



Arch Mortgage Insurance Company
3003 Oak Road
Walnut Creek, CA 94539

FIRST LIEN MASTER POLICY

**FIRST LIEN MASTER POLICY
FORM ARCH 1800.00 (07/14)**

Arch Mortgage Insurance Company, or “the Company,” is a Wisconsin corporation. In consideration of the Insured’s payment of Premium and subject to the Master Policy’s terms, the Company agrees to pay any Insurance Benefit determined to be payable under the Master Policy in the event of a loss to the Insured, or if the Loan is a GSE Loan, to the GSE Beneficiary, due to the Default by a Borrower on a Loan.

To obtain information about the Master Policy, to register a complaint or to obtain information about related mortgage guaranty insurance products and services offered by the Company, the Insured may call the Company, toll free, at (800) 909-4264.

Policyholder’s Name and Mailing Address:

Master Policy Number:

Policyholder Identification No.:

Master Policy Effective Date:

IN WITNESS WHEREOF, the Company has caused the Master Policy to be signed by its duly authorized officers in facsimile to become effective as its original signature and binding on the Company.

Arch Mortgage Insurance Company

President

Secretary

Authorized Representative



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1. **GLOSSARY**

1.1 “Acquisition Option” means the method of determining the amount of Insurance Benefit with respect to a Loan as set forth in Section 8.4(a)(i).

1.2 “Advances” means the costs incurred in connection with the items identified in Section 7.5.

1.3 “Anticipated Loss” means an amount equal to the Calculated Loss less the amount the Company reasonably anticipates receiving as proceeds of the sale of the Property, net of anticipated costs of the sale and holding costs. If this amount is greater than the amount of the Insurance Benefit calculated under the Percentage Option, the Anticipated Loss shall be reduced to an amount equal to the Insurance Benefit calculated under the Percentage Option.

1.4 “Applicable Law” means any applicable federal, state, local, or foreign law, statute, ordinance, common law, rule, regulation, judgment, order, writ, injunction, ruling, decree, arbitration award, license, or permit of any governmental authority. Applicable Law includes any government imposed moratoria that apply to all lenders for Loans on properties in a jurisdiction which prohibit or limit the initiation or continuance of foreclosure proceedings, or the eviction of Borrowers or tenants from a Property.

1.5 “Appropriate Proceedings” means the formal commencement of any legal, administrative, judicial or non-judicial action, proceeding or remedy, permissible under the laws of the jurisdiction where the Property is located, to enforce the Borrower’s obligations under a Loan, or to apply the Property to the satisfaction of the Borrower’s obligations under a Loan. Such proceedings include: enforcing the terms of the Loan, eviction proceedings, preserving Deficiency Rights by making a bid as required under Section 7.3(c)(vi), and preserving or establishing Deficiency Rights in accordance with Section 9.3(b), acquiring Borrower’s Title or Good and Merchantable Title to the Property, as may be required under the Master Policy, or asserting the Insured’s or GSE Beneficiary’s interest in the Property in a Borrower’s bankruptcy or similar proceeding.

1.6 “Balloon Payment” means a payment for an amount more than twice the regular periodic payment of principal and interest that is set forth in the Loan which becomes due when the Insured exercises its right to call the Loan when not in Default or because the term of the Loan is shorter than the amortization period.

1.7 “Borrower” means any Person, or any trust controlled by a Person, obligated to repay the debt obligation created pursuant to the Loan. The Borrower may be more than one Person, and the term includes any co-borrower, co-signer, co-obligor, guarantor or other Person obligated to make payments under the note, mortgage, or other instrument of indenture, whether or not specifically listed on the Loan Application, the Insurance Application, or the Certificate.



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1.8 “Borrower’s Own Funds” means any funds owned by the Borrower and neither borrowed from other sources, nor subject to refund, rebate, or repayment.

1.9 “Borrower’s Title” means such title to a Property as was vested in the Borrower at the time of a conveyance to the Insured or GSE Beneficiary, or to a third party, extinguishing all of the Borrower’s rights in the Property; *provided, however*, with respect to meeting the Claim filing requirements of Section 8.1(a), Borrower’s Title shall be satisfied even when a Property remains subject to a right of redemption under Applicable Law at the time the Property is conveyed to the Insured, GSE Beneficiary, or a third party. The deed evidencing such title in the Insured or GSE Beneficiary need not be recorded unless required by Applicable Law, but Borrower’s Title will not be deemed to have been conveyed until any and all necessary Appropriate Proceedings have been completed, except that the redemption period need not have expired.

1.10 “Business Day” means any day on which the offices of the Company are open and carrying on substantially all of the Company’s business functions.

1.11 “Calculated Loss” means the amount calculated in accordance with Section 8.3, subject to any exclusions or reductions in coverage contained in the Master Policy.

1.12 “Certificate” means the document entitled “Commitment and Certificate of Insurance,” in paper or electronic form, which extends insurance coverage to a specified Loan, subject to the terms and conditions specified therein and in the Master Policy. A “Commitment and Certificate of Insurance” becomes a Certificate after all conditions precedent for coverage stated therein and in the Master Policy have been satisfied. Such Certificate will reference the form number of this Master Policy.

1.13 “Certificate Effective Date” means: (i) for new Loans, 12:01 a.m. on the Loan Closing Date; (ii) for other Loans, 12:01 a.m. on the date of coverage as indicated in the Certificate; or (iii) a later date requested by the Insured and accepted by the Company. A new Loan is a Loan which was not Closed as of the date the Insured submitted the Insurance Application.

1.14 “Claim” means a request to receive an Insurance Benefit submitted to the Company within the time period prescribed in the Master Policy, made on a form or in a format provided or approved by the Company.

1.15 “Claim Denial” means notification by the Company to the Insured, after the Company’s receipt of a Claim, that it will not pay the Claim due to the application of an exclusion listed in Section 6, or the breach of one or more provisions of this Master Policy. In the event of a Claim Denial, the Company shall return to the Insured all Premium received with respect to the affected Loan after the earlier of the date of the Default, or the event which triggered the Claim Denial. A Rescission under Section 3 shall not be considered a Claim Denial.

1.16 “Claim Settlement Period” means a sixty (60) day period that begins on the day a Claim becomes a Perfected Claim.



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1.17 “Closed” or “Closing” means the later of: (i) the date on which all Loan documents were executed and delivered to the Loan Originator; or (ii) the date on which the funds under the Loan were initially disbursed to, or for the benefit of, the Borrower.

1.18 “Commitment” means the document entitled “Commitment and Certificate of Insurance,” in paper or electronic form, issued by the Company indicating the terms and conditions under which the Company will extend insurance coverage to a specified Loan under the Master Policy, and which may become a Certificate subject to the terms and conditions specified therein and in the Master Policy. Such Commitment will reference the form number of this Master Policy.

1.19 “Company” means Arch Mortgage Insurance Company.

1.20 “Company Initiated Cancellation” means notification by the Company to the Insured, prior to the Company’s receipt of a Claim, that it has cancelled coverage in connection with a Loan as of a specified date due to the application of an exclusion listed Section 6, or the breach of one or more provisions of this Policy. In the event of a Company Initiated Cancellation, the Company shall return to the Insured all Premium received with respect to the affected Loan after the date of the event which triggered the Company Initiated Cancellation. A Rescission under Section 3 shall not be considered a Company Initiated Cancellation.

1.21 “Court Expenses” means the reasonable out-of-pocket costs of initiating and conducting Appropriate Proceedings and any eviction proceedings, and moving expenses, if, and to the extent that, moving expenses are required by law to be paid by the evicting party. Court Expenses include costs of filing or serving pleadings, conducting discovery and enforcing a judgment. Court Expenses do not include reimbursement for any time spent by the Insured or the Insured’s employees, officers or agents, nor do these expenses include attorneys’ fees.

1.22 “Credible Evidence” means: (i) the information contained in the Loan Origination File (whether submitted to the Company prior to or after the Certificate Effective Date) and the Loan Servicing File; (ii) information relating to the Loan (whether written, electronic or oral) provided at any time by a First Party to the Company; or (iii) any other information (whether written, electronic or oral) received or obtained by the Company at any time from any Person provided that such information would be viewed by a reasonable person familiar with all other Credible Evidence as having a basis in fact and not exhibiting falsity or material internal inconsistency (with the exception of a document which contains false information and which is used solely to establish such falsity or material internal inconsistency.) Credible Evidence shall not include any written or oral statement made by the Borrower to the Company or the Company’s agents after the Closing unless such statement was made under oath, or is corroborated by other Credible Evidence. Examples of Credible Evidence are contained in the Delinquency and Claims Reference Manual the applicable version of which is the one in effect on the Certificate Effective Date of the Loan.

1.23 “Deed-in-Lieu of Foreclosure” means a conveyance of title to the Property from the Borrower in lieu of foreclosure or other proceeding.



1.24 “Default” means the failure by a Borrower to pay when due a non-accelerated amount equal to or greater than one (1) regular periodic payment due under the terms of a Loan, or the failure by a Borrower to pay all amounts due under a Loan after the exercise by the Insured of the Due on Sale Clause of such Loan. Default does not mean a non-monetary default or violation of any other terms or conditions of the Loan that would allow for acceleration of the debt, or foreclosure, or other action to realize upon the security provided by the Loan. A Loan is deemed to be in Default as of the close of business on the installment due date if a scheduled installment payment has not been made.

1.25 “Default Amount” means an amount equal to the unpaid principal balance of a Loan as of the date of Default including any Negative Amortization provided for by the Loan documents and any capitalized interest resulting from a modification approved by the Company, excluding any of the following: (i) capitalization of delinquent interest unless such delinquent interest has been capitalized as a result of a Loan modification approved under Section 4; (ii) penalties; (iii) charges or Advances; and (iv) Negative Amortization not provided for in the Loan documents. If a Loan has been divided into secured and unsecured portions pursuant to proceedings under the federal bankruptcy laws, the Default Amount includes the unpaid principal balance due under the unsecured portion of the Loan even if the Insured has written off such unsecured portion, provided that the Insured has paid Premium on both the secured and unsecured portions of the Loan.

1.26 “Deficiency Expenses” means reasonable attorneys’ fees, necessary court costs and other reasonably necessary costs incurred by the Insured as provided in Section 9.3(b) to preserve or establish Deficiency Rights and which are in addition to those incurred in standard and customary foreclosure proceedings.

1.27 “Deficiency Judgment” means a court judgment imposing personal liability on the Borrower for some or all of the unpaid amount remaining under the terms of a Loan when the proceeds of a foreclosure sale of the Property subject to the mortgage securing the Loan were insufficient to fully satisfy the outstanding debt.

1.28 “Deficiency Rights” means any right under Applicable Law to impose personal liability on the Borrower for some or all of the unpaid amount remaining under the terms of a Loan when the proceeds of a foreclosure sale of the Property subject to the mortgage securing the Loan were insufficient to fully satisfy the outstanding debt.

1.29 “Delinquency and Claims Reference Manual” means the document identified as such on the Company’s website containing instructions and information related to the servicing of delinquent Loans and the submission and processing of Claims.

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

1.31 “Environmental Impairment” means (a) any condition giving rise to liability under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C.



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§ 9601 et seq.), or other Applicable Law; or (b) any “Hazardous Waste” or “Regulated Substance” as those terms are defined by the Federal Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), or other Applicable Law; or (c) any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “contaminants” or “pollutants” or words of similar meaning and regulatory effect under any Applicable Law; or (d) any other substance or condition that renders the principal Residential structure on the Property Uninhabitable. The presence of radon gas, lead paint, or asbestos in the dwelling on a Property shall not be deemed to be an Environmental Impairment.

1.32 “First Party” means the Loan Originator, the Policyholder, the Insured, the Servicer, and any other Person (other than the Borrower) who performed any acts related to the Application for Insurance or Origination of a Loan, including correspondent lenders, mortgage Loan brokers, escrow or closing agents, processors, underwriters, independent contractors, intermediaries involved in the Origination or processing of a Loan on behalf of the Policyholder, appraisers, and agents (including employees) of the Policyholder, or of any such Persons.

1.33 “First Thirty-Six Months Test” means the test, determined at thirty-six (36) months following the due date of the Borrower’s first payment of principal, interest and impound or escrow amounts required by the terms of the Loan, which requires demonstration of all of the following: (i) the Loan is not then in Default (with allowance for such payment’s applicable grace period as specified in the Loan document); (ii) each such payment was paid from the Borrower’s Own Funds; (iii) not more than two (2) such payments were received thirty (30) days or more after their due date and no such payment was received sixty (60) days or more after its due date; and (iv) the Loan was not subject to a forbearance agreement, repayment plan, or otherwise modified from its original terms during the first thirty-six (36) months following the first payment due date. Notwithstanding the above, if the Borrower made a timely Loan payment which was not applied to the Loan due to the Servicer’s failure to timely apply the payment, or for any other reason outside of the Borrower’s control, such payment shall not be considered a late payment for the purposes of the application of this definition.

1.34 “Good and Merchantable Title” means title to the Property, free and clear of all liens and encumbrances, covenants, conditions, restrictions, easements and rights of redemption, except for:

a) any lien established by public bond, assessment or tax, when no installment, call or payment of, or under, such bond, assessment or tax is delinquent; and

b) any municipal or zoning ordinances, building restrictions or other restrictions, covenants, or regulations of use, provided that the Property is in compliance with, and/or its use is permitted by, and its intended and normal use and occupancy is not materially adversely affected by, such restrictions, covenants, regulations or ordinances; and

c) easements, rights of way, sewer and utility rights, mineral, oil or timber rights, or any impediments which will not have a material adverse effect on either the transferability of the Property or the sale thereof to a bona fide purchaser.

The Property must have, at a minimum, the following characteristics to establish Good and Merchantable Title: (i) adequate means of ingress and egress; (ii) the right to use public or private water and sewer facilities appertaining to the Property, whether such rights be by virtue of public easement or private grant; and (iii) the Property must be free of any lien for any Environmental Impairment, and no proceedings to initiate such a lien may be noticed, commenced or pending, unless otherwise agreed to by the Company.

1.35 “Grace Period” is the sixty (60) day period after a Renewal Premium due date. Subject to Sections 2.6(c)(iii) and (c)(iv), coverage on a Loan will lapse if the Renewal Premium is not paid within the Grace Period.

1.36 “GSE” means the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, as applicable, and any successors thereto.

1.37 “GSE Beneficiary” means a GSE who owns or guarantees a Loan. A GSE Beneficiary has the right to receive Insurance Benefits under the Master Policy and such other rights as are specifically set forth in this Master Policy. A GSE Beneficiary shall have no liability to the Company for any action or omission of the Servicer or the Insured and shall have no right to challenge the Company’s exercise of any remedies under the Master Policy that may arise as a result of the Servicer’s or Insured’s acts or omissions.

1.38 “GSE Loan” means a Loan owned or guaranteed by a GSE.

1.39 “Harmless Error” means an Origination Error which, if known, would not have changed a reasonable and prudent Loan Originator’s decision to approve a Loan for funding. By way of example, if the Origination Error was the failure to obtain a required verification regarding income or employment, the Origination Error would be Harmless Error if the Borrower’s statements regarding his or her income or employment in the Loan Application were, in fact, true.

1.40 “Initial Premium” is the first periodic payment of Premium due on a Loan as indicated in the related Commitment and/or Certificate, where the Premium is required to be paid in periodic installments rather than through a Single Premium.

1.41 “Insurance Application” means a request for coverage under the Master Policy for a Loan and includes all information, documents, and representations, whether communicated orally or in Writing, submitted by the Insured or any other First Party to the Company to underwrite the insurance on the Loan.

1.42 “Insurance Benefit” means the liability of the Company with respect to a Loan calculated in accordance with the Master Policy.



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1.43 “Insured” means, with respect to any Loan other than a GSE Loan, the owner of the Loan. With respect to a GSE Loan, the Insured is the Servicer of such Loan, unless the GSE Beneficiary notifies the Company that the GSE Beneficiary elects to become the Insured with respect to such Loan, in which case the GSE Beneficiary shall become the Insured. Unless otherwise specified in the Master Policy, the Insured owes to the Company all obligations under the Master Policy and the Company has the right to enforce any such obligations against the Insured.

1.44 “Lapse Date” means 12:00 midnight on the last day of the period through which the Premium has been paid for a Loan which has not reached the end of its coverage term as set forth in Section 2.4.

1.45 “Loan” means an extension of credit made under the terms of, and memorialized by, any note, bond, instrument 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 the Property.

1.46 “Loan Application” means the statements and representations made by the Borrower, whether oral or Written, and provided to the Loan Originator, Insured or any other First Party in applying for the Loan, whether or not reviewed by the Company, and any statements and representations made by any Person, whether oral or Written, relative to the Loan and provided to the Loan Originator, Insured or any other First Party through the Loan Closing Date.

1.47 “Loan Closing Date” means the date on which a Loan Closed.

1.48 “Loan Origination File” means, with respect to a Loan: (i) the documents related to the Origination and Closing of the Loan specifically identified in the Company’s Delinquency and Claims Reference Manual as of the Certificate Effective Date.

1.49 “Loan Originator” means the Person that Originated a Loan and may be the same Person as the Insured and/or Policyholder with respect to that Loan.

1.50 “Loan Servicing File” means the documents related to the servicing of the Loan specifically identified in the Company’s Delinquency and Claims Reference Manual as of the date of the Default resulting in a Claim.

1.51 “Loss on Sale” means an amount equal to the Calculated Loss, plus all commercially reasonable costs incurred in obtaining and closing a Third-Party Sale, less the proceeds of the Third-Party Sale.

1.52 “Master Policy” means this contract of insurance and any endorsements hereto.

1.53 “Master Policy Effective Date” means the date the Master Policy was issued to the Policyholder as designated on the face page of the Master Policy.



1.54 “Material Misrepresentation” means

- a) any oral or Written statement made, or oral or Written information given, in connection with the Origination or Closing of the Loan or the underwriting of the Insurance Application;
- b) by (i) a Borrower or other Person who is not a First Party to any First Party; or (ii) a First Party to: (1) the Policyholder; or (2) the Loan Originator; or (3) the Insured; or (4) any subsequent Insured; or (5) the GSE Beneficiary, or (6) the Company;
- c) which at the time made was false, or misleading by the omission of a fact (including, with respect to omissions, any information in the possession of a First Party that should have been included in the Loan Origination File but was not); and
- d) had the Company known the true or omitted fact(s), it would have either not have insured the Loan or insured it on different terms.

1.55 “Material Value Variance” means: (i) the opinion of the market value of the Property stated in the Origination Appraisal exceeds the opinion of value in a Review Appraisal by fifteen (15) percent or more; and (ii) the Review Appraisal indicates that the appraiser who prepared the Origination Appraisal manipulated, misrepresented, or selectively included or omitted information in the Origination Appraisal in a manner that affected the value of the Property established by the Origination Appraisal. (For example, the appraiser selected inappropriate comparable properties, or manipulated or failed to fully disclose the sales history of the Property.)

1.56 “Mortgage Insurance Underwrite” means the activities performed by the Company to determine whether a Loan meets the underwriting standards required by the Company as set forth in detail in the Underwriting Manual as of the Certificate Effective Date.

1.57 “Negative Amortization” means any additions to the principal amount of a Loan arising from the insufficiency of regularly scheduled payments to cover interest as it accrues against the principal amount of the Loan, as provided for therein.

1.58 “Originated” or “Origination” means having performed the processes related to the origination of a new Loan for the purchase of a Property, or the refinancing of an existing Loan, from the taking of the Loan Application to the disbursement of funds, including the underwriting, review, approval and funding of the Loan.

1.59 “Origination Appraisal” means the appraisal, or another valuation method acceptable to the Company, obtained by the Loan Originator at the time the Loan was Originated, which establishes the value of the Property at that time.



1.60 “Origination Error” means with respect to a Loan:

a) the Loan was not Originated in conformance with all of the Loan Originator’s policies and procedures with respect to the underwriting, review and approval of Loans; or

b) the Loan was not Originated in a manner sufficient to determine whether the information providing the basis for the Loan’s approval was complete and accurate; and

c) such deficiency or deficiencies are not Harmless Error.

1.61 “Pattern Activity” means any pattern activity of material misstatement, misrepresentation, omission or data inaccuracy involving two or more Persons (for example, the Borrower and one or more Pattern Parties, or two or more Pattern Parties) with respect to two or more Loans, but only if the specific Loan for which rescission relief is withheld is insured by the Company, and the Company relies upon Credible Evidence in making its Pattern Activity determination. **“Pattern Party”** means (i) any individual acting with actual or apparent authority for the Policyholder or (ii) any First Party other than the Policyholder, or (iii) any property seller, property builder, real estate broker, or real estate agent.

1.62 “Percentage Option” means the method of determining the amount of Insurance Benefit with respect to a Loan as set forth in Section 8.4(a)(ii).

1.63 “Perfect Claim” means a Claim which includes: (i) the Required Claim Documents; and (ii) any additional documents included in the Loan Origination File and/or the Loan Servicing File that are timely requested by the Company pursuant to Section 8.2(c).

1.64 “Periodic Premium Plan” is a plan which may be offered by the Company providing that the Insured may pay Premium to the Company in periodic installments rather than through a Single Premium. Periodic Premium Plans include annual and monthly payment plans or other plans that may require different payment frequencies. In the case of any Periodic Premium Plan, the Insured must timely pay an Initial Premium, and to maintain coverage on the related Loan, the Insured must timely pay subsequent Renewal Premium.

1.65 “Person” means any natural person, corporation, partnership, limited liability company, limited liability partnership, trust, association, or other legally recognized entity.

1.66 “Physical Damage” means any injury, physical damage or impairment to the Property where the cost to repair the Property is greater than \$5,000, whether caused by accident or otherwise, including due to: physical injury or destruction of tangible property; demolition by any entity; defects in construction, rehabilitation or remodeling; defects in materials; infestation; land subsidence; earth movement or slippage; earthquake; volcanic activity; avalanche; flood; wildfire; any act of God; any event declared a disaster by the Federal Emergency Management Agency or other governmental agency; riot, insurrection, terrorism, civil strife or war; or any Environmental Impairment occurring after the Certificate Effective Date.



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Physical Damage does not mean the presence of radon gas, lead paint or asbestos in the dwelling on the Property.

1.67 “Policyholder” means the Person to which this Master Policy has been issued by the Company, as identified on the face page of the Master Policy. The Policyholder may also be the Loan Originator and/or the Insured and/or the Servicer on any Loan it owns which has not reached the end of its coverage term as set forth in Section 2.4.

1.68 “Possession of the Property” means actual, physical and undisputed control of the Property, subject only to: (i) possessory or usage rights of third parties, if any, contemplated by the Insurance Application for the related Loan; or (ii) a Borrower’s unexpired right of redemption, if any.

1.69 “Pre-Claim Advance” means a partial payment of the anticipated Insurance Benefit on terms and conditions specified by the Company and paid to the Insured prior to the submission of a Claim.

1.70 “Premium” means the monetary consideration paid to the Company in exchange for extending coverage on a Loan under the Master Policy.

1.71 “Property” means the Residential real property and all improvements thereon securing the Loan, including any chattel items (including any built-in appliances) which are an element of the value stated in the Origination Appraisal and including all replacements or additions thereto, together with all easements and appurtenances, all rights of access, as well as any co-ownership interests in common areas, recreational and appurtenant facilities, and all replacements or additions thereto.

1.72 “Redemption Price” means the price paid by a Borrower to regain ownership of a Property subject to a right of redemption under Applicable Law prior to the expiration of the redemption period.

1.73 “Renewal Premium” is a periodic payment of Premium due on a Loan subsequent to the Initial Premium payment, as indicated on the related Certificate, if such Premium is required to be paid under the Periodic Premium Plan applicable to that Loan.

1.74 “Required Claim Documents” means those particular documents required to be submitted by the Insured to the Company with each Claim as set forth in the Company’s Delinquency and Claims Reference Manual on the date the Claim is submitted to the Company.

1.75 “Required Servicing Practices” means: (i) the general servicing standards required by the GSEs regarding the servicing of GSE-owned mortgage Loans; and (ii) the special servicing requirements of delinquent mortgage Loans prescribed by the GSEs; and (iii) such servicing practices as required by Applicable Law; and (iv) any additional practices specified by the Company in its Delinquency and Claims Reference Manual. For the avoidance of doubt, for GSE Loans, GSE prescribed servicing practices shall prevail in the event of an



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inconsistency between a GSE prescribed servicing practice and a servicing practice contained in the Company's Delinquency and Claims Reference Manual.

1.76 "Rescind" or "Rescission" means the Company's termination of coverage with respect to a Loan under Section 3. In such event, coverage is deemed never to have been in force on that Loan. In the event of a Rescission, the Company shall return to the Insured all Premium received for coverage on the affected Loan.

1.77 "Residential" means a Property that is used primarily for residential purposes and: (i) is the type of building designed for occupancy by not more than four families; or (ii) is a one-family condominium or unit in a planned unit development; or (iii) is any other one-family residential unit as to which Good and Merchantable Title may be held or conveyed freely under Applicable Law (including manufactured housing); or (iv) is a mixed-use building, provided that: (A) the mixed-use represents a legal, permissible use of the Property under local zoning requirements; (B) the Property is a one-family dwelling that the occupant occupies as a principal residence; and (C) the occupant is both the owner and operator of the business.

1.78 "Review Appraisal" means a review of the Origination Appraisal and an opinion of the market value of the Property as of the date of the Origination Appraisal, prepared on behalf of the Company by a state certified or licensed appraiser in compliance with Uniform Standards of Professional Appraisal (USPAP) and industry standard appraisal practices with respect to appraisal review reports.

1.79 "Servicer" means the Person performing the servicing of the Loan on behalf of the Insured or GSE Beneficiary. If the Loan is a GSE Loan, the Servicer shall also be the Insured unless and until the GSE Beneficiary notifies Company that it wants to become the Insured. If the Loan is owned by a Person other than a GSE Beneficiary, the Servicer acts as the agent for the Insured and has the authority to act on behalf of the Insured in all respects. If the Loan is owned or guaranteed by a GSE Beneficiary, the Servicer is an authorized representative of the GSE Beneficiary for limited purposes (and not an agent of the GSE Beneficiary), which do not include management and disposition of Property securing a Loan, receiving payment of the Insurance Benefit, or entering into any arrangement, contract, agreement, or providing any consent, including a consent to arbitrate a dispute with the Company regarding any Loan or group of Loans serviced for the GSE Beneficiary, not specifically required as a condition for coverage under the Master Policy.

1.80 "Servicing Report" means a report in any format and via any medium approved by the Company, reflecting the status of a Loan for which coverage is in force under the Master Policy, and containing information reasonably requested by the Company in its then current Delinquency and Claims Reference Manual.

1.81 "Single Premium" is a one-time payment of Premium due on a Loan as indicated on the related Commitment and/or Certificate.



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1.82 “Split Premium” is a type of Periodic Premium Plan which may be offered by the Company characterized by an initial Premium payment followed by a series of smaller periodic installments.

1.83 “Supplemental Claim” is a request timely filed pursuant to the requirements of Section 8.1(d), made after payment of an Insurance Benefit on an initial Claim under Section 8.1(a) or an accelerated Claim under Section 8.1(c), or made after acquisition of Borrower’s Title to the Property following an accelerated Claim under Section 8.1(c), on a form or in a format provided or approved by the Company, for payment of any additional Advances made pursuant to Section 7.5 after the date the initial or accelerated Claim was filed that were not included in the initial or accelerated Claim.

1.84 “Third-Party Sale” means: (i) a sale of a Property with the prior Written approval of the Company after Default by the Borrower and prior to foreclosure; or (ii) a foreclosure or trustee’s sale of a Property to a third party at a price equal to or greater than the minimum amount required by the Company to be bid by the Insured at such sale; or (iii) a sale of a Property by the Insured after foreclosure and before payment of an Insurance Benefit.

1.85 “Third-Party Sale Offer” means the Insured’s or GSE Beneficiary’s request in Writing to the Company to approve: (i) a Third-Party Sale of the Property; or (ii) a sale of a Property by the Insured after foreclosure and before payment of an Insurance Benefit, and which conveys an offer received by the Insured or the Borrower from such third party to purchase the Property for a reasonable amount in relation to the current market value of the Property, together with a schedule of: (i) expense items proposed by the Insured or GSE Beneficiary to be included in the Insurance Benefit, if the Company approves the Third-Party Sale Offer and the proposed sale of the Property closes; and (ii) the Insured’s or Beneficiary’s then-estimated amounts for such expense items.

1.86 “Third-Party Sale Option” means the method of determining the amount of Insurance Benefit with respect to a Loan as set forth in Section 8.4(a)(iii).

1.87 “Total Loss” means the Calculated Loss plus: (i) in the case of a Third-Party Sale pursuant to Section 7.4(c), the amount of all commercially reasonable costs incurred in obtaining and closing the Third-Party Sale, less the proceeds of the Third-Party Sale; and (ii) in the case of a Deed-in-Lieu of Foreclosure pursuant to Section 7.4(b), the amount of all commercially reasonable costs incurred in obtaining and closing such conveyance, if any, less the estimated value of the Property as agreed to by the Company and the Insured or the GSE Beneficiary; and (iii) in the case of a Deficiency Judgment pursuant to Section 9.3(c), the amount of all expenses (including Advances actually paid by the Servicer or Insured) associated with the preservation and pursuit of such Deficiency Judgment in excess of those expenses associated with the normal and customary foreclosure process, less the estimated value of the Property as agreed to by the Company and the Insured or the GSE Beneficiary.

1.88 “Underwriting Guidelines” means the Company’s underwriting guidelines, policies and procedures contained in the Underwriting Manual in effect and available on the Company’s website as of the date the Loan was underwritten for insurance by the Company.

1.89 “Underwriting Manual” means the document identified as such on the Company’s website containing Underwriting Guidelines and other information, policies and procedures related to the underwriting of Loans for mortgage insurance.

1.90 “Uninhabitable” means generally recognized standards for Residential occupancy are violated or, in the absence of such standards, a fully informed and reasonable person would conclude that a Property was unsafe or unsuitable for habitation as a Residential dwelling.

1.91 “Uninsured Loss” means Physical Damage to a Property which is either not covered by property insurance, or not covered in an amount sufficient to fully repair such Physical Damage to the Property.

1.92 “Writing” or “Written” means any form of written communication in hard copy or electronic form, including e-mail.

2. COVERAGE

2.1 Scope of Master Policy

The Master Policy applies only to Loans:

a) for which the Company performed a Mortgage Insurance Underwrite. To be eligible for coverage under the Master Policy, the Loan must conform to the Company’s Underwriting Guidelines. It is the Company’s obligation to determine whether a Loan conforms to its Underwriting Guidelines; and

b) for which the Company extends coverage under the Master Policy on or after the Master Policy Effective Date.

2.2 Insurance Application

To seek coverage on a Loan under the Master Policy, the Policyholder shall submit to the Company a properly completed Insurance Application. Approval of any Insurance Application is at the sole discretion of the Company. If the Company approves or conditionally approves an Insurance Application, the Company shall send to the Policyholder a Commitment or a Certificate, which offers to extend (in the case of a Commitment), or extends (in the case of a Certificate), coverage under the terms and conditions of the Master Policy. Timely payment of Premium, as specified in the Commitment, is a condition precedent to a Commitment being converted to a Certificate extending coverage under the Master Policy to the related Loan. If the Company issues a Commitment containing other conditions precedent to the issuance of insurance, the Policyholder shall satisfy such conditions before the Commitment becomes a Certificate.

2.3 Declination of Insurance Application/New Commitments

If the Company declines an Insurance Application, it will not issue a Commitment or a Certificate, and it shall notify the Policyholder in Writing of the declination. If an Insurance Application is denied, the Company shall have no obligation to notify the Borrower of such decision. The Company is under no obligation to extend insurance coverage under the Master Policy and may cease issuing new Commitments and Certificates without prior notice to the Policyholder at any time.

2.4 Coverage Term

Provided that all conditions specified in the Commitment are met and the required Premium is paid with respect to a Loan, coverage on that Loan begins on the Certificate Effective Date and continues until, and automatically terminates upon, the first to occur of any of the following events:

- a) the Loan is paid in full; or
- b) the Company pays the Insurance Benefit to the Insured or the GSE Beneficiary as required under the Master Policy; or
- c) the Insured cancels coverage on the Loan as permitted in Section 2.7(a); or
- d) the coverage on the Loan is properly cancelled, Rescinded or otherwise terminated under the Master Policy.

2.5 Change of Ownership/Continuation of Coverage

a) If a Loan is sold, assigned, or otherwise transferred by the Insured to any Person other than a GSE and the Loan continues to be Serviced by an approved Servicer pursuant to Sections 5.1 and 5.2:

- (i) the coverage on the Loan under the Master Policy is automatically assigned to the purchaser, assignee, or transferee of the Loan;
- (ii) with respect to that Loan, the purchaser, assignee, or transferee of the Loan becomes the Insured under the Master Policy, obtains all of the rights of the prior Insured, becomes subject to all of the prior Insured's obligations and representations under the Master Policy, and becomes subject to all of the terms and conditions of the Master Policy to the same extent as the prior Insured without regard to the extent of the new owner's knowledge or responsibility relating to matters occurring before becoming an Insured; and



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(iii) with respect to that Loan, the prior owner of the Loan is no longer an Insured, and is owed no obligation by the Company and retains no right to enforce any of the terms of the Master Policy.

b) If a Loan is sold, assigned, or otherwise transferred by the Insured to a GSE and the Insured remains the Servicer, the GSE shall become a GSE Beneficiary and the Insured shall remain the Insured with respect to coverage on the Loan under the Master Policy as long as such Insured continues to act as Servicer of the Loan. If such Insured subsequently transfers servicing of the Loan with respect to that Loan to an approved Servicer:

(i) the transferee Servicer shall become the Insured under the Master Policy, obtain all of the rights of the prior Insured, become subject to all of the prior Insured's obligations and representations under the Master Policy, and become subject to all of the terms and conditions of the Master Policy to the same extent as the prior Insured without regard to the extent of the transferee Servicer's knowledge or responsibility relating to matters occurring before becoming an Insured; and

(ii) the prior servicer of the Loan is no longer an Insured, and is owed no obligation by the Company and retains no right to enforce any of the terms of the Master Policy unless, with respect to a GSE Loan, the Company has received confirmation in Writing from the Insured or the GSE that the GSE has been made whole and that any rights it may have under the Master Policy against the Company have been assigned to or reverted to the prior servicer. In such case, the prior servicer shall have the right to enforce the terms of the Master Policy against the Company and the Company shall cooperate with the prior servicer to the extent required under the Master Policy and Applicable Law.

c) The Policyholder has no right to assign the Master Policy to any Person.

2.6 Premium

The Insured shall pay Premium to the Company either in the form of a Single Premium, a Periodic Premium Plan, or a Split Premium, as offered by the Company and selected by the Insured and as noted on the Commitment or Certificate. Payment of Premium to the Company is the sole responsibility of the Insured, regardless of whether the Insured is reimbursed by any Person. The Insured shall remit Premium to the Company at the address listed on the Commitment or Certificate, or as otherwise instructed by the Company in Writing.

a) *Single Premium/Split Premium.* If the Insured selected a Single Premium or a Split Premium, for coverage on the related Loan to be effective, the Company must receive the full Single Premium or the Single Premium portion of a Split Premium no later than fifteen (15) days after the Loan Closing Date. Payment of the Single Premium or a Split Premium to the Company is an acknowledgement by the Insured to the Company that all representations made in the Insurance Application are true and a representation by the Insured to the Company that any conditions included in the related Commitment have been satisfied and that the related Loan is not in Default as of the date of such remittance. The Company shall be entitled to rely



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on such representations in connection with its acceptance of such Loan for coverage under this Policy. By accepting the payment of Premium, the Company does not waive any rights.

b) *Periodic Premium Plans.* If the Insured selected a Periodic Premium Plan:

(i) *Initial Premium.* For coverage on a Loan for which the Company has issued a Commitment to be effective, the Company must either: (a) receive the Initial Premium no later than fifteen (15) days after the Loan Closing Date; or (b) if the Insured has selected a Periodic Premium Plan that does not require the Insured to pay the Initial Premium until after the Company sends the Insured a Premium payment notice, receive the full Initial Premium within the time required by the Premium payment notice. Payment of the Initial Premium to the Company is an acknowledgement by the Insured to the Company that all representations made in the Insurance Application are true and a representation by the Insured to the Company that any conditions included in the related Commitment have been satisfied and that the related Loan is not in Default as of the date of such remittance. The Company shall be entitled to rely on such representations in connection with its acceptance of such Loan for coverage under this Policy. By accepting the payment of Premium, the Company does not waive any rights.

(ii) *Renewal Premium.* To maintain coverage on a Loan, the Insured is required to pay Renewal Premium timely. Renewal Premium is due and payable on or before the last day of the period covered by the Initial Premium or previous Renewal Premium or within the time required by the Renewal Premium payment notice.

(iii) *Premium for Loans in Default.* The Insured does not have an obligation to pay Renewal Premium for a Loan after the date of Default to maintain coverage for that Default. However, if the Insured does not continue to pay Premium for a Loan after the date of Default and the Default cures, continued coverage on the Loan is subject to the lapse provisions in Section 2.6(c)(ii). To avoid a potential lapse, the Insured may continue to pay Renewal Premium to the Company after the date of Default. If the Insured has continued to pay Renewal Premium after the date of Default and the Company pays an Insurance Benefit in connection with that Default, at the time the Insurance Benefit is paid the Company shall refund to the Insured, or if the Loan is a GSE Loan, to the GSE Beneficiary, the Renewal Premium payments the Company received related to any period after the date of the Default and will include the amount of, and explanation for, the credit on the Written explanation of benefits when it settles the Claim.

c) *Late Premium Payment*

(i) *Single or Initial Premium Payment.* If the Company receives a Single Premium or an Initial Premium for a Loan for which a Commitment has been issued after the due date for that Premium payment under Section 2.6(a) or (b)(i), but prior to the expiration of the Commitment, the Company shall convert the Commitment into a Certificate and extend coverage to such Loan, provided that, as of the date the Company received the Single Premium or Initial Premium, the Borrower had made all payments due under the Loan when due or within any grace period specified in the Loan. If at any time after the Company accepts a Single Premium or an Initial Premium after its due date the Company discovers that at the time it



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received such Premium the Borrower had not made all such payments when due or within such grace period, the Company may effect a Company Initiated Cancellation on the related Loan.

(ii) *Grace Period and Lapse.* If the Company receives a Renewal Premium for a Loan within the Grace Period, coverage on such Loan will continue uninterrupted. Subject to Sections 2.6 (c)(iii) and (c)(iv), if the Company does not receive a Renewal Premium on or before the last day of the Grace Period, coverage on the Loan will terminate effective as of the Lapse Date and any loss resulting from a Default on that Loan occurring after the Lapse Date will not be covered.

(iii) *Extension of Grace Period.* If the Company does not receive Renewal Premium on a Loan within the Grace Period because the servicing of the Loan was transferred, seized or surrendered, the Company shall extend the Grace Period by sixty (60) days. Coverage shall continue uninterrupted on the related Loan upon payment by the Insured of the required Renewal Premium prior to the expiration of the extended Grace Period. If the Insured does not pay Premium sufficient to continue coverage on such a Loan, coverage will terminate effective as of the Lapse Date for that Loan. Continuation of coverage under the Master Policy for any Loan which has had its servicing transferred, seized or surrendered is subject in all events to Sections 5.2 and 5.3 regarding change of servicing.

(iv) *Reinstatement after Lapse.* If the Company does not receive Renewal Premium on a Loan within the Grace Period and coverage on such Loan lapses, the Company shall reinstate such coverage, at the Insured's request, up to one (1) year after the Lapse Date with no interruption if the Insured:

a) provides a payment history to the Company that demonstrates the Loan is not in Default and has been paid in accordance with the Loan terms at all times after the Lapse Date; and

b) pays to the Company all Renewal Premium owed.

2.7 Termination of Coverage

a) *By the Insured.* The Insured may cancel coverage on a Loan at any time by sending the Company a Written notice. The Written notice shall specify the effective date of cancellation (which date shall not be earlier than forty-five (45) days prior to the date of such Written notice unless required by Applicable Law). Cancellation relieves the Company of any liability with respect to that Loan and terminates the Insured's or GSE Beneficiary's right to receive an Insurance Benefit on the Loan, unless a Default has occurred prior to the effective date of the cancellation. It is the Insured's obligation to send the Company a Written notice to cancel coverage on a Loan in all circumstances, including if coverage is terminated in accordance with any Applicable Law. Cancellation of coverage on a Loan does not affect coverage under this Master Policy with respect to any other Loan and does not cancel the Master Policy.



b) *Refund of Premium upon Cancellation.* The Company shall refund to the Insured any Premium paid to the Company after the effective date of the cancellation. The Company shall not refund Premium on a Loan received prior to the date of Default on which coverage has been canceled if a notice of Default has been sent to the Company prior to the cancellation, unless the Insured or GSE Beneficiary waives the rights to any Insurance Benefit with respect to that Loan. The Company reserves the right to collect any unpaid Premium due to the Company at the time of cancellation and to deduct such amounts from the refund to the Insured, if any.

c) *By the Company.* The Company may only terminate coverage on a Loan by way of a Company Initiated Cancellation, a Claim Denial, or a Rescission.

d) *Cancellation of Master Policy.* The Master Policy is not cancellable while coverage on any Loan under it is in force.

3. MATERIAL MISREPRESENTATIONS / ORIGATION ERRORS / MATERIAL VALUE VARIANCES

3.1 Company's Rights to Rescind

This Master Policy does not cover Loans that exhibit, through the Company's reliance on Credible Evidence, one or more Material Misrepresentations, Origination Errors, or Material Value Variances. Accordingly, subject to Sections 3.2 and 3.3, the Company shall have the right to Rescind coverage on a Loan if at any time it concludes in reliance on Credible Evidence that a Material Misrepresentation or Origination Error was made with respect to that Loan, or the Loan exhibits a Material Value Variance.

3.2 Rescission Limitations

Except with respect to intentional and knowing Material Misrepresentations by a First Party determined upon evaluation of Credible Evidence, and/or Pattern Activity, the Company shall not Rescind coverage on a Loan nor otherwise issue a Company Initiated Cancellation or Claim Denial pursuant to Section 3.1:

- a) After satisfaction of the First Thirty-Six Months Test; or
- b) If, upon its evaluation of Credible Evidence, the Company determines that the Loan would have been eligible for coverage at a higher Premium rate under the Underwriting Guidelines in effect on the Certificate Effective Date, and the Company requests and timely receives such additional Premium from the Insured under the process set forth in the Company's then current Delinquency and Claims Reference Manual. The Company shall Rescind coverage if within sixty (60) days of the Insured's receipt of a payment notice from the Company such additional Premium is not paid to the Company by the Insured. In no event shall the Company require additional Premium to continue coverage on a Loan under this Section 3.2(b) if the Rescission limitation under Section 3.2(a) is applicable to the Loan.

3.3 Rescission/Investigation Parameters

a) The Company shall not take any of the following actions with respect to a Loan at any time:

(i) Rescind coverage solely on the ground that the Insured has failed to provide to the Company a document or other information requested by the Company, if that document or information is not relevant to the Company's investigation as to whether there was Origination Error, Material Misrepresentation, or Material Value Variance with respect to that Loan;

(ii) Rescind coverage for any reason unless the Rescission is supported by Credible Evidence;

(iii) Rescind coverage for Harmless Errors or misrepresentations that are not Material Misrepresentations;

(iv) Rescind coverage when the sole basis for such Rescission is an eligibility and/or underwriting error committed by the Company in the course of its Mortgage Insurance Underwrite (for example, a miscalculation by the Company of the Borrower's debt-to-income ratio or a misapplication by the Company of its own underwriting or eligibility requirements). Provided, however, that if the Company determines that there is a basis for Rescission unrelated to the Company's error, or, if based upon Credible Evidence, the Company determines that the error resulted from a Material Misrepresentation by a First Party upon which the Company relied in insuring the Loan, the Company shall Rescind coverage on the Loan unless a Rescission limitation has taken effect by operation of Section 3.2.

b) Subject to Section 3.3(c), the Company shall not take any of the following actions with respect to a Loan after a Rescission limitation has taken effect by operation of Section 3.2:

(i) Rescind coverage for a breach of Section 3.1, other than for an intentional and knowing Material Misrepresentation by a First Party, or Pattern Activity;

(ii) request any documents or information from the Insured for the purpose of investigating a potential breach of Section 3.1;

(iii) investigate a Loan for a breach of Section 3.1; or

(iv) Rescind coverage for failure of the Insured to respond to requests for documents related to the Origination of the Loan.

c) Section 3.3(b) shall not apply to the Company's request for documents or information, investigation of a Loan, or Rescission of coverage where such action relates to (i) any issue for which a Rescission limitation has yet to take effect by operation of Section 3.2, or (ii) the suspected intentional and knowing Material Misrepresentation of a First Party and/or

Pattern Activity, provided that the Company has obtained relevant Credible Evidence to support its request.

d) *Findings Supporting Rescission.* Subject to any applicable Rescission limitation under Section 3.2, the following are examples of Material Misrepresentations which would permit the Company to Rescind coverage under Section 3.1:

- (i) false verifications of income, assets, down payment, deposit or employment in the Loan Origination File;
- (ii) a straw buyer is presented as the Borrower for the purposes of qualifying an otherwise unqualified Borrower;
- (iii) the Borrower has presented false identification;
- (iv) an investigation by regulators or law enforcement agencies has concluded that there was fraudulent activity involving the Loan;
- (v) the Loan has been repurchased by the Insured at the request of an investor due to fraud or misrepresentation.

4. **LOAN MODIFICATIONS**

4.1 **Loan Modifications**

a) *Restructuring.* Unless prior Written approval is obtained from the Company, or the Company delegates in Writing some or all of its approval rights under this Section 4.1(a) to the Insured or to a GSE Beneficiary, the Insured shall not materially change the terms of any Loan, unless expressly permitted by the Loan documents. In addition, the Insured shall not release any Borrower from any portion of the obligation on a Loan unless prior Written approval is obtained from the Company.

b) *Change in Use of Property.* Unless prior Written approval is obtained from the Company, or the Company delegates in Writing some or all of its approval rights under this Section 4.1(b) to the Insured or to a GSE Beneficiary, the Insured shall not approve a change in the use of the Property or other collateral securing the Loan.

c) *Balloon Restructures and Assumptions.* Unless prior Written approval is obtained from the Company, or the Company delegates in Writing some or all of its approval rights under this Section 4.1(c) to the Insured or to a GSE Beneficiary, the Insured shall not approve the renewal or restructure of a Loan when a Balloon Payment becomes due or upon the assumption of a Loan by a purchaser of the Property, with or without the release of the original Borrower.

d) *Increase or Reduction in Principal Balance.*

(i) *Increased Principal Balance.* In addition to the approval requirements of Sections 4.1(a) through (c), if the principal balance of a Loan is increased, to obtain coverage on the Loan at the higher principal balance, unless otherwise agreed upon by the Company and the Insured in Writing, the Insured must pay an additional Premium corresponding to the increased principal balance from and subsequent to the date of such modification, at the Premium rate specified in the Certificate. If the Company approves a Loan modification that increases the principal balance of a Loan and the Insured does not pay the required additional Premium, the Company will pay an Insurance Benefit based on the unmodified, lower principal balance only and will explain such adjustment in its Written explanation of benefits when it settles the Claim.

(ii) *Reduced Principal Balance.* Unless otherwise agreed upon by the Company and the Insured in Writing, if there is a decrease in the principal balance of a Loan as a result of a Loan modification, the Insured shall pay Premium at the Premium rate specified in the Certificate as applied to the decreased principal balance from and subsequent to the date of such Loan modification. If the Company approves a Loan modification that decreases the principal balance of a Loan and the Company pays a Claim on the Loan, the amount of principal forgiven shall be included in the Calculated Loss and the Insurance Benefit shall be reduced by no more than the Premium that would have been due on the forgiven principal from the date of modification to the date of Default at the rate applicable to the un-forgiven principal.

4.2 Approval of Loan Modifications and Assumptions

Unless otherwise agreed upon by the Company and the Insured in Writing and regardless of whether the Loan is in Default, a Loan modification or assumption requested under Section 4.1 shall be deemed approved if the Company does not send to the Insured a Written notice of disapproval within ten (10) Business Days of the date of receipt of a Written request for a Loan modification or assumption from the Insured.

4.3 Company's Obligations and Remedies

The Master Policy does not preclude the Insured from foreclosing upon a Loan in lieu of modifying a Loan. However, if the Insured's decision to foreclose with respect to any Loan does not comply with the Insured's obligation to mitigate the Company's loss as required by Section 7.4, or the Insured fails to obtain the Company's Written approval of any Loan modification, the Company has the right to adjust the Calculated Loss by the amount the Company estimates it was damaged by such non-compliance. If the Company cannot reasonably quantify the damage arising from the Insured's non-compliance, the Company shall have no obligation to pay an Insurance Benefit on the Loan and shall effect a Claim Denial that includes an explanation for the denial.



5. LOAN SERVICING

5.1 Approval of Servicers

The Company shall have the right to determine whether a Person is qualified to act as a Servicer on any Loan.

5.2 Change of Servicing

The Insured, or in the case of a GSE Loan, the GSE Beneficiary, may transfer servicing of a Loan to any Servicer approved by the Company. The Insured shall give Written notice to the Company within thirty (30) days after the servicing transfer. If the Insured or GSE Beneficiary transfers servicing of the Loan to a Servicer that is not approved by the Company, the Company shall send Written notice to the Insured or GSE Beneficiary that the servicing of the Loan must be transferred to a Servicer approved by the Company. For the related coverage on such Loan to remain in force under the Master Policy, the Insured shall, within ninety (90) days after the date of the Company's Written notice, cause the servicing of the impacted Loan to be transferred to a Servicer approved by the Company. If the servicing of the Loan has not been transferred to a Servicer approved by the Company at the end of such ninety (90) day period, the coverage on such Loan shall be cancelled by effecting a Company Initiated Cancellation, effective upon expiration of the ninety (90) day period. The Company shall be automatically deemed to have approved as a Servicer any Person: (i) to whom the Company has issued a Master Policy; and (ii) who has been given Written authorization by the Company to service Loans insured by the Company and such authorization has not been revoked. If the Company has been given notice that the Loan is a GSE Loan, the Company shall send any notices required under this Section 5.2 to the GSE and the Servicer.

5.3 Revocation of Approval of Servicer

The Company may limit or revoke its approval of a Servicer at any time, thereby requiring a change of Servicer for Loan(s) serviced by such Servicer in order for the related coverage on such Loan(s) to remain in force under the Master Policy. Prior to any such revocation, the Company shall: (i) send Written notice to the Insured, and to the GSE Beneficiary if the Loan is a GSE Loan, identifying the performance deficiencies giving rise to the revocation; and (ii) allow the Insured, or for a GSE Loan, the GSE Beneficiary, a period of sixty (60) days after the date of such notice to cause the Servicer to remedy the noted performance deficiencies. If at the conclusion of the sixty (60) days, the deficiencies are not remedied to the Company's satisfaction, the Company shall: (i) send Written notice to the Insured, and for a GSE Loan, the GSE Beneficiary, that the servicing of the impacted Loan(s) must be transferred to a Servicer approved by the Company; and (ii) allow the Insured, or for a GSE Loan, the GSE Beneficiary, a period of ninety (90) days from the date of such notice to effectuate the transfer of servicing on the impacted Loan(s). If the servicing of the Loan(s) has not been transferred to a Servicer approved by the Company by the end of the ninety (90) day notice period, the Company shall effect a Company Initiated Cancellation.



5.4 Servicing Reports

Unless otherwise agreed upon in Writing between the Company and the Insured, commencing the second month following the Certificate Effective Date (or such other time agreed to between the Insured and the Company), the Insured shall send the Company a monthly Written Servicing Report for the prior month on or before the last Business Day of each month. As long as coverage is in force on any Loan under the Master Policy, the Insured shall continue to send monthly Servicing Reports to the Company. If the Insured does not send monthly Servicing Reports for a Loan for three (3) consecutive months, the Company has the right to cancel coverage on that Loan with thirty (30) days' prior Written notice to the Insured; provided that if the Company receives all Servicing Reports for the three (3) month period to which the notice relates prior to the expiration of the 30-day notice period, such cancellation shall not take effect. If the Loan is a GSE Loan, the Company shall send any notices required under this Section 5.4 to the GSE Beneficiary and the Insured. A cancellation of coverage on a Loan pursuant to this Section 5.4 shall be effected by way of a Company Initiated Cancellation.

6. EXCLUSIONS FROM COVERAGE

The Company is not liable for, and the Master Policy does not cover, the exclusions listed below. Unless indicated in the exclusion, or prohibited by Applicable Law, if the Company can reasonably quantify the damage arising from the excluded event, it shall adjust the Calculated Loss by the amount of such damage in lieu of terminating coverage. Except where the excluded event relates to a Material Misrepresentation or an Origination Error for which Rescission under Section 3 is the appropriate remedy: (i) the Company's exclusion of coverage pursuant to Section 6 prior to the Insured's submission of a Claim shall be considered a Company Initiated Cancellation; and (ii) exclusion of coverage pursuant to Section 6 after submission of a Claim shall be considered a Claim Denial. The Rescission limitations and investigative parameters contained in Section 3 are not applicable, and shall not be applied, to the exclusions included in Section 6.

6.1 Balloon Payment

Subject to Section 4.1(c), any Claim arising out of, or in connection with, the failure of the Borrower to make any Balloon Payment. This exclusion does not apply if:

a) the Insured offers the Borrower in Writing, before the due date of the Balloon Payment, a renewal, extension, Loan modification, or a new Loan at then current mortgage interest rates (and otherwise subject to Section 4), in an amount not less than the then outstanding principal balance and with no decrease in the amortization period; and

b) the Borrower declines such renewal, extension, Loan modification or new Loan.

"Then current mortgage interest rates" are to be reasonably determined taking into consideration market conditions and the payment history and credit-related characteristics of the Borrower.

6.2 Master Policy/Certificate Effective Date

Any Claim resulting from a Default occurring:

- a) before the Master Policy Effective Date; or
- b) before the Certificate Effective Date; or
- c) after lapse, cancellation, termination, or expiration of coverage on a Loan;

or

d) with respect to the first regular installment payment due under the related Loan, but only if the Default never cures and a Claim is submitted with respect to the Default.

6.3 Incomplete Construction

Any Claim where, as of the date of such Claim, construction of the Property has not been substantially completed in accordance with the construction plans and specifications that were either: (i) approved by the Loan Originator at the time the Loan was Originated; or (ii) relied upon in the Origination Appraisal to establish the value of the Property upon the completion of construction.

6.4 Non-Residential Property

Any Claim where the Property securing the Loan was:

- a) not Residential on the Certificate Effective Date; or

b) Residential on the Certificate Effective Date but: (i) the Property was changed to non-Residential use thereafter; and (ii) the change lowered the fair market value of the Property to an amount less than what the fair market value of the Property would have been as of the date the Claim was filed had the change to the Property not been made; and (iii) the Property is not restored to Residential use such that the fair market value is equal to or greater than its pre-change value as of the date of the Claim. In such case, the Company shall reduce the Calculated Loss by the amount that it reasonably concludes it would cost to restore the Property to Residential use such that its fair market value is equal to or greater than its pre-change value as of the date of the Claim. If the Company relies on an estimate for such restoration that is not obtained by the Insured, the Company shall, at the request of the Insured, provide a copy of such estimate to the Insured. In establishing the estimated cost to restore the Property to Residential use, the Company may, in its sole discretion, either obtain a repair estimate from a third party selected by the Company or rely on an estimate provided by the Insured or GSE Beneficiary, provided however that all such estimates will be based on review of both the interior and exterior of the Property. If the Company relies on a repair estimate obtained from a third party, the Company will provide a copy of that estimate to the Insured or GSE Beneficiary upon request. The Company will specify the amount of any reduction in the Insurance Benefit on account of non-residential use and any such reduction may be appealed in



accordance with Section 8.7 (Reconsideration of Company Initiated Cancellations, Claim Denials, or Reduced Claim Payments). If the Company is unable to gain access to the Property to obtain a repair estimate, the Company may settle the Claim by paying the Anticipated Loss.

6.5 Physical Damage

a) Any Claim where there is Physical Damage to the Property and:

(i) the Physical Damage occurred or manifested itself on or after the date that the Commitment was issued, but before the date of the Default;

(ii) the cost to repair such Property as estimated by the Company equals or exceeds twenty-five percent (25%) of the unpaid principal balance of the Loan as of the date of Default;

(iii) The Property is Uninhabitable as of the date the Claim is submitted to the Company; and

(iv) the Physical Damage was an Uninsured Loss.

If Section 6.5(a) applies, the Company shall have no liability to pay any Insurance Benefit with respect to the Loan.

b) Any Claim where there is Physical Damage, but Section 6.5(a) does not apply or the cost to repair the Property as estimated by the Company is less than twenty-five (25%) percent of the unpaid principal balance of the Loan as of the date of Default, in which case(s) the Company shall process the Claim as follows:

(i) if the Company selects the Percentage Option, for the purposes of this Section 6.5(b) no adjustment to the Calculated Loss shall apply;

(ii) if the Company selects the Acquisition Option or the Third-Party Sale Option and the Property has not been restored to its condition on the Certificate Effective Date reasonable wear and tear excepted, the Company's sole remedy shall be to reduce the Calculated Loss by the estimated repair costs. If the Property has been restored to its condition on the Certificate Effective Date, reasonable wear and tear excepted, no adjustment to the Calculated Loss shall apply.

c) In establishing the estimated cost to repair the damage for the purposes of Section 6.5(a) or (b), the Company may, in its sole discretion, either obtain a repair estimate from a third party selected by the Company or rely on an estimate provided by the Insured or GSE Beneficiary, provided however that all such estimates will be based on review of both the interior and exterior of the Property. If the Company relies on a repair estimate obtained from a third party, the Company will provide a copy of that estimate to the Insured or GSE Beneficiary upon request. The Company will specify the amount of any reduction in the Insurance Benefit on account of Physical Damage and any such reduction may be appealed in accordance with

Section 8.7 (Reconsideration of Company Initiated Cancellations, Claim Denials, or Reduced Claim Payments). If the Company is unable to gain access to the Property to obtain a repair estimate, the Company may settle the Claim by paying the Anticipated Loss.

6.6 Pre-existing Environmental Impairment

Any Claim where Environmental Impairment to the Property existed prior to the Certificate Effective Date, and the Environmental Impairment: (i) is the primary cause of the Default, and (ii) has made the principal Residential structure on the Property Uninhabitable. Notwithstanding the foregoing, this exclusion does not apply if the Insured has removed or remedied the condition that constituted the Environmental Impairment in accordance with Applicable Law prior to the payment of an Insurance Benefit.

6.7 Defenses to Loan

Any Claim for that portion of any Insurance Benefit equal to: (i) the amount of the indebtedness from which the Borrower is released without the Company's approval; or (ii) the amount of indebtedness against which the Borrower successfully asserts defenses; provided that, this Defenses to Loan exclusion does not apply where the release of the Borrower is the result of a bankruptcy "cram down" so long as the Insured has continued to pay Premium on the full amount of the indebtedness and all other conditions of the Master Policy have been met.

6.8 First Lien Status

Any Claim with respect to a Loan where the mortgage, deed of trust or other security instrument executed by the Borrower did not constitute a first lien on the Property on the Certificate Effective Date.

6.9 Loan not Originated in Compliance With Applicable Law

Any Claim with respect to a Loan (i) that was not originated in compliance with Applicable Law; and (ii) had the Company been aware of the non-compliance with Applicable Law, it would have either not insured the Loan or insured it on different terms.

7. CONDITIONS PRECEDENT TO PAYMENT OF INSURANCE BENEFIT

It is a condition precedent to the Company's obligation to pay an Insurance Benefit for a Loan that the Insured comply with all of the following requirements:

7.1 Notice of Default

The Insured shall send a Written notice of Default for a Loan to the Company



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by the earliest of the following dates:

(i) if the periodic Loan payments are required to be made monthly, not later than the last Business Day of the month in which the Borrower becomes two (2) periodic payments in Default on the Loan; or

(ii) if the periodic Loan payments are required to be made more often than once a month, not later than the last Business Day of the month following the month in which a Default occurs on the Loan; or

(iii) the date on which foreclosure or other Appropriate Proceedings are commenced.

Such notice must be on a form or in a format approved by the Company and via a medium acceptable to the Company. If the Company does not receive the notice of Default within the time required by this Section 7.1 and a Claim results from such Default, the Company is entitled to deduct from the Calculated Loss an amount equal to the greater of: (i) thirty (30) days of interest at the interest rate required by the Loan; or (ii) all interest accruing on the Loan during the period between the date the Company should have received the notice of Default and the date it actually received the appropriate notice of Default. If the Company deducts interest from the Calculated Loss pursuant to this Section 7.1, it will include the amount of and explanation for the deduction on the Written explanation of benefits when it settles the Claim.

7.2 Monthly Default Reports

a) After the Insured has submitted a notice of Default on a Loan to the Company under Section 7.1, on or before the last Business Day of each month, the Insured shall also submit reports to the Company in a format and via a medium approved by the Company identifying all of the following:

(i) the status of the Loan;

(ii) the status of any Appropriate Proceedings that have been commenced by the Insured; and

(iii) any efforts to remedy the Default.

b) The Insured shall continue to submit such monthly reports to the Company until:

(i) the Borrower is no longer in Default on the Loan; or

(ii) the Appropriate Proceedings terminate; or

(iii) the Borrower's Title to the Property has otherwise been transferred to the Insured or GSE Beneficiary or to a third-party in connection with a Third-Party Sale.

c) If the Company does not receive a timely and complete monthly report as required by this Section 7.2 and a Claim results, the Company is entitled to deduct from the computation of Calculated Loss an amount equal to the greater of: (i) thirty (30) days of interest at the rate of interest required by the Loan; or (ii) all interest accruing on the Loan during the period between the date the Company should have received the monthly report and the date it actually receives a complete and current report. If the Company deducts interest from the computation of Calculated Loss pursuant to this Section 7.2(c), it will include the amount of and explanation for the deduction on the Written explanation of benefits when it settles the Claim. This monthly reporting requirement is in addition to the requirement to submit monthly Servicing Reports in Section 5.4.

7.3 Appropriate Proceedings

a) Unless: (i) delayed by a court order or a moratorium of general applicability to a specific jurisdiction imposed by a government agency; or (ii) prohibited by Applicable Law; or (iii) the Insured is actively and diligently pursuing loss mitigation efforts or has placed a Borrower into a loss mitigation solution, in either case, in accordance with Section 7.4; or (iv) the Company provides Written instructions that some other action not precluded by Applicable Law be taken, the Insured must commence Appropriate Proceedings (by filing a complaint in the appropriate court, publishing a notice of sale, or by such other process as required by Applicable Law to initiate Appropriate Proceedings) by the later of (a) thirty (30) days after the date the Loan remains in Default for a period of six (6) consecutive months, or (b) sixty (60) days after the earliest date that Appropriate Proceedings may be commenced under Applicable Law; provided, however, that with respect to GSE Loans, any written instructions from the Company must be approved in Writing by the applicable GSE prior to the Company communicating them to the Insured.

b) Notwithstanding any other provision of this Master Policy to the contrary: (i) if the Insured fails to commence Appropriate Proceedings in accordance with this Section 7.3, the Company's remedy in connection with any resulting Claim shall be limited to the curtailment of accrued and unpaid interest for the period beginning on the date Appropriate Proceedings should have been commenced and ending on the date that is eighteen (18) months following the date of Default; and (ii) if the Insured fails to commence Appropriate Proceedings by the date that is eighteen (18) months following the date of Default, the Company's remedy in connection with any resulting Claim may be either the continued curtailment of accrued and unpaid interest or the issuance of a Claim Denial, as the Company deems appropriate. For the avoidance of doubt, if the Company determines there is a breach of one or more specified terms of this Master Policy unrelated to the commencement of Appropriate Proceedings, the Company's remedies for such other breaches are not limited by this Section 7.3.

- c) While engaging in Appropriate Proceedings, the Insured shall:
- (i) report the status of the Appropriate Proceedings in Writing to the Company as reasonably and expeditiously as possible, and at least monthly;
 - (ii) diligently pursue the Appropriate Proceedings once they have begun;
 - (iii) apply for the appointment of a receiver and assignment of rents, if requested by the Company;
 - (iv) at the Company's request, send copies of notices or other legal documents filed or required in the Appropriate Proceedings to the Company;
 - (v) take no actions that impair its ability to preserve, transfer and assign to the Company its rights against the Borrower or any other Person, and take reasonable and necessary actions to preserve the rights of the Company under the Master Policy against the Borrower, including acting in accordance with Section 9.3(b) related to preserving or establishing Deficiency Rights; and
 - (vi) bid an amount at the foreclosure sale which fully protects the rights of the Company under the Master Policy against the Borrower, including Deficiency Rights, in accordance with the Delinquency and Claims Reference Manual, or as otherwise directed by the Company; provided that, in the case of a GSE Loan, the Insured must bid in accordance with the Company's foreclosure bidding instructions which have been previously approved by the GSE.
- d) Notwithstanding any other provision of this Master Policy to the contrary, if the Insured fails to take any of the actions required in Section 7.3(c)(i) – (vi), the Company's remedy shall be to reduce the Calculated Loss by the amount that it reasonably concludes it was damaged by such failure.

7.4 Mitigation of Loss

a) *Required Servicing Practices.* The Insured shall adhere to Required Servicing Practices to mitigate the Company's loss, which may include in appropriate cases: taking action to mitigate a potential Default when Default appears to be imminent, but has not yet occurred; or to facilitate the cure of a Default by the Borrower; inspecting and appraising the Property; and pursuing a Loan modification, Third-Party Sale, or Deed-in-Lieu of Foreclosure.

b) *Deed-in-Lieu of Foreclosure.* The Insured may accept a Deed-in-lieu of Foreclosure only if the prior Written approval of the Company has been obtained or if otherwise agreed upon by the Insured and the Company in Writing. Approval shall not be deemed an acknowledgement of liability by the Company with respect to the related Loan. Payment of an Insurance Benefit in connection with such Loan remains subject to all terms and conditions of the Master Policy. If a cash contribution or promissory note is obtained from a Borrower in



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connection with a Deed-in-Lieu of Foreclosure, any funds received by the Company (net of any commercially reasonable expenses incurred in documenting and collecting such Borrower funds) shall be shared pro rata with the Insured, or in the case of a GSE Loan, the GSE Beneficiary, and distributed when the cash is received or when note payments are made over time. The Company's share of the contribution shall be the Insurance Benefit paid divided by the Total Loss.

c) *Third-Party Sales.* The Insured shall determine whether a Third-Party Sale of the Property is feasible both prior to and after the acquisition of the Property. The Insured shall send any Third-Party Sale Offer to the Company for the Company's Written approval or rejection. When requested by the Company, the Insured shall authorize its broker to release and send marketing information for the Property to the Company. Approval by the Company of a Third-Party Sale Offer shall not be deemed an acknowledgement of liability by the Company with respect to such Loan. Payment of an Insurance Benefit in connection with such Loan remains subject to all terms and conditions of the Master Policy. If the Insured or, for a GSE Loan, the GSE Beneficiary, inadvertently completes a Third-Party Sale after acquisition of the Property without obtaining the Company's prior, Written approval and the Company disagrees with the sales price, the Company shall settle the Claim based on the sales price it determines is supportable. If a cash contribution or promissory note is obtained from a Borrower in connection with an approved Third-Party Sale, any funds received by the Company (net of any commercially reasonable expenses incurred in documenting and collecting such Borrower funds) shall be shared pro rata with the Insured, or in the case of a GSE Loan, the GSE Beneficiary, and distributed when the cash is received or when note payments are made over time. The Company's share of the contribution shall be the Insurance Benefit paid divided by the Total Loss.

d) *Notice and Approval.* A Deed-in-Lieu of Foreclosure or Third-Party Sale request under Sections 7.4(b) or (c) shall be deemed approved if the Company does not send to the Insured a Written notice of disapproval within ten (10) Business Days following the date the Company receives the Written request from the Insured.

e) *Company's Remedy.* Failure of the Insured to comply with this Section 7.4 with respect to any Loan entitles the Company to reduce the Calculated Loss for such Loan by the amount the Company reasonably quantifies it was damaged by such non-compliance. If the Company pays a reduced Insurance Benefit under this Section 7.4, the Company shall specify the method by which the damage to the Company was determined and the amount and cause of such damages to the Company and shall include in the Written explanation of benefits when the Company settles a Claim, the specific calculation resulting in the reduction in the Calculated Loss. If the Company has been damaged, but cannot reasonably quantify the damage arising from the non-compliance, the Company shall have no obligation to pay an Insurance Benefit on the Loan and shall give the Insured notice of a Claim Denial.

f) *Company's Permitted Actions.* In connection with this Section 7.4, the Company may:

(i) make a Pre-Claim Advance to the Insured. The Company may only make a Pre-Claim Advance on a GSE Loan if the Company has obtained prior Written approval from the GSE Beneficiary to make a Pre-Claim advance on the GSE Loan. The Company may make a Pre-Claim Advance on a non-GSE Loan in its sole discretion. The Company shall deduct the amount of such Pre-Claim Advance from any future Insurance Benefit it may pay on the Loan;

(ii) in its sole discretion, perform on-site audits of servicing efforts and request and receive evidence of servicing efforts to mitigate loss on a Loan in Default;

(iii) in its sole discretion, engage a specialty servicer or additional loss mitigation resources of the Company's selection and at its expense to oversee the Servicer's activity; and

(iv) in its sole discretion, contact the Borrower, if necessary, to assist in loss mitigation strategies.

The Insured shall cooperate with the Company to the extent reasonably necessary to permit the Company to engage in these activities.

7.5 Advances

The Insured shall advance each of the following when due and payable for a Loan after Default:

- a) normal and customary property insurance premiums for the Property;
- b) taxes, assessments and other public charges imposed upon the Property;
- c) Property sales expenses;
- d) reasonable and necessary expenses to protect and preserve the Property, as approved by the Company at the time the Company reviews the Claim, which do not include expenditures to avoid an exclusion from coverage;
- e) condominium fees, homeowner association dues and other pro-rated portions of shared fees related to the common areas attendant to the Property, to the extent ascertainable and advanced or paid by the Servicer in order to maintain the priority of the first lien;
- f) Court Expenses and attorneys' fees related to the Loan; and
- g) Deficiency Expenses, if incurred in accordance with Section 9.3(b).



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Such Advances do not include any amounts paid to Persons employed by the Insured or Servicer or other internal costs of the Insured or Servicer.

8. CLAIMS

The submission of a Claim constitutes a representation by the Insured to the Company that the Claim and all materials submitted therewith are complete and accurate and that all conditions precedent to Claim filing under this Master Policy have been met. If any information submitted to the Company in support of a Claim is incomplete, the Insured shall so advise the Company at the time of submission, otherwise the Company shall be entitled to consider only the information submitted in determining whether the Claim is a Perfected Claim.

8.1 Filing Claims

a) *Required Timeline.* The Insured shall submit a Claim to the Company no later than sixty (60) days after the earlier of: (i) acquiring the Borrower's Title to the Property; or (ii) a Third-Party Sale. If the Insured submits a Claim to the Company more than sixty (60) days, but less than one-hundred-eighty (180) days after the earlier of enumerated events (i) or (ii), the Company shall exclude from the computation of Calculated Loss any interest and Advances accruing on the Loan after such sixty (60) day period. Failure to submit a Claim within one-hundred-eighty (180) days of the earlier of either of enumerated events (i) or (ii) shall be deemed a waiver of the right to an Insurance Benefit and shall permit the Company to effect a Company Initiated Cancellation. Notwithstanding the foregoing, if a Third-Party Sale is approved following the submission of a Claim, the Company will re-establish the Claim filing date to the Close of such Third-Party Sale according to 8.1(a)(ii) for Claim administration following resubmission of a Claim. For avoidance of doubt, re-establishment of the Claim submission date means that the Claim must be resubmitted no later than sixty (60) days after the Close of the Third-Party Sale, and Advances incurred subsequent to the date of the original submission of the Claim, and through the date of resubmission of the Claim, shall be considered as part of the Calculated Loss under Section 8.3(c), including unpaid and accrued interest.

b) *Effect of Redemption Right on Claim Settlement.* If a Property is subject to a right of redemption under Applicable Law, the Insured may nevertheless submit the Claim to the Company within the time required by Section 8.1(a). The Company may settle the Claim prior to the expiration of the right of redemption. The Insured shall, with reasonable promptness, report to the Company the redemption of the Property, whether such redemption occurs before or after the Company's settlement of the related Claim, and shall provide to the Company satisfactory evidence of the payment and amount of the Redemption Price. If a Property is redeemed after the Company pays an Insurance Benefit pursuant to the Percentage Option, the Insured shall be obligated to promptly refund to the Company the amount, if any, by which the Redemption Price plus the Insurance Benefit exceeds the Calculated Loss. If a Property is subject to a right of redemption and the Company elects to settle the related Claim pursuant to the Acquisition Option, the Company shall settle such Claim after the redemption period expires, in which case the Claim shall become a Perfected Claim on the date the redemption period expires. If such Property is redeemed prior to the expiration of the redemption period, the Insurance Benefit shall be an amount equal to the lesser of: (i) the



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Percentage Option or (ii) the Calculated Loss less the Redemption Price. If such Property suffers Physical Damage after the Company elects to settle the Claim pursuant to the Acquisition Option, the Insurance Benefit payable by the Company is either an amount equal to: (i) the Calculated Loss less the estimated cost of restoration of the Property to its condition at the time the Company elected the Acquisition Option, reasonable wear and tear excepted, if repairs are completed by the Company; or (ii) the Calculated Loss with no adjustment, if the Insured or GSE Beneficiary restores the Property to its condition at the time the Company elected the Acquisition Option, reasonable wear and tear excepted; or (iii) the Percentage Option, if the Company changes its election and settles the Claim pursuant to the Percentage Option.

c) *Accelerated Claim.* At any time after receiving the Insured's notice of Default, the Company may instruct the Insured in Writing to submit a Claim to the Company. Such Claim shall be considered an accelerated Claim. The Insured shall submit the accelerated Claim to the Company within sixty (60) days of such instruction. For an accelerated Claim to become a Perfected Claim, the Company shall only require the submission of Required Claim Documents and documents included in the Loan Origination File or Loan Servicing File in existence on the date the accelerated Claim is filed. When the Company pays an Insurance Benefit on an accelerated Claim, it shall pay the Insurance Benefit pursuant to the Percentage Option. When the Company accelerates a Claim, no accrued and unpaid interest due on the Loan will be included in the Calculated Loss for any period after the end of the sixty (60) day period following the Company's Written instruction to the Insured to submit the accelerated Claim. Notwithstanding the Company's decision to accelerate a Claim, the Insured remains subject to all of the terms and conditions of the Master Policy, including the requirements to provide Required Claim Documents and documents included in the Loan Origination File and Loan Servicing File under Section 8.2; to pursue Appropriate Proceedings as provided under Section 7.3; and otherwise to act in accordance with Section 7.4 to mitigate loss. Provided that the Insured completes such Appropriate Proceedings or Borrower's Title to the Property has otherwise been transferred to the Insured or GSE Beneficiary, or in connection with a Third-Party Sale, the Insured may submit a Supplemental Claim to the Company as provided in Section 8.1(d). For any Loan which is not a GSE Loan, if the Insured is unable to acquire Borrower's Title to the Property, or unable to obtain and complete a Third-Party Sale, or the Loan is subsequently brought current by the Borrower, the Insured shall refund to the Company any Insurance Benefit paid to the Insured by the Company with respect to that Loan. For any Loan which is a GSE Loan, if the GSE Beneficiary is unable to acquire Borrower's Title to the Property, or unable to obtain and complete a Third-Party Sale, or the Loan is subsequently brought current by the Borrower, the GSE Beneficiary shall refund to the Company any Insurance Benefit received with respect to that Loan if the Company and the GSE Beneficiary have entered in to a prior Written agreement providing for such refund.

d) *Supplemental Claim.* The Insured may submit a Supplemental Claim within ninety (90) days after the earlier of: (i) the Company's payment of an Insurance Benefit (other than in connection with an accelerated Claim); or (ii) the Insured's or GSE Beneficiary's acquisition of the Borrower's Title to the Property following an accelerated Claim under Section 8.1(c). The Company shall pay the Supplemental Claim within sixty (60) days after receipt of



documentation satisfactory to the Company to establish the validity and amount of the Supplemental Claim.

8.2 Required Claim Support

a) *Required Claim Documents.* The Insured shall submit the Required Claim Documents to the Company at the time the Claim is submitted.

b) *Access to Property.* At the time the Claim is submitted, the Insured or GSE Beneficiary must at the Company's request permit the Company to have access to the Property. If the Insured or GSE Beneficiary is unable to provide access to the Property upon the Company's request, the date as of which the Claim is determined to be a Perfected Claim shall, subject to the limitation of Section 8.4(b), be the later of (i) the date the Claim would be considered a Perfected Claim had access been provided when requested, and (ii) the date access is provided.

c) *Additional Documents.*

(i) Within twenty (20) days after the date the Company receives the Claim, the Company may give Written notice of any deficiencies in the submission of Required Claim Documents or request additional documents included in the Loan Origination File or Loan Servicing File. If the Company does not give such a notice or make such a request within twenty (20) days after the date the Company receives the Claim, the Claim is deemed to be a Perfected Claim as of the Claim receipt date.

(ii) If the Company gives Written notice of any deficiencies in the submission of Required Claim Documents or requests additional documents included in the Loan Origination File or Loan Servicing File within twenty (20) days of the date the Company receives the Claim, the Claim shall become a Perfected Claim on the date on which the Company receives the Required Claim Documents or additional documents included in the Loan Origination File or Loan Servicing File. The Company shall then have ten (10) additional days from the date the Claim becomes a Perfected Claim to request any additional documents included in the Loan Origination File or Loan Servicing File, and the Insured shall use reasonable efforts to satisfy the request, but the running of the Claim Settlement Period shall not be suspended by such an additional request.

(iii) With respect to the first request for missing Required Claim Documents or additional documents included in the Loan Origination File or Loan Servicing File under this Section 8.2(c), if the Company does not receive such documents from the Servicer within thirty (30) days after such request, the Company shall promptly notify the Insured in Writing of the outstanding request as a courtesy reminder. If the Loan is a GSE Loan and the GSE Beneficiary requests to receive copies of such notices, the Company will send a copy of such notices to the GSE Beneficiary.

(iv) A Claim may not be denied in less than one-hundred-twenty (120) days following the Claim filing date due to the Servicer's failure to submit Required Claim



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Documents or additional requested documents included in the Loan Origination File or Loan Servicing File. Unless Applicable Law requires otherwise, if a Claim is not perfected within one-hundred-twenty (120) days of the date of the Claim filing date, the Company shall effect a Claim Denial, and the Insured and any GSE Beneficiary shall be deemed to have waived the right to receive, and the Company shall have no obligation to pay, an Insurance Benefit on the Loan to any Person; provided, however, such denial will be subject to the appeal process in Section 8.7. If the Company effects a Claim Denial under this Section 8.2(c), the Company will include an explanation in the Written explanation of benefits.

(v) The Company shall pursue Claim investigations and pay Claims expeditiously and in good faith.

d) *Acquisition Option Documents.* After the Claim becomes a Perfected Claim, if the Company selects the Acquisition Option, the following additional information shall be required:

(i) a recordable deed in a form approved by the Company containing customary warranties and covenants conveying to the Company or its designee Good and Merchantable Title to the Property, which deed the Company must cause to be submitted to the appropriate local recording office for recording within sixty (60) days of its completion of the acquisition of the Property under the Acquisition Option; and

(ii) evidence satisfactory to the Company, which may be in the form of a title insurance policy or an attorney's opinion of title, confirming that the Insured or GSE Beneficiary holds, and is entitled to convey to the Company, Good and Merchantable Title to the Property.

8.3 Computation of Calculated Loss

Subject to any adjustments provided for elsewhere in the Master Policy, the Calculated Loss is an amount equal to the sum of:

- a) the Default Amount; and
- b) either: (i) up to thirty-six (36) months of accrued and unpaid interest due on the Loan computed on the Default Amount at the Loan's contract interest rate for the period from the date of Default through the date that the Claim is filed; or (ii) if there is a Third-Party Sale: (a) up to thirty-six (36) months of accrued and unpaid interest due on the Loan computed on the Default Amount at the Loan's contract interest rate for the period from the date of Default through the date on which the Third-Party Sale Closed; and (b) an amount equal to the product that results from multiplying the Loan's contract interest rate by the amount resulting from the difference between the Default Amount and the proceeds of the Third-Party Sale, less the reasonable costs of obtaining and closing such sale, for the period from the date on which the Third-Party Sale Closed through the date that the Claim is filed; or (iii) if the Insurance Benefit is paid pursuant to Section 8.4(a)(i) or Section 8.4(b), up to thirty-six (36) months of accrued and unpaid interest due on the Loan computed on the Default Amount at the Loan's contract interest



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rate for the period from the date of Default through the date that the Insurance Benefit is paid, provided however that, if access to the Property is requested pursuant to Section 8.2(b) and is not provided, no accrued and unpaid interest is includable for the period from the date access is requested through the date access is provided. In all cases, the amounts in Sections 8.3(b)(i) and (ii) exclude late charges, liquidated damages under Section 8.4(d) or other changes to the Loan interest rate by reason of Default; and

c) the amount of Advances incurred by the Insured under Section 7.5 prior to submitting the Claim to the Company; provided, however, that the amount of such Advances, other than attorneys' fees, shall be prorated for the period from the date of Default through the earlier of: (i) the date the Claim is filed or is required to be filed; or, (ii) the date on which a Third-Party Sale closed. Notwithstanding the foregoing, in the case of a Claim where eviction proceedings are required to obtain Good and Merchantable Title and Possession of the Property, and the Company elected the Acquisition Option, the Calculated Loss will include Advances paid by the Insured or GSE Beneficiary in connection with such eviction proceedings through the date such eviction proceedings are completed, including unpaid and accrued interest. For Loans having unpaid principal balances of less than \$200,000 at the time the Claim is filed, attorneys' fees related to the Loan are limited to the lesser of: (i) the actual fees; (ii) five percent (5%) of the sum of the Default Amount and the amount of accrued and accumulated interest as determined under Section 8.3(b); or (iii) \$6,000. For Loans having unpaid principal balances of \$200,000 or greater at the time the Claim is filed, attorneys' fees related to the Loan are limited to the lesser of: (i) the actual fees; or (ii) three percent (3%) of the sum of the Default Amount and the amount of accrued and accumulated interest as determined under Section 8.3(b); *provided, however*, that reasonable attorneys' fees incurred in regard to Deficiency Rights in accordance with Section 9.3(b) are not so limited.

less the:

d) amount of all rents and other payments (excluding property insurance and Third-Party Sale proceeds) received by the Insured, for periods during which the Calculated Loss includes interest and Advances, which are derived from or in any way related to the Property or Loan;

e) amount of cash remaining in any escrow account related to the Property or the Loan to which the Insured or GSE Beneficiary has a right;

f) amount of cash or other collateral to which the Insured has retained the right of possession as security for the Loan;

g) amount paid or payable under any property insurance policy related to the Property, which amount has not been applied to either the restoration of the Property, if the Property suffered Physical Damage, or to the payment of the Loan;

h) amount expended by the Insured for Advances requiring approval by the Company under Section 7.5(d), which have not been so approved;



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i) any additional amount the Company is permitted to deduct under any provision of the Master Policy.

8.4 Payment of Insurance Benefit

a) *Company's Options for Satisfaction of Insurance Benefit.* Prior to the expiration of the Claim Settlement Period, the Company shall determine whether and to what extent an Insurance Benefit is owed under the Master Policy and shall, in its sole discretion, elect one of the following three settlement options and pay to the Insured, or if the Loan is a GSE Loan, to the GSE Beneficiary, as the Insurance Benefit either:

(i) *Acquisition Option.* An amount equal to the Calculated Loss payable in exchange for the Insured's or GSE Beneficiary's conveyance of Good and Merchantable Title to and Possession of the Property. The Company will: (i) pay the Insurance Benefit within five (5) Business Days of receiving the documents relating to the Property specified in Section 8.2(d) (Acquisition Option Documents); and (ii) submit such documents for recording within sixty (60) days of receiving them. If the Company elects the Acquisition Option and the Insured or GSE Beneficiary is unable to convey Good and Merchantable Title to and Possession of the Property to the Company within two hundred ten (210) days following submission of the Claim under Section 8.1(a), then the Insured or GSE Beneficiary shall retain title to the Property and the Insurance Benefit payable under this Acquisition Option shall be an amount equal to the Company's Anticipated Loss in connection with such Property; or

(ii) *Percentage Option.* The Calculated Loss multiplied by the percentage of coverage specified on the related Certificate; or

(iii) *Third-Party Sale Option.* An amount equal to the lesser of the Percentage Option or the Insured's Loss on Sale. If the Company elects the Third-Party Sale Option after a Claim has become a Perfected Claim and the Third-Party Sale fails to close before the Claim Settlement Period expires, the Company may postpone payment of the Insurance Benefit for ten (10) days after such Third-Party Sale closes or is terminated, provided that in either case an amount equal to the interest on the Default Amount at the Loan's contract rate for the period of such postponement is paid to the Insured.

b) *Access Unavailable Settlement.* If the Company requests access to the Property pursuant to Section 6.4, Section 6.5, or Section 8.2(b), and the Insured or GSE Beneficiary is unable to provide access within two hundred ten (210) days following the submission of the Claim under Section 8.1(a), the Company shall, notwithstanding the settlement options described in Section 8.4(a), settle the Claim by paying the Anticipated Loss.

c) *Offset.* Under any settlement option, the Company shall deduct from its payment of the Insurance Benefit:

(i) any payments of loss on the Loan which it previously made to the Insured;



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FIRST LIEN MASTER POLICY

(ii) any Premium with respect to the Loan that is due but unpaid through the date of Default, or any Premium previously returned to the Insured or the GSE Beneficiary; and

(iii) any other amounts permitted by any provision of the Master Policy.

Any such offsets shall be explained on the Written explanation of benefits when the Company settles a Claim.

d) *Liquidated damages.* If the Company pays the Insurance Benefit after the Claim Settlement Period, in addition to the Insurance Benefit, the Company shall pay: (i) an amount equal to interest on the Insurance Benefit computed at the Loan's contract rate for the period of time beginning the day after the Claim Settlement Period expires and ending at the conclusion of the sixtieth day following the last day of the Claim Settlement Period; and (ii) an amount equal to the Loan's contract rate plus ten (10) percentage points thereafter. Liquidated damages under this Section 8.4(d) shall not apply in the case of a failure of the Company's payment systems beyond the Company's control.

8.5 Discharge of Obligations

Any payment of an Insurance Benefit by the Company to the Insured, or for a GSE Loan, to the GSE Beneficiary, taking into account any appropriate adjustments, or such other amount as may be paid by the Company and accepted by the Insured or GSE Beneficiary in settlement of any dispute regarding a defense to or denial of coverage with respect to a Loan or the calculation of the Insurance Benefit with respect to a Loan, is a full and final discharge of the Company's obligations under the Master Policy with respect to the related Loan to any Person including the Insured and/or the GSE Beneficiary. Notwithstanding the preceding sentence, the Company shall not be relieved of its obligation to pay any valid Supplemental Claim filed pursuant to Section 8.1(d), or as may otherwise be agreed to by the Company in Writing. The Company's payment of an Insurance Benefit does not limit any rights that the Company has against the Insured, the Borrower, or any other Person. If the Company pays an Insurance Benefit and advises the Insured, or in the case of a GSE Loan, the GSE Beneficiary, within one-hundred-twenty (120) days after the date on which the Insurance Benefit was paid, that the Insured, or in the case of a GSE Loan, the GSE Beneficiary, was not entitled to receive such Insurance Benefit because: (i) the Claim for such Insurance Benefit was invalid; or (ii) there were defects in the foreclosure procedure; the Insured, or in the case of a GSE Loan, the GSE Beneficiary, shall refund to the Company the full amount of such Insurance Benefit.

8.6 Reconsideration of Rescissions

The Insured may submit to the Company a request for reconsideration within ninety (90) days of the date it receives a Written notice of any decision by the Company to Rescind coverage on a Loan under the terms of Section 3 of the Master Policy. If, after review of the request, the Company determines that the Insured has provided Credible Evidence establishing that there was, as applicable, no Material Misrepresentation, Origination Error, or Material Value Variance, the Company shall reinstate coverage on the Loan as of the Certificate



Effective Date; *provided that* there is no other basis for such Rescission, and the Insured has paid to the Company any required Premium. A Claim will be deemed a Perfected Claim upon reinstatement and the Insurance Benefit will be paid within the remaining Claim Settlement Period or, if there are less than ten (10) Business Days remaining in the Claim Settlement Period, or the Claim Settlement Period has expired, no later than ten (10) Business Days from the date of reinstatement. In the event the Company reinstates coverage on a Loan for which a Claim has been made following a Rescission, and the Company has received no new documents or other proof supporting the request for reconsideration, the Company will add to the Calculated Loss accrued and unpaid interest from the date the Company received the request for reconsideration through the date the Claim is paid. However, if coverage is Rescinded and later reinstated only because new documents or information has been produced, and a Claim on the Loan was submitted to the Company, no additional interest shall be paid and interest shall only be owed pursuant to Section 8.3(b), through the date the Claim is filed. If the Company does not receive a request for reconsideration under this Section 8.6 within ninety (90) days of the date it receives a Written notice of a decision by the Company to Rescind coverage on a Loan under the terms of Section 3, the Insured shall be deemed to have accepted the Rescission and the Company shall have no further obligation with respect to that Loan to the Insured, GSE Beneficiary, or any other Person. If the Company does not send a Written notice to the Insured on or before the ninetieth (90th) day after receiving a timely Written request for reconsideration from the Insured advising that it is either granting or denying the request for reconsideration, the request for reconsideration shall be deemed to have been granted.

8.7 Reconsideration of Company Initiated Cancellations, Claim Denials, or Reduced Claim Payments

The Insured may submit to the Company a request for reconsideration within ninety (90) days of the date it received a Written notice of any decision by the Company to effect a Company Initiated Cancellation, Claim Denial, or Claim curtailment under any provision of the Master Policy. If, after review of the request, the Company determines that the Insured has provided Credible Evidence establishing that the Company did not have a reasonable basis for the Company Initiated Cancellation, Claim Denial, or Claim curtailment, it will reinstate the coverage on the Loan as of the Certificate Effective Date, or re-adjust the Claim payment as applicable. A Claim will be deemed a Perfected Claim upon reinstatement and the Insurance Benefit will be paid within the remaining Claim Settlement Period or, if there are less than ten (10) Business Days remaining in the Claim Settlement Period or the Claim Settlement Period has expired, no later than ten (10) Business Days from the date of reinstatement. If the Company does not receive a request for reconsideration under this Section 8.7 within ninety (90) days of the date it receives a Written notice of a decision by the Company to effect a Company Initiated Cancellation, Claim Denial, or Claim curtailment, the Insured shall be deemed to have accepted the Company's action and the Company shall have no further obligation with respect to that Loan to the Insured, GSE Beneficiary, or any other Person. The Company shall have ninety (90) days following its receipt of a Written request for reconsideration under this Section 8.7, to determine whether to reverse the Company Initiated Cancellation, Claim Denial, or Claim curtailment. If the Company does not send a Written notice to the Insured on or before the ninetieth (90th) day after receiving a timely Written request



for reconsideration from the Insured advising that it is either granting or denying the request for reconsideration, the request for reconsideration shall be deemed to have been granted.

9. ADDITIONAL CONDITIONS

9.1 File Retention; Information Requests; Company's Audit and Investigation Rights

a) *Retention of Loan Origination File and Loan Servicing File.* The Insured shall retain the Loan Origination File and Loan Servicing File with respect to each Loan for the longer of: (i) the period during which coverage on such Loan remains in force; or (ii) a period ending one-hundred-twenty (120) days after the Company pays an Insurance Benefit on that Loan or issues a Rescission, Company Initiated Cancellation, or Claim Denial.

b) *Requests for Loan Origination File and/or Loan Servicing File Documents Prior to Filing of Claim.* In addition to the Company's rights under Section 8.2, subject to Sections 3.2 and 3.3, the Company may at any time prior to the filing of a Claim investigate a Loan and request in Writing that the Insured deliver to the Company copies of any documents included in the Loan Origination File and/or Loan Servicing File then in existence. If such a Written request is made under this Section 9.1(b), the Insured must promptly provide the requested documents or specify in Writing to the Company the circumstances necessitating delayed delivery. In any event, the Company must receive all requested Loan Origination File and/or Loan Servicing File documents within one-hundred-eighty (180) days from the date of the request. If the Company has not received all such requested documents within the one-hundred-eighty (180) day period, the Company may deduct an amount equal to sixty (60) days of interest at the Loan's contract rate from any Insurance Benefit that the Company pays in connection with the related Loan. If the Company deducts interest from the Insurance Benefit pursuant to this Section 9.1(b), it will include the amount of and an explanation for the deduction on the Written explanation of benefits when it settles the Claim. By deducting such amount, the Company does not waive its right, subject to Sections 3.2 and 3.3, to request documents included in the Loan Origination File or Loan Servicing File at the time, or after, a Claim is filed, or to any of its rights and remedies including those in Section 8.2(c).

c) *Access to Third-Party Information.* Without limiting the rights of the Company set forth elsewhere in the Master Policy and unless the Loan is subject to a Rescission limitation under Section 3.2, either in conjunction with or independent of any investigation of a Loan, the Company and representatives designated by it shall have the right at any time to contact the Borrower or any other Person to verify information relating to such Loan.

d) *True and Accurate Information.* Delivery of any information to the Company, which the Company requested under Section 8.2 or Section 9.1, is a representation by the Insured to the Company that such information is true and accurate.

e) *Company's Audit Rights.* The Company and its representatives have the right to conduct at any time during the Policyholder's and/or the Insured's regular business hours upon no less than five (5) days' Written notice on-site audits of the Policyholder's and/or the Insured's Loan origination, servicing and quality control operations, practices and procedures and to review the Written results of any quality control audits performed by or on behalf of the Policyholder and/or the Insured. In addition, the Company and its representatives have the right to conduct on-site audits of the Loan servicing, quality control and loss mitigation operations, practices and procedures of any Servicer of any Loan(s) at any time during the Servicer's regular business hours upon no less than five (5) days' Written notice. The Company may also submit Written requests for information regarding the above topics to the Insured or the Servicer at any time. The Insured has a duty to, and is required to, cause its Servicer(s) to cooperate fully with the Company with respect to audits, Loan reviews or requests for information. The Company may stop or otherwise limit offering to extend, or extending, coverage under the Master Policy as provided in Section 2.3 for failure to comply with the Company's audit requests under this Section 9.1(e).

f) *Insured/GSE Beneficiary Request for Information.* The Company shall provide reasonably accessible information pertaining to coverage on a Loan, or as required under Applicable Law, directly to the Insured or, in the case of a GSE Loan, the GSE Beneficiary, upon the Insured's or GSE Beneficiary's request. With respect to a GSE Loan, the Insured waives any objection to the Company's provision of such information directly to the GSE Beneficiary upon the GSE Beneficiary's request.

9.2 Proceedings of Eminent Domain

If part or all of the Property is taken by eminent domain, condemnation, or by any other proceeding by a federal, state or local governmental unit or agency, the Insured shall require that the Borrower apply the maximum permissible amount of any compensation awarded in such proceedings to reduce the unpaid principal balance and accrued and unpaid interest due under the Loan, in accordance with Applicable Law, or as required in the Loan documents.

9.3 Subrogation and Deficiency

a) *Subrogation.* The Company will be subrogated, upon payment of an Insurance Benefit, in the amount thereof in equal priority to all of the Insured or GSE Beneficiary's rights of recovery, if any, against a Borrower or any other Person relating to the applicable Loan or Property. Upon the Company's request, or a request by the Company's designee on its behalf, the Insured or GSE Beneficiary shall provide such information and execute and deliver to the Company or its designee such documents and instruments and undertake such actions as may be necessary to transfer, assign and secure such rights. The Insured and GSE Beneficiary shall not, and shall cause their agents not to, either before or after payment of an Insurance Benefit, prejudice such rights.

b) *Exercise of Deficiency Rights.* If either the Insured, or the GSE Beneficiary if the Loan is a GSE Loan, or the Company, desires to exercise their Deficiency Rights and pursue a Deficiency Judgment against a Borrower in connection with a Loan insured under this Master Policy, the Party seeking to pursue such Deficiency Judgment shall contact the other party to determine whether the Deficiency Judgment should be sought for the account of both parties or only for its own account; provided, however, that if under Applicable Law, pursuit of a Deficiency Judgment will substantially increase the expenses associated with foreclosure, the Insured shall contact the Company prior to the initiation of a form of foreclosure proceedings that would increase the costs of foreclosure to determine whether a Deficiency Judgment is to be sought and, if so, whether such Deficiency Judgment is to be sought for the account of both parties or only for the account of the Company or the Insured. In connection with the determination regarding pursuit of a Deficiency Judgment, each of the Insured and the Company must provide the other with all information it may have concerning the assets of the Borrower, possible defenses, and other information material to the decision.

c) *Parties' Determination.* If the parties determine that the Deficiency Judgment shall be pursued solely for the account of the Company, the Company shall be subrogated to all of the Insured's rights of recovery against the Borrower and any other Person relating to the Loan or the Property with respect to which the Company has paid an Insurance Benefit and shall be responsible for all costs associated with pursuing such Deficiency Judgment. If the parties determine that the Deficiency Judgment shall be pursued for the account of both parties, the Company shall be subrogated pro rata to such right of recovery and shall be responsible for a pro rata portion of the associated costs. The Company's share of the recovery and expenses shall be a percentage equal to the Insurance Benefit paid divided by the Total Loss. If the parties determine that the Deficiency Judgment shall be pursued solely for the account of the Insured, or if the Company is prohibited by law from pursuing the Deficiency Judgment, the Company shall not be subrogated to any of the Insured's rights to recovery against the Borrower and any other Person relating to the Loan or the Property with respect to which the Company has paid a Claim for Loss and the Insured shall be responsible for all costs associated with pursuing the Deficiency Judgment.

d) *Cooperation.* The Insured or GSE Beneficiary shall cooperate with the Company in any action or proceeding to pursue any Deficiency Judgment or other remedies that the Company may have or may have acquired pursuant to this Section against the Borrower or any other Person and shall refrain from any action, either before or after payment of a loss hereunder, that shall in any manner prejudice such rights.

e) *Deficiency Collection Activities.* Outside of the pursuit of formal court judgments in accordance with Sections 9.3(b), (c) and (d), the Company and the Insured or GSE Beneficiary are free, subject to Section 9.3(a) (Subrogation), to independently pursue collection activities against the Borrower that comply with Applicable Law for the recovery of any post-foreclosure Deficiency Rights.

9.4 No Duplication of Insurance Benefits

If the Insured carries duplicate mortgage guaranty insurance on a Loan, coverage on such Loan under this Master Policy shall be excess over any such other insurance regardless of the type of or the effective date of such other coverage, except for mortgage guaranty pool insurance or supplemental mortgage guaranty insurance.

9.5 Notices

a) *To Company.* All notices, Claims, tenders, reports, information and other data required or otherwise submitted or provided to the Company by the Policyholder, the Servicer, the Insured or the GSE Beneficiary under the Master Policy, shall be sent: (i) by posting to the Company's internet portal; or (ii) in a commercially reasonable, electronic manner, for example, e-mail or secure e-mail, agreed to in Writing by the Company; or (iii) by overnight mail or regular mail or other commercially reasonable method of delivery to the Company's address as shown on the face page of the Master Policy.

b) *From Company.* All required notices to the Insured or to a GSE Beneficiary, shall be sent: (i) by overnight mail or other commercially reasonable method of delivery; or (ii) in a commercially reasonable, electronic manner, for example, secure e-mail or a posting to a web portal. Unless otherwise specified herein, all notices to the Insured shall be sent to the Servicer and shall be either sent (i) by overnight mail or other commercially reasonable method of delivery; (ii) in a commercially reasonable, electronic manner (for example, secure e-mail or a posting to a web portal); or (iii) by regular mail to the Servicer at the last known address for such Servicer as reflected in the records of the Company. The Insured shall notify the Company of any change in their addresses or the Servicer's address. Upon request by a GSE Beneficiary, the Company shall provide copies of any notices that it sends to the Insured directly to such GSE Beneficiary.

9.6 Arbitration and Mediation

a) *Non-GSE Insured, Servicer*

(i) *Arbitration.* Any dispute, claim or controversy with the Servicer, or a non-GSE Insured arising out of or relating to the Master Policy or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by binding arbitration in San Francisco, California, before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the award may be entered in any court having jurisdiction. All arbitration proceedings will be confidential, and neither the Company nor the Insured or Servicer are permitted to disclose the fact, or the result, of any such arbitration except: (i) as may be required by law; (ii) for the purpose of pursuing judicial confirmation, modification or review; or (iii) as such disclosure may be required to lenders, insurers, regulators, accountants or auditors.



(ii) *Compulsory Mediation Prior to Arbitration Proceeding.* Prior to the appointment of the arbitrator, and within ten (10) days before the date the arbitration commences, the parties are required to submit the dispute to JAMS for a confidential mediation.

b) *GSE Beneficiary.* Any dispute, claim or controversy with a GSE Beneficiary arising out of or relating to the Master Policy or the breach, termination, enforcement, interpretation or validity thereof may, upon mutual consent of the parties, be determined by arbitration under terms and conditions agreed to between the parties. For the avoidance of doubt, no provision of this Master Policy shall be construed to require any GSE Beneficiary to submit to arbitration hereunder, and any decision rendered by an arbitrator relating to this Master Policy shall have no applicability to or be of any force or effect against any GSE Beneficiary unless the GSE consented in Writing to the arbitration.

9.7 Limitation of Actions

a) No action arising under the Master Policy including an action for recovery of any Insurance Benefit, may be sustained against the Company unless: (i) the Insured has complied with the terms and conditions of the Master Policy; (ii) if the action for recovery is based on a Rescission, Claim Denial, or Claim curtailment, a request for reconsideration was timely made under Section 8.6 or Section 8.7; and (iii) the action is commenced within two (2) years (or such longer period of time as may be required if Applicable Law does not permit the relevant statute of limitations to be shortened by contract) of the denial of the request for reconsideration under Sections 8.6 or 8.7, or, if the action for recovery is not based on a Rescission, Claim Denial, or Claim curtailment, the alleged breach of another provision of the Master Policy. No action on a Claim or Insurance Benefit may be brought against the Company by the Insured, the Servicer, or a GSE Beneficiary, until sixty (60) days have elapsed from the expiration of the Claim Settlement Period, unless the subject matter of the action is whether the Claim Settlement Period has expired.

b) If a dispute arises concerning a Loan or the related Property, the Company has the right to protect its interest by defending any action arising from such dispute, even if the allegations involved are groundless, false or fraudulent. The Company is NOT REQUIRED to defend any lawsuit involving the Policyholder, the Insured, a GSE Beneficiary, a Property, or a Loan. The Company also has the right to direct the Insured to institute suit on the Insured's behalf, if such suit is necessary or appropriate to preserve the Company's rights in connection with a Loan or Property, and, in such cases, the Company will bear the costs and expenses of the suit. If any litigation costs and expenses incurred by either the Company or the Insured arise out of an action involving the negligent or wrongful conduct or breach of contract on the part of the Insured or the Servicer, then the Insured is required to bear all such costs and expenses.



9.8 Parties

a) The Master Policy is binding on and inures to the benefit of the Company and its successors and assigns, and the Insured (with respect to individual Loans) and its permitted successors and assigns. Neither the Borrower, nor any successive owner of a Property, nor any pool mortgage insurance carrier, nor any other Person (unless expressly provided for in the Certificate for such Loan) is included as, nor is intended to be a third party beneficiary of the Master Policy. A GSE Beneficiary only has those rights specifically included in the Master Policy and does not have any concurrent or additional rights under Applicable Law related to third-party beneficiaries. The Servicer of a Loan is not a party to and has no rights under the Master Policy or any Certificate solely by virtue of being a Servicer. If the Servicer is also the Insured under the Master Policy, the Servicer shall have the rights and obligations of the Insured under the Master Policy or any Certificate issued thereunder. Payments made to the Insured or, with respect to a GSE Loan, to a GSE Beneficiary, hereunder are intended as indemnification for actual loss and do not affect or impair the Insured's or the GSE Beneficiary's Deficiency Rights subject, however, to the provisions of Section 9.3.

b) Unless expressly provided otherwise in a specific provision herein, any acts of the Insured in this Policy may be performed by the Servicer. Notwithstanding the foregoing, the Company acknowledges and agrees that for GSE Loans, the Servicer has no authority without the prior Written consent of the GSE Beneficiary to: (i) manage or dispose of any Property that is the subject of any Loan owned or guaranteed by such GSE Beneficiary; (ii) receive from the Company any Insurance Benefit in respect of any such Loan; (iii) enter into any modification (whether or not the Company shall have given its consent to such modification) with respect to any such Loan; (iv) enter into any contract, agreement, settlement or compromise with the Company with regard to any such Loan; or (v) give any consent on behalf of the GSE Beneficiary, including a consent to arbitrate any dispute with the Company with regard to any such Loan or group of such Loans.

9.9 Agency

No First Party nor GSE Beneficiary nor either of their respective employees or agents shall be, nor shall be deemed to be, agents of the Company, nor shall the Company be or be deemed to be an agent of any First Party or GSE Beneficiary except to the extent necessary to effect the Deficiency Rights pursuant to Section 9.3.

9.10 Governing Law and Conformity to Law

The Master Policy, including any Commitment, Certificate, Claim or Insurance Benefit, and any claims, controversies, or causes of action of any kind arising from or related thereto are governed by the law of the State of Delaware without reference to or application of conflicts of law provisions, unless a different jurisdiction is agreed upon in Writing by the Company and the Insured. Any provision of the Master Policy which is in conflict with the law of Delaware is hereby amended to conform to the minimum requirements of that law, it being the



intention of the Policyholder and the Company that the specific provisions of this Master Policy shall be controlling whenever possible.

9.11 Electronic Data Storage

It is understood that the parties may store information, the contents or images of documents or other data on electronic media or other media generally accepted for business records. Data stored on such electronic or other media are equally acceptable between the parties for all purposes as information, documents or other data maintained in printed or written form, including for the purposes of arbitration or other litigation.

9.12 No Waiver

No condition or requirement of the Master Policy will be deemed waived, modified, or otherwise compromised by the Company unless such waiver, modification, or compromise is stated in Writing duly executed by the Company. Each of the conditions and requirements of the Master Policy is severable, and a waiver, modification, or compromise of one shall not be construed as a waiver, modification, or compromise of any other or a waiver of such condition or requirement in the future. No inaction by the Company and no failure by the Company to enforce any of its rights or remedies under the Master Policy following any inspection, examination or investigation undertaken by the Company pursuant to any provision of the Master Policy shall be construed as a waiver by the Company of any such right or remedy, which right or remedy the Company may enforce or exercise at any time.

9.13 Entire Agreement

This Master Policy, together with any endorsements hereto, and, with respect to any Loan, the Certificate and the Insurance Application, pertaining to such Loan, shall constitute the entire agreement between or among the Insured, any GSE Beneficiary, and the Company.

9.14 Endorsement

The Company reserves the right to amend the terms and conditions of this Master Policy from time to time; *provided, however*, that any such amendment will be effective only with respect to Commitments issued after the Company has given the Policyholder Written notice thereof by endorsement setting forth the amendment. Any endorsement issued by the Company to the Policyholder and applicable to any Certificate issued under this Master Policy shall be deemed to modify the coverage under this Master Policy with respect to the Loan described in such Certificate to the extent shown in such endorsement. Each such endorsement will reference the form number of this Master Policy.

9.15 Interpretation

Capitalized terms in the Master Policy have the meanings given to them in Section 1. In the Master Policy, the word “shall” indicates that the act described is mandatory and the word “may” indicates that the act described is optional. Whenever the words “include,” “includes,” “including,” “for example, or “by way of example” are used in the Master Policy, they will be deemed to be followed by the words “without limitation.” Section and subsection headings used in the Master Policy are included herein for convenience of reference only and are not intended to constitute and do not constitute a part of the Master Policy for any other purpose. Any reference to “days” in the Master Policy shall refer to calendar days unless expressly described as Business Days.

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