

Claim and Foreclosure Bidding Servicing Guide

October 1, 2014

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GENWORTH MORTGAGE INSURANCE CORPORATION
CLAIM AND FORECLOSURE BIDDING SERVICING GUIDE
OCTOBER 1, 2014

The *Claim and Foreclosure Bidding Servicing Guide* (the “Guide”) is effective October 1, 2014 for insurance Certificates issued under Master Policy form MP 1480¹. For Genworth insurance coverage issued prior to October 1, 2014, please refer to Genworth’s June 2013 *Claim and Foreclosure Bidding Servicing Guide*.

¹ Governed by Master Policy identified on Commitment/Certificate of Insurance; Notes section contains Master Policy Form Number. Sample Form located on: <https://miservicing.genworth.com>.

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1) OVERVIEW

To support the transition to the new Policy, Genworth has established a Master Policy Resource Center on our corporate website at <http://mortgageinsurance.genworth.com/OurCommitment/MasterPolicyResources.aspx> that contains implementation resources, including a high level change summary and FAQ documents.

1A) INTRODUCTION

The Policy sets forth the terms and conditions that govern mortgage insurance issued by Genworth. Please refer to the Policy for complete details. This Guide is intended to provide clarification, illustrative examples and supplemental information on the requirements of the Policy. In the event the requirements of the Policy or this Guide are not followed it may, in certain circumstances, result in cancellation of coverage, rescission, reduction in the Insurance Benefit, or Claim denial. If there is a conflict between this Guide and the Policy, the terms and conditions of the Policy will control. Capitalized terms used and not defined in this Guide have the meanings set forth in the Policy.

Genworth understands the importance of reliable and timely payment of Claims and we are providing this Guide so that you can better understand the process and requirements for:

- Commencement of Appropriate Proceedings
- Foreclosure bidding
- Filing a Claim
- Claim Settlement
- Claim Curtailment

In addition to this Guide, Genworth has other resources available to assist Servicers. Please refer to Genworth's (i) October 1, 2014 Default Management Servicing and Reporting Guide for Default servicing and delinquency reporting requirements and (ii) October 1, 2014 Lender Servicing Guide for information related to activation, maintenance and cancellation of MI coverage.

Genworth is pleased to provide additional assistance should you have any questions or comments regarding this Guide or the Policy. Please contact the Genworth ActionCenter® at 800 444.5664 or via email at action.center@genworth.com. The ActionCenter is staffed from 8 a.m. to 8 p.m. eastern time to provide you with any support you may need.

2) REQUIREMENTS FOR APPROPRIATE PROCEEDINGS

2A) COMMENCEMENT OF APPROPRIATE PROCEEDINGS

Genworth requires foreclosure to commence within 30 days after the Loan remains in Default for 6 consecutive months, unless otherwise prohibited under GSE Guidelines, the CFPB Rule or Applicable Law. Genworth reserves the right to direct the Servicer to commence foreclosure earlier and in accordance with the Policy terms, subject to Applicable Law.

2B) FORECLOSURE TIMES AND REDEMPTIONS BY STATE

After Appropriate Proceedings commence they must be diligently pursued and completed in accordance with Applicable Law and Genworth state foreclosure timelines. Any foreclosure delays must be permitted by GSE Guidelines, the CFPB Rule or Applicable Law and documented in the Servicing File. The Genworth foreclosure sale timelines can be found on the Genworth MI Servicing Website at <https://MIservicing.genworth.com>.

This website contains a table that sets forth the number of allowable months from foreclosure start to foreclosure completion.

3) FORECLOSURE BIDDING INSTRUCTIONS

3A) GENERAL FORECLOSURE BIDDING INSTRUCTIONS

Servicers are required to follow bidding instructions issued by Genworth unless the investor is a GSE. For GSE Loans, Genworth permits Servicers to follow GSE bidding instructions.

Servicers can obtain bidding instructions from:

- The e-Bid tool on the Genworth MI Servicing Website at <https://MIservicing.genworth.com>*
- The Genworth Claims Department at 800 334.9270 or gnw.claims@Genworth.com

* To obtain secured access to the e-Bid tool please call the Genworth ActionCenter at 800 444.5664.

3B) E-BID (ACCESSING AND USING GENWORTH'S FORECLOSURE BIDDING TOOL)

To Access Genworth's Foreclosure Bidding Tool login to our website:

1. Go to <https://MIservicing.genworth.com>
2. Enter your Username and Password and select Log In New to the Site?
Call the ActionCenter at 800 444.5664 to obtain login credentials
3. Select Delinquency Reporting and Claims
4. Select e-Bid

Note: As mentioned above, if a GSE is the investor of the Loan, it is not necessary to obtain bidding instructions from Genworth. In that case, Servicers need only follow GSE foreclosure bidding instructions.

Using e-Bid:

1. Enter the Certificate number requiring an e-Bid and select Search
 - Certificate information will display for confirmation (name, address, % of coverage)
2. Verify Loan information and then select Submit
3. Enter the requested information:
 - Current Property Value: Appraisal, BPO, or sheriff appraisal amount**
 - Total debt including all fees: UPB, interest, expenses, etc.
 - Scheduled foreclosure sale date (enter the correct date if incorrect or blank)
 - Property damage beyond normal wear and tear
 - Depreciating area
 - Add comments as necessary

**Note: If there is a variance between the current value and the Origination Valuation, select the appropriate reason.
4. Select Submit
 - An e-Bid or comment that indicates who you should contact for further instructions will appear

4) FILING A CLAIM

4A) WHEN TO FILE A CLAIM

Except in limited circumstances, a Claim may not be submitted prior to acquisition of Borrower's Title. The Claim must be filed no later than 60 days following the earliest to occur of:

- Acquisition of Borrower's Title
- The consummation of an Approved Sale
- Expiration of the redemption period (Servicer or Beneficiary can elect to submit a Claim prior to expiration of the applicable redemption period)

Please note if a Claim is not filed timely it may result in a Claim denial or a reduction in the Insurance Benefit due to an adjustment of any interest and Advances accruing after this period.

4B) CLAIM FORM

When filing a Claim with Genworth, the Uniform Mortgage Insurance Claim for Loss form may be used. The Claim form must be itemized, signed by the submitter and completed in full.

The Claim for Loss form can be obtained on the Genworth MI Servicing Website: <https://MIservicing.genworth.com/Publications/Default.aspx>

4C) HOW TO FILE A CLAIM

EDI	Industry Standard EDI 260 Claims Transaction
Website	MIservicing.Genworth.com
Email	gnw.claims@Genworth.com
Fax	919 846.4514
Mail	Genworth Mortgage Insurance Attn: Claims Department 8325 Six Forks Road Raleigh, NC 27615

5) CLAIM REQUIREMENTS

5A) DOCUMENTS REQUIRED TO PERFECT A CLAIM

In order to perfect a Claim, you will need to submit the documentation listed below. Copies of documents are acceptable, unless otherwise noted. It's important that the Servicer include complete documentation and activity notes from all applicable systems in order to perfect the Claim. If any information submitted in support of a Claim is incomplete, please advise Genworth at the time of submission; otherwise, we will consider the submission to be complete in determining whether the Claim is a Perfected Claim. **Please be aware that incomplete documentation may cause a delay in processing the Claim and may also result in a reduction of the Insurance Benefit or denial of the Claim.** Please contact us if you have any questions about Claim documentation.

Customer Service/Loss Mitigation Documentation:

- The complete Servicing File of the current (and each prior, if any) Servicer. This would include without limitation notes and records throughout the delinquency period pertaining to:
 - Customer service/Borrower contact
 - Bankruptcy, including the Servicer attorney's loss mitigation efforts during bankruptcy
 - Collections
 - Default servicing
 - Loss mitigation, including completed and proposed Workouts
 - Appropriate Proceedings and Borrower Proceedings
 - Any other servicing activities
- All documents pertaining to (if applicable):
 - Property valuations related to Workouts and Appropriate Proceedings dated no more than 90 days prior to the sale date
 - Loan modifications, including the executed modification agreement

Claims Documentation:

- Detailed foreclosure chronology (prepared by a foreclosure attorney or agent)
- A chronology documenting any delay or failure to commence or diligently pursue Appropriate Proceedings
- All invoices related to any Advances or expenses paid and dates incurred including detailed attorney invoices
- Documentation demonstrating the amount of consideration the Beneficiary (if not a GSE Beneficiary) paid to acquire the Loan
- Tax information/homeowners insurance; including coverage dates for taxes and insurance being claimed
- Complete pay history with escrow account details from date of Default
- Bankruptcy documents (if applicable), including bankruptcy filing and relief/release/discharge dates
- Evidence of acquisition of Borrower's Title if applicable (unrecorded deed is acceptable - Sheriff's deed, trustee deed, foreclosure deed, certificate of title, certificate of sale)
- If there is a pool or second-layer coverage Claim and Genworth is not the primary insurance carrier, a copy of the primary Claim settlement check and settlement letter
- If the primary insurance was cancelled due to the loan-to-value falling below 80%, a copy of the original appraisal and a copy of the interior BPO or appraisal showing the value that the cancellation was based on
- VA/FHA proceeds
- Pay-option ARMs or Loans with negative amortization; a copy of the Pay-option ARM note
- Evidence that the subject Property is being actively marketed
- Loan purchase agreement
- Fully executed modification agreement for all modifications made to the original Loan

If a Short Sale:

- Short sale and delegated short sale documentation
- The short sale approval letter
- A copy of the final signed HUD-1 Settlement Statement
- In cases where short sale approval has been delegated to the Servicer on Fannie Mae or Freddie Mac Loans, the entire short sale file is required including an interior appraisal or BPO (including any repair addendums and interior photographs) dated no more than 90 days prior to the sale date
- For non-GSE loans, an interior appraisal or BPO (including any repair addendums and interior photographs) dated no more than 90 days prior to the sale
- Borrower contribution information

If a Deed in Lieu:

- The deed in lieu approval letter
- The deed transferring title
- Borrower contribution information

If a 3rd Party Sale:

- If a third party outbids at foreclosure, a copy of the third party check and sale documents including the bid amount
- An appraisal or BPO (including any repair addendums and photographs) dated no more than 90 days prior to the sale

If a Property Redemption:

- Copy of redemption check proceeds
- An interior appraisal or BPO (including any repair addendums and interior photographs) dated no more than 90 days from the sale

REO Sales (i.e., sale of the Property after Borrower's Title has been obtained by the Servicer or Beneficiary):

- The approval letter containing the sale terms
- A copy of the final signed HUD-1 Settlement Statement
- An interior appraisal or BPO (including any repair addendums and interior photographs) dated no more than 90 days prior to the sale

If Genworth elects the Acquisition Option settlement:

- A recordable but unrecorded deed, usual and customary for the Property location
- Evidence of Good and Marketable Title
- Evidence that all Property taxes are paid current as of the date of acquisition
- If the Property is subject to a homeowners association/condo assessment
 - Evidence that all dues, assessments, penalties and interest are paid current
 - Evidence that all filed liens have been released or satisfied

Address verification documents

- Origination appraisal and addendums
- Foreclosure deed
- Copy of original note

If a Delegated Underwriting Loan:

- Copies of all documentation relating to such Delegated Underwriting Loan and any other information and documentation that was part of the Delegated Underwriting Requirements relating specifically to the Origination of such Delegated Underwriting Loan, that we determine to be reasonably necessary under the circumstances to appropriately evaluate such Claim, including the Loan File. See the Loan File Documentation section of Genworth's "Delegated Program

Requirements Provisions” document located on the Master Policy Resource Center located at <http://mortgageinsurance.genworth.com/OurCommitment/MasterPolicyResources.aspx>, for Loan File documentation minimum requirements.

Please note: Genworth may also request additional documents to support amounts claimed or to document events between Loan Origination and Claim filing, including the complete Loan File.

Additionally, Genworth may request documents related to the following Policy exclusions: Access and Information, Assumption of Loan, Balloon Payment, Excess Insurance Benefit, Failure to Satisfy Post-Origination Conditions or Obligations, Loan Acquired by Natural Person, Loan Charge-Off, Non-Residential Property, Physical Damage, and First Payment Default. Property Access: Upon our request made within 40 days of receipt of a Claim, the Servicer is required to provide Genworth with access to the Property.

For additional information, the Genworth ActionCenter is available at 800 444.5664.

5B) CLAIMABLE ITEMS

Items Included in the Calculated Loss of a Claim:

- Unpaid principal balance due under the Loan as of the date of Default
- Unpaid accumulated interest due under the Loan computed at the Loan contract rate (the amount of interest cannot exceed the amount accumulated during the first 36 months that the Loan was in Default)
- The following Advances paid by the Servicer or Beneficiary and incurred following the date of Default through the date of Claim submission (or date the Claim should have been submitted if that is earlier):
 - Reasonable and customary Property insurance premiums
 - Real estate taxes and assessments
 - Reasonable and customary Property preservation expenses
 - Condominium fees/homeowner’s association dues
 - Customary court costs and other reasonable expenses incurred in Appropriate Proceedings, including reasonable attorney fees (not to exceed a specified percentage as set forth in the Policy)

Examples of Items Deducted from the Calculated Loss:

- Funds remaining in the Loan escrow account as of the date the last Loan Payment was made
- Rent and other payments received related to the Property
- Other funds received to reduce the total indebtedness, such as primary mortgage insurance proceeds or FHA/VA proceeds

- The Net Proceeds of an Approved Sale, if we elect the Loss on Property Sale Option
- Cash received from any Person in settlement of litigation or claims with respect to the Loan

Please consult the Policy for complete details about allowable Advances and items included and deducted from the Calculated Loss, or contact the Claims Department at 800 334.9270 or gnw.claims@genworth.com for assistance or additional information.

5C) PROTECTION AND PRESERVATION OF THE PROPERTY

In order to protect the Insured's or Beneficiary's rights under the Policy, the Servicer should ascertain the occupancy status and condition of the Property immediately following the conveyance of Borrower's Title to the Insured. Also, the Servicer should take appropriate measures to assure Good and Marketable Title and that the Property is preserved and protected. Therefore, it is the Servicer's responsibility to advance:

- Reasonable and customary Property insurance premiums
- Real estate taxes that become due and payable on or after the date of Default
- The cost of engaging in Appropriate Proceedings
- Reasonable attorney fees
- Reasonable and customary expenses necessary for the protection and preservation of the Property

Although prior approval for Advances is not required by Genworth, the Servicer is encouraged to obtain prior approval since Genworth may disallow certain Advances if in Genworth's judgment the Advances were not reasonable and customary.

5D) LISTING AND SALE OF REO PROPERTIES

After the Insured has obtained Borrower's Title to a Property, the Property must be diligently marketed. Once the Property is vacated, the Servicer should obtain a current BPO or appraisal and list the Property for sale at fair market value as soon as possible.

Any purchase offers received prior to the settlement of the Claim must be presented to Genworth for approval or rejection along with an interior appraisal or BPO including interior photographs and any repair addendums dated no more than 90 days prior to approval. To expedite the evaluation of the offer, please email the offers details to REOSaleApprovals@Genworth.com. Within 10 Business Days of receiving a request for approval of a purchase offer, Genworth will approve or deny the request. If additional information is needed to evaluate the request, we will deny the request within 10 Business Days and indicate the additional information that is required. If we do not respond within this timeframe, the request is deemed to be approved.

Please note that a delay in timely listing properties for sale or presenting purchase offers to Genworth may result in a Claim denial or a reduction in the Insurance Benefit due to an adjustment of any interest and Advances accruing during the period of delay.

5E) POLICY EXCLUSIONS

In an effort to provide transparency related to Claims, set forth below are illustrative examples of our claims disposition process:

A Claim denial will be issued:

- If there is a failure to perfect a Claim within 120 days following Claim submission

A Claim denial may be issued for:

- Failure to provide access to the Property or information regarding any Loan, the Loan File or the Servicing File
- Assumption of liability for a Loan, with or without release of any original Borrower from liability
- Borrower failing to make a balloon payment if the Servicer or Beneficiary did not extend a written offer to the Borrower for renewal or extension of the Loan or a new mortgage loan that constitutes a first lien on the Property (i) at rates and terms generally prevailing in the marketplace, (ii) in an amount not less than the then-unpaid principal balance and (iii) that has no decrease in the amortization period
- Failure to provide information requested to enable Genworth to determine whether there is an excess insurance benefit
- Failure to satisfy post-origination conditions or obligations
- Loan acquired by natural person
- Loan charge-off if Appropriate Proceedings are not completed
- Claim is submitted more than 120 days after expiration of the 60-day period required to file a Claim
- Non-residential Property
- Physical Damage, if such damage is the principal cause of the Default or no Insurance Benefit would be payable if restoration were completed
- A Default that existed with respect to the first Loan Payment due under the Loan and such Default continues at the time of submission of a Claim

Please consult the Policy for complete details about coverage exclusions or contact the Claims Department at 800 334.9270 or gnw.claims@genworth.com for additional information.

5F) CLAIMS CURTAILMENT METHODOLOGY

Reduction of Interest and Advances

When a Servicer does not meet the requirements and timelines in the Policy, Genworth may adjust the Calculated Loss by deducting interest and Advances corresponding to the number of days that an activity was required but did not occur. For example:

- If a Claim is submitted after the 60-day period required for submission of a Claim, we may adjust from the Calculated Loss any interest accruing and Advances incurred after such 60-day period. Any reduction will be itemized in the Explanation of Benefits supplied with the Insurance Benefit payment. If a Claim is submitted more than 120 days after expiration of the 60-day period Genworth may issue a Claim Denial Notice.
- If Appropriate Proceedings are not commenced as required under the Policy, we may adjust the Calculated Loss by the amount of any accrued and unpaid interest and Advances paid by the Servicer or Beneficiary and incurred during the period beginning on the date that Appropriate Proceedings should have been commenced through the date Appropriate Proceedings are actually commenced. Any reduction will be itemized in the Explanation of Benefits supplied with the Insurance Benefit payment. If Appropriate Proceedings are not commenced as required by the Policy for a period of 12 months, Genworth may issue a Claim Denial Notice.

Loss Mitigation Review

When a Servicer has conducted loss mitigation activity but the efforts do not comply with this Guide, GSE Guidelines and the CFPB Rule, Genworth adjusts the Calculated Loss by deducting interest and Advances corresponding to the number of days that a loss mitigation activity was required but did not occur.

For example, if the GSE Guidelines require a certain loss mitigation activity to occur by day 60 of the Borrower's Default, but the Servicer does not engage in that activity until day 90, Genworth will reduce the Insurance Benefit by deducting 30 days of interest and Advances from the Calculated Loss. Any reduction will be itemized in the Explanation of Benefits supplied with the Insurance Benefit payment.

If Genworth finds no evidence of Servicer loss mitigation efforts, it reduces the final Insurance Benefit payment to reflect the harm resulting from the Servicer's nonperformance. Genworth estimates its damages by reference to a Servicer benchmark success rate. We calculate the Servicer benchmark success rate based on the average retention Workout success rate (retention Workouts completed over retention Workouts attempted) for the Servicer's peer group, as found in Genworth's insured portfolio. The Servicer benchmark success rate is then adjusted by the expected re-default

rate for completed retention Workouts. The Servicer benchmark success rate and expected re-default rate are updated periodically based on Genworth's portfolio experience, and the rate used for curtailment is detailed in the Explanation of Benefits that accompanies each Insurance Benefit payment.

To illustrate this Insurance Benefit adjustment, if the Servicer benchmark success rate is 50% and the expected re-default rate for completed retention Workouts is 25%, Genworth will reduce the Insurance Benefit payment by 37.5% ($50\% \times 25\% = 12.5\%$; $50\% - 12.5\% = 37.5\%$) in cases where the Servicer did not engage in loss mitigation efforts. However, in cases where we cannot reasonably estimate the damage arising from non-compliance with required loss mitigation efforts, we may either issue a Company Cancellation Notice or a Claim Denial Notice denying the Claim in full.

6) CLAIM SETTLEMENT METHODS

6A) SETTLEMENT OPTIONS

Genworth may select from the following Claim settlement options when settling the Claim:

- Acquisition Option
- Percentage Option
- Loss on Property Sale Option
- Anticipated Loss Option
- Settlement on Basis of Approved Sale

Please consult the Policy for complete details about the Claim settlement options or contact the Claims Department at 800 334.9270 or gnw.claims@genworth.com for additional information.

6B) EXPLANATION OF BENEFITS (EOB)

The Explanation of Benefits (EOB) provides a categorized itemization of a Claim settlement. If adjustments are made to the Insurance Benefit, an explanation for the adjustment is provided. An EOB is provided with each Claim settlement and is available online at <https://MIservicing.Genworth.com>.

6C) SUPPLEMENTAL CLAIMS

A supplemental Claim may be filed within 90 days after payment of an Insurance Benefit for allowable Advances incurred and paid by the Servicer prior to the date the initial Claim was submitted and were not included in the initial Claim.

6D) APPEAL OF CLAIM DENIAL OR REDUCTION OF INSURANCE BENEFIT

The Servicer or Beneficiary may, no later than 90 days following receipt of a Claim Denial Notice, Rescission Notice, Company Cancellation Notice or Explanation of Benefits, request in writing that Genworth reconsider its decision. The Servicer or Beneficiary must provide all information and documentation necessary for evaluation of the request within such 90-day period. Appeals due to a reduction in the Insurance Benefit should include a Supplemental Claim For Loss Form. Please note that in many cases a reduction in the Insurance Benefit is due to Genworth not receiving complete documentation with the initial Claim submission, for example the complete Servicing File. Failure to submit an appeal within 90 days will result in our initial determination becoming final.

Appeals may be submitted via email to MIClaimAppeals@Genworth.com.

7) INVESTIGATIONS

Genworth must have Credible Evidence of an Eligibility Criteria Violation, First Party Misrepresentation or Pattern Activity in order to issue a Rescission Notice rescinding coverage on a Certificate.

Examples of Credible Evidence include, but are not limited to any one or more of the following:

- Undisclosed Borrower mortgage involving the same loan originator as the subject Loan (as the loan originator should be aware of and detect such other mortgage and ensure it is disclosed as part of the subject Loan Application)
- A review appraisal indicates a variance of fifteen percent (15%) or more in the value of the Property as compared to the Origination Valuation and there is evidence that the appraiser manipulated or selectively utilized information in producing the appraisal that established the Origination Valuation (e.g., if the sales history of the subject Property or its relation to comparable properties is misrepresented)
- Verification of Origination documentation generated by a First Party that was confirmed to be falsified. For example: verification of employment, verification of assets, verification of rent
- Any situation where a straw buyer is presented as the Borrower for purposes of qualifying an otherwise unqualified Borrower if it can be shown the First Party was aware of the straw buyer
- Any situation where the Borrower has presented false identification where it can be shown a First Party was aware
- An investigation by regulators or law enforcement agencies has established that there was First Party Misrepresentation involving the Loan
- A First Party, the Servicer, Insured, Third-Party Beneficiary or owner of the Loan have reported First Party Misrepresentation to the Company

- The Loan has been repurchased as a result of First Party Misrepresentation
- The final HUD-1 indicates that the Borrower received interested party contributions that exceeded the guideline limit
- The final HUD-1 indicates that the Borrower failed to make the required down payment at closing
- The final title report indicates an undisclosed second lien on the subject property

8) SUBROGATION AND DEFICIENCY JUDGMENTS

Genworth is subrogated, upon payment of an Insurance Benefit, to the Insured's or Beneficiary's rights of recovery against the Borrower. Therefore, Genworth may pursue a Borrower for its loss when permitted under Applicable Law.

The Servicer should foreclose and bid in a manner that protects the deficiency rights unless otherwise instructed by Genworth. Please see the Section of this Guide entitled Foreclosure Bidding Instructions for bidding instructions.

Genworth may request the Servicer to foreclose in a manner outside of the normal and customary state foreclosure process to preserve its rights of recovery (e.g., judicial foreclosure rather than non-judicial). All associated expenses incurred by the Servicer will be handled in accordance with Section 11.3 (Deficiency Judgments) of the Policy.

Should Genworth elect to pursue a Deficiency Judgment against the Borrower, Genworth or our designee may request that the Servicer and Beneficiary provide such information and execute and deliver such documents and instruments necessary to transfer, assign, and secure your subrogation rights.

Genworth and the Beneficiary may jointly elect to pursue a Deficiency Judgment. In that case, all expenses associated with the preservation and pursuit of a Deficiency Judgment will be shared pro rata between Genworth and the Beneficiary in accordance with the Policy.