

Enhanced Coverage Commitment Guide

October 1, 2014

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Genworth 



GENWORTH MORTGAGE INSURANCE CORPORATION
ENHANCED COVERAGE COMMITMENT (“ECC”) GUIDE
OCTOBER 1, 2014

The *Enhanced Coverage Commitment Guide* (the “Guide”) is effective October 1, 2014 for insurance Certificates issued under Master Policy form MP 1480¹.

This Guide applies to any Certificate issued under MP 1480 to which the Enhanced Coverage Commitment Endorsement (the “Endorsement”) is applicable.

¹ Governed by Master Policy identified on Commitment/ Certificate of Insurance; Notes section contains Master Policy Form Number. Same 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. This Guide is intended to provide further clarification and supplemental information on the requirements of the Policy and the Endorsement. Failure to adhere to any of the requirements of the Policy and Endorsement or this Guide may, in certain circumstances, result in cancellation of coverage, rescission, reduction in the Insurance Benefit or Claim Denial. In the event that there is a conflict between the Guide and the Policy and Endorsement, the terms of the Policy and Endorsement will control. Capitalized terms used throughout this Guide have the meanings set forth in the Glossary.

Enhanced Coverage Commitment (“ECC”) offers the opportunity for rescission relief after the Borrower’s first 12 consecutive timely Loan Payments, rather than the standard Policy rescission relief after the Borrower’s first 36 payments. In order for a Loan to receive ECC, we must receive complete Verification Information to perform an independent review.

The purpose of this Guide is to better serve you; if you have any general questions or comments regarding this Guide, please contact the ActionCenter® at 800 444.5664 or via email at action.center@genworth.com. The ActionCenter is staffed to provide assistance and answer questions from 8 a.m. to 8 p.m. Eastern Time.

2) PROGRAM INITIATION

All lenders are eligible to participate in Genworth’s ECC program. If you are interested, please reach out to your local sales representative or Genworth’s ActionCenter at 800 444.5664.

3) PROGRAM REQUIREMENTS

In order for a Loan to be considered for ECC, all Verification Information must be received within 60 days following notice to Genworth that a Certificate Effective Date has been established and coverage has been activated. For non-delegated Loans where we have already performed the upfront underwrite, the Verification Information only consists of the complete Closing File. For Delegated Underwriting Loans, the Verification Information consists of the complete Loan File. In each case, the ECC transmittal form should be included with the documentation submission. If no documentation on a Loan is received within the 60 day Document Submission Period, the Loan will not be eligible for ECC but will be eligible under the Rescission Limitations in Section 4.3(a) of the Policy.

All required documentation can be uploaded through secured submission at www.mortgageinsurance.genworth.com or via email to ECC@genworth.com.

3A) ECC CLOSING FILE

The documents required to be in the Closing File submitted for ECC consideration are:

- Final HUD-1 Settlement Statement or other settlement statement signed by the Borrower
- Signed promissory note
- Signed Mortgage
- Title insurance Commitment
- Occupancy Affidavit signed by the Borrower, as applicable
- Final Application signed by the Borrower
- All applicable final inspections or satisfactory completion documents and evidence of satisfaction of any conditions prescribed by the appraiser
- Any other closing conditions required by the underwriter

4) MISSING DOCUMENTS

In the event that we determine the Verification Information submitted for review is incomplete, we will issue a notice requesting all missing documentation ("Missing Documentation Request"), which will provide a 30 day time frame for response. If the requested documentation is not provided within the 30 day time frame allowed, we will deny the request for ECC. To the extent that ECC is denied for missing documentation, the Rescission Limitations in Section 4.3(a) of the Policy will apply. In certain circumstances, we may consider alternate documentation in lieu of what is requested in our Missing Documentation Request; please contact the ECC Review department at ECC@genworth.com for additional detail on alternative documentation eligibility.

5) INDEPENDENT VALIDATION

Once we have determined that the Verification Information is complete, we will perform our Independent Validation. At a minimum, our Independent Validation will consist of:

- (a) a complete independent underwrite of all Loan File information, either pre or post-closing, to confirm compliance with our Eligibility Criteria and Underwriting Requirements, as well as a post-closing comparison to the Closing File to ensure the Loan closed as approved (e.g. Loan amount is the same, Borrower contribution and seller concessions are within guidelines);
- (b) a review of the Origination Valuation and all other applicable collateral-related documents and tools to assess potential Material Value Variance concerns;

(c) to the extent we uncover discrepancies or other questionable data, independently obtaining new information to re-verify the accuracy of documentation.

Our Independent Validation will be completed no later than 180 days after receipt of complete Verification Information. Our independent review of the Loan File for Eligibility Criteria shall include, but not be limited to:

- The Borrower's Loan Application
- Borrower's income and employment documentation and information
- Borrower's assets, down payment and reserves, as applicable
- Required documentation to support the Origination Valuation
- Borrower credit reports, mortgage or rental payment history, letters of explanation and alternative sources, as applicable
- Full compliance with the Underwriting Requirements

6) ECC DETERMINATION

Upon completion of our Independent Validation, we will issue an ECC Coverage Notice detailing our findings and if, and the extent to which, our ECC coverage will apply, subject to verification that none of the first 12 Loan Payments were 30 or more days Delinquent and that all of the first 12 Loan Payments were made from the Borrower's Own Funds. While the ECC Coverage Notice may not indicate any defects, the ECC protections are not in effect until after payment thresholds have been met by the Borrower.

6A) ECC DENIAL

To the extent we determine a Loan is not eligible for ECC following our Independent Validation, or we are unable to make a determination regarding ECC eligibility, the Rescission Limitations in Section 4.3(a) of the Policy will apply. In the event that an ECC Coverage Notice is not received within 180 days from our receipt of the Independent Verification, the request for ECC is deemed to have been denied.

Some examples of situations where we are unable to render an ECC decision include, but are not limited to:

- Income documentation contains red flags but we are unable to make the appropriate contact necessary to confirm their validity
- Origination Valuation documentation contains discrepancies but we cannot fully quantify the impact on the value and corresponding LTV
- Conflicting information in post-closing credit report

6B) ECC APPEALS PROCESS

Within 30 days after the receipt of an ECC Coverage Notice indicating that a Loan will not be eligible for ECC, the Servicer may submit an appeal, in writing, requesting reconsideration of our decision, including any new or alternate supporting documentation. Appeals should be thorough and articulate and specifically address the defects or discrepancies noted in the ECC Coverage Notice. Within 60 days of receipt of such appeal, we will review all submitted

documentation and render a determination on the request for reconsideration. If we do not render a decision within such 60-day period, the request for reconsideration will be deemed denied. Documents can be submitted for review through secure submission at www.mortgageinsurance.genworth.com or via email at ECC@genworth.com.

6c) ECC APPROVALS

To the extent the Loan is approved for ECC we will not rescind coverage on account of an Eligibility Criteria Violation if the Loan meets the ECC Program Requirements, nor will we request information or documentation from the Servicer to investigate an Eligibility Criteria Violation. As it relates to Loans approved for ECC, Eligibility Criteria Violations include Material Value Variance, errors in appropriately applying Underwriting Requirements and misrepresentations by the Borrower that were unknown to any First Party. As per Section 4.1(j) of the Policy, we do reserve the right to rescind if we determine, on the basis of Credible Evidence, that there was Pattern Activity or a First Party Misrepresentation.

7) COMMITMENT ACTIVATION

To the extent a Loan qualifies for ECC coverage or reverts to the standard Coverage Commitment in Section 4.3(a) of the Policy, the Certificate activation process remains the same. Please note that all Commitments on Loans eligible for ECC will have language referencing ECC coverage.

8) GLOSSARY OF TERMS

Borrower's Own Funds – With respect to a Loan Payment and except as permitted in the Underwriting Requirements in effect when an Insurance Application is submitted to us, that such payment has been made by the Borrower from his/her/its own funds. Borrower's Own Funds excludes any funds advanced or provided by a First Party, Pattern Party, any Beneficiary, any Servicer, their respective agents or any other Person who is not a Borrower but is affiliated with a First Party, Pattern Party, Beneficiary or Servicer.

Certificate Effective Date – The date from which our coverage is in force, which shall be the closing date of the Loan or such later date requested by or on behalf of the Initial Insured and approved by us, in both cases as reflected in our books and records.

Closing File – With respect to a Loan, copies of: the final HUD-1 Settlement Statement or other settlement statement signed by the Borrower; the signed promissory note; the signed Mortgage; the title insurance commitment; and such other documentation produced or obtained at or after the closing of the Loan transaction that we may require, as specified in our Servicing Guide in effect when an Insurance Application is submitted.

Credible Evidence – Any information, regardless of format, relating to the Loan, Borrower, Property or a First Party, received or obtained by us at any time, that would be viewed by a reasonable person in the context of all other information available to us as having a basis in fact, or in the case of a Property valuation, as a reasonably reliable estimate or opinion. For clarity, our Claims and Foreclosure Bidding Servicing Guide sets forth examples of Credible Evidence. Information that consists solely of unsworn statements made by the Borrower, without corroboration by any other information, will not be considered Credible Evidence.

Delinquent – With respect to a Loan Payment, that such payment is not paid when due; provided however, that if such Loan Payment is credited or received by the Servicer following its due date solely as a result of an error in the set-up of the Borrower's account with the Servicer, then such payment shall not be considered Delinquent. A Loan Payment is 30 days Delinquent if it remains unpaid as of the due date of the next monthly Loan Payment; a Loan Payment is 60 days Delinquent if it remains unpaid as of the due date of the next succeeding monthly Loan Payment (following the due date of such next monthly Loan Payment); and a Loan Payment is Delinquent by an additional 30 days for each successive monthly Loan Payment due date that it remains unpaid.

Document Submission Period – Any time prior to the 60th day following the date that we receive notice that a Certificate Effective Date has been established and we activate the Loan on our system or as otherwise specified in the Servicing Guide in effect when we receive the Insurance Application.

ECC Coverage Notice – Notice under Section 2.3 of the Endorsement if, and the extent to which, based on our independent validation, our enhanced coverage commitment will apply.

ECC Program Requirements – (i) the Initial Insured delivers or causes to be delivered to us in accordance with our Underwriting Requirements the Verification Information within the Document Submission Period; (ii) none of the first 12 Loan Payments were 30 or more days Delinquent, which must be demonstrated by the payment history from the Servicing File or other reasonably requested evidence acceptable to us; (iii) all of the first 12 Loan Payments were made from the Borrower's Own Funds, which must be demonstrated by the payment history

from the Servicing File or other reasonably requested evidence acceptable to us; and (d) the Loan is not subject to a Workout.

Eligibility Criteria – The requirements that a Loan must meet to be eligible for insurance under the Policy, (i) as set forth in our Underwriting Requirements or communicated by other notice to the Initial Insured, each as of the date we receive the Insurance Application, and (ii) as set forth in the certifications or requirements of the Commitment.

Eligibility Criteria Violation – On the Certificate Effective Date a Loan did not in fact meet one or more Eligibility Criteria in any respect material to our acceptance of the risk or the hazard assumed, such that had we known of the non-compliance as of such date, we would not have insured the Loan, regardless of whether the non-compliance caused or contributed to a Default or the Calculated Loss. A Material Value Variance is an Eligibility Criteria Violation.

Enhanced Coverage Commitment (“ECC”) – With respect to a Certificate, that we will not rescind insurance coverage on account of an Eligibility Criteria Violation, subject to the terms and conditions of the Endorsement.

First Party – With respect to a Loan, the Initial Insured and any other Persons (other than the Borrower or the legal representative of the Borrower) who performed or had a duty to perform any acts related to the Insurance Application or Origination of such Loan, including correspondent lenders, mortgage brokers, escrow or closing agents, processors, underwriters, independent contractors, intermediaries involved with processing, underwriting or Originating such Loan, appraisers, appraisal companies, closing agents, title companies, other third-party vendors involved with processing, underwriting or Originating such Loan and all agents (including employees) of the Initial Insured or of any such Persons.

First Party Misrepresentation – Any material misrepresentation related to or in connection with Eligibility Criteria, whether by information furnished, omitted, falsified or forged, that was knowingly and intentionally made, or knowingly and intentionally participated in, by a First Party.

Independent Validation – With respect to any Enhanced Coverage Commitment provided pursuant to the Endorsement, an independent underwriting review by us using commercially reasonable efforts, as more particularly described in Section 2.2 (Enhanced Coverage Commitment Independent Validation) of the Endorsement, that will be conducted regardless of whether we performed any initial underwriting with respect to the Certificate, to determine the extent to which a Loan is eligible for Enhanced Coverage Commitment.

Loan – The indebtedness of the Borrower (giving effect to any subsequent increase or decrease in the principal amount of such indebtedness) in the amount and for the term specified in a written obligation secured by a Mortgage that is a first lien or equivalent charge on the Property, as reflected in the Certificate.

Loan Application – All statements and representations, whether oral or in any form of written communication, made by the Borrower or any other Person in connection with obtaining the Loan and provided to any First Party, including the Borrower’s signed loan application, disclosure statements, purchase contract, credit reports, and verifications of employment, income, assets and deposits.

Loan File – Collectively, the Loan Origination File and the Closing File.

Loan Origination File – All information, data and materials (other than the Closing File), regardless of format, created, received, required, transmitted, stored or preserved in connection with Origination of a Loan by or on behalf of the Initial Insured or any other First Party, including the Loan Application, Loan approval notes, verifications of employment, income, assets and deposits, appraisal and other property valuation information (including all addenda, attachments, schedules, photographs and other information included by the appraiser in the value assessment), underwriting and processing notes and automated underwriting systems output.

Loan Payment – 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 our approval, whether arising by Applicable 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).

Material Value Variance – An Eligibility Criteria Violation relating to the Property value that exists when

- (i) there is a percentage variance of 15% or more between the Origination Valuation and the opinion of market value for the subject Property as determined by a licensed appraiser in an appraisal report prepared at our request as of the date of the Origination Valuation in compliance with industry standard appraisal practices; and
- (ii) the loan-to-value ratio calculated as of the Certificate Effective Date using the appraised value from our requested appraisal report does not meet the Eligibility Criteria applicable to the Loan.

The “percentage variance” is the quotient determined by dividing the difference between the two values by the Origination Valuation, expressed as a percentage.

Originated – Having performed all or any part of the processes related to the origination of the Loan, from the taking of the Loan Application to the disbursement of funds, including the underwriting, processing, review, approval and funding of the Loan. The terms “**Originate**” “**Originating**” and “**Origination**” have the corresponding meanings.

Origination Valuation – The value of a Property as represented in an Insurance Application.

Pattern Activity – A pattern of misrepresentations related to or in connection with Eligibility Criteria, whether by information furnished, omitted, falsified or forged, involving (i) 2 or more Loans, at least one of which is insured by us, and (ii) 2 or more Pattern Parties or the Borrower and one or more Pattern Parties.

Pattern Party – (i) any individual acting with actual or apparent authority for an Initial Insured, or (ii) any First Party other than the Initial Insured, or (iii) any Property seller, Property builder, real estate broker or real estate agent.

Underwriting Requirements – The definitions, methods, calculations, guidelines, documentation and other requirements we use to determine if Eligibility Criteria are met, as such requirements are published from time to time in our underwriting guides, bulletins, premium rate cards, by other notice to the Initial Insured, or as we otherwise approve. Underwriting Requirements are effective at the time set forth in such requirements when published and are considered “published” as soon as they appear on a website of ours that regularly makes such material available to lenders. Our records maintained in good faith will be

conclusive regarding the content of the Underwriting Requirements in effect at any particular time.

Verification Information –

- (a) In the case of an Enhanced Coverage Commitment pertaining to a Material Value Variance, the complete appraisal or other Property valuation documentation from the Loan Origination File;
- (b) In the case of an Enhanced Coverage Commitment pertaining to Eligibility Criteria Violation other than a Material Value Variance, the Loan File, which must include the Borrower's credit report, application, and verifications of income, employment and assets; and
- (c) Any other applicable information and documentation required to be submitted for Enhanced Coverage Commitment eligibility, as published in our Underwriting Requirements in effect when we receive an Insurance Application.