or
  - b. Enforcing the terms of the Loan as allowed by the laws where the Property is located; or
  - c. Acquiring Borrower's Title or Good and Merchantable Title to the Property, as either may be required under this Policy, but excluding such title as may be acquired by a voluntary conveyance from the Borrower; or
  - d. Asserting the Insured's interest in the Property in a Borrower's bankruptcy.
- 1.3 **Borrower** means any Person legally obligated to repay the debt obligation created by a Loan, including any co-signer or guarantor of the Loan.
- 1.4 **Borrower's Title** means such title to a Property as was vested in the Borrower at the time of a conveyance to the Insured arising out of or pursuant to a foreclosure of the Loan; provided, however, if the Insured so elects, the redemption period need not have expired. Borrower's Title in the Insured may be, but need not be the equivalent of Good and Merchantable Title, and the deed evidencing Borrower's Title need not be recorded unless required by applicable law.
- 1.5 **Certificate** means the document, which may be on the same form as the Commitment, issued by the Company pursuant to this Policy and extending the coverage indicated therein to a specified Loan.
- 1.6 **Certificate Effective Date** means, as specified in the Certificate, (a) the closing date of a Loan, or (b) the later date requested by the Insured and accepted by the Company.
- 1.7 **Claim** means the timely filed written request, made on a form or in a format provided or approved by the Company, to receive the benefits of this Policy.
- 1.8 **Claim Amount** means the amount calculated in accordance with Section 6.2 of this Policy.
- 1.9 **Commitment** means the document, which may be on the same form as the Certificate, issued by the Company evidencing the Company's offer to insure the Loan identified therein, subject to the terms and conditions therein and in this Policy.
- 1.10 **Default** means the failure by a Borrower (a) to pay when due an amount equal to or greater than one (1) monthly regular periodic payment due under the terms of a Loan or (b) to pay all amounts due on acceleration of the Loan by the Insured after breach by the Borrower of a due on sale provision in the Loan, granting the Insured the right to accelerate the Loan upon transfer of title to, or an interest in, the Property and to institute Appropriate Proceedings. Violation by the Borrower of any other term or condition of the Loan which is a basis for Appropriate Proceedings shall not be considered to be a Default.

A Loan is deemed to be in Default for that month as of the close of business on the installment due date for which a scheduled monthly payment has not been made or as of the close of business on the due date stated in the notice of acceleration given pursuant to the due-on-sale provision in the Loan. The Loan will be considered to remain in Default until filing of a Claim so long as such periodic payment has not been made or such basis for Appropriate Proceedings remains. For example, a Loan is "four (4) months in Default" if the monthly installments due on January 1 through April 1 remain unpaid as of the close of business on April 1 or if a basis for acceleration and Appropriate Proceedings exists for a continuous period of four months.

- 1.11 **Environmental Condition** means the presence of environmental contamination, including nuclear reaction or radioactive waste, toxic waste, or poisoning, contamination or pollution of earth or water subjacent to the Property or of the atmosphere above the Property; or the presence, on or under a Property, of any "Hazardous Substance" as that term is defined by the federal Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Sec. 9601 et. seq., as amended from time to time) or as defined by any similar state law, or of any "Hazardous Waste" or "Regulated Substance" as those terms are defined by the federal Resource Conservation and Recovery Act (42 U.S.C. sec. 6901, et seq., as amended from time to time) or as defined by any similar state law. Environmental Condition does not mean the presence of radon, lead paint, or asbestos.
- 1.12 **Good and Merchantable Title** means title to a Property free and clear of all liens, encumbrances, covenants, conditions, restrictions, easements and rights of redemption, except for any of the following or as permitted in writing by the Company:
- 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;
  - 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 Loan was closed and all documents were executed; and
  - c. Any other impediments which will not have a materially adverse effect on either the transferability of the Property or the sale thereof to a bona fide purchaser.

Good and Merchantable Title will not exist if (i) there is any lien pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, or similar federal or state law, as in effect from time to time, providing for liens in connection with the removal and clean-up of environmental conditions, or if notice has been given of commencement of proceedings which could result in such a lien, or (ii) there are limitations on ingress and egress to the Property or on use of utilities. Any action or proceeding after a foreclosure sale relating to establishing a deficiency judgment will not be considered in determining whether the Insured has acquired Good and Merchantable Title.

- 1.13 **Insured** means:
- a. The Person designated on the face of this Policy; or
  - b. Any Person to whom coverage has been assigned resulting in a change in the Insured named on a Certificate in accordance with this Policy.

The Insured must be the Servicer of a Loan or, if there is no Servicer, the Owner of the Loan.

- 1.14 **Loan** means any note, bond, or other evidence of indebtedness secured by a mortgage, deed of trust, or other similar instrument, which constitutes or is equivalent to a first lien or charge on a Property and which the Company has approved for insurance and to which coverage under this Policy has been extended.
- 1.15 **Loss** means the liability of the Company with respect to a Loan for payment of a Perfected Claim which is calculated in accordance with Section 6.3. A Loss will be deemed to have occurred when a Default on a Loan occurs, even though the amount of Loss is not then either presently ascertainable or due and payable.

- 1.16 **Owner or Owner of the Loan** means the Person who owns a Loan and of whom the Company is notified in accordance with this Policy.
- 1.17 **Perfected Claim** means a Claim received by the Company which contains all information or proof required by the Company and for which all requirements of this Policy applicable to payment of a Claim are satisfied.
- 1.18 **Person** means any individual, corporation, partnership, association or other entity.
- 1.19 **Physical Damage** means any tangible injury to a Property, whether caused by accident, natural occurrence, or any other reason, including damage caused by defects in construction, land subsidence, earth movement or slippage, fire, flood, earthquake, riot, vandalism or any Environmental Condition.
- 1.20 **Policy** means this contract of insurance and all Applications, Commitments, endorsements, schedules, and Certificates, which are incorporated in this Policy, related to Loans insured under this Policy.
- 1.21 **Possession of the Property** means, if the Company elects to acquire the Property, physical and undisputed occupancy and control of the Property at the time of acquisition.
- 1.22 **Property** means a Residential real property and all improvements thereon which secure a Loan, together with all easements and appurtenances, all rights of access, all rights to use common areas, recreational and other facilities, and all of their replacements or additions.
- 1.23 **Residential** means a type of building or a portion thereof which is designed for occupancy by not more than four (4) families, or a single-family condominium, or a unit in a planned unit development.
- 1.24 **Servicer** means that Person acting on behalf of the Owner of a Loan (or on behalf of the Owner's designee, if any) to service the Loan and of whom the Company has been notified. The Servicer acts as a representative of the Owner of the Loan (and the Owner's designee, if any) and will bind the Owner and its designee for all purposes of this Policy, including providing information to the Company, receiving any notices, paying premiums, accepting Loss payments, and performing any other acts under this Policy. References in this Policy to a Servicer's obligations will not be construed as relieving the Owner or its designee of responsibility for the Servicer's performance.
- 1.25 **Settlement Period** means the sixty (60) day period as determined under Section 6.4, at the end of which a Loss is payable by the Company; provided that if the Company pays a Loss prior to expiration of such sixty (60) day period, the Settlement Period ends with such payment.
- 1.26 **Value** means the lesser of the sales price of a Property (only applicable in the case of a Loan to finance the purchase of such Property) or appraised value of the Property as set forth in the Certificate.

Any pronouns, when used in this Policy, will mean the singular or plural, masculine or feminine, as the case may be.

## 2 Obtaining Coverage and Payment of Premiums

- 2.1 **Application and Certificate** — In order to insure a Loan under this Policy, the Insured or a Person acting on behalf of the Insured must submit to the Company a properly completed Application. Approval of any Application will be at the discretion of the Company and will be in the form of a Commitment or a Certificate which offers to extend, or extends coverage under the terms and conditions of both this Policy and the Commitment or Certificate, as the case may be.

In lieu of such an Application and supporting statements, documents and information submitted to the Company in connection with insuring a Loan, the Company may accept an alternative form of Application, containing more limited information, including certifications by or on behalf of the Insured as to characteristics of a Loan in lieu of supporting statements, documents and information. The Company shall be entitled to fully rely on such alternative Application as submitted. Use of an alternative form of Application shall not waive or change the other terms and conditions of this Policy under which a Loan is insured or the responsibility of the Insured for the accuracy of statements, documents and information submitted by it or other Persons to the Company as provided in this Policy.

If the Company declines to approve a mortgage loan, it will not issue a Commitment or Certificate, and it will notify the Insured in writing of such declination. If the Insured or the Person acting on its behalf subsequently denies the mortgage loan application which it received from the applicant, the Insured or such Person will be responsible for notifying the applicant that the Company declined to approve the mortgage loan. Such notification will be made in compliance with any applicable state or federal laws or regulations, including the Equal Credit Opportunity Act and any other similar law or regulation.

**2.2 Representations of the Insured** — The Insured represents that:

- a. all statements made and information provided to the Company in an Application or in any Commitment or Certificate (including as such is related to continuation of coverage upon assumption of a Loan), whether by it, the Borrower, or any other Person, have been made and presented for and on behalf of the Insured; and
- b. such statements and information are not false or misleading in any material respect as of the date(s) on which they are made or provided and do not omit any fact necessary in order to make such statements and information not false or misleading in any material respect as of such date(s).

It is understood and agreed that such statements and information in the aggregate are, and in certain instances individually may be, material to the Company's decision to offer, provide or so continue coverage of the related Loan; the Company issues the related Commitment and Certificate or continues coverage 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 the Company's reliance on the representations in Section 2.2(a) and (b) above survive the issuance of a Commitment and Certificate or such continuation of coverage.

Without otherwise limiting the scope of this Section 2.2, a breach of Section 4.8 relating to down payment will be deemed a material misrepresentation for purposes of this Section 2.2. The foregoing representations shall be effective whether or not they are made by the Insured or other Person with the intent to deceive or mislead, or with the knowledge that they are not true and correct.

**2.3 Company's Remedies for Misrepresentation** — Subject to Section 2.4, if any of the Insured's representations as described in Section 2.2 are materially false or misleading with respect to a Loan, the Company will have at its option, the right to defend against a Claim, or to the extent permitted by applicable law, to cancel or rescind coverage under any Certificate retroactively to commencement of coverage (or if the misrepresentation occurs with respect to continuation of coverage upon assumption of a Loan, to so defend, cancel or rescind retroactively to the date of such continuation). In the case of such cancellation or rescission, the Company shall return at that time all paid premiums retroactively to such applicable date.

**2.4 Incontestability for Certain Misrepresentations** — Notwithstanding Sections 2.2 or 2.3, no Claim for Loss will be denied or adjusted, nor will the Certificate's coverage be rescinded or canceled, by reason of any misrepresentations (whether by statements made or omitted) contained in an Application, provided that all of the following requirements, conditions and circumstances, to the extent not waived in writing at the option of the Company, are satisfied:

- a. The misrepresentation must not have been knowingly made, or knowingly participated in, by:
  1. The Insured or any other Person which originated the Loan; or
  2. Any other of the following Persons:
    - i) correspondent lender, mortgage loan broker or other intermediary underwriting or processing the Loan on behalf of the Insured or any other Person which originated the Loan; or
    - ii) escrow or closing agents, or any other agent of, or broker for, the Insured or any other Person which originated the Loan acting with respect to the Loan or the related Property transaction.

- b. The Borrower must have made twelve (12) consecutive full installment payments of principal, interest and impound or escrow amounts in the amounts as called for by the Loan, and all of those payments must have been made from the Borrower's own funds.

A payment will be considered to be "consecutive" only if it is made prior to the date the next scheduled installment becomes due. The "Borrower's own funds" will include any funds used by the Borrower for the purpose of making installment payments, but will not include funds provided directly or indirectly by any Person (other than the Borrower) who is or was a party to the Loan or to the related Property transaction, unless expressly set forth in the Application.

- c. This Section 2.4 will not apply to a Certificate if within twelve (12) months before or after a material misrepresentation by a Borrower or other Person (other than those Persons identified in Section 2.4(a)), there are one or more material misrepresentations in an Application (i) with respect to three (3) or more other mortgage loans insured at any time by the Company for the Insured or any other lender and (ii) which result from the direct or indirect acts or omissions of the same Borrower or same other Person (including any other Person acting directly or indirectly in concert).
- d. This Section 2.4 shall not be construed to limit the applicability of Section 4.4(b) to a misrepresentation which is subject to this Section 2.4.
- e. The Company's payment of a Claim will not limit any rights which the Company has against the Borrower or any other Person (other than the Insured) for any misrepresentation.

## 2.5 Initial Premium and Term of Coverage

- a. Within fifteen (15) days from the Certificate Effective Date, or such other date as the Company and the Insured may agree to in writing, the Insured must forward to the Company the appropriate initial premium. Payment of the initial premium shall be a condition precedent to coverage being extended to the Loan. Subject to cancellation by the Insured or the Company as provided in this Policy, coverage shall remain in full force and effect for the period covered by the initial premium. Tender of the initial premium will constitute a representation for purposes of Section 2.2 by the Insured that any special conditions included by the Company in the related Commitment have been satisfied and that no payment which is then due under the Loan is more than thirty (30) days past due.
- b. The Company will not rescind or cancel coverage, or deny or adjust a Claim for Loss, with respect to a Loan on the basis of a failure to satisfy a special condition (other than a special condition relating to completion of construction, as described in Section 4.3 or to rehabilitation or repairs) if the Borrower has made twenty-four (24) consecutive full installment payments from the Borrower's own funds. The terms "installment payments," "consecutive," and "Borrower's own funds" shall have the meanings provided in Section 2.4(b).

## 2.6 Renewal of Certificate and Termination for Non-Payment of Renewal Premium; Reinstatement of Terminated Coverage

- a. The Company must give the Insured prior notice of the due date for payment of the applicable renewal premium payable for continued coverage of each Certificate. The entire renewal premium must be paid within a forty-five (45) day grace period (or such longer grace period generally allowed by the Company) after the due date for payment. Upon payment of the entire renewal premium within such grace period, the Certificate will be deemed renewed for the applicable renewal period and a Default occurring within said grace period which is not cured, and which results in a Claim being filed, will be covered.

If a Default occurs prior to the date through which the applicable premium has been paid, and if such Default is not cured and results in a Claim being filed, such Default shall remain covered and no further premium shall be due in order to maintain coverage of such Default.

With respect to a Loan with renewal premiums due on an annual basis, if the annual renewal premium is not paid within such grace period (but subject to the Owner's right to cure non-payment as provided in (b) of this

Section 2.6), the coverage of the Certificate and the Company's liability will terminate effective as of 12:01 a.m. on the first day following the date through which the applicable premium has been paid and as a result, any Default occurring after the date through which the applicable premium has been paid will not be covered.

With respect to a Loan with renewal premiums due on a monthly basis, if the monthly renewal premium is not paid within such grace period (but subject to the Owner's right to cure non-payment as provided in (b) of this Section 2.6), the coverage of the Certificate and the Company's liability will terminate as of 12:01 a.m. on the first day following the date through which the applicable monthly premium has been paid, except that if a Default on the Loan occurs between the last date through which the applicable monthly renewal premium has been paid and the end of such grace period, the Insured shall not be required to pay renewal premiums, and coverage of such Default will continue, while such Default exists. If such Default is cured, all monthly renewal premiums not paid during the period of Default shall be payable (unless previously paid by the Insured) within forty-five (45) days or such longer period generally allowed by the Company after notice from the Company in order to continue coverage. If such Default is not cured and results in a Claim, the unpaid monthly renewal premiums through the renewal month in which such Default occurred shall be paid as provided in Section 6.3 by deduction from the Loss.

- b. If there occurs a transfer of servicing rights for a group of Loans to a new Servicer, a seizure of servicing rights by the Owner of such Loans, or a Servicer's surrender to the Owner of such servicing rights and if:
1. the Company terminates coverage on one or more of such Loans for nonpayment of the renewal premium; and the grace period for payment of the renewal premium provided for in Section 2.6 (a) expired after such transfer, seizure or surrender;
  2. either the Owner of such Loans on which coverage was terminated, or the new Servicer for such Loans, certifies in writing to the Company within sixty (60) days after expiration of such grace period, that all of such Loans were serviced for the Owner at the time of nonpayment of renewal premium; and that in good faith it believes that the failure to pay the renewal premium on all such Loans was an error or omission caused by such transfer, seizure or surrender of servicing; and
  3. either the Owner or the new Servicer of such Loans pays the entire amount of renewal premiums due and unpaid on all such Loans within such sixty day period; then

upon satisfaction of all of the foregoing conditions, the Company shall reinstate coverage on such Loans retroactively to the effective date of termination of coverage, under all of the terms and conditions in effect at termination and as if there had been no lapse in coverage.

## 2.7 Special Procedures for Certification of Coverage; Payment of Initial and Renewal Premiums

- a. The Company may permit coverage of a Loan to be certified and become effective without the Insured's return of an executed Commitment or Certificate, but coverage will only become effective if within fifteen (15) days after the Certificate Effective Date (or such longer period as the Company may allow) the Insured provides the Company with the Certificate Effective Date and other information required by the Company, and pays the required premium. If signature and return of an executed Commitment or Certificate is not required, the Insured will nevertheless be automatically deemed to have made all certifications, representations and statements attributable to it in the form of the Commitment or Certificate, as though, and to the same extent as if, the Insured had executed and returned the Commitment or Certificate.
- b. The Insured acknowledges that the Company deposits initial and renewal premium checks immediately upon receipt and agrees that the receipt and deposit of a premium check by the Company after the time specified in this Policy for receipt, does not constitute a waiver of the requirements of this Policy for timely receipt or an acceptance of premium by the Company. The Company will have the right to return such late premium payment, but only within sixty (60) days after receipt, in which case coverage will be cancelled retroactively to the Certificate Effective Date for a late initial premium, or to the last day of the period covered by the previous premium payment for a late renewal premium. Receipt, deposit and retention of a premium check will not constitute a waiver of any defenses with respect to any other matters which the Company may have under this

Policy.

- 2.8 **Cancellation by the Insured of a Certificate** — The Insured may obtain cancellation of a Certificate by returning the Certificate to the Company or making a written request to the Company for cancellation. Upon receipt, the Company will refund, where applicable, a portion of the premium paid in accordance with the appropriate cancellation schedule which is either attached to this Policy or which will be provided by the Company to the Insured upon request. However, no refund on a Certificate will be paid if the Loan is in Default on the date the Company receives the request. Cancellation of a Certificate will not cancel this Policy.
- 2.9 **Cancellation of Policy** — Either the Insured or the Company may cancel their respective right or obligation to receive or issue new Commitments or Certificates under this Policy by providing thirty (30) days' written notice of cancellation of this Policy. However, Commitments and Certificates issued prior to such cancellation of this Policy will continue in force so long as all premiums are paid and all other terms and conditions of this Policy for coverage are complied with by the Insured.
- 2.10 **Relationship Among the Company, the Owner of a Loan, and the Servicer of a Loan** — The Company will be entitled to assume that the Insured identified on this Policy and under a Certificate is the Owner of the Loan. If the Company receives written notice acceptable to it that there is an Owner of the Loan who is not the Insured, the Company shall identify that Owner in its internal records and for purposes of this Policy. The Company shall be required to identify only one Owner for a Loan at any one time.

The Company will provide the Owner of a Loan so identified in its records with an opportunity to cure non-payment of renewal premium, as provided under Section 2.6; will notify such Owner of the Loan of a non-approved Servicer and allow replacement with a new Servicer, as provided under Section 4.5; will allow the Owner (or its designee, if any) to replace a Servicer and allow the replacement Servicer to become the Insured under Section 1.13; and will allow the Owner to become the Insured under Section 1.13 if the Owner services the Loan itself. Any Person becoming an Insured under this Policy shall be subject to all of the terms and conditions of this Policy to the same extent as any previous Insured hereunder and without regard to the extent of the knowledge or responsibility of such Person, relating to matters occurring before such Person became an Insured.

- 2.11 **Refund of Premium for Denial of Claim in Full** — If, because of a provision in Sections 2, 3 or 4 (other than Sections 4.3, 4.6, or 4.7), no Loss is payable to the Insured, the Company shall return to the Insured all paid premiums retroactively and pro rata to the date when the event or circumstance occurred which resulted in no Loss being payable.

### 3 Changes in Various Loan Terms, Servicing and Owner; Co-ordination and Duplication of Insurance Benefits

- 3.1 **Loan Modifications** — Unless advance written approval is provided by, or obtained from, the Company, the Insured may not make any change in the terms of a Loan, including the borrowed amount, interest rate, term or amortization schedule of the Loan, except as permitted by terms of the Loan; nor make any change in the Property or other collateral securing the Loan; nor release the Borrower from liability on a Loan.
- 3.2 **Open End Provisions** — The Insured may increase the principal balance of a Loan, provided that the written approval of the Company has been obtained. The Insured will pay the Company the additional premium due at the then prevailing premium rate.
- 3.3 **Assumptions** — If a Loan is assumed with the Insured's approval, the Company's liability for coverage under its Certificate will terminate as of the date of such assumption, unless the Company approves the assumption in writing. The Company will not unreasonably withhold approval of an assumption. It is understood that coverage will continue, and that the restriction of this Section 3.3 will not apply, if under the Loan or applicable law the Insured cannot exercise a "due-on-sale" clause or is obligated to consent to such assumption under the Loan or applicable law.
- 3.4 **Change of Servicing** — If the servicing rights for a Loan are sold, assigned or transferred by the Insured or the Owner, coverage of the Loan hereunder will continue provided that written notice of the new Servicer is given to the Company and the new Servicer is approved in writing by the Company. The Company shall be automatically

deemed to have approved as a Servicer any person to whom the Company has issued a master policy, which has not been cancelled, providing for residential mortgage guaranty insurance.

- 3.5 **Change of Owner** — If a Loan or a participation in a Loan is sold, assigned or transferred by its Owner, coverage of the Loan will continue, subject to all of the terms and conditions contained in this Policy. The new Owner of the Loan will be identified in the Company's records from the date that the Company receives written notice thereof. In the case of the sale of a participation in a Loan, the Company shall be notified of only one new Owner. If there is new ownership, the Loan must continue to be serviced by a Person approved by the Company as a Servicer.
- 3.6 **Co-ordination and Duplication of Insurance Benefits** — The coverage under this Policy shall be excess over any other insurance which may apply to the Property or to the Loan, except for mortgage guaranty pool insurance or supplemental or second tier mortgage insurance.

#### 4 Exclusions From Coverage

The Company will not be liable for, and this Policy will not apply to, extend to or cover the following:

- 4.1 **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 Loan, (a) as a result of the Insured exercising its right to call the Loan (other than when the Loan is in Default) or because the term of the Loan is shorter than the amortization period, and (b) which is for an amount more than twice the regular periodic payments of principal and interest that are set forth in the Loan (commonly referred to as a "balloon payment"). This exclusion will not apply if the Insured, the Owner of the Loan, or other Person acting on either's behalf offers the Borrower, in writing, a renewal or extension of the Loan or a new loan which (i) constitutes a first lien, (ii) is at rates and terms generally prevailing in the marketplace (but otherwise subject to Section 3.1), (iii) is in an amount not less than the then outstanding principal balance, (iv) has no decrease in the amortization period, and (v) is offered regardless of whether the Borrower is then qualified under the Insured's or Owner's underwriting standards. This exclusion also will not apply if the Borrower is notified of the availability of such renewal or extension of the Loan or new loan and does not accept the renewal, extension or new loan.
- 4.2 **Effective Date** — Any Claim resulting from a Default existing at the Certificate Effective Date or occurring after lapse or cancellation of a Certificate.
- 4.3 **Incomplete Construction** — Any Claim when, as of the date of such Claim, construction of a Property is not completed in accordance with the construction plans and specifications upon which the appraisal of the Property at origination of the Loan was based.
- 4.4 **Fraud, Misrepresentation and Negligence** — (a) Any Claim not otherwise within the scope of Section 2.3 where there was fraud or misrepresentation by the Insured with respect to the Loan, and the fraud or misrepresentation (1) materially contributed to the Default resulting in such Claim; or (2) increased the Loss, except that if the Company can reasonably determine the amount of such increase, such Claim will not be excluded, but the Loss will be reduced to the extent of such amount.
- (b) Any Claim where there was negligence by the Insured with respect to the Loan, which (1) was material to either the acceptance of the risk or the hazard assumed by the Company; (2) materially contributed to the Default resulting in such Claim; or (3) increased the Loss, except that if the Company can reasonably determine the amount of such increase, such Claim will not be excluded, but the Loss will be reduced to the extent of such amount.
- 4.5 **Non-Approved Servicer** — Any Claim occurring when the Servicer, at time of Default or thereafter, is not approved in writing or in a list published by the Company; provided that this exclusion shall only apply if the Company notifies the Owner of the Loan in writing if a Servicer is no longer approved and if within ninety (90) days thereafter the Owner does not complete a transfer of servicing to a new Servicer approved by the Company.
- 4.6 **Physical Damage (Other than Relating to Pre-Existing Environmental Conditions)** — Any Claim where, at any time after the Certificate Effective Date, Physical Damage to a Property (of a type other than as described in Section 4.7 and other than reasonable wear and tear), occurs or manifests itself subject to the following provisions:

- a. This exclusion will not apply if the Company in good faith determines that the aggregate cost of restoring all such Physical Damage is less than fifteen hundred dollars (\$1,500), or such higher amount as the Company may provide from time to time.
- b. This exclusion will apply only if such Physical Damage occurred or manifested itself (1) prior to expiration of the Settlement Period and the Company elects to acquire the related Property in settlement of a Claim; or (2) prior to the Default and was the most important cause of the Default and the Property was either uninsured for loss arising from such Physical Damage or was insured for an amount which, disregarding normal and customary deductibles not to exceed fifteen hundred dollars (\$1,500) or such higher amount as the Company may provide from time to time, was insufficient to restore the Property as provided in paragraph (c) below.
- c. The exclusion resulting from paragraph (b) will not apply if the Property is restored in a timely and diligent manner to its condition (except reasonable wear and tear) as of the Certificate Effective Date. In lieu of requiring restoration of the Property, the Company may, at its option, reduce the Claim Amount by an amount equal to the cost of such restoration.
- d. For purposes of this Section 4.6, the Property subject to restoration will consist only of the land, improvements or personal property 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 Loan was made, whether or not they are deemed part of the real property.
- e. Cost estimates relied upon by the Company in connection with this Section 4.6 shall be provided in writing by an independent party selected by the Company. The Company will furnish the Insured with any such written cost estimates, if requested by the Insured.

4.7 **Pre-Existing Environmental Conditions** — Any Claim where there is an Environmental Condition which existed on the Property (whether or not known by the Person submitting an Application for coverage of the Loan) as of the Certificate Effective Date, subject to the following provisions:

- a. This exclusion will not apply if the existence of such Environmental Condition, or the suspected existence of such Environmental Condition, was specifically disclosed to the Company in the Application relating to the Property.
- b. This exclusion will apply only if such Environmental Condition (1) was a principal cause of the Default, and (2) has made the principal Residential structure on the Property uninhabitable. A structure will be considered "uninhabitable" if generally recognized standards for residential occupancy are violated or if, in the absence of such standards, a fully informed and reasonable person would conclude that such structure was not safe to live in without fear of injury to health or safety.
- c. This exclusion will not apply if the Environmental Condition is removed or remedied in a timely and diligent manner in accordance with applicable governmental standards for safe residential occupancy.

4.8 **Down Payment** — Any Claim involving a Loan which is for the purchase of the Property, and for which the Borrower did not make a down payment as described in the Application.

4.9 **First Lien Status** — Any Claim, if the mortgage, deed of trust or other similar instrument executed by the Borrower and insured hereunder did not provide the Insured at origination with a first lien on the Property.

4.10 **Breach of the Insured's Obligations or Failure to Comply with Terms** — 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, if the breach or failure:

- a. Materially contributed to the Default resulting in such Claim; or
- b. Except for a breach described in Section 2.3, increased the Loss; provided that if the Company can reasonably

determine the amount of such increase, such Claim will not be excluded, but the Loss will be reduced to the extent of such amount.

## 5 Conditions Precedent to Payment of Claim

It is a condition precedent to the Company's obligation to pay a Loss that the Insured comply with all of the following requirements:

5.1 **Notice of Default** — The Insured must give the Company written notice:

- a. Within forty-five (45) days of the Default, if it occurs when the first payment is due under the Loan; or
- b. Within ten (10) days of either
  1. The date when the Borrower becomes four (4) months in Default on the Loan; or
  2. The date when any Appropriate Proceedings which affect the Loan or the Property or the Insured's or Borrower's interest therein have been started;

whichever occurs first.

5.2 **Monthly Reports** — Following a notice of Default on the Loan, the Insured must give the Company monthly reports on forms or in a format acceptable to the Company on the status of the Loan and on the servicing efforts undertaken to remedy the Default. These monthly reports may be furnished less frequently if allowed in writing by the Company and must continue until the Borrower is no longer in Default, the Appropriate Proceedings terminate, or until the Insured has acquired the Property.

5.3 **Company's Option to Accelerate Filing of a Claim** — If the Company so directs, at any time after receiving the Insured's notice of Default, the Insured must file a Claim within twenty (20) days after notice from the Company. The Company will then make a payment of Loss in accordance with the percentage guaranty option in Section 6.3(b). Thereafter, following the acquisition of Borrower's Title by the Insured, the Insured will be entitled to file a supplemental Claim at the time prescribed in Section 6.1 in an amount equal to the sum of its advances, less the deductions, all as specified in Section 6.2, to the extent not included in the payment of the initial Claim. Such supplemental Claim must be paid by the Company in accordance with Section 6.3(b). No interest shall be includable in the Claim Amount under this Section 5.3 after the date that the accelerated claim is filed. If a Loan for which the Company has paid a Claim is subsequently brought current by the Borrower, the Insured shall refund to the Company the Loss paid by the Company with respect to that Loan. If the Company exercises its option under this Section 5.3, the Company shall not have the right to direct or participate in a deficiency recovery under Section 7.2.

5.4 **Voluntary Conveyance** — The Insured may only accept a conveyance of the Property from the Borrower in lieu of foreclosure or other proceeding if the prior written approval of the Company has been obtained. Such approval shall not be considered as an acknowledgement of liability by the Company with respect to such Loan.

5.5 **Appropriate Proceedings** — The Insured must begin Appropriate Proceedings no later than when the Loan becomes six (6) months in Default unless the Company provides written instructions that some other action be taken. Such instructions may be general or applicable only to specific Loans. The Company reserves the right to direct the Insured to institute Appropriate Proceedings at any time after Default. When either defending against or bringing Appropriate Proceedings, the Insured must report their status to the Company as reasonably and expeditiously as possible.

In conducting Appropriate Proceedings, the Insured must:

- a. Diligently pursue the Appropriate Proceedings once they have begun;
- b. Apply for the appointment of a receiver and assignment of rents, if permitted by law and requested by the Company;

- c. Furnish the Company with copies of all notices and pleadings filed or required in the Appropriate Proceedings, except as the Company may waive such requirement in writing;
- d. Act and bid at the foreclosure sale in accordance with Section 5.11 so that its ability to preserve, transfer and assign to the Company its rights against the Borrower are not impaired; and so that the rights of the Company under this Policy against the Borrower are fully protected. Such rights include any rights to obtain a deficiency judgment, subject to the Company's compliance with Sections 7.2 and 7.3 relating to establishing a deficiency; and
- e. When requested by the Company, furnish the Company with a written statement indicating the estimated potential Claim Amount (as computed under Section 6.2) at least fifteen (15) days before the foreclosure sale.

5.6 **Mitigation of Damages** — The Insured must actively cooperate with and assist the Company to prevent and mitigate the Loss, including good faith efforts by the Insured to obtain a cure of the Default, collect amounts due under the Loan, inspect and appraise the Property and effectuate the early disposition of the Property. The Company must administer this Policy in good faith.

5.7 **Advances** — The Insured must advance:

- a. Normal and customary hazard insurance premiums and real estate property taxes, in each case as due and payable;
- b. Reasonable and necessary Property protection and preservation expenses approved by the Company at the time the Company reviews the Claim, which shall not include expenditures to remove an exclusion from coverage under Section 4; and
- c. Reasonable costs to complete Appropriate Proceedings and eviction and moving of occupants, including related court expenses and attorney's fees.

5.8 **Claim Information and Other Requirements** — The Insured must provide the Company with:

- a. All information reasonably requested by the Company;
- b. A completed form furnished by or acceptable to the Company for payment of a Claim;
- c. If the Property is not being acquired by the Company: a copy of an executed trustee's or sheriff's deed (which may be unrecorded) conveying Borrower's Title to the Property to the Insured (or satisfactory evidence that the foreclosure sale has been completed if the Borrower's right of redemption has not expired); or a deed from the Borrower (which may be unrecorded) if a voluntary conveyance has been approved by the Company, conveying to the Insured the title that was required by the Company in the approval of the conveyance.

In the event the most important cause of Default was a circumstance or event which would prevent the Insured from obtaining Good and Merchantable Title, the Insured shall instead provide the Company with evidence described in Section 5.8(d)(2) that it has acquired Good and Merchantable Title to the Property.

- d. If the Property is being acquired by the Company:
  1. a recordable deed in normal and customary form containing the customary warranties and covenants conveying to the Company or its designee Good and Merchantable Title to the Property;
  2. a title insurance policy acceptable to the Company or an attorney's opinion of title acceptable to the Company, confirming that the Insured has and can convey to the Company Good and Merchantable Title to the Property; and
  3. Possession of the Property, but only if the Company has required such Possession in writing.

e. Access to the Property, if requested by the Company under Section 6.4 (b).

5.9 **Acquisition of Borrower's Title Not Required** — The Insured will not be required to acquire Borrower's Title to a Property if (a) the Company approves a sale of the Property prior to a foreclosure sale and such sale is closed; (b) the Company requires an early Claim filing pursuant to Section 5.3, except that such acquisition will be required as a condition to the Insured's filing of a supplemental Claim; or (c) the Property is acquired by someone other than the Insured at a foreclosure sale, as provided in Section 5.11, or thereafter pursuant to exercise of rights of redemption.

5.10 **Sale of a Property by the Insured Before End of Settlement Period**

a. The Insured must submit to the Company any offer to purchase a Property which it receives after the Company has notified the Insured that it will acquire the Property and before the end of the Settlement Period. The Company must then promptly notify the Insured that it will either (1) not approve of such offer, in which case the Company's notice to acquire the Property will remain in effect, or (2) approve such offer, in which case the Company's notice of acquisition will remain in effect, if the approved offer does not close as scheduled. The Insured shall promptly notify the Company if the approved offer does not close as scheduled.

b. If the Company has not notified the Insured that it will acquire the Property, and if the Company's right to acquire the Property has not expired pursuant to Section 6.5 or has not been waived, the Insured must submit to the Company for approval any offer to purchase the Property which would be acceptable to the Insured. The Company shall then promptly either approve or not approve such offer. If the approved offer expires or is terminated, the Company shall be entitled to pay the Loss payable by (1) paying the percentage guaranty option as calculated under Section 6.3(b), or (2) paying the property acquisition settlement option as calculated under Section 6.3(a), and acquiring the Property; but if the Company's right to acquire the Property has expired pursuant to Section 6.5, or been waived, then such acquisition shall be under the same terms and conditions as the expired or terminated offer, except for terms and conditions relating to the sale price and method of payment of the sale price, which shall instead be governed by Section 6.3.

c. The following provisions shall apply to offers submitted to the Company under this Section 5.10:

1. At the time it presents an offer, the Insured must also provide the Company with a good faith estimate of gross proceeds and expenses in sufficient detail for the Company to calculate the estimated net proceeds described below. The Company may not require any changes to the offer or direct the marketing of the Property or expenditures by the Insured for restoration of the Property as a condition to its approval.

2. If the Company approves the offer submitted by the Insured, it must also advise the Insured of the estimated net proceeds which it has calculated. The estimated net proceeds calculated by the Company will be the estimated gross sales proceeds to be received by the Insured less all reasonable estimated expenses submitted by the Insured and approved by the Company in its approval of the offer which have been or are expected to be paid by the Insured in obtaining and closing the sale of the Property. If the estimated net proceeds as calculated by the Company is acceptable to the Insured, the Loss payable shall be computed as determined below. If such calculation is not acceptable to the Insured, the offer shall be deemed to have not been approved by the Company.

3. If the Company approves the offer, the Loss payable by the Company under this Section 5.10 will be the lesser of (i) the actual net amount as calculated below, or (ii) the percentage guaranty option under Section 6.3(b) without regard to a sale of the Property. The actual net amount will be the Claim Amount calculated under Section 6.2, except that (a) delinquent interest will be computed through the closing date for sale of the Property and (b) the Claim Amount shall be reduced by the actual net proceeds realized by the Insured from the sale of the Property. The actual net proceeds will be determined in the same manner as the estimated net proceeds, but on the basis of the actual sales proceeds. For purposes of computing a Loss, such actual net proceeds shall not be less than the estimated net proceeds calculated by the Company under this subparagraph (c), or as otherwise approved by the Company.

4. The Company shall not unreasonably withhold its approval of expenses submitted to it after its approval of an offer. Expenses paid to Persons employed or controlled by the Insured or the Owner of the Loan or their internal costs will not be allowed in calculation of either the estimated or actual net proceeds.
5. If requested by the Company, the Insured shall advise the Company of the name of the real estate broker or other Person marketing the Property and authorize such broker or other Person to release marketing information about the Property to the Company, if requested by the Company.

5.11 **Foreclosure Bidding Instructions Given by the Company** — The Insured will be entitled to bid at the foreclosure sale held as part of the Appropriate Proceedings any amount which it determines necessary to obtain Borrower's Title to the Property, unless otherwise directed by the Company. The Company will be entitled to direct the Insured to bid an amount to be determined by the Insured within a minimum and maximum range, as follows:

- a. The minimum amount shall not be less than the fair market value of the Property, but if there has been Physical Damage to the Property which affects its fair market value (as determined before such Physical Damage) by more than ten per cent (10%), the fair market value of the Property shall be its fair market value after restoration of the Property.
- b. The maximum amount shall not exceed the greater of (1) the fair market value of the Property as determined under subparagraph (a) above, or (2) the estimated Claim Amount less the amount which the Company would pay as the percentage guaranty option under Section 6.3(b).
- c. For purposes of this Section 5.11, fair market value shall be determined as of a date acceptable to the Company by an opinion of an independent real estate broker, or by an independent appraiser, in either case selected by or acceptable to the Company.

The Insured is not required to acquire Borrower's Title if it has bid in accordance with this Section 5.11, whether or not pursuant to directions from the Company.

5.12 **Effect of Unexpired Redemption Period on Payment of a Claim** — If the Insured files a Claim prior to expiration of an applicable redemption period, the Loss payable shall only be computed through the date of filing of the Claim, and if the Company elects to acquire the Property, the Insured will remain responsible for management and control of the Property until the Company's acquisition thereof, which may be after expiration of the redemption period, but not later than as required by Section 6.4.

If the Company has paid to the Insured a Claim under its percentage guaranty option in Section 6.3 (b), and the related Property is subsequently redeemed by the Borrower, the Insured shall promptly report such redemption to the Company and reimburse the Company for the amount of the Company's Claim payment, to the extent that the sum of the Company's Claim payment and the amount realized by the Insured from the redemption exceeds the Claim Amount, as would have been calculated through the date of redemption.

5.13 **Collection Assistance** — If the Company so requests, the Insured shall permit the Company to cooperatively assist the Insured in the collection of moneys due under the Loan, including obtaining information from the Borrower, attempting to develop payment schedules acceptable to the Insured, conducting Property inspections and requesting appraisals of the Property.

## 6 Loss Payment Procedure

- 6.1 **Filing of Claim** — The Insured shall file a Claim after, but no later than sixty (60) days following, the conveyance to the Insured of Borrower's Title to the Property. If the Insured is not required to have Borrower's Title to file a Claim for a reason described in Section 5.9, then the Claim must be filed (a) within sixty (60) days after the Property is conveyed in a pre-foreclosure sale, at the foreclosure sale, or by exercise of the rights of redemption or (b) at the time specified by Section 5.3. If the Insured fails to file a Claim within the applicable time, the Insured will not be entitled to, and the Company will not be obligated for, any payment under this Policy for amounts, including additional interest and expenses, which would otherwise be claimable, but which accrue or are incurred after the sixty (60) day period for filing of a Claim.

If the Insured fails to file a Perfected Claim within one hundred eighty (180) days after the filing of the Claim (or within such longer period of time as the Company may allow in writing), the Insured will no longer be entitled to payment of a Loss and the Company will not be obligated to make any payment under this Policy.

- 6.2 **Calculation of Claim Amount** — Subject to Sections 7.5 and 5.3, the Claim Amount will be an amount equal to the sum of:

- a. The amount of unpaid principal balance due under the Loan as of the date of Default without capitalization of delinquent interest, penalties or advances; and
- b. The amount of accrued and unpaid interest due on the Loan computed at the contract rate stated in the Loan through the date that the Claim is filed with the Company, but excluding applicable late charges, penalty interest or other changes to the interest rate by reason of Default; and
- c. The amount of advances incurred by the Insured under Section 5.7 prior to filing of the Claim (except to Persons employed or controlled by the Insured or the Owner of the Loan or their other internal costs) provided that:
  1. Attorney's fees advanced for completion of Appropriate Proceedings and obtaining Possession of the Property will not be allowed to the extent they exceed three percent (3%) of the sum of the unpaid principal balance and the accrued and accumulated interest due; and
  2. Such advances, other than attorney's fees, must have first become due and payable after the Default, and payment of such advances must be prorated through the date the Claim is filed with the Company;

less:

- (i) The amount of all rents and other payments (excluding proceeds of a sale of the Property and the proceeds of fire and extended coverage insurance) collected or received by the Insured, which are derived from or in any way related to the Property;
- (ii) The amount of cash remaining in any escrow account as of the last payment date;
- (iii) The amount of cash or other collateral to which the Insured has retained the right of possession as security for the Loan;
- (iv) The amount paid under applicable fire and extended coverage policies which are in excess of the cost of restoring and repairing the Property, if the Property is damaged, and which has not been paid to the Borrower or applied to the payment of the Loan as required by the terms of the Loan; and
- (v) Any other amounts claimed by the Insured to the extent they are excluded from the Claim Amount by reason of Section 4.

- 6.3 **Payment of Loss; Company's Options** — Within the Settlement Period, but only if the Insured has satisfied all requirements for a payment of Loss and if the Company has received a Perfected Claim, the Company shall at its sole

option exercise its:

- a. Property acquisition settlement option. Pay to the Insured as the Loss the Claim Amount calculated in accordance with Section 6.2 for the Company's acquisition of the Property; or
- b. Percentage guaranty option. Allow the Insured to retain all rights in and title to the Property, and pay to the Insured as the Loss the Claim Amount calculated in accordance with Section 6.2 of this Policy multiplied by the percentage of coverage or as otherwise calculated as specified in the Certificate. However, if prior to the Company's payment of the Loss, a third party acquires title to the Property at the foreclosure sale or a Borrower redeems the Property (unless such acquisition or redemption occurs because the Insured failed to bid as provided in Section 5.11), then the Company shall pay the lesser of: (i) the percentage guaranty option amount described above; or (ii) the difference between the Claim Amount and the amount realized by the Insured at the foreclosure sale or redemption; or
- c. Pre-Claim sale option. Pay to the Insured as the Loss the amount calculated in accordance with Section 5.10, if the terms and conditions of Section 5.10 are met.

In addition to the sum due pursuant to the option described above which the Company selects, the Loss payable by the Company will include the other amounts provided for under Sections 6.5 or 7.2 when such Sections are applicable. The Company will deduct from its payment of Loss such amounts as may be permitted by this Policy and the aggregate amounts of any payments of Loss which it had previously made. In the event of a Loss on a Loan with renewal premiums due monthly, which results from a Default covered under Section 2.6(a), the Company shall deduct from the payment of Loss an amount equal to any unpaid renewal premiums for the subject Loan through the end of the monthly renewal period in which such Default occurred.

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

- a. No later than the twentieth (20th) day after filing of a Claim, the Company may notify the Insured of additional documents or information which it requires for processing the Claim. The sixty-day period will be suspended until the Company receives such additional documents and information. The Company may request additional documents and information after such twenty-day period, and the Insured must use reasonable efforts to satisfy such request.
- b. No later than the sixtieth (60th) day after filing of a Claim, the Company may notify the Insured that it will require access to the Property sufficient to inspect, appraise and evaluate the Property. If the Company does not notify the Insured by that date, its right to such access will be deemed waived. If such notice is given, the Insured will use its best efforts to provide access to the Company and, if access is not then available, the sixty day period will be suspended from the date such notice was given until the Company receives notice from the Insured that access is available to it. If access is in fact not available when sought by the Company after such notice from the Insured, the Company will promptly notify the Insured of such unavailability, and the passage of the sixty day period will remain suspended as if the Insured's notice of availability had not been given to the Company.
- c. If the Company has elected to acquire the Property in settlement of a Claim, the sixty day period also will be suspended if necessary for there to be a period of ten (10) days after the date on which the Insured satisfies all conditions to acquisition, including any required restoration of the Property, for the Insured's delivery of a recordable deed and title policy or opinion evidencing Good and Merchantable Title (not subject to any rights of redemption, unless the Company waives such requirement) and, if applicable, delivery of Possession to the Property.
- d. If the sixty day period is suspended for more than one reason, the resulting suspended periods will only be cumulative if in fact they occur at different times; to the extent they occur simultaneously, they will not be cumulative.

**6.5 Payment by the Company After the Settlement Period** — If the Company has not paid a Loss during the Settlement

Period, then (a) the Company will include in its payment of Loss, if a Loss is ultimately payable, simple interest on the amount payable accruing after the Settlement Period to the date of payment of Loss at the applicable interest rate or rates which would have been payable on the Loan during such period, and (b) the Company will no longer be entitled to acquire the Property as an option for payment of the Loss.

The Company must either pay the amount of applicable Loss (including any additional applicable interest as computed above) or deny the Claim in its entirety within (a) one hundred twenty (120) days after expiration of the Settlement Period, or (b) if the Settlement Period has not expired, no later than one hundred eighty (180) days after filing of the Claim. If at a later date it is finally determined by agreement between the Insured and the Company (or by completion of legal or other proceedings to which the Insured and the Company are parties) that the Company was not entitled to deny all or a portion of the Claim, the Company will include in any resulting subsequent payment of Loss interest as calculated above through the date of such payment on the amount of Loss which the Company was not entitled to deny.

6.6 **Discharge of Obligation** — Payment by the Company of the amount of Loss required to be paid in accordance with this Policy will be a full and final discharge of its obligation with respect to such Loss under this Policy.

## 7 Additional Conditions

7.1 **Proceedings of Eminent Domain** — In the event that part or all of a Property is taken by eminent domain, or condemnation or by any other proceedings by federal, state or local governmental unit or agency, the Insured must require that the Borrower apply the maximum permissible amount of any compensation awarded in such proceedings to reduce the principal balance of the Loan, in accordance with the law of the jurisdiction where the Property is located.

### 7.2 Pursuit of Deficiencies

- a. The Insured will be entitled to pursue Appropriate Proceedings, or shall at the direction of the Company pursue Appropriate Proceedings through the end of the Settlement Period, which may result in the Borrower becoming liable for a deficiency after completion of the Insured's acquisition of a Property. Such pursuit may not be directed by the Company unless such deficiency is estimated to exceed \$7,500. If the Company proposes to pursue a deficiency judgment, in whole or in part for its account, it will notify the Insured at least thirty (30) days before the foreclosure sale. If the Company does not so notify the Insured, the deficiency judgment, if established by the Insured, will be solely for the account of the Insured, and the Company will not be subrogated to any rights to pursue the deficiency judgment.
- b. The following provisions will apply if, in completing Appropriate Proceedings there are additional expenses advanced pursuant to Section 5.7 or additional interest accrued on the Loan, due to (1) an additional redemptive period or a delay in acquisition of Borrower's Title, which period or delay is directly related to establishing the deficiency judgment or (2) legal proceedings which are necessary to establish and pursue the deficiency judgment and which would not otherwise be the custom and practice used.
  - i. If the deficiency judgment is to be established, in whole or in part, for the account of the Company, the Company must pay the Insured at the time of payment of the Claim, regardless of which settlement option the Company has selected, the full amount of:
    - (A) such additional expenses advanced pursuant to Section 5.7 by the Insured; and
    - (B) such additional interest accrued on the unpaid principal balance of the Loan at the contract rate stated in the Loan, but excluding applicable late charges, penalty interest, or other changes to the interest rate by reason of Default.
  - ii. If the deficiency judgment is not to be established, in whole or in part, for the account of the Company, none of the additional interest or expenses of the type described in subparagraph (i) above will be includable in the Claim Amount or payable at any time by the Company.

- iii. For purposes of determining the additional expenses described in subparagraph (i) above resulting from pursuing the deficiency judgment, the limitation on attorneys' fees in Section 6.2 will not apply.
  - iv. All of the additional interest, expenses, attorney's fees and court expenses described in subparagraph (i) above will be accrued or advanced only through acquisition of Borrower's Title, including any additional redemptive period.
- c. The Company and the Insured may agree generally or with respect to a Loan to different terms and conditions than set forth in this Section 7.2. The Company and the Insured also may agree to the joint pursuit or other arrangements for the collection of deficiency judgments on mutually acceptable terms and conditions.

7.3 **Subrogation** — Subject to Section 7.2(a), and only to the extent that the Company is entitled under applicable law to pursue such deficiency rights, the Company will be subrogated, upon payment of the Loss, in the amount thereof and with an equal priority to all of the Insured's rights of recovery against a Borrower and any other Person relating to the Loan or to the Property. The Insured must execute and deliver at the request of the Company such instruments and papers and undertake such actions as may be necessary to transfer, assign and secure such rights. The Insured shall refrain from any action, either before or after payment of a Loss, that prejudices such rights.

7.4 **Policy for Exclusive Benefit of the Insured and the Owner** — A Commitment and Certificate issued as the result of any Application submitted hereunder and the coverage provided under this Policy will be for the sole and exclusive benefit of the Insured and the Owner of the related Loan, and in no event will any Borrower or other Person be deemed a party to, or an intended beneficiary of, this Policy or any Commitment or Certificate.

7.5 **Effect of Borrower Insolvency or Bankruptcy on Principal Balance** — If under applicable insolvency or bankruptcy law, a Loan's principal balance secured by a Property is reduced (after all appeals of such reduction are final or the time for such appeals has lapsed without appeal), the portion of such principal balance of the Loan not secured by the Property, and related interest, will be includable in the Claim Amount, as provided in this Section 7.5.

If a Default occurs on the Loan, the Insured has acquired Borrower's Title or Good and Merchantable Title to the Property as required by this Policy, and all other requirements for filing of a Claim are complied with, the Insured will be entitled to include in the Claim Amount (a) the amount of the principal balance of the Loan which was deemed unsecured under applicable insolvency or bankruptcy law, less any collections or payments on such unsecured principal balance received by the Insured, and (b) interest thereon at the rate and as computed in Section 6.2, from the date of Default giving rise to the Claim (but for no prior period). In no event will any expenses or other amounts associated with the amount by which the principal balance of the Loan became unsecured be includable in the Claim Amount, directly or by an addition to the principal balance includable in the Claim Amount.

#### 7.6 **Arbitration of Disputes; Suits and Actions Brought by the Insured**

- a. Unless prohibited by applicable law, all controversies, disputes or other assertions of liability or rights arising out of or relating to this Policy, including the breach, interpretation or construction thereof, shall be settled by arbitration. Notwithstanding the foregoing, the Company or the Insured both retain the right to seek a declaratory judgment from a court of competent jurisdiction on matters of interpretation of the Policy. Such arbitration shall be conducted in accordance with the Title Insurance Arbitration Rules of the American Arbitration Association in effect on the date the demand for arbitration is made, or if such Rules are not then in effect, such other Rules of the American Arbitration Association as the Company may designate as its replacement.

The arbitrator(s) shall be neutral person(s) selected from the American Arbitration Association's National Panel of Arbitrators familiar with the mortgage lending or mortgage guaranty insurance business. Any proposed arbitrator may be disqualified during the selection process, at the option of either party, if they are, or during the previous two (2) years have been, an employee, officer or director of any mortgage guaranty insurer, or of any entity engaged in the origination, purchase, sale or servicing of mortgage loans or mortgage-backed securities.

- b. No suit or action (including arbitration hereunder) brought by the Insured against the Company with respect

to the Company's liability for a Claim under this Policy shall be sustained in any court of law or equity or by arbitration unless the Insured has substantially complied with the terms and conditions of this Policy, and unless the suit or action is commenced within three (3) years (five (5) years in Florida or Kansas) after the Insured has acquired Borrower's Title to the Property or sale of the Property approved by the Company is completed, whichever is applicable to a Loan. No such suit or action with respect to a Claim may be brought by the Insured against the Company until sixty (60) days after such acquisition of Borrower's Title or sale, as applicable to a Loan.

- c. If a dispute arises concerning the Loan which involves either the Property or the Insured, the Company has the right to protect its interest by defending the suit, even if the allegations contained in such suit are groundless, false or fraudulent. The Company is not required to defend any lawsuit involving the Insured, the Property or the Loan.

7.7 **Release of Borrower; Defenses of Borrower** — The Insured's execution of a release or waiver of the right to collect any portion of the unpaid principal balance of a Loan or other amounts due under the Loan will release the Company from its obligation under its Certificate to the extent and amount of said release. If, under applicable law, the Borrower successfully asserts defenses which have the effect of releasing, in whole or in part, the Borrower's obligation to repay the Loan, or if for any other reason the Borrower is released from such obligation, the Company will be released to the same extent and amount from its liability under this Policy, except as provided by Section 7.5.

7.8 **Amendments; No Waiver; Rights and Remedies; Use of Term "Including"**

- 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 thereof by endorsement setting forth the amendment. Such amendment will only be applicable to those Certificates where the related Commitment was issued on or after the effective date of the amendment.
- 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 or equity.
- d. As used in this Policy, the term "include" or "including" will mean "include or including, without limitation."

7.9 **No Agency** — Neither the Insured, any Servicer or Owner, nor any of their employees or agents, will be deemed for any reason to be agents of the Company. Neither the Company, nor any of its employees or agents, will be deemed for any reason to be agents of any Insured, Servicer or Owner.

7.10 **Successors and Assigns** — This Policy will inure to the benefit of and shall be binding upon the Company and the Insured and their respective successors and permitted assigns.

7.11 **Applicable Law and Conformity to Law** — All matters under this Policy will be governed by and construed in accordance with the laws of the jurisdiction in which the office of the original Insured on a Certificate is located. Any provision of this Policy which is in conflict with any provision of the law of such jurisdiction is hereby amended to conform to the provisions required by that law.

7.12 **Notice** — All claims, premium payments, tenders, reports, other data and any other notices required to be submitted to the Company by the Insured must be sent to the Company at MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, WI 53202. The Company may change this address by giving written notice to the Insured. Unless the Insured otherwise notifies the Company in writing, all notices to the Insured must be sent to the address on the face of this Policy or, if the Insured is not located at such address, to the last known address of the Insured.

All notices under this Policy, whether or not identified in this Policy as required to be in writing, will be effective only if in writing and only upon receipt thereof. Written notices may instead be given in the form of telecopy or, if acceptable to the Company (for notices given to the Company) or to the Insured (for notices given to the Insured) in the form of computer tape or computer-generated or any other electronic message. A telecopy or such tape or message shall be effective only when received. The Company and the Insured may mutually agree that notices will be sent to any additional Person. Except as expressly agreed to by the Company and the Insured, no liability shall be incurred by the Company for the failure to give a notice to a Person other than the Insured.

- 7.13 **Reports and Examinations** — The Company may request, and the Insured must provide, such files, reports or information as the Company may deem necessary pertaining to any Loan, and the Company will be entitled to inspect the files, books and records of the Insured or any of its representatives pertaining to such Loan.
- 7.14 **Electronic Media** — The Company and the Insured may, from time to time, deliver or transfer information, documents or other data between them by electronic media acceptable to them. In addition, the Company and the Insured may maintain information, documents or other data on electronic media or other media generally accepted for business records, including microfiche. Such electronic or other media will be as equally acceptable for all purposes between the Insured and the Company as information, documents or other data maintained in printed or written form.

---

---

**Subrogation Endorsement**

---

---

---

It is hereby understood and agreed that Section 7.3 Subrogation is amended to include the following at the end of such Section:

However, if the Property is located in the State of New York, the Company shall not have subrogation rights against any Borrower as set forth in this Section 7.3 and no Borrower shall be liable to the Company for any deficiency arising from a foreclosure sale.

---

## **Master Reporting Program Endorsement**

---

The purpose of this Endorsement is to amend terms and conditions of the Policy to provide for the insurance of Loans under the Master Reporting Program made available by the Company to certain Insureds to whom this Endorsement is issued. An Insured will be entitled to submit Loans for insurance under this Endorsement unless this Endorsement is revoked by the Company. The Company reserves the right to revoke this Endorsement immediately upon written notice to the Insured. This Endorsement will apply only to a Loan which is identified by the Company as being insured under the Master Reporting Program. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. The following additional definitions are added to Section 1 of the Policy:

- 1.27 **Eligibility Criteria** means the requirements established by the Company from time to time applicable to qualification of a Loan for insurance under this Policy (including approved mortgage loan programs, maximum loan-to-value ratios and original principal amounts, coverage limitations, underwriting requirements and payment status) and of which the Company advises the Insured (by notice to the Insured as provided for in this Policy or by general publication in underwriting guides, premium rate cards, or other written or electronic communications) prior to the Loan becoming insured, and as the Company may amend same from time to time and advise or notify the Insured prior to such amendment becoming effective.
- 1.28 **Transmittal** means all data and information provided to the Company in connection with insuring a Loan under this Policy and all exhibits and documents furnished to the Company in connection therewith. Whenever the term "Application" is used in this Policy, the term "Transmittal" and its definition will be substituted therefor.
- 1.29 **Loan File** means, with respect to a Loan, copies of all documents (including all data and information in electronic format) created or received in connection with the origination and closing of the Loan, including the Borrower's loan application, purchase contract, appraisal, credit report, verifications of employment, income and deposit, and HUD-1 or other settlement statement.

B. Sections 2.1 through 2.4 of the Policy are deleted in their entirety and replaced with the following:

- 2.1 **Loan Underwriting and Obtaining Coverage** — This Policy shall automatically extend to each Loan which is submitted for coverage under this Policy, provided that it is made in accordance with the terms and provisions of this Policy, including the Eligibility Criteria, and is evidenced by a Certificate issued by the Company. In order to obtain coverage under this Policy for a Loan, a duly completed Transmittal must be submitted to the Company within thirty (30) days after the Insured makes or acquires the Loan (or such longer period as allowed by the Company), and the Company shall then issue a Commitment and Certificate, if all applicable requirements are satisfied.

If the Insured or the Person acting on its behalf denies the mortgage loan application received by it from the applicant, the Insured will be responsible for notifying the applicant in compliance with any applicable state or federal laws or regulations, including the Equal Credit Opportunity Act and any other similar law or regulation.

- 2.2 **Representations of the Insured** — The Insured represents to the Company that:
- a. all statements made and information provided to the Company in a Transmittal or in a Commitment or Certificate (including as such is related to continuation of coverage upon assumption of a Loan) are supported by statements and information in the Loan File;

- b. all statements made and information provided to the Company in a Transmittal when provided to the Company or contained in any Commitment or Certificate or contained in the Loan File when the Loan is closed are not false or misleading in any material respect as of such date(s) and do not omit any fact necessary in order to make such statements and information not false or misleading in any material respect as of such date(s); and
- c. the Loan complies with the Eligibility Criteria in effect at the time the Transmittal is submitted to the Company. For purposes of this subparagraph (c), Section 2.4 of this Policy shall not apply to a determination as to whether a Loan complies with the Eligibility Criteria.

The foregoing representations will apply to all statements and information provided to the Company in the Transmittal, Commitment or Certificate or contained in the Loan File, whether made or submitted by the Insured, the Borrower or any other Person, and will be deemed to have been made and provided for and on behalf of the Insured. The foregoing representations shall be effective whether or not they are made by the Insured or other Person with the intent to deceive or mislead, or with the knowledge that they are not true and correct.

It is understood and agreed that such statements and information in the Transmittal, Commitment or Certificate, or Loan File in the aggregate are, and in certain instances individually may be, material to the Company's decision to offer, provide or so continue coverage of the related Loan; the Company issues the related Commitment and Certificate or continues coverage in reliance on the accuracy and completeness of such statements and information submitted to it; and the Company's reliance on the representations in this Section 2.2 survive the issuance of a Commitment and Certificate or such continuation of coverage and any later review or audit of the Insured's files by the Company. Without otherwise limiting the scope of this Section 2.2, a breach of Section 4.8 relating to down payment will be deemed a material misrepresentation for purposes of this Section 2.2.

2.3 **Company's Remedies for Misrepresentation** — Subject to Section 2.4, if any of the Insured's representations as described in Section 2.2 are materially false or misleading with respect to a Loan, the Company will have at its option, the right to defend against a Claim on such Loan, or to the extent permitted by applicable law, to cancel or rescind coverage under the Certificate related to such Loan retroactively to commencement of coverage (or if the misrepresentation occurs with respect to continuation of coverage upon assumption of a Loan, to so defend, cancel or rescind retroactively to the date of such continuation). In the case of such cancellation or rescission, the Company shall return at that time all paid premiums retroactively to such applicable date.

2.4 **Incontestability for Certain Misrepresentations** — Notwithstanding Sections 2.2 and 2.3, no Claim for Loss will be denied or adjusted, nor will such Certificate's coverage be rescinded or canceled, by reason of any misrepresentations (whether by statements made or information provided, or of statements or information omitted) contained in a Transmittal or the related Loan File, provided that all of the following requirements, conditions and circumstances, to the extent not waived in writing at the option of the Company, are satisfied:

- a. The misrepresentation must not have been:
  - 1. knowingly made, or knowingly participated in, by:
    - (i) the Insured or any other Person which originated the Loan;
    - (ii) a correspondent lender, mortgage loan broker or other intermediary underwriting or processing the Loan on behalf of the Insured or any other Person which originated the Loan; or
    - (iii) an escrow or closing agent, or any other agent of, or broker for, the Insured or any other Person which originated the Loan acting with respect to the Loan or the related Property transaction; or

2. made, whether or not knowingly, by an appraiser, provider of an automated valuation model, or any other Person providing a valuation of the Property that is used in underwriting, processing or originating the Loan and that is submitted to the Company for the purpose of establishing the Value of the Property.

b. This Section 2.4 will not apply to a Certificate if within twelve (12) months before or after a material misrepresentation by a Borrower or other Person (other than those Persons identified in Section 2.4(a) above), there are one or more material misrepresentations in a Transmittal or Loan File (i) with respect to three or more other mortgage loans insured at any time by the Company for the Insured or any other lender and (ii) which result from the direct or indirect acts or omissions of the same Borrower or same other Person (including any other Person acting directly or indirectly in concert).

c. This Section 2.4 shall not be construed to limit the applicability of Section 4.4(b) to a misrepresentation covered by this Section 2.4.

d. The Company's payment of a Claim will not limit any rights which the Company has against the Borrower or any other Person (other than the Insured) for any misrepresentation.

C. Section 2.12 of the Policy is added with the following:

2.12 **Post Underwriting Review and Copies of Loan Files** — The Company or representatives designated by it will have the right, from time to time, upon thirty (30) days advance notice to the Insured, to conduct a post underwriting review (including inspection) of the Loan Files and other information, papers, files, documents, books, records, agreements, and electronically stored data prepared or maintained by or in the possession or under the control of the Insured pertaining to or in connection with Loans insured under this Policy. The Company will have the right to conduct the review on the Insured's premises during normal business hours. The Insured must cooperate fully with the review. In addition, either in connection with such review or separately, the Company will have the right upon thirty (30) days prior written notice to obtain from the Insured a copy of the Loan File for any Loan for which a Commitment or Certificate has been issued pursuant to this Policy. If for any reason the Insured fails to provide a copy of a Loan File at the time of the Company's review or upon the Company's other notice, the Company will provide a second notice to the Insured, allowing the Insured to provide it within an additional thirty (30) day period. If for any reason the Insured fails to provide a copy of a Loan File within the additional thirty day period, then, at the Company's option, the Company will have the right to cancel coverage under the related Certificate.

D. Section 4.8 is deleted in its entirety and replaced with the following:

4.8 **Down Payment** — Any Claim involving a Loan which is for the purchase of the Property, and for which the Borrower did not make a down payment as described in the Transmittal or Loan File.

E. Section 4.11 of the Policy is added with the following:

4.11 **Non-Eligible Loans** — Any Loan that did not meet the Eligibility Criteria in effect at the time the related Transmittal was submitted to the Company.

F. Section 7.9 of the Policy is deleted in its entirety and replaced with the following:

7.9 **No Agency** — Neither the Insured, any Servicer, or Owner nor any of their employees or agents (including the Persons underwriting the Loan on behalf of the Insured) will be deemed for any reason to be agents of the Company. Neither the Company, nor any of its employees or agents, will be deemed for any reason to be agents of any Insured, Servicer or Owner.

All terms capitalized herein will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

## **Endorsement for Insurance of Loans Relating to Cooperative Properties**

---

The purpose of this Endorsement is to amend terms and conditions of the Policy to provide for the insurance of Loans which are secured by ownership or membership in cooperative housing corporations and the lease of a residential unit by such corporation to the stockholder or member. This Endorsement will apply only to a Loan if the Application submitted by the Insured identifies the Collateral as such ownership or membership and lease, or is so identified by the Company on the Commitment for the Loan. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. The following definition is added to Section 1 of the Policy:

1.8A **Collateral** means: (a) the stock or membership certificate issued to a tenant-stockholder or resident-member by a completed fee simple or leasehold cooperative housing corporation; and (b) the proprietary lease relating to one (1) unit in the cooperative housing corporation executed by said tenant-stockholder or resident-member and any other rights of said stockholder or member relating to any of the foregoing.

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

1. Section 1.2 is amended by replacing the phrase "where the Property is located" to "affecting either the Loan or the Collateral."

2. Section 1.12 is deleted in its entirety and replaced with the following:

1.12 **Good and Merchantable Title** means, when used with respect to the Collateral, the title both to the Collateral and the Property free and clear of all liens, encumbrances, covenants, conditions, restrictions and easements, rights of redemption, except for any of the following or as permitted in writing by the Company:

- 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;
- 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 Loan was closed and all documents were executed;
- c. A first mortgage lien on the entire real estate owned by the cooperative housing corporation which has been disclosed to the Company in the Application for the Loan secured by the Collateral; and
- d. Any other impediments which will not have a materially adverse effect on either the transferability of the Collateral or the sale thereof to a bona fide purchaser.

Good and Merchantable Title will not exist if (i) there is any lien pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, or similar federal or state law as in effect from time to time providing for liens in connection with the removal of environmental conditions, or if notice has been given of commencement of proceedings which could result in such a lien, or (ii) there are limitations on ingress or egress to the Property or on use of utilities. Any action or proceeding after a judicial foreclosure sale relating to establishing a deficiency judgment will not be considered in determining whether the Insured has acquired Good and Merchantable Title.

3. Section 1.21 is amended by adding the following at the end of Section 1.21:  

"subject to the terms of the proprietary lease from the cooperative housing corporation."
  4. Section 1.22 is deleted in its entirety and replaced with the following:  

1.22 **Property** means the Residential real property and all improvements thereon which is owned by the cooperative housing corporation, and which is leased to the Borrower who holds an ownership or membership interest in such cooperative housing corporation, which lease and interest secure the related Loan, together with all easements and appurtenances, all rights of access, all rights to use common areas, recreational and other facilities, and all replacements or additions to any of the foregoing.
  5. Section 1.23 is deleted in its entirety and replaced with the following:  

1.23 **Residential** means a type of building or a portion thereof which is designed for occupancy by more than one family, with ownership by a cooperative housing corporation.
  6. A new Section 3.7 is added as follows:  

3.7 **Indebtedness and Liens** – The Insured shall not consent to or approve, without the prior written approval of the Company, (a) a lien on the entire real estate or the Property that is owned by the cooperative housing corporation, other than that indebtedness secured by a first mortgage lien or other liens disclosed to the Company in the Application, or (b) a modification or termination of any rights of the Insured to exercise its consent or approval respecting the matters described in (a).
- C. For purposes of the Policy, wherever the term "Property" is used and instead refers to the stock or membership certificate, the lease, or any other asset or right related thereto, it shall be deemed to be changed to "Collateral", including for purposes of provisions relating to foreclosure, Appropriate Proceedings, or redemption; acquisition of title or other status of title, lien or ownership (including Borrower's Title and Good and Merchantable Title); or acquisition, disposition or conveyance by any Person.

All terms capitalized will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

**Mortgage Guaranty Insurance Corporation**

250 E. Kilbourn Avenue  
P.O. Box 488, Milwaukee, Wisconsin 53201-0488

**MGIC**

---

**Subrogation Endorsement**

---

---

It is hereby understood and agreed that Section 7.3 Subrogation is amended to include the following at the end of such Section:

However, if the Property is located in one of the following states and consists of a single-family dwelling occupied by a Borrower, the Company shall not have subrogation rights against any Borrower as set forth in this Section 7.3 and no Borrower shall be liable to the Company for any deficiency arising from a foreclosure sale. The states are: Alabama, Arizona, Illinois, Iowa, Kansas, Ohio, Texas, Virginia, Wisconsin and Wyoming.

**Mortgage Guaranty Insurance Corporation**

250 E. Kilbourn Avenue  
P.O. Box 488, Milwaukee, Wisconsin 53201-0488

**MGIC**

---

**Endorsement Deleting Arbitration**

---

---

It is hereby understood and agreed that Section 7.6a is deleted in its entirety and any other reference to arbitration in Section 7 is also deleted.

---

## **Wisconsin Amendatory Endorsement**

---

---

It is hereby understood and agreed that the following changes are made to the Policy.

1. Section 2.3 is deleted in its entirety and replaced as follows:
  - 2.3 **Company's Remedies for Misrepresentation** ž Subject to Section 2.4, if any of the Insured's representations as described in Section 2.2 are materially false or misleading with respect to a Loan, the Company will have at its option, the right to defend against a Claim to the extent permitted by applicable law.
2. Wherever the term "sixty" is used in any manner to refer to a time period in Section 6.4, it is replaced by the term "thirty."

---

## **Fraud Warning Endorsement**

---

---

It is hereby understood and agreed that the following is added to the Policy.

**WARNING:**

Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.

---

**Virginia Amendatory Endorsement**

---

It is hereby understood and agreed that representations referred to in Section 1.1 of this Policy and any Endorsements amending Section 1.1, shall not bar recovery under a Claim unless it is clearly proved that such representation was material to the risk when assumed and was untrue. Furthermore, it is understood and agreed that the term warranties is deleted from Section 1.1.

---

## **Cancellation Endorsement**

---

---

It is hereby understood and agreed that the following change is made to the Policy.

1. Section 2.9 is deleted in its entirety and replaced as follows:

2.9 **Cancellation of Policy** - Once a Certificate has become effective with respect to a Loan, this Policy may not be cancelled by the Company for as long as any Certificate issued under this Policy remains in force. The Company may cease issuing new Commitments or Certificates upon written notice to the Insured.

**Mortgage Guaranty Insurance Corporation**

250 E. Kilbourn Avenue  
P.O. Box 488, Milwaukee, Wisconsin 53201-0488

**MGIC**

---

**Texas Amendatory Endorsement**

---

---

It is hereby understood and agreed that the Company may not cancel or refuse to renew this Policy or a Certificate based solely on the fact that the Insured is an elected official.

---

## **Illinois Endorsement**

---

---

It is hereby understood and agreed that the following changes are made to the Policy.

1. Section 2.9 is deleted in its entirety and replaced as follows:

- 2.9 **Cancellation of Policy** - Once a Certificate has become effective with respect to a Loan, this Policy may not be cancelled by the Company for as long as any Certificate issued under this Policy remains in force. The Company may cease issuing new Commitments or Certificates upon written notice to the Insured.

2. Section 7.6b is amended by the addition of the following:

The three (3) year period for bringing suit or action is hereby extended for the period of time from the date the Perfected Claim is filed until the date such Perfected Claim is denied in whole or in part.

3. Section 7.12 is amended by the addition of the following:

Any notice of cancellation will be provided by written notice mailed to the Insured and not by electronic media.

---

## **Minnesota Endorsement**

---

It is hereby understood and agreed that the following changes are made to the Policy.

1. Section 2.3 is deleted in its entirety and replaced as follows:
  - 2.3 **Company's Remedies for Misrepresentation** - Coverage under a Certificate is void in any case of fraud, material misrepresentation or material omission made by or with the knowledge of the Insured in obtaining such coverage or pursuing a Claim with respect to such Certificate under this Policy.
  
2. Section 2.9 is deleted in its entirety and replaced as follows:
  - 2.9 **Cancellation of Policy** - The Company may cancel its obligation to issue new Commitments or Certificates under this Policy by providing sixty (60) days written notice of cancellation of this Policy. In cases of cancellation of a Certificate under this Policy for reason (1) below, the Company shall give notice to the Insured at least ten (10) days before the effective cancellation date. Any notice of cancellation shall contain a specific reason for cancellation as provided for below. However, Commitments and Certificates issued prior to such cancellation of this Policy will continue in force so long as all premiums are paid and all other terms and conditions of this Policy for coverage are complied with by the Insured. This Policy may not be cancelled except for one of the following reasons:
    - (1) Non-payment of premium. Cancellation shall apply only to a Certificate on which the premium has not been paid;
    - (2) Misrepresentation or fraud made by or with the knowledge of the Insured in obtaining this Policy or in pursuing a Claim under this Policy;
    - (3) Actions by the Insured that have substantially increased or substantially changed the risk insured;
    - (4) Refusal of the Insured to eliminate known conditions that increase the potential for Loss after notification by the Company that the condition must be removed;
    - (5) Substantial change in the risk assumed, except to the extent that the Company should reasonably have foreseen the change or contemplated the risk in writing the contract;
    - (6) Loss of reinsurance by the Company which provided coverage to the Company for a significant amount of the underlying risk insured. A notice of cancellation under this clause shall advise the Insured that the Insured has ten days from the receipt of the notice to appeal the cancellation to the Commissioner of Commerce and that the Commissioner will render a decision as to whether the cancellation is justified because of the loss of reinsurance within five business days after receipt of the appeal; or
    - (7) A determination by the Commissioner of Commerce that the continuation of this Policy could place the Company in violation of the insurance laws of Minnesota.

3. Section 6.5 is amended by the addition of the following new last sentence:

Notwithstanding the foregoing provisions of this Section 6.5, payment of a Loss will in no event be made later than five (5) business days after the date on which the Company has agreed to the amount of Loss to be paid, or the date on which all conditions and requirements to payment of a Loss have been satisfied, whichever is later.

4. Section 7.3 is amended by the addition of the following new last paragraph:

The Company, as a provider of insurance coverage, or its reinsurer for that underlying insurance coverage, may not proceed against its Insured in a subrogation action where the Loss was caused by nonintentional acts of the Insured. The Company, as provider of insurance coverage, or its reinsurer for that underlying insurance coverage may not subrogate itself to the rights of its Insured to proceed against another Person if that other Person is insured for the same loss by the Company. This provision applies only if the Loss was caused by the nonintentional acts of the Person against whom subrogation is sought.

---

## **Endorsement for Insurance of Loans With Additional Approved Collateral**

---

The purpose of this Endorsement is to amend terms and conditions of the Policy to provide for the insurance of Loans which are secured by collateral in addition to the Property. This Endorsement will apply to a Loan only if the Application submitted by the Insured identifies the additional collateral or if this Endorsement is identified by the Company on the Certificate for the Loan. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated.

- A. A new Section 2.12 [2.13 if the Master Reporting Program Endorsement applies] is added to the Policy, as follows:
- 2.12 [2.13] **Additional Approved Collateral** - The Company may allow, in lieu of all or a portion of the down payment on a Loan, the deposit of collateral as security for the Loan (which shall include all proceeds and replacements of the originally deposited collateral, and which shall together be the "Collateral"). The Collateral shall be applied in full to reduce the Claim Amount in the event of a Claim, subject to all of the following additional terms and conditions:
- a. The original, stated value of the Collateral (the "Collateral Value") must be disclosed in the Application to the Company.
  - b. If the Company approves the Loan for insurance hereunder:
    - (i) The Insured shall be deemed to have represented as of the Certificate Effective Date for the Loan that it has full right to use of the Collateral and that it has a perfected first lien security interest in the Collateral.
    - (ii) The Insured shall not apply the Collateral to relieve the Borrower of the obligation to make regularly scheduled payments due under the Loan, unless permitted in writing by the Company.
- B. For purposes of calculating the Claim Amount, Section 6.2 (iii) of the Policy shall be deleted in its entirety and replaced with the following:
- (iii) (A) The Collateral Value, whether or not the Insured has retained the Collateral as security for the Loan, and without regard to any loss or release of Collateral occurring for any reason (including loss of investment value or priority of lien). Any such loss or release shall be borne by, and be the responsibility of, the Insured; and
  - (B) Any other amount of cash or other collateral to which the Insured has retained the right of possession as security for the Loan.

All terms capitalized will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

## **Endorsement to Mortgage Guaranty Master Policy (Deferred Initial Premium)**

---

---

The purpose of this Endorsement is to amend the Policy to provide the terms for the insurance of Loans for which payment of the initial premium is deferred. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated.

A new Section 2.5 c. is added to the Policy, as follows:

- c. If the Loan is insured under a premium plan whereby payment of the initial premium is deferred and is not a condition to coverage being extended to the Loan, all of the following provisions shall apply to such Loan, notwithstanding any contrary provisions in this Section 2.5 of this Policy:
  - i) Payment of the initial premium shall be deferred to a date after which coverage has been extended to the Loan, as specified by the Company.
  - ii) Coverage shall become effective upon satisfaction of conditions prescribed by the Company, but payment of the initial premium shall not be a condition precedent to coverage being extended to such Loan.
  - iii) Except as provided below, if the initial premium is not paid within the time period required by the Company, coverage of such Loan will be terminated, retroactively to the Certificate Effective Date.
  - iv) If a Default on the Loan occurs after the Certificate Effective Date, but within the time period for payment of the initial premium, the Insured shall not be required to pay the initial premium when it becomes due, and coverage of such Default will continue, while such Default exists; and future payment of the initial premium and renewal premiums shall be governed by the following terms:
    - (1) If such Default is cured, the initial premium not paid during the period of Default shall be payable (unless previously paid by the Insured) within the time prescribed by the Company after notice from the Company in order to continue coverage, and renewal premiums on such Loan shall also be payable, as provided in Section 2.6 (a) of this Policy.
    - (2) If such Default is not cured and results in a Claim, the unpaid initial premium which was due shall be deducted from the payment of Loss due under Section 6.3.
  - v) Without changing how Section 2.6 (b) applies to renewal premiums, Section 2.6 (b) shall also apply to termination of coverage for non-payment of the initial premium, except that references in Section 2.6 (b) to "renewal premiums" shall instead be to "initial premium"; and references to "grace period" shall instead be to the "period for payment of the initial premium in Section 2.5".
  - vi) To the extent any other provisions of this Policy are in conflict or inconsistent with the terms of this paragraph (c), such provisions shall be waived or modified to make them consistent.

All terms capitalized will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

Authorized Agent (if required)

---

## Endorsement to Mortgage Guaranty Master Policy (Deferred Initial Premium)

---

The purpose of this Endorsement is to amend the Policy to provide the terms for the insurance of Loans for which payment of the initial premium is deferred. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated.

A new Section 2.5 c. is added to the Policy, as follows:

- c. If the Loan is insured under a premium plan whereby payment of the initial premium is deferred and is not a condition to coverage being extended to the Loan, all of the following provisions shall apply to such Loan, notwithstanding any contrary provisions in this Section 2.5 of this Policy:
  - i) Payment of the initial premium shall be deferred to a date after which coverage has been extended to the Loan, as specified by the Company.
  - ii) Coverage shall become effective upon satisfaction of conditions prescribed by the Company, but payment of the initial premium shall not be a condition precedent to coverage being extended to such Loan.
  - iii) Except as provided below, if the initial premium is not paid within the time period required by the Company, coverage of such Loan will be terminated.
  - iv) If a Default on the Loan occurs after the Certificate Effective Date, but within the time period for payment of the initial premium, the Insured shall not be required to pay the initial premium when it becomes due, and coverage of such Default will continue, while such Default exists; and future payment of the initial premium and renewal premiums shall be governed by the following terms:
    - (1) If such Default is cured, the initial premium not paid during the period of Default shall be payable (unless previously paid by the Insured) within the time prescribed by the Company after notice from the Company in order to continue coverage, and renewal premiums on such Loan shall also be payable, as provided in Section 2.6 (a) of this Policy.
    - (2) If such Default is not cured and results in a Claim, the unpaid initial premium which was due shall be deducted from the payment of Loss due under Section 6.3.
  - v) Without changing how Section 2.6 (b) applies to renewal premiums, Section 2.6 (b) shall also apply to termination of coverage for non-payment of the initial premium, except that references in Section 2.6 (b) to "renewal premiums" shall instead be to "initial premium"; and references to "grace period" shall instead be to the "period for payment of the initial premium in Section 2.5".
  - vi) To the extent any other provisions of this Policy are in conflict or inconsistent with the terms of this paragraph (c), such provisions shall be waived or modified to make them consistent.

All terms capitalized will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

Authorized Agent (if required)

---

**Endorsement to Mortgage Guaranty Master Policy  
(Loans with Premium Amount  
Included in the Loan's Principal Amount)**

---

---

The purpose of this Endorsement is to amend terms and conditions of the Policy with respect to the payment of Loss on a Loan which is calculated under the percentage guaranty option, if an amount representing all or a portion of the premium for coverage of such Loan is included in the original principal amount of the Loan. This Endorsement will apply to a Loan if the Application submitted by the Insured identifies the amount equal to such premium which is to be included in, and paid from, the original principal amount of the Loan. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. Section 6.2 of the Policy is amended by adding the following new paragraph (vi) and deleting the word "and" at the end of paragraph (iv) and replacing the period at the end of paragraph (v) with "; and":

(vi) If the percentage guaranty option is payable by the Company or used to calculate the pre-Claim sale option, an amount calculated as (A) the premium paid to the Company for coverage of the Loan, to the extent such premium was included in, and paid from, the original principal amount of the Loan and was identified as so included in the Application for coverage of the Loan received by the Company, multiplied by (B) a percentage (not to exceed one hundred percent) equal to the unpaid principal balance due under the Loan determined under Section 6.2 (a), divided by the original principal amount of the Loan.

B. Section 6.3 of the Policy is amended by deleting the first sentence of the last paragraph thereof and replacing it with the following:

In addition to the sum due pursuant to the option described above which the Company selects, the Loss payable by the Company will include (i) the other amounts provided for under Sections 6.5 or 7.2 when such Sections are applicable, and (ii) if the percentage guaranty option is payable by the Company or used to calculate the pre-Claim sale option, the amount calculated under Section 6.2 (vi), if applicable, with respect to the premium paid to the Company.

All terms capitalized will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

**Endorsement to Mortgage Guaranty  
Master Policy  
(Origination of Loans)**

---

The purpose of this Endorsement is to amend terms and conditions of the Policy with respect to the application of the Policy to origination of Loans. This Endorsement will apply to all Loans that are insured under the Policy. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. Notwithstanding any definition of a "Policy" as including any endorsements, this Endorsement shall not amend any provision of a master reporting program or other endorsement to the Mortgage Guaranty Master Policy. Any change to such master reporting or other endorsement shall be made by a document other than this Endorsement. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. Section 2.4 is deleted in its entirety and replaced with the following:

2.4 **Incontestability for Certain Misrepresentations** — Notwithstanding Sections 2.2 or 2.3, no Claim for Loss will be denied or adjusted, nor will the Certificate's coverage be rescinded or canceled, by reason of any misrepresentations (whether by statements made or omitted) contained in an Application, provided that all of the following requirements, conditions and circumstances, to the extent not waived in writing at the option of the Company, are satisfied:

- a. The misrepresentation must not have been:
  1. knowingly made, or knowingly participated in, by:
    - (i) the Insured or any other Person which originated the Loan;
    - (ii) a correspondent lender, mortgage loan broker or other intermediary underwriting or processing the Loan on behalf of the Insured or of any other Person which originated the Loan; or
    - (iii) an escrow or closing agent, or any other agent of, or broker for, the Insured or any other Person which originated the Loan acting with respect to the Loan or the related Property transaction; or
  2. made, whether or not knowingly, by an appraiser, provider of an automated valuation model, or any other Person providing a valuation of the Property that is used in underwriting, processing or originating the Loan and that is submitted to the Company for the purpose of establishing the Value of the Property.
- b. This Section 2.4 will not apply to a Certificate if within twelve (12) months before or after a material misrepresentation by a Borrower or other Person (other than those Persons identified in Section 2.4(a)), there are one or more material misrepresentations in an Application (i) with respect to three (3) or more other mortgage loans insured at any time by the Company for the Insured or any other lender and (ii) which result from the direct or indirect acts or omissions of the same Borrower or same other Person (including any other Person acting directly or indirectly in concert).
- c. This Section 2.4 shall not be construed to limit the applicability of Section 4.4(b) to a misrepresentation which is subject to this Section 2.4.
- d. The Company's payment of a Claim will not limit any rights which the Company has against the

Borrower or any other Person (other than the Insured) for any misrepresentation.

B. The Policy is amended by adding the following new provisions:

1. adding the following new definition as Section 1.27:

1.27 **Eligibility Criteria** means the requirements which may be established by the Company from time to time applicable to qualification of a Loan for insurance under this Policy (including approved mortgage loan programs, maximum loan-to-value ratios and original principal amounts, coverage limitations, underwriting requirements and payment status) and of which the Company advises the Insured by notice to the Insured as provided for in this Policy or by general publication in underwriting guides, premium rate cards, or other written or electronic communications prior to the Loan becoming insured. The Company from time to time may amend the requirements which have been established and shall advise or notify the Insured prior to such amendment becoming effective.

2. deleting the period at the end of subparagraph (b) of Section 2.2 and inserting in its place a semicolon, and adding the following new subparagraph (c) to Section 2.2:

c. The Loan complies with the Eligibility Criteria in effect at the time the Application is submitted to the Company. For purposes of this subparagraph (c), Section 2.4 of this Policy shall not apply to a determination as to whether a Loan complies with the Eligibility Criteria.

3. adding the following new Section 4.11:

4.11 **Non-Eligible Loans** - Any Loan that did not meet the Eligibility Criteria in effect at the time the related Application was submitted to the Company.

All terms capitalized herein will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

**Endorsement to Mortgage Guaranty  
Master Policy  
(Definition of Insured and Other Matters)**

---

The purpose of this Endorsement is to amend terms and conditions of the Policy with respect to the definition of "Insured" and various other matters. This Endorsement will apply to all Loans insured under the Policy. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. Definition of Insured. Section 1.13 is deleted in its entirety and replaced with the following:

1.13 **Insured** means:

- a. The Person designated on the face of this Policy;
- b. The initial or subsequent Owner of the Loan, upon request by the Owner to become the Insured; or
- c. The initial or subsequent Servicer of the Loan, if the Owner is not the Insured, upon request by the Servicer to become the Insured or designation by the Owner of such Servicer as the Insured.

If the Company has not been notified in writing of a change of Insured, the Company's sole obligation hereunder shall be to the named Insured, except as specifically provided in this Policy. The Company may rely upon notice from a Person that it or its designee is the new Insured, but the Company must provide notice of such change to the prior Insured.

B. Relationship of Servicer to Insured. Section 1.24 is amended by adding the following new paragraph at the end thereof:

Unless otherwise agreed to in writing by the Company or otherwise required pursuant to the terms of this Policy, if there is a Servicer for a Loan and the Servicer is not the Insured the Company shall be entitled to rely upon and treat the Servicer as the representative of the Insured with respect to communications, paying premiums, accepting Loss payments and for all other purposes of this Policy. However, with respect to assignment of coverage and cancellation of a Certificate, the Company shall be entitled to rely upon instruction from either the Servicer or the Insured. The Servicer may designate the Owner as the payee for any Loss.

C. Incontestability. Section 2.4 (b), as previously amended, is further amended to change the reference:

- (a) from "an Application" to "a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company", and
- (b) if applicable to a Policy of the Insured, from "a Transmittal or Loan File" to "a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company or created or received in connection with origination or closing of such mortgage loan."

D. Filing of Claim. The second paragraph of Section 6.1 is deleted and replaced in its entirety with the following:

If the Insured fails to file a Perfected Claim on a Loan within one (1) year after, as applicable (a) the Insured acquires title to the Property, or (b) the Property is sold by the Borrower in a pre-foreclosure sale with the Company's approval or such other event occurs which is the basis for filing of a Claim under Section 6.1 (or within such longer period of time as the Company may allow in writing), the Insured will no longer be entitled to payment of a Loss on such Loan and the Company will not be obligated to make any Loss payment under this Policy with respect to such Loan.

All terms capitalized herein will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

**Endorsement to Mortgage Guaranty  
Master Policy  
(Definition of Insured and Other Matters)**

---

The purpose of this Endorsement is to amend terms and conditions of the Policy with respect to the definition of "Insured" and various other matters. This Endorsement will apply to all Loans insured under the Policy. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. Definition of Insured. Section 1.13 is deleted in its entirety and replaced with the following:

1.13 **Insured** means:

- a. The Person designated on the face of this Policy;
- b. The initial or subsequent Owner of the Loan, upon request by the Owner to become the Insured; or
- c. The initial or subsequent Servicer of the Loan, if the Owner is not the Insured, upon request by the Servicer to become the Insured or designation by the Owner of such Servicer as the Insured.

If the Company has not been notified in writing of a change of Insured, the Company's sole obligation hereunder shall be to the named Insured, except as specifically provided in this Policy. The Company may rely upon notice from a Person that it or its designee is the new Insured, but the Company must provide notice of such change to the prior Insured.

B. Relationship of Servicer to Insured. Section 1.24 is amended by adding the following new paragraph at the end thereof:

Unless otherwise agreed to in writing by the Company or otherwise required pursuant to the terms of this Policy, if there is a Servicer for a Loan and the Servicer is not the Insured the Company shall be entitled to rely upon and treat the Servicer as the representative of the Insured with respect to communications, paying premiums, accepting Loss payments and for all other purposes of this Policy. However, with respect to assignment of coverage and cancellation of a Certificate, the Company shall be entitled to rely upon instruction from either the Servicer or the Insured. The Servicer may designate the Owner as the payee for any Loss.

C. Incontestability. Section 2.4 (b), as previously amended, is further amended to change the reference:

- (a) from "an Application" to "a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company", and
- (b) if applicable to a Policy of the Insured, from "a Transmittal or Loan File" to "a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company or created or received in connection with origination or closing of such mortgage loan."

D. Filing of Claim. The second paragraph of Section 6.1 is deleted and replaced in its entirety with the following:

If the Insured fails to file a Perfected Claim on a Loan within one (1) year after, as applicable (a) the Insured acquires title to the Property, or (b) the Property is sold by the Borrower in a pre-foreclosure sale with the Company's approval or such other event occurs which is the basis for filing of a Claim under Section 6.1 (or within such longer period of time as the Company may allow in writing), the Company shall be entitled to adjust such Claim to the extent the Company is prejudiced by such late filing of the Perfected Claim, up to the entire amount of the Loss that would have been payable.

All terms capitalized herein will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

**Endorsement to Mortgage Guaranty  
Master Policy  
(Definition of Insured and Other Matters)**

---

The purpose of this Endorsement is to amend terms and conditions of the Policy with respect to the definition of "Insured" and various other matters. This Endorsement will apply to all Loans insured under the Policy. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. Definition of Insured. Section 1.13 is deleted in its entirety and replaced with the following:

1.13 **Insured** means:

- a. The Person designated on the face of this Policy;
- b. The initial or subsequent Owner of the Loan, upon request by the Owner to become the Insured; or
- c. The initial or subsequent Servicer of the Loan, if the Owner is not the Insured, upon request by the Servicer to become the Insured or designation by the Owner of such Servicer as the Insured.

If the Company has not been notified in writing of a change of Insured, the Company's sole obligation hereunder shall be to the named Insured, except as specifically provided in this Policy. The Company may rely upon notice from a Person that it or its designee is the new Insured, but the Company must provide notice of such change to the prior Insured. Notwithstanding anything to the contrary in this Policy, the Owner of the Loan is entitled to designate itself as the Insured and its designation shall supersede any request of the Servicer to become the Insured.

B. Relationship of Servicer to Insured. Section 1.24 is amended by adding the following new paragraph at the end thereof:

Unless otherwise agreed to in writing by the Company or otherwise required pursuant to the terms of this Policy, if there is a Servicer for a Loan and the Servicer is not the Insured the Company shall be entitled to rely upon and treat the Servicer as the representative of the Insured with respect to communications, paying premiums, accepting Loss payments and for all other purposes of this Policy. However, with respect to assignment of coverage and cancellation of a Certificate, the Company shall be entitled to rely upon instruction from either the Servicer or the Insured, subject to the Owner of the Loan being entitled to designate itself as the Insured, which shall supersede any request of the Servicer to become the Insured. The Servicer may designate the Owner as the payee for any Loss.

C. Incontestability. Section 2.4 (b), as previously amended, is deleted in its entirety and replaced with the following, as applicable:

1. With respect to a Loan that is not subject to a Master Reporting Program Endorsement:

b. This Section 2.4 will not apply to a Certificate if within twelve (12) months before or after a material misrepresentation by a Borrower or other Person (other than those Persons identified in Section 2.4(a)), there are one or more material misrepresentations in a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company (i) with respect to three (3) or more other mortgage loans insured at any time by the Company for the Insured or any other lender and (ii) which result from the direct or indirect acts or omissions of the same Borrower or same other Person (including any other Person acting directly or in concert).

2. With respect to a Loan that is subject to a Master Reporting Program Endorsement:

b. This Section 2.4 will not apply to a Certificate if within twelve (12) months before or after a material misrepresentation by a Borrower or other Person (other than those Persons identified in Section 2.4(a)), there are one or more material misrepresentations in a request or submission for coverage and statements, documents, data and information provided to the Company in connection with insuring a mortgage loan under any policy of insurance issued by the Company or created or received in connection with origination or closing of such mortgage loan (i) with respect to three (3) or more other mortgage loans insured at any time by the Company for the Insured or any other lender and (ii) which result from the direct or indirect acts or omissions of the same Borrower or same other Person (including any other Person acting directly or in concert).

D. Filing of Claim. The second paragraph of Section 6.1 is deleted and replaced in its entirety with the following:

If the Insured fails to file a Perfected Claim on a Loan within one (1) year after, as applicable (a) the Insured acquires title to the Property, or (b) the Property is sold by the Borrower in a pre-foreclosure sale with the Company's approval or such other event occurs which is the basis for filing of a Claim under Section 6.1 (or within such longer period of time as the Company may allow in writing), the Insured will no longer be entitled to payment of a Loss on such Loan and the Company will not be obligated to make any Loss payment under this Policy with respect to such Loan.

All terms capitalized herein will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

**Endorsement to Mortgage Guaranty  
Master Policy  
(Suits and Actions Brought by the Insured)**

---

---

The purpose of this Endorsement is to amend certain terms and conditions of the Policy. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

Section 7.6 (b) of the Policy is deleted in its entirety and replaced with the following:

- b. No suit or action (including arbitration hereunder) brought by the Insured against the Company with respect to the Company's liability for a Claim under this Policy shall be sustained in any court of law or equity or by arbitration unless the Insured has substantially complied with the terms and conditions of this Policy, and unless the suit or action is commenced within three (3) years (five (5) years in Florida or Kansas) (ten (10) years in Missouri) after the Insured has acquired Borrower's Title to the Property or sale of the Property approved by the Company is completed, whichever is applicable to a Loan. No such suit or action with respect to a Claim may be brought by the Insured against the Company until sixty (60) days after such acquisition of Borrower's Title or sale, as applicable to a Loan.

All terms capitalized will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

---

**Gold Cert<sup>SM</sup> Endorsement  
to Mortgage Guaranty Master Policy**

---

This Endorsement applies to all Loans first insured under the Policy on or after the Effective Date of this Endorsement. This Endorsement may be revoked by the Company upon notice to the Insured but such revocation will not affect any Loan previously insured or for which a Commitment has been issued under the Policy, as amended by this Endorsement. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, the terms of this Endorsement will control. The Policy is amended by adding, deleting or amending the following terms and conditions.

**A1. Prior Endorsements.** The Master Reporting Endorsement [Form #71-7139 (2/04)] and the Endorsement to Mortgage Guaranty Master Policy (Origination of Loans) [Form #71-70262 (2/04)], if previously issued, are revoked in their entirety and the definition of "Policy" shall exclude such endorsements.

**A2. Definitions. The following definitions are amended or added to the Policy:**

- 1.1 **Application** means a request for insurance coverage or a modification of coverage under this Policy for a Loan on a form or in a format provided by the Company, and all other statements, information, data and materials furnished to the Company by the Insured or any other Person in connection with the insuring of the Loan, whether furnished in document form or electronic data form or by electronic means. An Application includes (i) information, if so furnished to the Company, contained in the Borrower's Loan application, appraisal, verifications of income and deposit, plans and specifications for the Property, (ii) all information about the Loan, Borrower and Property contained in the Certificate based on the information furnished by the Insured or other Person, and (iii) all statements, information, data and materials furnished by the Insured or any other Person in connection with a request that the Company approve a modification or assumption of the Loan.
- 1.27 **Eligibility Criteria** means the requirements that a Loan must meet to be eligible for insurance under this Policy, as established and amended by the Company from time to time and published by the Company in underwriting guides, bulletins, premium rate cards, or by other notice to the Insured prior to submission of the Application.
- 1.28 **Eligibility Criteria Violation** means that on the Certificate Effective Date a Loan did not meet one or more Eligibility Criteria in effect on the date that the Application was submitted to the Company, determined by information about the Loan, Borrower and Property that is in fact accurate and in addition, determined by the Underwriting Requirements then in effect.
- 1.29 **First Party** means, with respect to a Loan, the initial or any subsequent Insured, and any Person who originated or participated in the origination of the Loan, including correspondent lenders, mortgage loan brokers, underwriters and processors, escrow and closing agents, appraisers, and agents (including employees) of any Insured or of any such Persons. Notwithstanding the foregoing, the Borrower is not a First Party and after thirty-six (36) Payments are made on the Loan an appraiser not affiliated with any other First Party shall no longer be a First Party.
- 1.30 **Loan File** means, with respect to a Loan, all information, data and materials, regardless of format, created or received by the Insured or another First Party in connection with the origination and closing of the Loan, whether received before or after the closing of the Loan.

- 1.31 **Notification Date** means the date that the Company is notified by the Insured that coverage on a Loan has been activated, by the Insured's return of an executed Commitment or Certificate or as otherwise permitted by the Company.
- 1.32 **Payment** means a payment made by a Borrower in full of all amounts due under the terms of a Loan in a regular monthly payment period, including all required escrow amounts, disregarding any forbearance, waiver or other modification made without the approval of the Company, whether arising by law or otherwise, that entitles the Borrower not to make a payment, in whole or in part, or to delay a payment otherwise due under the terms of the Loan. A payment credited by, or made with funds advanced by, a First Party, the Insured, a Servicer, their respective agents or other Person affiliated with a First Party, the Insured or a Servicer does not constitute a payment made by the Borrower and will not be considered a Payment.
- 1.33 **Property Value Eligibility Criteria Violation** means an Eligibility Criteria Violation when (i) the percentage variance between the Value represented in the Certificate and the value determined by the Company's investigation to be the value of the Property as of the date of the appraisal (or other valuation obtained in connection with the Loan origination), exceeds fifteen percent (15%), and (ii) the loan-to-value ratio calculated as of the Certificate Effective Date using the value determined by the Company's investigation does not meet the Eligibility Criteria. The percentage variance is the quotient determined by dividing the difference between the two values by the Value represented in the Certificate, expressed as a percentage.
- 1.34 **Underwriting Requirements** means the definitions, methods, calculations, documentation requirements and other requirements used by the Company to determine if Eligibility Criteria are met, as published by the Company in underwriting guides, bulletins, premium rate cards, or by other notice to the Insured, or otherwise approved in writing by the Company, as amended and revised from time to time by the Company or with its written approval.
- 1.35 **Verification Information** means, with respect to a Loan, a copy of the completed application for the Loan, on either the Fannie Mae Form 1003 or Freddie Mac Form 65, as either form may be revised or replaced by Fannie Mae or Freddie Mac, signed by all Borrowers, or such other documentation as the Company may specify for purposes of seeking to verify the Application.
- 1.36 **Verification Period** means the period commencing on the Notification Date and expiring on the one-year anniversary of the Notification Date, or such other period as may be approved by the Company in writing.

**A3. Obtaining Coverage. Section 2.1 of the Policy is deleted and restated in its entirety as follows:**

2.1 **Application and Certificate.** In order to obtain insurance coverage under this Policy for a Loan, the Insured or a Person acting on behalf of the Insured must submit to the Company a properly completed Application together with such information as the Company may require in support of the Application. Approval of an Application will be at the Company's discretion and will be in the form of a Commitment or Certificate. The Company will notify the Insured if an Application is not approved. If the mortgage loan application is denied, the Insured is responsible for notifying the applicant, in accordance with applicable law, that the Company declined to insure the loan.

**A4. Representations of the Insured. Section 2.2 is amended by deleting the sentence:** "Without otherwise limiting the scope of this Section 2.2, a breach of Section 4.8 relating to down payment will be deemed a material misrepresentation for purposes of this Section 2.2."

**A5. Misrepresentation of Information and Incontestability. Section 2.4 of the Policy, as previously amended, is deleted and restated in its entirety as follows:**

**2.4 Limitation on Company's Rights on Account of Certain Misrepresentations.**

- a. Notwithstanding Sections 2.2 and 2.3, the Company will not deny or adjust a Claim for Loss and will not rescind or cancel coverage on a Certificate based on any misrepresentation in an Application, whether by information furnished or omitted, unless (i) the misrepresentation was material or contributes to the Loss, and (ii) one or more of the following circumstances exists:
  - 1. A First Party knowingly made or knowingly participated in the misrepresentation, as determined by the Company with credible evidence, which determination will not be based solely on Borrower statements not made under penalty of perjury. Credible evidence of First Party knowledge of or knowing participation in a misrepresentation may include information that is obtained from or is verified by sources other than or in addition to the Borrower and that indicates information or documentation contained in the Application was false or misleading.
  - 2. The Loan was one of three (3) or more loan transactions, closed within a twelve-month period before or after the Certificate Effective Date, involving misrepresentations by the same Borrower or the same Person other than the Borrower, acting alone or in concert.
  - 3. The Company determines that there was a systemic problem or practice leading to misrepresentation of information, whether intentional or negligent, relied on by the Company in insuring the Loan and three (3) or more other loans for the initial Insured.
- b. The Company's payment of a Claim will not limit any rights the Company has against the Borrower or any Person other than the Insured as a result of any misrepresentation.
- c. This Section 2.4 does not affect the Company's rights under other provisions of the Policy, including Sections 2.12, 4.4 or 4.11.

**A6. Premium. Section 2.5(d) is added to the Policy as follows:**

- d. If the Company determines or is notified that on the basis of inaccurate information in an Application, the incorrect premium was paid for coverage on the Loan and the Loan was insurable at a different premium under the Policy on the Application submission date, the Insured must pay an amount determined by the Company to compensate the Company for payment of the incorrect premium, or if a Claim is payable, the Company may deduct such amount from the Loss payment. The Insured's failure to pay such amount within sixty (60) days following notice from the Company will entitle the Company to cancel or rescind coverage on the Certificate for such Loan. The Company will not require payment of additional premium or reduce the Loss payment in the case of an inaccurate Property value if the value determined by the Company does not result in a Property Value Eligibility Criteria Violation.

**A7. Eligibility Criteria. Section 2.12 is added to the Policy as follows. (If the Endorsement for Insurance of Loans With Additional Approved Collateral [Form #71-7184 (4/97)] applies, Section 2.12 under such endorsement is renumbered as Section 2.13.)**

- 2.12 **Eligibility Criteria.** In order to be insured under the Policy, on the Certificate Effective Date, a Loan must meet the Eligibility Criteria in effect on the date that the Application was submitted to the Company. Issuance of a Commitment or Certificate by the Company shall be disregarded in determining whether Eligibility Criteria are met. Except as set forth in Section 2.12 (a), (b) and (c), the Company may deny or adjust a Claim for Loss or rescind or cancel coverage on a Certificate if there is an Eligibility Criteria Violation, regardless of whether the Insured or any other First Party knew, or should have known or could have determined that there was an Eligibility Criteria Violation, and regardless of whether the Eligibility Criteria Violation caused or contributed to a Loss. This Section 2.12 does not affect the Company's rights under other provisions of the Policy, including Sections 2.3 and 4.4.
  - a. If thirty-six (36) Payments are made on the Loan, the Company will not deny a Claim or rescind or cancel coverage on the Certificate on account of an Eligibility Criteria Violation.
  - b. If the Application or other information furnished to the Company prior to issuance of a Commitment clearly establishes, without verification or investigation of such information, that an Eligibility Criteria Violation exists and the Company insures the Loan, the Company will not deny or adjust the Claim for Loss or rescind or cancel

coverage on account of that Eligibility Criteria Violation, but the Company may exercise its rights under this Policy for any other Eligibility Criteria Violation applicable to the Loan. Without limiting the circumstances in which an Eligibility Criteria Violation is not clearly established as provided above, a Property Value Eligibility Criteria Violation will not be deemed to be clearly established by submission to the Company of the appraisal report or other valuation with the Application.

- c. Unless the Company has previously rescinded coverage or provided a notice reserving its rights as described in the last paragraph of this Section 2.12(c), the Company will not rescind or cancel coverage on a Certificate or deny a Claim on account of an Eligibility Criteria Violation if all of the following conditions are satisfied:
- (i) The Verification Information is furnished to the Company no later than (90) days following the Notification Date, or as otherwise approved in writing by the Company.
  - (ii) The first twelve (12) Payments are made on time, which must be demonstrated by the payment history from the Loan servicing records or other evidence acceptable to the Company. A Payment is made on time if it is received by the Servicer prior to the scheduled due date of the next Payment.
  - (iii) The Application is accurate based on the information contained in the Loan File, and using the Loan File information the Eligibility Criteria, determined by the Underwriting Requirements, are met.
  - (iv) There is no Property Value Eligibility Criteria Violation.

At any time prior to expiration of the Verification Period, the Company may by notice to the Insured rescind coverage on the Certificate on account of an Eligibility Criteria Violation or reserve its right to rescind coverage on the Certificate on account of such Eligibility Criteria Violation if a Default resulting in a Claim occurs before thirty-six (36) Payments are made on the Loan, regardless of whether such Eligibility Criteria Violation is related to the Default or contributed to it.

**A8. Exclusions from Coverage. Section 4 of the Policy is amended as follows:**

**Section 4.4(b) is deleted and restated in its entirety and a new Section 4.4(c) is added to the Policy as follows:**

- b. Unless thirty-six (36) Payments are made, any Loan with an Eligibility Criteria Violation if the Insured or any other First Party was negligent in underwriting, processing or originating the Loan, or in furnishing information to the Company, and such negligence was material to acceptance of the risk by the Company.
- c. Any Loan with respect to which any Insured, the Servicer or their respective agents were negligent in servicing the Loan, including performing standard and customary collection and loss mitigation activities in order to cure a Default, and such negligence materially contributed to the Default resulting in a Claim or caused or increased the Loss, provided that if the Company can reasonably determine the amount of such increase, the Claim will not be excluded, but the Loss will be reduced by such amount.

**Section 4.8 entitled "Down Payment" is deleted from the Policy.**

**A new Section 4.11 is added to the Policy as follows:**

- 4.11 **Ineligible Loans.** Any Loan for which there is an Eligibility Criteria Violation, subject to the provisions of Section 2.12.

**A9. Reports and Examinations. Section 7.13 of the Policy is deleted and restated in its entirety as follows:**

**7.13 Loan Files, Records and Examinations.**

- a. The Company by notice at any time may request, and the Insured must provide, within thirty (30) days of such request, the Loan File, servicing records and such other information, files, agreements, reports or records as the Company may require pertaining to any Loan. If for any reason the Insured fails to provide the Loan File or other information required to be furnished under this Section 7.13(a) within thirty (30) days following a second notice, the Company may cancel coverage on the related Certificate, or if a Claim has been filed, deny such Claim.
- b. The Company and its representatives, upon at least thirty (30) days advance notice to the Insured, will have the right to review the Loan File, servicing records and all other information, files, agreements, reports and records pertaining to any Loan, regardless of format, within the possession or control of the Insured and any of its

representatives. The Company and its representatives may conduct such review on the Insured's premises during normal business hours. The Insured and its representatives must cooperate fully with the review. If for any reason the Insured fails to comply with the requirements of this Section 7.13(b) within thirty (30) days following a second notice, the Company may cancel coverage on the related Certificate.

- c. If a Claim is denied pursuant to Section 7.13(a) and the Insured furnishes the information required for filing of a Perfected Claim within the one-year period described in Section 6.1, the Company will accept filing of the Perfected Claim and, for settlement purposes, the sixty (60) day Settlement Period will commence on the date of filing of such Perfected Claim.

All terms used herein and not defined will have the meanings set forth in the Policy. No provision of this Endorsement will vary, alter, waive or extend any of the terms and conditions of the Policy, or any endorsements thereto, except as expressly set forth above.

---

## **Gold Cert<sup>SM</sup> Endorsement to Mortgage Guaranty Master Policy**

---

This Endorsement applies to all Loans first insured under the Policy on or after the Effective Date of this Endorsement. This Endorsement may be revoked by the Company upon notice to the Insured but such revocation will not affect any Loan previously insured or for which a Commitment has been issued under the Policy, as amended by this Endorsement. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, the terms of this Endorsement will control. The Policy is amended by adding, deleting or amending the following terms and conditions.

**A1. Prior Endorsements.** The Master Reporting Endorsement [Form #71-7139 (2/04)] and the Endorsement to Mortgage Guaranty Master Policy (Origination of Loans) [Form #71-70262 (2/04)], if previously issued, are revoked in their entirety and the definition of "Policy" shall exclude such endorsements.

**A2. Definitions. The following definitions are amended or added to the Policy:**

- 1.1 **Application** means a request for insurance coverage or a modification of coverage under this Policy for a Loan on a form or in a format provided by the Company, and all other statements, information, data and materials furnished to the Company by the Insured or any other Person in connection with the insuring of the Loan, whether furnished in document form or electronic data form or by electronic means. An Application includes (i) information, if so furnished to the Company, contained in the Borrower's Loan application, appraisal, verifications of income and deposit, plans and specifications for the Property, (ii) all information about the Loan, Borrower and Property contained in the Certificate based on the information furnished by the Insured or other Person, and (iii) all statements, information, data and materials furnished by the Insured or any other Person in connection with a request that the Company approve a modification or assumption of the Loan.
- 1.27 **Eligibility Criteria** means the requirements that a Loan must meet to be eligible for insurance under this Policy, as established and amended by the Company from time to time and published by the Company in underwriting guides, bulletins, premium rate cards, or by other notice to the Insured prior to submission of the Application.
- 1.28 **Eligibility Criteria Violation** means that on the Certificate Effective Date a Loan did not meet one or more Eligibility Criteria in effect on the date that the Application was submitted to the Company, determined by information about the Loan, Borrower and Property that is in fact accurate and in addition, determined by the Underwriting Requirements then in effect.
- 1.29 **First Party** means, with respect to a Loan, the initial or any subsequent Insured, and any Person who originated or participated in the origination of the Loan, including correspondent lenders, mortgage loan brokers, underwriters and processors, escrow and closing agents, appraisers, and agents (including employees) of any Insured or of any such Persons. Notwithstanding the foregoing, the Borrower is not a First Party and after thirty-six (36) Payments are made on the Loan an appraiser not affiliated with any other First Party shall no longer be a First Party.
- 1.30 **Loan File** means, with respect to a Loan, all information, data and materials, regardless of format, created or received by the Insured or another First Party in connection with the origination and closing of the Loan, whether received before or after the closing of the Loan.

- 1.31 **Notification Date** means the date that the Company is notified by the Insured that coverage on a Loan has been activated, by the Insured's return of an executed Commitment or Certificate or as otherwise permitted by the Company.
- 1.32 **Payment** means a payment made by a Borrower in full of all amounts due under the terms of a Loan in a regular monthly payment period, including all required escrow amounts, disregarding any forbearance, waiver or other modification made without the approval of the Company, whether arising by law or otherwise, that entitles the Borrower not to make a payment, in whole or in part, or to delay a payment otherwise due under the terms of the Loan. A payment credited by, or made with funds advanced by, a First Party, the Insured, a Servicer, their respective agents or other Person affiliated with a First Party, the Insured or a Servicer does not constitute a payment made by the Borrower and will not be considered a Payment.
- 1.33 **Property Value Eligibility Criteria Violation** means an Eligibility Criteria Violation when (i) the percentage variance between the Value represented in the Certificate and the value determined by the Company's investigation to be the value of the Property as of the date of the appraisal (or other valuation obtained in connection with the Loan origination), exceeds fifteen percent (15%), and (ii) the loan-to-value ratio calculated as of the Certificate Effective Date using the value determined by the Company's investigation does not meet the Eligibility Criteria. The percentage variance is the quotient determined by dividing the difference between the two values by the Value represented in the Certificate, expressed as a percentage.
- 1.34 **Underwriting Requirements** means the definitions, methods, calculations, documentation requirements and other requirements used by the Company to determine if Eligibility Criteria are met, as published by the Company in underwriting guides, bulletins, premium rate cards, or by other notice to the Insured, or otherwise approved in writing by the Company, as amended and revised from time to time by the Company or with its written approval.
- 1.35 **Verification Information** means, with respect to a Loan, a copy of the completed application for the Loan, on either the Fannie Mae Form 1003 or Freddie Mac Form 65, as either form may be revised or replaced by Fannie Mae or Freddie Mac, signed by all Borrowers, or such other documentation as the Company may specify for purposes of seeking to verify the Application.
- 1.36 **Verification Period** means the period commencing on the Notification Date and expiring on the one-year anniversary of the Notification Date, or such other period as may be approved by the Company in writing.

**A3. Obtaining Coverage. Section 2.1 of the Policy is deleted and restated in its entirety as follows:**

2.1 **Application and Certificate.** In order to obtain insurance coverage under this Policy for a Loan, the Insured or a Person acting on behalf of the Insured must submit to the Company a properly completed Application together with such information as the Company may require in support of the Application. Approval of an Application will be at the Company's discretion and will be in the form of a Commitment or Certificate. The Company will notify the Insured if an Application is not approved. If the mortgage loan application is denied, the Insured is responsible for notifying the applicant, in accordance with applicable law, that the Company declined to insure the loan.

**A4. Representations of the Insured. Section 2.2 is amended by deleting the sentence:** "Without otherwise limiting the scope of this Section 2.2, a breach of Section 4.8 relating to down payment will be deemed a material misrepresentation for purposes of this Section 2.2."

**A5. Misrepresentation of Information and Incontestability. Section 2.4 of the Policy, as previously amended, is deleted and restated in its entirety as follows:**

**2.4 Limitation on Company's Rights on Account of Certain Misrepresentations.**

- a. Notwithstanding Sections 2.2 and 2.3, the Company will not deny or adjust a Claim for Loss and will not rescind or cancel coverage on a Certificate based on any misrepresentation in an Application, whether by information furnished or omitted, unless (i) the misrepresentation was material or contributes to the Loss, and (ii) one or more of the following circumstances exists:
  - 1. A First Party knowingly made or knowingly participated in the misrepresentation, as determined by the Company with credible evidence, which determination will not be based solely on Borrower statements not made under penalty of perjury. Credible evidence of First Party knowledge of or knowing participation in a misrepresentation may include information that is obtained from or is verified by sources other than or in addition to the Borrower and that indicates information or documentation contained in the Application was false or misleading.
  - 2. The Loan was one of three (3) or more loan transactions, closed within a twelve-month period before or after the Certificate Effective Date, involving misrepresentations by the same Borrower or the same Person other than the Borrower, acting alone or in concert.
  - 3. The Company determines that there was a systemic problem or practice leading to misrepresentation of information, whether intentional or negligent, relied on by the Company in insuring the Loan and three (3) or more other loans for the initial Insured.
- b. The Company's payment of a Claim will not limit any rights the Company has against the Borrower or any Person other than the Insured as a result of any misrepresentation.
- c. This Section 2.4 does not affect the Company's rights under other provisions of the Policy, including Sections 2.12, 4.4 or 4.11.

**A6. Premium. Section 2.5(d) is added to the Policy as follows:**

- d. If the Company determines or is notified that on the basis of inaccurate information in an Application, the incorrect premium was paid for coverage on the Loan and the Loan was insurable at a different premium under the Policy on the Application submission date, the Insured must pay an amount determined by the Company to compensate the Company for payment of the incorrect premium, or if a Claim is payable, the Company may deduct such amount from the Loss payment. The Insured's failure to pay such amount within sixty (60) days following notice from the Company will entitle the Company to cancel or rescind coverage on the Certificate for such Loan. The Company will not require payment of additional premium or reduce the Loss payment in the case of an inaccurate Property value if the value determined by the Company does not result in a Property Value Eligibility Criteria Violation.

**A7. Eligibility Criteria. Section 2.12 is added to the Policy as follows:**

- 2.12 **Eligibility Criteria.** In order to be insured under the Policy, on the Certificate Effective Date, a Loan must meet the Eligibility Criteria in effect on the date that the Application was submitted to the Company. Issuance of a Commitment or Certificate by the Company shall be disregarded in determining whether Eligibility Criteria are met. Except as set forth in Section 2.12 (a), (b) and (c), the Company may deny or adjust a Claim for Loss or rescind or cancel coverage on a Certificate if there is an Eligibility Criteria Violation, regardless of whether the Insured or any other First Party knew, or should have known or could have determined that there was an Eligibility Criteria Violation, and regardless of whether the Eligibility Criteria Violation caused or contributed to a Loss. This Section 2.12 does not affect the Company's rights under other provisions of the Policy, including Sections 2.3 and 4.4.
  - a. If thirty-six (36) Payments are made on the Loan, the Company will not deny a Claim or rescind or cancel coverage on the Certificate on account of an Eligibility Criteria Violation.
  - b. If the Application or other information furnished to the Company prior to issuance of a Commitment clearly establishes, without verification or investigation of such information, that an Eligibility Criteria Violation exists and the Company insures the Loan, the Company will not deny or adjust the Claim for Loss or rescind or cancel

coverage on account of that Eligibility Criteria Violation, but the Company may exercise its rights under this Policy for any other Eligibility Criteria Violation applicable to the Loan. Without limiting the circumstances in which an Eligibility Criteria Violation is not clearly established as provided above, a Property Value Eligibility Criteria Violation will not be deemed to be clearly established by submission to the Company of the appraisal report or other valuation with the Application.

- c. Unless the Company has previously rescinded coverage or provided a notice reserving its rights as described in the last paragraph of this Section 2.12(c), the Company will not rescind or cancel coverage on a Certificate or deny a Claim on account of an Eligibility Criteria Violation if all of the following conditions are satisfied:
- (i) The Verification Information is furnished to the Company no later than (90) days following the Notification Date, or as otherwise approved in writing by the Company.
  - (ii) The first twelve (12) Payments are made on time, which must be demonstrated by the payment history from the Loan servicing records or other evidence acceptable to the Company. A Payment is made on time if it is received by the Servicer prior to the scheduled due date of the next Payment.
  - (iii) The Application is accurate based on the information contained in the Loan File, and using the Loan File information the Eligibility Criteria, determined by the Underwriting Requirements, are met.
  - (iv) There is no Property Value Eligibility Criteria Violation.

At any time prior to expiration of the Verification Period, the Company may by notice to the Insured rescind coverage on the Certificate on account of an Eligibility Criteria Violation or reserve its right to rescind coverage on the Certificate on account of such Eligibility Criteria Violation if a Default resulting in a Claim occurs before thirty-six (36) Payments are made on the Loan, regardless of whether such Eligibility Criteria Violation is related to the Default or contributed to it.

**A8. Exclusions from Coverage. Section 4 of the Policy is amended as follows:**

**Section 4.4(b) is deleted and restated in its entirety and a new Section 4.4(c) is added to the Policy as follows:**

- b. Unless thirty-six (36) Payments are made, any Loan with an Eligibility Criteria Violation if the Insured or any other First Party was negligent in underwriting, processing or originating the Loan, or in furnishing information to the Company, and such negligence was material to acceptance of the risk by the Company.
- c. Any Loan with respect to which any Insured, the Servicer or their respective agents were negligent in servicing the Loan, including performing standard and customary collection and loss mitigation activities in order to cure a Default, and such negligence materially contributed to the Default resulting in a Claim or caused or increased the Loss, provided that if the Company can reasonably determine the amount of such increase, the Claim will not be excluded, but the Loss will be reduced by such amount.

**Section 4.8 entitled "Down Payment" is deleted from the Policy.**

**A new Section 4.11 is added to the Policy as follows:**

- 4.11 **Ineligible Loans.** Any Loan for which there is an Eligibility Criteria Violation, subject to the provisions of Section 2.12.

**A9. Reports and Examinations. Section 7.13 of the Policy is deleted and restated in its entirety as follows:**

**7.13 Loan Files, Records and Examinations.**

- a. The Company by notice at any time may request, and the Insured must provide, within thirty (30) days of such request, the Loan File, servicing records and such other information, files, agreements, reports or records as the Company may require pertaining to any Loan. If for any reason the Insured fails to provide the Loan File or other information required to be furnished under this Section 7.13(a) within thirty (30) days following a second notice, the Company may cancel coverage on the related Certificate, or if a Claim has been filed, deny such Claim.
- b. The Company and its representatives, upon at least thirty (30) days advance notice to the Insured, will have the right to review the Loan File, servicing records and all other information, files, agreements, reports and records pertaining to any Loan, regardless of format, within the possession or control of the Insured and any of its

representatives. The Company and its representatives may conduct such review on the Insured's premises during normal business hours. The Insured and its representatives must cooperate fully with the review. If for any reason the Insured fails to comply with the requirements of this Section 7.13(b) within thirty (30) days following a second notice, the Company may cancel coverage on the related Certificate.

- c. If a Claim is denied pursuant to Section 7.13(a) and the Insured furnishes the information required for filing of a Perfected Claim within the one-year period described in Section 6.1, the Company will accept filing of the Perfected Claim and, for settlement purposes, the sixty (60) day Settlement Period will commence on the date of filing of such Perfected Claim.

All terms used herein and not defined will have the meanings set forth in the Policy. No provision of this Endorsement will vary, alter, waive or extend any of the terms and conditions of the Policy, or any endorsements thereto, except as expressly set forth above.

---

## **Gold Cert<sup>SM</sup> Endorsement to Mortgage Guaranty Master Policy**

---

This Endorsement applies to all Loans first insured under the Policy on or after the Effective Date of this Endorsement. This Endorsement may be revoked by the Company upon notice to the Insured but such revocation will not affect any Loan previously insured or for which a Commitment has been issued under the Policy, as amended by this Endorsement. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, the terms of this Endorsement will control. The Policy is amended by adding, deleting or amending the following terms and conditions.

**A1. Prior Endorsements.** The Master Reporting Endorsement [Form #71-7139 (2/04)] and the Endorsement to Mortgage Guaranty Master Policy (Origination of Loans) [Form #71-70262 (2/04)], if previously issued, are revoked in their entirety and the definition of "Policy" shall exclude such endorsements.

**A2. Definitions. The following definitions are amended or added to the Policy:**

- 1.1 **Application** means a request for insurance coverage or a modification of coverage under this Policy for a Loan on a form or in a format provided by the Company, and all other statements, information, data and materials furnished to the Company by the Insured or any other Person in connection with the insuring of the Loan, whether furnished in document form or electronic data form or by electronic means. An Application includes (i) information, if so furnished to the Company, contained in the Borrower's Loan application, appraisal, verifications of income and deposit, plans and specifications for the Property, (ii) all information about the Loan, Borrower and Property contained in the Certificate based on the information furnished by the Insured or other Person, and (iii) all statements, information, data and materials furnished by the Insured or any other Person in connection with a request that the Company approve a modification or assumption of the Loan.
- 1.27 **Eligibility Criteria** means the requirements that a Loan must meet to be eligible for insurance under this Policy, as established and amended by the Company from time to time and published by the Company in underwriting guides, bulletins, premium rate cards, or by other notice to the Insured prior to submission of the Application.
- 1.28 **Eligibility Criteria Violation** means that on the Certificate Effective Date a Loan did not meet one or more Eligibility Criteria in effect on the date that the Application was submitted to the Company, determined by information about the Loan, Borrower and Property that is in fact accurate and in addition, determined by the Underwriting Requirements then in effect.
- 1.29 **First Party** means, with respect to a Loan, the initial or any subsequent Insured, and any Person who originated or participated in the origination of the Loan, including correspondent lenders, mortgage loan brokers, underwriters and processors, escrow and closing agents, appraisers, and agents (including employees) of any Insured or of any such Persons. Notwithstanding the foregoing, the Borrower is not a First Party and after thirty-six (36) Payments are made on the Loan an appraiser not affiliated with any other First Party shall no longer be a First Party.
- 1.30 **Loan File** means, with respect to a Loan, all information, data and materials, regardless of format, created or received by the Insured or another First Party in connection with the origination and closing of the Loan, whether received before or after the closing of the Loan.

- 1.31 **Notification Date** means the date that the Company is notified by the Insured that coverage on a Loan has been activated, by the Insured's return of an executed Commitment or Certificate or as otherwise permitted by the Company.
- 1.32 **Payment** means a payment made by a Borrower in full of all amounts due under the terms of a Loan in a regular monthly payment period, including all required escrow amounts, disregarding any forbearance, waiver or other modification made without the approval of the Company, whether arising by law or otherwise, that entitles the Borrower not to make a payment, in whole or in part, or to delay a payment otherwise due under the terms of the Loan. A payment credited by, or made with funds advanced by, a First Party, the Insured, a Servicer, their respective agents or other Person affiliated with a First Party, the Insured or a Servicer does not constitute a payment made by the Borrower and will not be considered a Payment.
- 1.33 **Property Value Eligibility Criteria Violation** means an Eligibility Criteria Violation when (i) the percentage variance between the Value represented in the Certificate and the value determined by the Company's investigation to be the value of the Property as of the date of the appraisal (or other valuation obtained in connection with the Loan origination), exceeds fifteen percent (15%), and (ii) the loan-to-value ratio calculated as of the Certificate Effective Date using the value determined by the Company's investigation does not meet the Eligibility Criteria. The percentage variance is the quotient determined by dividing the difference between the two values by the Value represented in the Certificate, expressed as a percentage.
- 1.34 **Underwriting Requirements** means the definitions, methods, calculations, documentation requirements and other requirements used by the Company to determine if Eligibility Criteria are met, as published by the Company in underwriting guides, bulletins, premium rate cards, or by other notice to the Insured, or otherwise approved in writing by the Company, as amended and revised from time to time by the Company or with its written approval.
- 1.35 **Verification Information** means, with respect to a Loan, a copy of the completed application for the Loan, on either the Fannie Mae Form 1003 or Freddie Mac Form 65, as either form may be revised or replaced by Fannie Mae or Freddie Mac, signed by all Borrowers, or such other documentation as the Company may specify for purposes of seeking to verify the Application.
- 1.36 **Verification Period** means the period commencing on the Notification Date and expiring on the one-year anniversary of the Notification Date, or such other period as may be approved by the Company in writing.

**A3. Obtaining Coverage. Section 2.1 of the Policy is deleted and restated in its entirety as follows:**

2.1 **Application and Certificate.** In order to obtain insurance coverage under this Policy for a Loan, the Insured or a Person acting on behalf of the Insured must submit to the Company a properly completed Application together with such information as the Company may require in support of the Application. Approval of an Application will be at the Company's discretion and will be in the form of a Commitment or Certificate. The Company will notify the Insured if an Application is not approved. If the mortgage loan application is denied, the Insured is responsible for notifying the applicant, in accordance with applicable law, that the Company declined to insure the loan.

**A4. Representations of the Insured. Section 2.2 is amended by deleting the sentence:** "Without otherwise limiting the scope of this Section 2.2, a breach of Section 4.8 relating to down payment will be deemed a material misrepresentation for purposes of this Section 2.2."

**A5. Misrepresentation of Information and Incontestability. Section 2.4 of the Policy, as previously amended, is deleted and restated in its entirety as follows:**

**2.4 Limitation on Company's Rights on Account of Certain Misrepresentations.**

- a. Notwithstanding Sections 2.2 and 2.3, the Company will not deny or adjust a Claim for Loss and will not rescind or cancel coverage on a Certificate based on any misrepresentation in an Application, whether by information furnished or omitted, unless (i) the misrepresentation was material or contributes to the Loss, and (ii) one or more of the following circumstances exists:
  - 1. A First Party knowingly made or knowingly participated in the misrepresentation, as determined by the Company with credible evidence, which determination will not be based solely on Borrower statements not made under penalty of perjury. Credible evidence of First Party knowledge of or knowing participation in a misrepresentation may include information that is obtained from or is verified by sources other than or in addition to the Borrower and that indicates information or documentation contained in the Application was false or misleading.
  - 2. The Loan was one of three (3) or more loan transactions, closed within a twelve-month period before or after the Certificate Effective Date, involving misrepresentations by the same Borrower or the same Person other than the Borrower, acting alone or in concert.
  - 3. The Company determines that there was a systemic problem or practice leading to misrepresentation of information, whether intentional or negligent, relied on by the Company in insuring the Loan and three (3) or more other loans for the initial Insured.
- b. The Company's payment of a Claim will not limit any rights the Company has against the Borrower or any Person other than the Insured as a result of any misrepresentation.
- c. This Section 2.4 does not affect the Company's rights under other provisions of the Policy, including Sections 2.12, 4.4 or 4.11.

**A6. Premium. Section 2.5(d) is added to the Policy as follows:**

- d. If the Company determines or is notified that on the basis of inaccurate information in an Application, the incorrect premium was paid for coverage on the Loan and the Loan was insurable at a different premium under the Policy on the Application submission date, the Insured must pay an amount determined by the Company to compensate the Company for payment of the incorrect premium, or if a Claim is payable, the Company may deduct such amount from the Loss payment. The Insured's failure to pay such amount within sixty (60) days following notice from the Company will entitle the Company to cancel coverage on the Certificate for such Loan. The Company will not require payment of additional premium or reduce the Loss payment in the case of an inaccurate Property value if the value determined by the Company does not result in a Property Value Eligibility Criteria Violation.

**A7. Eligibility Criteria. Section 2.12 is added to the Policy as follows. (If the Endorsement for Insurance of Loans With Additional Approved Collateral [Form #71-7184 (4/97)] applies, Section 2.12 under such endorsement is renumbered as Section 2.13.)**

- 2.12 Eligibility Criteria.** In order to be insured under the Policy, on the Certificate Effective Date, a Loan must meet the Eligibility Criteria in effect on the date that the Application was submitted to the Company. Issuance of a Commitment or Certificate by the Company shall be disregarded in determining whether Eligibility Criteria are met. Except as set forth in Section 2.12 (a), (b) and (c), the Company may deny or adjust a Claim for Loss or rescind or cancel coverage on a Certificate if there is an Eligibility Criteria Violation, regardless of whether the Insured or any other First Party knew, or should have known or could have determined that there was an Eligibility Criteria Violation, and regardless of whether the Eligibility Criteria Violation caused or contributed to a Loss. This Section 2.12 does not affect the Company's rights under other provisions of the Policy, including Sections 2.3 and 4.4.
- a. If thirty-six (36) Payments are made on the Loan, the Company will not deny a Claim or rescind or cancel coverage on the Certificate on account of an Eligibility Criteria Violation.
  - b. If the Application or other information furnished to the Company prior to issuance of a Commitment clearly establishes, without verification or investigation of such information, that an Eligibility Criteria Violation exists and the Company insures the Loan, the Company will not deny or adjust the Claim for Loss or rescind or cancel

coverage on account of that Eligibility Criteria Violation, but the Company may exercise its rights under this Policy for any other Eligibility Criteria Violation applicable to the Loan. Without limiting the circumstances in which an Eligibility Criteria Violation is not clearly established as provided above, a Property Value Eligibility Criteria Violation will not be deemed to be clearly established by submission to the Company of the appraisal report or other valuation with the Application.

- c. Unless the Company has previously rescinded coverage or provided a notice reserving its rights as described in the last paragraph of this Section 2.12(c), the Company will not rescind or cancel coverage on a Certificate or deny a Claim on account of an Eligibility Criteria Violation if all of the following conditions are satisfied:
- (i) The Verification Information is furnished to the Company no later than (90) days following the Notification Date, or as otherwise approved in writing by the Company.
  - (ii) The first twelve (12) Payments are made on time, which must be demonstrated by the payment history from the Loan servicing records or other evidence acceptable to the Company. A Payment is made on time if it is received by the Servicer prior to the scheduled due date of the next Payment.
  - (iii) The Application is accurate based on the information contained in the Loan File, and using the Loan File information the Eligibility Criteria, determined by the Underwriting Requirements, are met.
  - (iv) There is no Property Value Eligibility Criteria Violation.

At any time prior to expiration of the Verification Period, the Company may by notice to the Insured rescind coverage on the Certificate on account of an Eligibility Criteria Violation or reserve its right to rescind coverage on the Certificate on account of such Eligibility Criteria Violation if a Default resulting in a Claim occurs before thirty-six (36) Payments are made on the Loan, regardless of whether such Eligibility Criteria Violation is related to the Default or contributed to it.

**A8. Exclusions from Coverage. Section 4 of the Policy is amended as follows:**

**Section 4.4(b) is deleted and restated in its entirety and a new Section 4.4(c) is added to the Policy as follows:**

- b. Unless thirty-six (36) Payments are made, any Loan with an Eligibility Criteria Violation if the Insured or any other First Party was negligent in underwriting, processing or originating the Loan, or in furnishing information to the Company, and such negligence was material to acceptance of the risk by the Company.
- c. Any Loan with respect to which any Insured, the Servicer or their respective agents were negligent in servicing the Loan, including performing standard and customary collection and loss mitigation activities in order to cure a Default, and such negligence materially contributed to the Default resulting in a Claim or caused or increased the Loss, provided that if the Company can reasonably determine the amount of such increase, the Claim will not be excluded, but the Loss will be reduced by such amount.

**Section 4.8 entitled "Down Payment" is deleted from the Policy.**

**A new Section 4.11 is added to the Policy as follows:**

- 4.11 **Ineligible Loans.** Any Loan for which there is an Eligibility Criteria Violation, subject to the provisions of Section 2.12.

**A9. Reports and Examinations. Section 7.13 of the Policy is deleted and restated in its entirety as follows:**

**7.13 Loan Files, Records and Examinations.**

- a. The Company by notice at any time may request, and the Insured must provide, within thirty (30) days of such request, the Loan File, servicing records and such other information, files, agreements, reports or records as the Company may require pertaining to any Loan. If for any reason the Insured fails to provide the Loan File or other information required to be furnished under this Section 7.13(a) within thirty (30) days following a second notice, the Company may cancel coverage on the related Certificate, or if a Claim has been filed, deny such Claim.
- b. The Company and its representatives, upon at least thirty (30) days advance notice to the Insured, will have the right to review the Loan File, servicing records and all other information, files, agreements, reports and records pertaining to any Loan, regardless of format, within the possession or control of the Insured and any of its

representatives. The Company and its representatives may conduct such review on the Insured's premises during normal business hours. The Insured and its representatives must cooperate fully with the review. If for any reason the Insured fails to comply with the requirements of this Section 7.13(b) within thirty (30) days following a second notice, the Company may cancel coverage on the related Certificate.

- c. If a Claim is denied pursuant to Section 7.13(a) and the Insured furnishes the information required for filing of a Perfected Claim within the one-year period described in Section 6.1, the Company will accept filing of the Perfected Claim and, for settlement purposes, the sixty (60) day Settlement Period will commence on the date of filing of such Perfected Claim.

All terms used herein and not defined will have the meanings set forth in the Policy. No provision of this Endorsement will vary, alter, waive or extend any of the terms and conditions of the Policy, or any endorsements thereto, except as expressly set forth above.

---

IMPORTANT INFORMATION TO POLICYHOLDERS:

In the event you need to contact someone about your Master Policy or a Certificate for any reason, please contact either your account manager or Mortgage Guaranty Insurance Corporation (MGIC) at P.O. Box 488, Milwaukee, Wisconsin 53201-0488, or phone 800/558-9900.

If you have been unable to contact, or obtain satisfaction from your account manager or the Company, you may contact the Arkansas Insurance Department, Consumer Services Division, Third and Cross Streets, Little Rock, Arkansas, 72201, telephone 800/852-5494 or 501/371-2640; FAX 501/371-2749; Email: [Insurance.Consumers@arkansas.gov](mailto:Insurance.Consumers@arkansas.gov).

When contacting your account manager, MGIC, or the Bureau of Insurance, have your Master Policy and/or Certificate number(s) available.

---

IMPORTANT INFORMATION TO POLICYHOLDERS:

An "insurance producer" is a person who represents an insurer in the sale, solicitation or negotiation of coverage issued by the insurer. The producer may be an employee of the insurer or an agent or other third party who represents the insurer.

In the sale and placement of its insurance products, MGIC only uses insurance producers who are its employees. MGIC is the sole source of compensation of its employees for the sale and placement of insurance and MGIC's employees represent only MGIC and do not represent mortgage lenders, owners and servicers (MGIC's customers). These insurance producers provide services to MGIC's customers on behalf of MGIC.

---

**IMPORTANT NOTICE TO POLICYHOLDERS**

The laws of the State of Georgia prohibit insurers from unfairly discriminating against any person based upon his or her status as a victim of family violence.

---

**IMPORTANT INFORMATION TO POLICYHOLDERS:**

In the event you need to contact someone about your Master Policy or a Certificate for any reason, please contact either your account manager or Mortgage Guaranty Insurance Corporation (MGIC) at P.O. Box 488, Milwaukee, Wisconsin 53201-0488, or phone 800/558-9900 (Home Office).

Should you feel that you have been unfairly treated with respect to a claim, you may contact the Indiana Department of Insurance, Consumer Services Division, 311 West Washington St., Suite 300, Indianapolis, IN, 46204-2787, Telephone: (In-State Toll-free calls) 800/622-4461, or 317/232-2395.

When contacting your account manager, MGIC, or the Department of Insurance, have your Master Policy and/or Certificate number(s) available.

**Producer Compensation  
Transparency Disclosure**

*As required by New York State Insurance Department Regulation 194-11 NYCRR 30*

---

Licensed New York Insurance Agent: \_\_\_\_\_

Mortgage Guaranty Insurance Corporation sells mortgage guaranty insurance products in the State of New York and elsewhere solely through our employees. Such employees, including the employee named above, are agents of the insurer and represent the insurer exclusively.

These agents are salaried, but also receive compensation from the insurer that varies depending on factors such as the volume of insurance they sell in relation to the previous year's new insurance written for the company as a whole.

You may obtain additional information about the compensation expected to be received by our insurance agent(s) by requesting such information from the agent named above or by writing to:

MGIC NY Producer Compensation  
Vice President - Regulatory Relations  
250 E. Kilbourn Avenue  
Milwaukee, WI 53202

---

### IMPORTANT NOTICE

To obtain information or make a complaint: You may call Mortgage Guaranty Insurance Corporation's (MGIC) toll-free number for information or to make a complaint at:

1-800-558-9900.

You may also write to MGIC at: P.O. Box 488, Milwaukee, Wisconsin 53201-0488.

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

1-800-252-3439.

You may write the Texas Department of Insurance at: P. O. Box 149104, Austin, TX 78714-9104, FAX # (512) 475-1771; Web: <http://www.tdi.state.tx.us>; Email [ConsumerProtection@tdi.state.tx.us](mailto:ConsumerProtection@tdi.state.tx.us). Should you have a dispute concerning your premium or about a claim you should contact your account manager or MGIC first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY: This notice is for your information only and does not become a part or condition of the attached document.

---

### AVISO IMPORTANTE

Para obtener información o para someter una queja: Usted puede llamar al número de teléfono gratis de Mortgage Guaranty Insurance Corporation's (MGIC) para información o para someter una queja al:

1-800-558-9900.

Usted también puede escribir a MGIC: P. O. Box 488, Milwaukee, Wisconsin 53201-0488

Puede comunicarse con el Departamento de Seguros de Texas para obtener información acerca de compañías, coberturas, derechos o quejas al:

1-800-252-3439.

Puede escribir al Departamento de Seguros de Texas: P. O. Box 149104, Austin, TX 78714-9104; Fax: (512) 475-1771; Web: <http://www.tdi.state.tx.us>; E-mail: [ConsumerProtection@tdi.state.tx.us](mailto:ConsumerProtection@tdi.state.tx.us).

Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el agente o la MGIC primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (Departamento de Seguros de Texas).

UNA ESTE AVISO A SU PÓLIZA: Este aviso es solo para propósito de información y no se convierte en parte o condición del documento adjunto.

---

IMPORTANT INFORMATION TO POLICYHOLDERS:

In the event you need to contact someone about your Master Policy or a Certificate for any reason, please contact either your account manager or Mortgage Guaranty Insurance Corporation (MGIC) at P.O. Box 488, Milwaukee, Wisconsin 53201-0488, or phone (800) 558-9900.

If you have been unable to contact, or obtain satisfaction from your account manager or the Company, you may contact the Virginia Bureau of Insurance at: Consumer Services Section, Bureau of Insurance, P.O. Box 1157, Richmond, Virginia 23218. In-state, toll-free calls: (800) 552-7945; out-of-state calls, (804) 371-9185; FAX (804) 371-9349; Email: [bureauofinsurance@scc.virginia.gov](mailto:bureauofinsurance@scc.virginia.gov).

Written correspondence is preferable so that a record of your inquiry is maintained. When contacting your account manager, MGIC, or the Bureau of Insurance, have your Master Policy and/or Certificate number(s) available.

---

**KEEP THIS NOTICE WITH YOUR INSURANCE PAPERS**

**PROBLEMS WITH YOUR INSURANCE?** - If you are having problems with your insurance company or agent (account manager), do not hesitate to contact your account manager or the Company, Mortgage Guaranty Insurance Corporation (MGIC), at P.O. Box 488, Milwaukee, WI 53201-0488 or phone 800/558-9900 to resolve your problem.

You can also contact the **OFFICE OF THE COMMISSIONER OF INSURANCE**, a state agency which enforces Wisconsin's insurance laws, and file a complaint. You can contact the **OFFICE OF THE COMMISSIONER OF INSURANCE** by writing to Office of the Commissioner of Insurance, Information and Complaints Section, PO Box 7873, Madison, WI 53707-7873 or you can call 1-800-236-8517 (in-state), or 608/266-0103, Fax 608/264-8115; Email: [complaints@oci.state.wi.us](mailto:complaints@oci.state.wi.us) and request a complaint form.

When contacting your account manager, MGIC, or the Office of the Commissioner of Insurance, have your Master Policy and/or Certificate number(s) available.