



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

## Delegated Plus Underwriting Endorsement

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### DELEGATED PLUS UNDERWRITING ENDORSEMENT TO FIRST LIEN MASTER POLICY, FORM ARCH 1800.00 (07/14)

It is understood and agreed that:

- A. The Company has qualified the Policyholder to deliver Loans for coverage under this Delegated Plus Underwriting Endorsement (the "Delegated Plus Endorsement"). Through this Delegated Plus Endorsement and subject to all of the terms and conditions of the Master Policy, the Company delegates to the Policyholder its authority to underwrite whether mortgage insurance should be issued with respect to Loans. The Company's delegation of its underwriting authority is expressly defined and limited by the Master Policy, as amended by this Delegated Plus Endorsement. By delivering Loans to the Company for coverage under the Delegated Plus Endorsement the Policyholder is deemed to acknowledge, understand and agree to the terms and conditions set forth herein.
- B. The Master Policy, as amended by this Delegated Plus Endorsement, shall apply to each Loan delivered for coverage hereunder (each a "Delegated Plus Loan").
- C. The Delegated Plus Program Manual published on the Company's website, as it may be amended from time to time, contains additional information related to the delivery of Delegated Plus Loans for coverage hereunder.
- D. The Master Policy shall be deemed to be amended as set forth below only with respect to Delegated Plus Loans and shall not be amended by this Delegated Plus Endorsement in connection with any Loan that is not a Delegated Plus Loan. The Master Policy is amended as follows for each Delegated Plus Loan:
  - 1. **The following provision is added as a new subsection (d) to Section 1.60 (definition of "Origination Error"):**
    - d) *The Loan was not Originated and/or the mortgage insurance was not underwritten in conformance with the Approved Underwriting Guidelines.*

The following four provisions are added as new defined terms in Section 1 (Glossary):

**"Approved Underwriting Guidelines" means:**

- a) *the Underwriting Guidelines; or*



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b) the Policyholder's underwriting guidelines, policies and procedures submitted to and approved in Writing by the Company for use under the Delegated Plus Endorsement; or

c) any combination of the Underwriting Guidelines and the Policyholder's underwriting guidelines, policies and procedures approved in Writing by the Company for use under the Delegated Plus Endorsement.

**"First Twelve Loan Payments"** shall mean the first twelve (12) months of consecutive, full, installment payments of principal, interest and impound or escrow amounts based on the first payment due date (or the equivalent thereof, if the Loan is required to be paid more frequently than monthly) and which meet the following criteria: (i) each payment must have been paid from the Borrower's Own Funds; (ii) no payment was received thirty (30) days or more after its due date; and (iii) the Loan was not subject to a forbearance agreement, repayment plan, or otherwise modified from its original terms during the period of the twelve (12) consecutive monthly payments. 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 subsection (ii) of this definition.

**"Independent Validation"** means an independent review conducted by the Company in connection with its potential provision of Rescission relief pursuant to Section 3.2(a). Independent Validation shall be conducted in accordance with the Company's audit guidelines and shall include the following with respect to each of the following two subject matters (the **"Subject Matters"**):

a) Origination Errors/Material Misrepresentations. (i) A review of the Borrower's credit report and final loan application form (i.e., Fannie Mae Form 1003, or Freddie Mac Form 65) and verifications of income, employment and assets; and (ii) a comparison of the Post-Close Documents and Data to the documents and data obtained by the Company that described the Loan prior to the Loan Closing Date to ensure the Loan delivered meets the criteria of the Loan originally expected.

b) Material Value Variances. Verification, independent of the Policyholder or Insured, of the Origination Appraisal for compliance with the Company's collateral eligibility requirements and to ensure that the estimate of value is adequately supported, using an appraisal, third-party automated valuation tool, or a value-related fraud-detection tool, each of which must be recognized as reasonably reliable within the mortgage origination industry. Where a value-related fraud-detection tool is used, if necessary in the Company's judgment based on the results of the tool, such tool shall be used in conjunction with an appraisal or third-party automated valuation tool.

The Subject Matter(s) for which the Company shall conduct Independent Validation shall be agreed to in Writing by the Policyholder and the Company prior to the date the Company accepts any Loans for coverage under the Delegated Plus Endorsement. Such Written agreement shall apply to each and all Delegated Plus Loans submitted to the Company hereunder and may only be amended by mutual agreement of the parties in Writing with respect to all Delegated Plus Loans submitted thereafter.



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*If, in conducting its Independent Validation, the Company uncovers discrepancies, errors or any other questionable data or other information which it determines, in its reasonable judgment, is in need of re-verification, the Company shall independently obtain new information to re-verify the accuracy and re-assess the eligibility of the affected Loan using Borrower/Loan underwriting and/or collateral valuation review processes and procedures and reasonably reliable third-party sources and records recognized as such in the mortgage origination industry. Any such re-verification shall be deemed to be Independent Validation.*

**“Post-Close Documents and Data”** means with respect to a Loan, complete copies of the final HUD-1 form and those additional documents sufficient to enable the Company to confirm that the Loan Originator’s approval conditions have been satisfied.

**2. The text of Section 2.1(a) (Scope of Master Policy) is deleted in its entirety and replaced with the following:**

**2.1 Scope of Master Policy**

*The Master Policy applies only to Loans:*

*a) That are underwritten for mortgage insurance by the Policyholder pursuant to a delegation of the Company’s insurance underwriting authority to the Policyholder under the Delegated Plus Endorsement and in connection with which the Company performs a post-Close Independent Validation. To be eligible for coverage under the Master Policy, the Loan must conform to the Approved Underwriting Guidelines; and*

Section 2.1(b) is unchanged.

**3. The text of Section 2.2 (Insurance Application) is deleted in its entirety and replaced with the following:**

**2.2 Delivery of Loan Data.**

*To insure a Loan under the Master Policy, the Policyholder must transmit initial data regarding the Loan to the Company within forty-five (45) days after the Loan Closing Date, or such other period as we approve, and in a form and format prescribed in the Delegated Plus Program Manual, or as may otherwise be approved by the Company in Writing. Upon receipt of a transmittal from the Policyholder containing data that satisfies the eligibility requirements established by the Company, the Company shall within five (5) Business Days following such receipt 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. 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*



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*Certificate. Notwithstanding the Company's issuance of a Commitment and Certificate upon receipt of Loan data and Premium under this Section 2.2, Section 3.2(a) shall not be applicable to a Loan until Independent Validation is complete.*

**4. Section 2.3 (Declination of Insurance Application/New Commitments) is deleted in its entirety and replaced with the following:**

*2.3 Declination of Transmittal /New Commitments*

*If the Company declines a transmittal of data regarding a Loan under Section 2.2, it will not issue a Commitment or a Certificate, and it shall within five (5) Business Days following receipt of the Loan Data as specified in Section 2.2 (Delivery of Loan Data) notify the Policyholder in Writing of the declination. 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.*

**5. The following provision is added as a new Section 2.8:**

*2.8 Term of the Delegated Plus Endorsement*

*The Company shall issue Commitments and Certificates extending coverage under the Master Policy to Loans Originated by the Policyholder under the terms of the Delegated Plus Endorsement on and after the date on which it is delivered to the Policyholder and until the Company terminates the Policyholder's delegated authority to place mortgage insurance pursuant to Section 2.9. Notwithstanding the Company's issuance of a Commitment and Certificate under this Section 2.8, Section 3.2(a) shall not be applicable to a Loan until Independent Validation is complete.*

**6. The following provision is added as a new Section 2.9:**

*2.9 Withdrawal or Limitation of Delegation*

*The delegation to the Policyholder of the Company's authority to underwrite mortgage insurance under the Master Policy is at the Company's sole discretion. The Company has the absolute right to withdraw or limit its delegation of authority to underwrite mortgage insurance at any time for any reason with or without cause.*

*a) Withdrawal of Delegation for Cause. If the withdrawal is for cause, the Company has the right to withdraw the delegation, effective immediately upon giving notice to the Policyholder, whether in Writing, orally, or by any other means, and shall have no obligation to insure any additional Loans or issue any Certificates, including on Loans previously approved by the Policyholder for which the Company has not issued a Certificate. If the notification of withdrawal for cause is not done in Writing, the Company shall confirm the withdrawal of the Policyholder's delegated authority is for cause by Written notice of such withdrawal within thirty (30) days after the withdrawal. The withdrawal or limitation of the delegation of authority, if for cause, shall not be the*



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*Company's exclusive remedy, but rather shall be cumulative to any other remedies available to the Company. A withdrawal or limitation of the delegation of authority shall be "for cause" as used herein if the Company has reasonable cause to believe that the Insured has breached or failed to comply with, through act or omission, any of the terms and conditions of the Master Policy, or the Delegated Plus Endorsement. Immediately upon notification of withdrawal for cause, the Company shall have no further obligation to extend coverage to any Loans under the Delegated Plus Endorsement including any Loans already approved by the Policyholder but not yet delivered to the Company for issuance of a Commitment or Certificate.*

*b) Withdrawal of Delegation Without Cause. If the withdrawal of the Policyholder's delegated authority is not for cause, the Company shall give the Policyholder at least thirty (30) days prior Written notice of the withdrawal. At the conclusion of the thirty (30) day period, the Company shall have no obligation to extend coverage to any Loans under the Delegated Plus Endorsement including any Loans already approved by the Policyholder but not yet submitted to the Company for issuance of a Commitment or Certificate.*

### **7. The following provision is added as a new Section 2.10**

#### **2.10 Confirmation of Approved Underwriting Guidelines / Changes to Approved Underwriting Guidelines**

*a) Confirmation of Approved Underwriting Guidelines. From time to time the Company shall send a Written notice to the Policyholder identifying the Approved Underwriting Guidelines with respect to such Policyholder indicated in the Company's records. Failure of the Policyholder to respond in Writing within thirty (30) days of the date it receives such Written notice shall be deemed an acknowledgment by the Policyholder that the Company's records with respect to the Approved Underwriting Guidelines are correct.*

*b) Changes to Policyholder's Approved Underwriting Guidelines. If the Policyholder's underwriting guidelines policies or procedures are approved for use in full under subsection (b) or (c) of the definition of Approved Underwriting Guidelines, or in part under subsection (c) thereof, to continue to be considered Approved Underwriting Guidelines, any changes or supplements to such underwriting guidelines policies or procedures shall be approved in Writing by the Company prior to their use under the Delegated Plus Endorsement. The Company's consent to changes or supplements to the Policyholder's underwriting guidelines policies or procedures shall be deemed to be given if the Company does not advise the Policyholder in Writing that it does not consent to the changes or supplements within forty-five (45) days of its receipt of Written notice of such proposed changes or supplements from the Policyholder. Any Loan for which a Commitment is issued under the Delegated Plus Endorsement on or after the date the Company's consent to proposed changes or supplements has been given or is deemed to be given shall comply with the Approved Underwriting Guidelines, as so amended, to be eligible for coverage under the Master Policy.*

*c) Changes to Underwriting Guidelines. The Company retains the right to change or supplement its Underwriting Guidelines at any time, and from time to time. The Company shall give*



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*the Policyholder thirty (30) days' Written notice of any such changes or supplements, including the effective date. Any Loan for which a Commitment is issued under the Delegated Plus Endorsement using Approved Underwriting Guidelines under subsection (a) or (c) of the definition thereof on or after the effective date indicated in the Company's Written notice shall comply with the Company's Underwriting Guidelines to be eligible for coverage under the Master Policy.*

**8. Section 3 (Material Misrepresentations/Origination Errors/Material Value Variances) is deleted and replaced in its entirety with the following new Section 3:**

**3. MATERIAL MISREPRESENTATIONS / ORIGINATION 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 issue a Company Initiated Cancellation or Claim Denial pursuant to Section 3.1 upon the earlier of:*

*a) The First Twelve Loan Payments, but only with respect to the Subject Matter(s) for which the Company completes an Independent Validation to its satisfaction.*

*(i) To perform an Independent Validation, the Company must receive (i) the Loan Origination File, and (ii) the Post-Close Documents and Data within ninety (90) days of the Loan Closing Date, or such other period as may be agreed to in Writing by the Company and the Insured. If the Loan Origination File and the Post-Close Documents and Data are not timely received, the Rescission limitation in Section 3.2(a) of this Delegated Plus Endorsement shall not apply to the Loan. If the Company timely receives the Loan Origination File and Post-Close Documents and Data, it shall complete Independent Validation within six (6) months of receipt.*

*(ii) If the Company is unable to complete an Independent Validation to its satisfaction with respect to either of the Subject Matters applicable to the Loan, but has not found Credible Evidence of a Material Misrepresentation/Origination Error, or a Material Value Variance with respect to that Subject Matter, the Rescission limitation in Section 3.2(a) shall not apply to that*



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*Subject Matter, but shall apply to the other Subject Matter for which the Company completed an Independent Validation to its satisfaction.*

*(iii) If, in the course of an Independent Validation prior to the Certificate Effective Date, the Company finds Credible Evidence of a Material Misrepresentation, Origination Error, or Material Value Variance, the Loan shall be ineligible for coverage under the Master Policy. If such Credible Evidence is found during Independent Validation after the Certificate Effective Date, but prior to the effect of any Rescission limitation under Section 3.2, the Company shall have the right, subject to Section 3.2(c), to Rescind coverage on the Loan.*

*b) The satisfaction of the First Thirty-Six Months Test with respect to Subject Matters for which: (i) Section 3.2(a)(ii) is applicable; or (ii) the Company has not performed an Independent Validation pursuant to the parties prior Written agreement.*

*c) 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(c) if the Rescission limitations under Sections 3.2 (a) or (b) are 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 which 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 Independent Validation (e.g., 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*

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*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;*

*(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) a Subject Matter 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;*





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(v) *the Loan has been repurchased by the Insured at the request of an investor due to fraud or misrepresentation.*

**9. The following provision is added as a new second paragraph to Section 9.1(e):**

*The Company's audit rights under this Section 9.1(e) include the Company's right to conduct audits of the Policyholder's delivery of Loans for coverage under the Delegated Plus Endorsement. The Policyholder shall make the Loan Origination File for a Delegated Plus Loan available to the Company for the Company's on-site review at the Policyholder's premises or in an electronic medium acceptable to the Company no later than fifteen (15) days from the Company's request, or such other time period agreed upon between the Company and the Policyholder. If the Policyholder fails to timely make a Loan Origination File for a Delegated Plus Loan available to the Company after the Company's request, in addition to its rights under Section 8.2(c) and Section 9.1(b), and subject to the Rescission limitations under Section 3.2 with respect to that Loan, such failure to provide the Loan Origination File gives the Company the right, to withdraw or limit immediately the Policyholder's delegation of authority to underwrite mortgage insurance under the Delegated Plus Endorsement for cause under Section 2.9(a).*

*This Delegated Plus Endorsement does not apply to any Loan that is not a Delegated Plus Loan nor does it modify the Master Policy or extend coverage on any Loan that is not a Delegated Plus Loan. All capitalized terms used in this Delegated Plus Endorsement shall have the meanings set forth in the Master Policy, except as otherwise defined herein. All conditions of the Master Policy not modified by this Delegated Plus Endorsement remain in full force and effect for all Loans insured under the Master Policy. If any of the terms and conditions included in this Delegated Plus Endorsement conflict with the terms of the Master Policy, the terms of this Delegated Plus Endorsement shall control.*