



Date: November 18, 2011

Expansion of Eligibility and Updates to the Underwriting Guideline Manual

Effective Date: December 12, 2011

Highlights of Changes

Essent is implementing a guideline eligibility expansion and an update to our Underwriting Guideline Manual. All changes will be effective for MI applications received on or after **December 12, 2011**. Details on these changes are outlined below. In addition, for Retail originations, Essent continues to have no additional guideline limitations for properties located in Declining Markets, except for condominiums in Florida.

The updated **Underwriting Guideline Manual** and updated **Guidelines Summary** are available on Essent's website (<http://www.essent.us>).

Underwriting Guideline Expansion

» Eligibility Expansion*

- » Purchases and Rate/Term Refinances on Non-Retail loans originated in Stable Markets are now eligible up to 97% LTV/CLTV.
- » Condominiums on both Retail and Non-Retail loans originated in Stable Markets are now eligible up to 97% LTV/CLTV.
- » We have expanded the eligibility differentiation between Purchases, Rate/Term Refinances and Construction-to-Permanent (CTP) transactions on Non-Retail loans originated in both Stable and Declining Markets.
- » Cash-Out Refinances on Non-Retail loans originated in Stable Markets are now eligible up to 85% LTV/CLTV.

» Expanded Approach to Approved Agency Automated Underwriting Systems (AUS)

- » We have eliminated the maximum 30% investment property concentration for condominium project eligibility on loans scoring DU "Approve/Eligible" or LP "Accept/Eligible."

* Please reference the applicable Eligibility Highlights on the following page for details.



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Product Eligibility Matrix Updates:

Retail Product Eligibility Matrix: All Markets

Loan Amount	Occupancy	Loan Purpose	Property Type	Max LTV/CLTV	Min FICO
≤\$417,000	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	97*	720
		Purchase or Rate/Term Refinance	Single Family or Condominium or Co-op	95	660
		Cash-Out Refinance	Single Family	85	700
		Construction-to-Permanent	Single Family	95	700
	Second Home	Purchase or Rate/Term Refinance	Single Family	90	720
≤\$533,850	Primary Residence	Purchase	Two-Unit	90	700
\$417,001 to FHFA Max	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium or Co-op	95	700
		Construction-to-Permanent	Single Family	90	700

*LTV/CLTV > 95%: non-delegated submissions only

Non-Retail Product Eligibility Matrix: Stable Markets (all states excluding AZ, CA, FL and NV)

Loan Amount	Occupancy	Loan Purpose	Property Type	Max LTV/CLTV	Min FICO
≤\$417,000	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	97*	720
			Single Family or Condominium or Co-op	95	680
		Cash Out Refinance	Single Family	85	720
		Construction-to-Permanent	Single Family	95	720
	Second Home	Purchase or Rate/Term Refinance	Single Family	90	720
\$417,001 to FHFA Max	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium or Co-op	95	700
		Construction-to-Permanent	Single Family	90	720

*LTV/CLTV > 95%: non-delegated submissions only

Non-Retail Product Eligibility Matrix: Declining Markets (AZ, CA, FL and NV)

Loan Amount	Occupancy	Loan Purpose	Property Type	Max LTV/CLTV	Min FICO
≤\$417,000	Primary Residence	Purchase or Rate/Term Refinance	Single Family	95	700
			Condominium or Co-op	95	720
\$417,001 to FHFA Max	Primary Residence	Purchase or Rate/Term Refinance	Single Family or Condominium	95	720

Underwriting Guideline Manual Updates

» New Guidance

- » **Ineligible Borrowers:** A borrower who was a debtor on a loan for which Essent previously paid a claim.
- » **Bankruptcy:** Borrowers with multiple bankruptcy filings within the past seven years are ineligible.



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» **Income – Acceptable Sources of Income and Documentation:**

- » Any gaps in employment that extend beyond 30 days must be explained and documented in the loan file to determine the stability of the borrower's income.
- » Eligibility and documentation requirements have been added for the following acceptable income sources (see pages 15-16 of the Underwriting Guideline Manual):
 - » Interest and Dividend Income
 - » Notes Receivable Income
 - » Disability Income
 - » Public Assistance Income

» **Income – Unacceptable Sources of Income:** Projected or future income has been added as an unacceptable source of income.

» **Cash-Out Refinances:** Non-Retail transactions require a full Uniform Residential Appraisal Report with interior/exterior inspections.

» **Corporate Relocation Loans:** New guidelines have been added regarding the acceptable documentation necessary to exclude the borrower's previous home mortgage PITI payment from the debt-to-income (DTI) calculation. (see page 23 of the Underwriting Guideline Manual)

» **Completion Escrows:** New guidelines have been added regarding the eligibility of loans with escrow holdbacks for postponed improvements. (see page 26 of the Underwriting Guideline Manual)

Clarifications

» **Income – Acceptable Sources of Income and Documentation:** The timing of completion for pre-funding verbal verifications of employment (business vs. calendar days) for salaried, self-employed and military borrowers. (see page 12 of the Underwriting Guideline Manual)

» **Maximum Loans to One Borrower:** Essent's overall exposure to the same borrower is limited to a maximum of two loans. One loan should be for the borrower's Primary Residence. Previous guidance regarding a maximum risk-in-force threshold has been removed. (see page 19 of the Underwriting Guideline Manual)

» **Appraisal Form Requirements:** Essent requires appraisal reports to be completed on the appropriate form with interior/exterior inspections and all required photos, exhibits and addendums. Essent will, however, accept appraisals completed using Fannie Mae/Freddie Mac Form 2055 (Exterior-Only Inspection Residential Appraisal Report) when a DU or LP finding/feedback certificate indicating acceptability is present in the loan file. Essent does not accept valuations based on AVMs or BPOs. Property Inspection Waivers (PIWs) or Property Inspection Alternatives (PIAs) such as Fannie Mae Form 2075 (Desktop Underwriter Property Inspection Report) are not acceptable to Essent. (see page 24 of the Underwriting Guideline Manual)



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» **Property Types – Eligible Condominiums:** The project must be warrantable to the Agency general warranty of project eligibility requirements. Subject to the project meeting the Agency warranty, the following project approval options are deemed acceptable: Fannie Mae Lender Full Review, Fannie Mae Limited Review, Fannie Mae Condo Project Manager (CPM), Fannie Mae Project Eligibility Review Services (PERS), Freddie Mac Streamlined Review. The project must not be an ineligible project according to Agency guidelines, and the loan file must be documented with evidence of the Agency project approval or lender certification. (see pages 24-25 of the Underwriting Guideline Manual)

If you have any questions regarding these changes and updates, please contact your Essent account representative.