



Arch Mortgage Guaranty Company  
3003 Oak Road  
Walnut Creek, CA 94597

## ARCH MORTGAGE GUARANTY MASTER POLICY

### ARCH MORTGAGE GUARANTY MASTER POLICY FORM AMGC 3600.00 (01/15)

In consideration of your payment of premium, and subject to the Master Policy’s terms, Arch Mortgage Guaranty Company agrees to pay you the Insurance Benefit under this Master Policy in the event of your loss due to a Borrower’s Default on a Loan. The terms “we, us, and our” as used herein refer to Arch Mortgage Guaranty Company. The terms “you” and “your” refer to the Insured.

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

**Policyholder’s Name and Mailing Address:**

**Master Policy Number:**

**Master Policy Effective Date:**

We have caused the Master Policy to be binding upon us and signed by our duly authorized officers.

**Arch Mortgage Guaranty Company**

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

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Authorized Representative



Arch Mortgage Guaranty Company

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### **Section 1. COVERAGE**

#### **1.01 Insurance Application**

To seek coverage on a Loan under the Master Policy, you shall submit to us a completed Insurance Application. If we approve or conditionally approve an Insurance Application, we will send to you a Commitment. Timely payment of Premium, as specified in the Commitment, is a condition precedent to a Commitment being converted to a Certificate. If we issue a Commitment containing other conditions precedent, you must satisfy those conditions before the Commitment can become a Certificate.

#### **1.02 Declination of Insurance Application/New Commitments**

If we decline an Insurance Application, we will notify you in Writing. If an Insurance Application is denied, we shall have no obligation to notify the Borrower of our decision. We are under no obligation to extend insurance coverage under the Master Policy and we may cease issuing new Commitments and Certificates without prior notice to you.

#### **1.03 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) we pay the Insurance Benefit; or
- (c) you cancel coverage on the Loan as permitted in Section 1.06(a); or
- (d) we cancel, Rescind, or otherwise terminate the coverage as permitted under the Master Policy.

#### **1.04 Change of Ownership/Continuation of Coverage**

- (a) If you sell, assign, or otherwise transfer a Loan:
  - (i) coverage on the Loan under the Master Policy is automatically assigned to the new owner;
  - (ii) with respect to that Loan, the new owner becomes the Insured under the Master Policy, obtains all of the prior Insured's rights, becomes subject to all obligations and representations, and 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

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knowledge or responsibility relating to matters occurring before becoming an Insured; and

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

- (b) You have no right to assign the Master Policy to any Person.

### 1.05 Premium

You shall pay Premium to us either in the form of a Single Premium, a Periodic Premium, or a Split Premium, as we offer and you select, and as noted on the Commitment or Certificate. You are solely responsible for payment of Premium, regardless of whether the Borrower or any other Person reimburses you. You shall remit Premium to us at the address listed on the Commitment or Certificate, or as we otherwise instruct in Writing. Your first payment of Premium is a representation to us that: (i) all of the information in the Insurance Application is true; (ii) all conditions included in the related Commitment have been satisfied; and (iii) the related Loan is not in Default as of the date of the remittance. By accepting the payment of Premium, we do not waive any rights.

- (a) *Single Premium/Split Premium.* If you selected a Single Premium or a Split Premium, for coverage on the related Loan to be effective, we 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.
- (b) *Periodic Premium Plans.* If you selected a Periodic Premium Plan:
  - (i) *Initial Premium.* For coverage to be effective on a Loan for which we have issued a Commitment, we must either: (a) receive the Initial Premium no later than fifteen (15) days after the Loan Closing Date; or (b) if you have selected a Periodic Premium Plan that does not require you to pay the Initial Premium until after we send you a Premium payment notice, receive the full Initial Premium within the time required by the Premium payment notice.
  - (ii) *Renewal Premium.* To maintain coverage on a Loan, you must timely pay Renewal Premium. Renewal Premium is due 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.* You do not have an obligation to pay Renewal Premium for a Loan after the date of Default. However, if you do not continue to pay Renewal 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 1.05(c)(ii) and (iii). To avoid a potential lapse, you may continue to pay Renewal Premium after the date of Default. If you have continued to pay Renewal Premium after the date of Default and we pay an Insurance Benefit, we

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shall refund to you the Renewal Premium payments we received after the date of the Default with the Insurance Benefit.

(c) Late Premium Payment

- (i) *Single or Initial Premium Payment.* If we receive 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 1.05(a) or (b)(i), but prior to the expiration of the Commitment, we shall convert the Commitment into a Certificate and extend coverage to the Loan, provided that, as of the date we received the Single Premium or Initial Premium, the Borrower made all payments due under the Loan when due or within any grace period specified in the Loan. If at any time after we accept a Single Premium or an Initial Premium after its due date we discover that at the time we received the Premium the Borrower had not made all payments when due or within the Loan's grace period, we may effect a Company Initiated Cancellation.
- (ii) *Grace Period and Lapse.* If we receive a Renewal Premium for a Loan within the Grace Period, coverage on the Loan will continue uninterrupted. Subject to Section 1.05 (c)(iii), if we do 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) *Reinstatement after Lapse.* If we do not receive Renewal Premium on a Loan within the Grace Period and coverage lapses, we shall reinstate coverage, at your request, up to one (1) year after the Lapse Date with no interruption if you:
  - A. provide a payment history to us that demonstrates the Loan is not in Default and has been paid in accordance with its terms at all times after the Lapse Date; and
  - B. pay to us all Renewal Premium owed.

## **1.06 Termination of Coverage / Refund of Premium**

- (a) *Termination By You.* You may terminate coverage on a Loan by sending us a Written notice specifying the effective date of termination, which date shall not be earlier than forty-five (45) days prior to the date of the Written notice unless required by Applicable Law. Termination relieves us of any liability with respect to that Loan and terminates your right to receive an Insurance Benefit, unless a Default has occurred prior to the effective date of the cancellation.
- (b) *Refund of Premium upon Your Termination.* We shall refund to you any Premium paid after the effective date of your termination. We shall not refund Premium on a Loan received prior to the date of Default on which coverage has been terminated if you have sent us a notice of Default prior to the termination unless you waive the right to any Insurance Benefit with respect to that Loan. We reserve the right to

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collect any unpaid Premium due at the time of termination and to deduct it from any refund to you.

- (c) *Termination By Us.* We may only terminate coverage on a Loan by way of a Company Initiated Cancellation, a Claim Denial, or a Rescission.
- (d) *Refund of Premium Upon Our Termination.* In the event of a Claim Denial, we shall return to you 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. In the event of a Company Initiated Cancellation, we shall return to you all Premium received with respect to the affected Loan after the date of the event which triggered the Company Initiated Cancellation. In the event of a Rescission, we shall return to you all Premium received for coverage on the affected Loan.
- (e) *Cancellation of Master Policy.* The Master Policy is not cancellable while coverage on any Loan under it is in force.

### Section 2. OUR LIMITED RIGHT TO RESCIND COVERAGE

#### 2.01 Material First Party Misrepresentations

For five years (or a longer period required by Applicable Law) after the Certificate Effective Date, we may Rescind coverage on a Loan if each of the following four conditions is met:

- (a) there is Credible Evidence of a Material First Party Misrepresentation; and
- (b) the Default relates to the Material First Party Misrepresentation; and
- (c) the Material First Party Misrepresentation was made (or fact omitted) with the intent to deceive; and
- (d) We could not reasonably have discovered the Material First Party Misrepresentation during our Mortgage Insurance Underwrite.

#### 2.02 Rescission Limitations

- (a) Notwithstanding Section 2.01, we shall not take any of the following actions with respect to a Loan after the First Twelve Payments unless we have Credible Evidence of a Material First Party Misrepresentation;
  - (i) investigate a Loan for breach of Section 2.01; or
  - (ii) request any document or information from you to investigate a potential breach of Section 2.01.
- (b) If based on the true facts, a Loan which otherwise meets the requirements for Rescission would have been eligible for coverage at a higher Premium rate under

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the Underwriting Guidelines in effect on the Certificate Effective Date, we shall request the additional Premium from you. We may Rescind coverage if we do not receive payment of the additional Premium within sixty (60) days of your receipt of a payment notice.

### 2.03 Reconsideration of Rescissions

You may submit to us a request for reconsideration within ninety (90) days of the date you receive our Written notice of Rescission. If, after review of your request, we determine that you have provided Credible Evidence that we did not have the right to Rescind coverage under Section 2, we shall reinstate coverage on the Loan as of the Certificate Effective Date; provided that you have paid to us 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 we reinstate coverage on a Loan for which a Claim has been made following a Rescission, and we have received no new documents or other proof supporting the request for reconsideration, we will add to the Calculated Loss accrued and unpaid interest from the date we 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 us, no additional interest shall be paid and interest shall only be owed pursuant to Section 7.03(b), through the date the Claim is filed. If we do not receive a request for reconsideration within ninety (90) days of the date you receive our Written notice of a decision to Rescind coverage on a Loan, you shall be deemed to have accepted the Rescission and we shall have no further obligation with respect to that Loan to you, or any other Person. If we do not send a Written notice to you on or before the ninetieth (90th) day after receiving a timely Written request for reconsideration from you advising that we are either granting or denying the request for reconsideration, the request shall be deemed to have been granted.

## Section 3. LOAN MODIFICATIONS

Unless we give you prior Written approval or we delegate in Writing our approval rights to you, you shall not: (i) release any Borrower from any portion of the obligation on a Loan; (ii) approve a change in the use of the Property or other collateral securing the Loan; or (iii) approve the renewal or restructure of a Loan with or without the release of the original Borrower.

### 3.01 Increase or Reduction in Principal Balance.

- (a) *Increased Principal Balance.* Unless we agree otherwise with you in Writing, if the principal balance of a Loan is increased, to obtain coverage on the Loan at the higher principal balance, you must pay an additional Premium corresponding to the increased principal balance from and subsequent to the date of the modification, at the Premium rate specified in the Certificate. If we approve a Loan modification that increases the principal balance of a Loan and you do not pay the required additional



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Premium, we will pay an Insurance Benefit based on the unmodified, lower principal balance only.

- (b) *Reduced Principal Balance.* Unless we otherwise agreed with you in Writing, if there is a decrease in the principal balance of a Loan as a result of a Loan modification, you shall pay Premium at the Premium rate specified in the Certificate as applied to the decreased principal balance from and after the date of the Loan modification. If we approve a Loan modification that decreases the principal balance of a Loan and we pay 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 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.

### 3.02 Approval of Loan Modifications and Assumptions

A Loan modification or assumption requested under Section 3.01 shall be deemed approved if we do not send to you a Written notice of disapproval within ten (10) Business Days of the date of receipt of your Written request for a Loan modification or assumption.

## Section 4. SERVICING REPORTS

At our request, commencing the second month following the Certificate Effective Date, you shall send us 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, you shall continue to send monthly Servicing Reports to us. If you do not send monthly Servicing Reports for a Loan for three (3) consecutive months, we may cancel coverage on that Loan with thirty (30) days' prior Written notice to you by way of a Company Initiated Cancellation; provided that if we receive all Servicing Reports for the three (3) month period to which the notice relates prior to the expiration of the 30-day notice period, the cancellation shall not take effect.

## Section 5. EXCLUSIONS FROM COVERAGE

We are 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 we can reasonably quantify the damage arising from the excluded event, we shall adjust the Calculated Loss by the amount of the damage in lieu of applying the exclusion. Our exclusion of coverage pursuant to Section 5 prior to your submission of a Claim shall be considered a Company Initiated Cancellation. Exclusion of coverage pursuant to Section 5 after submission of a Claim shall be considered a Claim Denial.

### 5.01 Balloon Payment

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:

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- (a) you offer 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 3), in an amount not less than the then outstanding principal balance and with no decrease in the amortization period; and
- (b) the Borrower declines the 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.

### 5.02 Incomplete Construction

Any Claim where, as of the date of the Claim, construction of the Property has not been substantially completed in accordance with the construction 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.

### 5.03 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 no Residential and Uninhabitable on the date you submit the Claim to us, in which case we may reduce the Calculated Loss by the amount we reasonably determine is required to make the Property inhabitable.

### 5.04 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) our estimate of the cost to repair the Property 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 us; and
  - (iv) the Physical Damage was an Uninsured Loss.

If Section 5.04(a) applies, we shall have no liability to pay any Insurance Benefit with respect to the Loan.

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- (b) Any Claim where there is Physical Damage, but Section 5.04(a) does not apply, in which case(s) we shall process the Claim as follows:
  - (i) if we select the Percentage Option, for the purposes of this Section 5.04(b) no adjustment to the Calculated Loss shall apply;
  - (ii) if we select 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, our 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 5.04(a) or (b), we may, in our sole discretion, either obtain a repair estimate from a third party we select, or rely on an estimate you provide to us, provided however that all estimates will be based on review of both the interior and exterior of the Property. If we rely on a repair estimate obtained from a third party, we will provide a copy of that estimate to you upon request. We will specify the amount of any reduction in the Insurance Benefit on account of Physical Damage and any reduction may be appealed in accordance with Section 7.06. If we are unable to gain access to the Property to obtain a repair estimate, we may settle the Claim by paying the Anticipated Loss.

### 5.05 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 Property Uninhabitable. This exclusion does not apply if you have remedied the Environmental Impairment in accordance with Applicable Law.

### 5.06 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 our 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 you have continued to pay Premium on the full amount of the indebtedness.

### 5.07 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 we been aware of the non-compliance with Applicable Law, we would have either not insured the Loan or insured it on different terms.

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**Section 6. CONDITIONS PRECEDENT TO PAYMENT OF INSURANCE BENEFIT**

It is a condition precedent to our obligation to pay an Insurance Benefit for a Loan that you comply with all of the following requirements:

**6.01 Notice of Default**

You shall send us a Written Notice of Default for a Loan by the earliest of:

- (a) 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
- (b) 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
- (c) the date on which foreclosure or other Appropriate Proceedings are commenced.

The notice must be on a form or in a format we approve and via a medium acceptable to us. If we do not receive the notice of Default within the time required by this Section 6.01 and a Claim results from the Default, we are 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 we should have received the notice of Default and the date we actually received the appropriate notice of Default.

**6.02 Monthly Default Reports**

- (a) After you have submitted a notice of Default on a Loan to us under Section 6.01, on or before the last Business Day of each month, you shall also submit reports to us in a format and via a medium we approve identifying all of the following:
  - (i) the status of the Loan;
  - (ii) the status of any Appropriate Proceedings you have commenced; and
  - (iii) any efforts to remedy the Default.
- (b) You shall continue to submit the monthly reports to us 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 you or to a third-party in connection with a Third-Party Sale.

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- (c) If we do not receive a timely and complete monthly report as required by this Section 6.02 and a Claim results, we are 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 we should have received the monthly report and the date it actually receives a complete and current report. This monthly reporting requirement is in addition to the monthly Section 4 Servicing Reports.

### 6.03 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) you are actively and diligently pursuing loss mitigation efforts or have placed a Borrower into a loss mitigation solution, in either case, in accordance with Section 6.04; or (iv) we provide Written instructions that some other action be taken, you must commence Appropriate Proceedings (by filing a complaint in the appropriate court, publishing a notice of sale, or by another 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.
- (b) Notwithstanding any other provision of this Master Policy to the contrary: (i) if you fail to commence Appropriate Proceedings in accordance with this Section 6.03, our 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 you fail to commence Appropriate Proceedings by the date that is eighteen (18) months following the date of Default, our 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 we deem appropriate.
- (c) While engaging in Appropriate Proceedings, you shall:
- (i) report the status of the Appropriate Proceedings in Writing to us 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 us;
  - (iv) at our request, send copies of notices or other legal documents filed or required in the Appropriate Proceedings to us;
  - (v) take no actions that impair your ability to preserve, transfer and assign to us your rights against the Borrower or any other Person, and take reasonable and

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necessary actions to preserve our rights under the Master Policy against the Borrower, including acting in accordance with Section 8.03 related to preserving or establishing Deficiency Rights; and

- (vi) bid an amount at the foreclosure sale which fully protects our rights under the Master Policy against the Borrower, including Deficiency Rights, in accordance with the Delinquency and Claims Reference Manual, or as we otherwise direct.
- (d) Notwithstanding any other provision of this Master Policy to the contrary, if you fail to take any of the actions required in Section 6.03(c)(i) – (vi), our remedy shall be to reduce the Calculated Loss by the amount that we reasonably conclude we were damaged by the failure.

### 6.04 Mitigation of Loss

- (a) *Deed-in-Lieu of Foreclosure.* You may accept a Deed-in-lieu of Foreclosure only with our prior Written approval. Approval shall not be deemed an acknowledgement of our liability with respect to the related Loan. If a cash contribution or promissory note is obtained from a Borrower in connection with a Deed-in-Lieu of Foreclosure, any funds we receive (net of any commercially reasonable expenses incurred in documenting and collecting the Borrower funds) shall be shared pro rata with you. Our share of the contribution shall be the Insurance Benefit paid divided by the Total Loss.
- (b) *Third-Party Sales.* You shall determine whether a Third-Party Sale of the Property is feasible both prior to and after the acquisition of the Property. You shall send any Third-Party Sale Offer to us for our Written approval or rejection. At our request, you shall authorize your broker to release and send marketing information for the Property to us. Our approval of a Third-Party Sale Offer shall not be deemed an acknowledgement of our liability with respect to the Loan. If you inadvertently complete a Third-Party Sale after acquisition of the Property without obtaining our prior, Written approval and we disagree with the sales price, we shall settle the Claim based on the sales price we determine is supportable. If a cash contribution or promissory note is obtained from a Borrower in connection with an approved Third-Party Sale, any funds we receive (net of any commercially reasonable expenses incurred in documenting and collecting the Borrower funds) shall be shared pro rata with you and distributed when the cash is received or when note payments are made over time. Our share of the contribution shall be the Insurance Benefit paid divided by the Total Loss.
- (c) *Notice and Approval.* A Deed-in-Lieu of Foreclosure or Third-Party Sale request under Sections 6.04(a) or (b) shall be deemed approved if we do not send to you a Written notice of disapproval within ten (10) Business Days following the date we receive your Written request.

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### 6.05 Advances

You 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 us at the time we review 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 8.03.

Advances do not require our prior approval. Attorneys' fees in Section 6.05(f) are limited to the lesser of the actual fees or \$6,000; provided, however, that reasonable attorneys' fees incurred in regard to Deficiency Rights in accordance with Section 8.03 are not so limited.

## Section 7. CLAIMS

The submission of a Claim constitutes your representation to us 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.

### 7.01 Filing Claims

- (a) *Required Timeline.* You shall submit a Claim to us 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 you submit a Claim to us more than sixty (60) days, but less than one-hundred-eighty (180) days, after the earlier of either of enumerated events (i) or (ii), we 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 us to effect a Company Initiated Cancellation. Notwithstanding the foregoing, if a Third-Party Sale is approved following the submission of a Claim, we will re-establish the Claim filing date to the Close of the Third-Party Sale according

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to 7.01(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 7.03(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, you may nevertheless submit the Claim to us within the time required by Section 7.01(a). We may settle the Claim prior to the expiration of the right of redemption. You shall, with reasonable promptness, report to us the redemption of the Property, whether the redemption occurs before or after our settlement of the related Claim, and shall provide to us satisfactory evidence of the payment and amount of the Redemption Price. If a Property is redeemed after we pay an Insurance Benefit pursuant to the Percentage Option, you shall promptly refund to us 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 we elect to settle the related Claim pursuant to the Acquisition Option, we shall settle the Claim after the redemption period expires, in which case the Claim shall become a Perfected Claim on the date the redemption period expires. If the 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 Percentage Option or (ii) the Calculated Loss less the Redemption Price. If the Property suffers Physical Damage after we elect to settle the Claim pursuant to the Acquisition Option, the Insurance Benefit shall be either an amount equal to: (i) the Calculated Loss less the estimated cost of restoration of the Property to its condition at the time we elected the Acquisition Option, reasonable wear and tear excepted, if we complete the repairs; or (ii) the Calculated Loss with no adjustment, if you restore the Property to its condition at the time we elected the Acquisition Option, reasonable wear and tear excepted; or (iii) the Percentage Option, if we change our election and settle the Claim pursuant to the Percentage Option.
- (c) *Supplemental Claim.* You may submit a Supplemental Claim within ninety (90) days after our payment of an Insurance Benefit. We shall pay the Supplemental Claim within sixty (60) days after receipt of documentation satisfactory to us to establish the validity and amount of the Supplemental Claim.

### 7.02 Required Claim Support

- (a) *Required Claim Documents.* You shall submit the Required Claim Documents to us at the time the Claim is submitted.
- (b) *Access to Property.* At the time the Claim is submitted, you must at our request permit us to have access to the Property. If you are unable to provide access to the Property upon our request, the date as of which the Claim is determined to be a



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Perfected Claim shall, subject to the limitation of Section 7.04(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 we receive the Claim, we 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 we do not give a notice or request additional documents within twenty (20) days after the date we receive the Claim, the Claim is deemed to be a Perfected Claim as of the Claim receipt date.
- (ii) If we 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 within twenty (20) days of the date we receive the Claim, the Claim shall become a Perfected Claim on the date we receive the Required Claim Documents or additional documents included in the Loan Origination File or Loan Servicing File. We 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 you shall use reasonable efforts to satisfy the request, but the running of the Claim Settlement Period shall not be suspended by the 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 7.02(c), if we do not receive the documents within thirty (30) days after the request, we shall promptly notify you in Writing of the outstanding request as a courtesy reminder.
- (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 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, we may either (a) effect a Claim Denial, or (b) if we are satisfied that you are making good faith efforts to file a Perfected Claim, agree to allow a reasonable amount of additional time to file the Perfected Claim. If a Claim does not become a Perfected Claim within the agreed upon additional time, we shall be permitted to issue a Claim Denial. If a Claim Denial is effected, you shall be deemed to have waived the right to receive, and we shall have no obligation to pay, an Insurance Benefit on the Loan to any Person; provided, however, the denial will be subject to the appeal process in Section 7.06.
- (v) We shall review and pay Claims expeditiously and in good faith.

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- (d) *Acquisition Option Documents.* After the Claim becomes a Perfected Claim, if we select the Acquisition Option, the following shall be required:
- (i) a recordable deed containing customary warranties and covenants conveying to us or our designee Good and Merchantable Title to the Property; and
  - (ii) evidence satisfactory to us, which may be in the form of a title insurance policy or an attorney's opinion of title, confirming that you hold, and are entitled to convey to us, Good and Merchantable Title to the Property.

**7.03 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 the 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 7.04(a)(ii) or Section 7.04(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 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 7.02(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.

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The amounts in Sections 7.03(a)(i) - (iii) exclude late charges, additional interest under Section 7.04(d), or other changes to the Loan interest rate by reason of Default.

**and**

- (c) the amount of Advances you incurred under Section 6.05 prior to submitting the Claim to us; provided, however, that the amount of the 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 we elected the Acquisition Option, the Calculated Loss will include Advances you paid in connection with the eviction proceedings through the date the eviction proceedings are completed, including unpaid and accrued interest;

**less the:**

- (d) amount of all rents and other payments (excluding property insurance and Third-Party Sale proceeds) you received, 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 you have a right;
- (f) amount of cash or other collateral to which you have 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) any additional amount we are permitted to deduct under any provision of the Master Policy.

#### **7.04 Payment of Insurance Benefit**

- (a) *Company's Options for Satisfaction of Insurance Benefit.* In the event an Insurance Benefit is payable, prior to the expiration of the Claim Settlement Period, we shall, in our sole discretion, elect one of the following three settlement options and pay to you as the Insurance Benefit either:
  - (i) *Acquisition Option.* An amount equal to the Calculated Loss payable in exchange for your conveyance of Good and Merchantable Title to and Possession of the Property. We will: (i) pay the Insurance Benefit within five (5) Business Days of receiving the documents specified in Section 7.02(d). If we

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elect the Acquisition Option and you are unable to convey Good and Merchantable Title to and Possession of the Property to us within two hundred ten (210) days following your submission of the Claim, then you shall retain title to the Property and the Insurance Benefit payable under this Acquisition Option shall be our Anticipated Loss in connection with the 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 your Loss on Sale. If we elect 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, we may postpone payment of the Insurance Benefit until ten (10) days after the Third-Party Sale closes or is terminated, provided that in either case we pay to you an amount equal to the interest on the Default Amount at the Loan's contract rate for the period of the postponement.
- (b) *Access Unavailable Settlement.* If we request access to the Property pursuant to Section 5.04, or Section 7.02(b), and you are unable to provide access within two hundred ten (210) days following the submission of the Claim under Section 7.01(a), we shall, notwithstanding the settlement options described in Section 7.04(a), settle the Claim by paying the Anticipated Loss.
- (c) *Offset.* Under any settlement option, we shall deduct from our payment of the Insurance Benefit:
- (i) any payments of loss on the Loan which we previously made to you;
  - (ii) any Premium with respect to the Loan that is due but unpaid through the date of Default, or any Premium previously returned to you; and
  - (iii) any other amounts permitted by any provision of the Master Policy.

Any offsets shall be explained on the explanation of benefits when we settle a Claim.

- (d) *Additional interest.* If we pay the Insurance Benefit after the Claim Settlement Period, in addition to the Insurance Benefit, we 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. The payment of additional interest under this Section 7.04(d) shall not apply in the case of a failure of our payment systems beyond our control.

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### 7.05 Discharge of Obligations

Our payment of an Insurance Benefit to you, or any other amounts we pay to you which you accept 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 our obligations under the Master Policy with respect to the related Loan to any Person including you. Notwithstanding the preceding sentence, we shall not be relieved of our obligation to pay any valid Supplemental Claim filed pursuant to Section 7.01(c), or as we may otherwise agree to in Writing. Our payment of an Insurance Benefit does not limit any rights that we have against you, the Borrower, or any other Person.

### 7.06 Reconsideration of Company Initiated Cancellations, Claim Denials, or Reduced Claim Payments

You may submit to us a request for reconsideration within ninety (90) days of the date you received a Written notice of any decision by us to effect a Company Initiated Cancellation, Claim Denial, or Claim curtailment. If, after review of your request, we determine that you have provided Credible Evidence establishing that we did not have a reasonable basis for the Company Initiated Cancellation, Claim Denial, or Claim curtailment, we 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 we do not receive a request for reconsideration under this Section within ninety (90) days of the date you receive our Written notice of a decision to effect a Company Initiated Cancellation, Claim Denial, or Claim curtailment, you shall be deemed to have accepted our action and we shall have no further obligation with respect to that Loan to you or any other Person. We shall have ninety (90) days following our receipt of a Written request for reconsideration, to determine whether to reverse the Company Initiated Cancellation, Claim Denial, or Claim curtailment. If we do not send you a Written or before the ninetieth (90th) day after receiving a timely Written request for reconsideration from you advising that we are either granting or denying the request for reconsideration, the request shall be deemed to have been granted.

## Section 8. ADDITIONAL CONDITIONS

### 8.01 File Retention; Information Requests; Our Audit and Investigation Rights

- (a) *Retention of Loan Origination File and Loan Servicing File.* You shall retain the Loan Origination File and Loan Servicing File for each Loan for the longer of: (i) the period during which coverage on the Loan remains in force; or (ii) one-hundred-twenty (120) days after we pay an Insurance Benefit on that Loan, or issue 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 our rights under Section 7.02, subject to Section 2.02,

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prior to the filing of a Claim, we may investigate a Loan and request in Writing that you deliver to us copies of any documents included in the Loan Origination File and/or Loan Servicing File then in existence. If a Written request is made under this Section 8.01(b), you must promptly provide the requested documents or specify in Writing to us the circumstances necessitating delayed delivery. In any event, we 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 we have not received all of the requested documents within the one-hundred-eighty (180) day period, we may deduct an amount equal to sixty (60) days of interest at the Loan's contract rate from any Insurance Benefit that we pay in connection with the related Loan. If we deduct interest from the Insurance Benefit pursuant to this Section 8.01(b), we will include the amount of and an explanation for the deduction on the Written explanation of benefits when we settle the Claim. By deducting that amount, we do not waive our right, subject to Section 2.02, 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 our rights and remedies including those in Section 7.02(c).

- (c) *Access to Third-Party Information.* Without limiting our rights and unless the Loan is subject to a Rescission limitation under Section 2.2, either in conjunction with or independent of any investigation of a Loan, we and our representatives shall have the right at any time to contact the Borrower or any other Person to verify information relating to the Loan.
- (d) *True and Accurate Information.* Your provision of any information to us upon our request under Section 7.02 or Section 8.01 is your representation to us that the information is true and accurate.
- (e) *Our Audit Rights.* We and our representatives have the right to conduct at any time during your regular business hours upon no less than five (5) days' written notice on-site audits of your Loan origination, servicing and quality control operations, practices and procedures and to review the Written results of any quality control audits you performed. In addition, we and our 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. We may also submit Written requests for information regarding the above topics to you or the Servicer at any time. you have a duty to, and are required to, cause the Servicer(s) to cooperate fully with us with respect to audits, Loan reviews or requests for information. We may stop or otherwise limit offering to extend, or extending, coverage under the Master Policy as provided in Section 1.02 for failure to comply with our audit requests.
- (f) *Insured Request for Information.* We shall provide reasonably accessible information pertaining to coverage on a Loan, or as required under Applicable Law, to you upon your request.

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### 8.02 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, you shall require that the Borrower apply the maximum permissible amount of any compensation awarded in the 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.

### 8.03 Subrogation and Deficiency

Unless we agree otherwise, upon payment of an Insurance Benefit we are subrogated to all of your rights of recovery, if any, against the Borrower or any other Person relating to the applicable Loan or Property. If we choose to exercise our subrogation rights, we shall return to you any amounts we recover in excess of the amount of the Insurance Benefit. You shall cooperate with us in any action or proceeding to pursue any Deficiency Judgment or other remedies that we may have or may have acquired pursuant to this Section and shall refrain from any action, either before or after payment of a loss hereunder, that shall in any manner prejudice our rights.

### 8.04 No Duplication of Insurance Benefits

Unless we otherwise agree in writing, If you carry duplicate mortgage guaranty insurance on a Loan, coverage on the Loan under this Master Policy shall be excess over the other insurance regardless of the type of or the effective date of the other coverage, except for mortgage guaranty pool insurance or supplemental mortgage guaranty insurance.

### 8.05 Notices

- (a) *To Us*. All notices, Claims, tenders, reports, information and other data required or otherwise submitted or provided to us by you or the Servicer shall be sent: (i) by posting to our internet portal; or (ii) in a commercially reasonable, electronic manner, for example, e-mail or secure e-mail, we agree to in Writing; or (iii) by overnight mail or regular mail or other commercially reasonable method of delivery to our address as shown on the face page of the Master Policy.
- (b) *From Us*. All required notices to you 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 you may 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 that Servicer as reflected in our records. You shall notify us of any change in your or the Servicer's address.

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### 8.06 Arbitration

If you request, or if we request and you agree, any dispute, claim or controversy with you or the Servicer arising out of or relating to the Master Policy or the breach, termination, enforcement, interpretation or validity thereof, shall be determined by binding arbitration. Unless we and you agree otherwise, the arbitration shall be held in San Francisco, California before one arbitrator and 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 we nor you nor the 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.

### 8.07 Limitation of Actions

- (a) No action arising under the Master Policy including an action for recovery of any Insurance Benefit, may be sustained against us unless: (i) you have 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 2.03 or Section 7.06; 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 2.03 or 7.06, 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. Neither you nor the Servicer may initiate any action on a Claim or Insurance Benefit against us until sixty (60) days have elapsed from 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, we have the right to protect our interest by defending any action arising from the dispute, even if the allegations involved are groundless, false or fraudulent. We are NOT REQUIRED to defend any lawsuit involving the Policyholder, you, a Property, or a Loan. We also have the right to direct you to institute suit on your behalf, if the suit is necessary or appropriate to preserve our rights in connection with a Loan or Property, and, in such cases, we will bear the costs and expenses of the suit. If we incur any litigation costs and expenses arising out of an action involving your or the Servicer's negligent or wrongful conduct or breach of contract, then you are required to bear all of those costs and expenses.

### 8.08 Parties

The Master Policy is binding on and inures to our benefit and our successors and assigns, and you and your 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 the Loan) is included as, nor is intended to be, a third



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party beneficiary of the Master Policy. 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. Payments made to you hereunder are intended as indemnification for your actual loss.

### **8.09 Agency**

If you are not servicing a Loan, the Servicer of the Loan acts as your agent and has the authority to act on your behalf in all respects with respect to your rights and obligations in the Master Policy. We may deliver to the Servicer in its capacity as your agent, all notices, communications, payments and other acts required of us under the Master Policy. No First Party nor its employees or agents shall be, nor shall be deemed to be, our agents, nor shall we be or be deemed to be an agent of any First Party except to the extent necessary to effect the Deficiency Rights pursuant to Section 8.03.

### **8.10 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 in which the Property securing the insured Loan is located, without reference to that state's application of conflicts of law provisions. Any provision of the Master Policy which is in conflict with the laws of the aforesaid jurisdiction is hereby amended to conform to the minimum requirements of that law.

### **8.11 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 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.

### **8.12 Waiver**

We may waive any conditions or requirements of the Master Policy to the extent permitted by Applicable Law. However, we will not be deemed to have waived, modified, or otherwise compromised any condition or requirement of the Master Policy unless the waiver, modification, or compromise is stated in Writing duly executed by us. 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 the condition or requirement in the future. No inaction by us and no failure by us to enforce any of our rights or remedies under the Master Policy following any inspection, examination or investigation undertaken by us pursuant to any provision of the Master Policy shall be construed as a waiver by us of any right or remedy, which right or remedy we may enforce or exercise at any time.

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### 8.13 Entire Agreement

This Master Policy, together with any endorsements hereto, and, with respect to any Loan, the Certificate and the Insurance Application shall constitute the entire agreement between or among you and us.

### 8.14 Endorsement

We reserve 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 we have given you Written notice thereof by endorsement setting forth the amendment. Any endorsement we issue to you shall be deemed to modify the coverage under this Master Policy with respect to the Loan described in the Certificate to the extent shown in the endorsement. Each endorsement will reference the form number of this Master Policy.

### 8.15 Interpretation

Capitalized terms in the Master Policy have the meanings given to them in Section 9. 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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### Section 9. GLOSSARY

- 9.01** “**Acquisition Option**” means the method of determining the amount of Insurance Benefit as set forth in Section 7.04(a)(i).
- 9.02** “**Advances**” means the costs identified in Section 6.05.
- 9.03** “**Anticipated Loss**” means an amount equal to the Calculated Loss less the amount we reasonably anticipate 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.
- 9.04** “**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.
- 9.05** “**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. These proceedings include: enforcing the terms of the Loan, eviction proceedings, preserving Deficiency Rights by making a bid as required under Section 6.03(c)(vi), preserving or establishing Deficiency Rights in accordance with Section 8.03, acquiring Borrower’s Title or Good and Merchantable Title to the Property, as may be required under the Master Policy, or asserting your interest in the Property in a Borrower’s bankruptcy or similar proceeding.
- 9.06** “**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 you exercise your right to call the Loan when not in Default or because the term of the Loan is shorter than the amortization period.
- 9.07** “**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.
- 9.08** “**Borrower’s Own Funds**” means any funds the Borrower owns and which are neither borrowed from other sources, nor subject to refund, rebate, or repayment.

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- 9.09 “Borrower’s Title”** means title to a Property as was vested in the Borrower at the time of a conveyance to you 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 7.01(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 you or a third party. The deed evidencing the title in you 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.
- 9.10 “Business Day”** means any day on which our offices are open.
- 9.11 “Calculated Loss”** means the amount calculated in accordance with Section 7.03.
- 9.12 “Certificate”** means the document entitled “Commitment and Certificate of Insurance,” 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.
- 9.13 “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 you request and we accept. A new Loan is a Loan which was not Closed as of the date you submitted the Insurance Application.
- 9.14 “Claim”** means your request for an Insurance Benefit submitted to us within the time period prescribed in the Master Policy, made on a form or in a format we have approved.
- 9.15 “Claim Denial”** means our notification to you, after our receipt of a Claim, that we will not pay the Claim due to the application of an exclusion listed in Section 5, or the breach of one or more provisions of this Master Policy. A Rescission under Section 2 shall not be considered a Claim Denial.
- 9.16 “Claim Settlement Period”** means a sixty (60) day period that begins on the day a Claim becomes a Perfected Claim.
- 9.17 “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.
- 9.18 “Commitment”** means the document we issue entitled “Commitment and Certificate of Insurance,” indicating the terms and conditions under which we 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.
- 9.19 “Company Initiated Cancellation”** means our notification to you, prior to our receipt of a Claim, that we have cancelled coverage of a Loan as of a specified date due to the

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application of an exclusion listed in Section 5, or the breach of one or more provisions of this Policy. A Rescission under Section 2 shall not be considered a Company Initiated Cancellation.

- 9.20 “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 Applicable 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 of you or your employees, officers or agents, nor do these expenses include attorneys’ fees.
- 9.21 “Credible Evidence”** means: (i) the information contained in the Loan Origination File (whether submitted to us 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 us; or (iii) any other information (whether written, electronic or oral) we receive or obtain at any time from any Person provided that the 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 the falsity or material internal inconsistency). Credible Evidence shall not include any written or oral statement made by the Borrower to us or our agents unless the statement was made under oath.
- 9.22 “Deed-in-Lieu of Foreclosure”** means a conveyance of title to the Property from the Borrower in lieu of foreclosure or other proceeding.
- 9.23 “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 your exercise of the Due on Sale Clause of the 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.
- 9.24 “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 we approved, excluding any of the following: (i) capitalization of delinquent interest unless the delinquent interest has been capitalized as a result of a Loan modification approved under Section 3; (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 you have written off the unsecured portion, provided that you have paid Premium on both the secured and unsecured portions of the Loan.



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- 9.25 “Deficiency Expenses”** means reasonable attorneys’ fees, necessary court costs and other reasonably necessary costs you incurred to preserve or establish Deficiency Rights and which are in addition to those incurred in standard and customary foreclosure proceedings.
- 9.26 “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.
- 9.27 “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.
- 9.28 “Delinquency and Claims Reference Manual”** means the document on our website containing instructions and information related to the servicing of delinquent Loans and the submission and processing of Claims.
- 9.29 “Due on Sale Clause”** means a contractual provision granting to you the right to accelerate the maturity of the Loan upon a transfer of title to, or an interest in, the Property.
- 9.30 “Environmental Impairment”** means (a) any condition giving rise to liability under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 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.
- 9.31 “First Party”** means the Loan Originator, 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 your behalf, appraisers, and your agents (including employees).
- 9.32 “First Twelve Payments”** means 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

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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, the payment shall not be considered a late payment for the purposes of the application of subsection (ii) of this definition.

**9.33 "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, the 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, the 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 the 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 the lien may be noticed, commenced or pending, unless we otherwise agree.

**9.34 "Grace Period"** is the one-hundred-twenty (120) day period after a Renewal Premium due date.

**9.35 "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.

**9.36 "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, you or any other First Party submitted to us to underwrite the insurance on the Loan.

**9.37 "Insurance Benefit"** means our liability with respect to a Loan calculated in accordance with the Master Policy.

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- 9.38** “**Insured**” means the owner of the Loan. The Insured owes all obligations to us under the Master Policy and we have the right to enforce those obligations against the Insured.
- 9.39** “**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 1.03.
- 9.40** “**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.
- 9.41** “**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 we have reviewed them, 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.
- 9.42** “**Loan Closing Date**” means the date on which a Loan Closed.
- 9.43** “**Loan Origination File**” means, with respect to a Loan: (i) the documents related to the Origination and Closing of the Loan specifically identified in our Delinquency and Claims Reference Manual as of the Certificate Effective Date.
- 9.44** “**Loan Originator**” means the Person that Originated a Loan (which may include the Insured or the Policyholder).
- 9.45** “**Loan Servicing File**” means the documents related to the servicing of the Loan specifically identified in our Delinquency and Claims Reference Manual as of the date of the Default resulting in a Claim.
- 9.46** “**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.
- 9.47** “**Master Policy**” means this contract of insurance and any endorsements hereto.
- 9.48** “**Material First Party 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, by a First Party to: (1) the Policyholder; or (2) the Insured; or (3) the Loan Originator; or (4) us;
  - (b) which at the time made was false, or misleading by the omission of a fact; and
  - (c) had we known the true or omitted fact(s), we would either not have insured the Loan or insured it on different terms.



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- 9.49 “Mortgage Insurance Underwrite”** means the activities we perform to determine whether as of the Certificate Effective Date, a Loan meets Our Underwriting Guidelines.
- 9.50 “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.
- 9.51 “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.
- 9.52 “Origination Appraisal”** means the appraisal, or another valuation method we accept, obtained by the Loan Originator at the time the Loan was Originated, which establishes the value of the Property at that time.
- 9.53 “Our Underwriting Guidelines”** means the underwriting guidelines, policies and procedures contained in our Underwriting Manual in effect and available on our website as of the date we underwrote the Loan for insurance.
- 9.54 “Percentage Option”** means the method of determining the amount of Insurance Benefit with respect to a Loan as set forth in Section 7.04(a)(ii).
- 9.55 “Perfectured 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 we timely requested pursuant to Section 7.02(c).
- 9.56 “Periodic Premium Plan”** is a plan we may offer providing that you may pay Premium 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, you must timely pay an Initial Premium, and to maintain coverage on the related Loan, you must timely pay subsequent Renewal Premium.
- 9.57 “Person”** means any natural person, corporation, partnership, limited liability company, limited liability partnership, trust, association, or other legally recognized entity.
- 9.58 “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. Notwithstanding the above, Physical Damage does not mean the presence of radon gas, lead paint or asbestos in the dwelling on the

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Property, or damage caused by reasonable wear and tear on the Property even if the cost to repair the Property exceeds \$5,000.

- 9.59 “Policyholder”** means the entity to which we have issued this Master Policy, 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.
- 9.60 “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.
- 9.61 “Premium”** means the monetary consideration paid to us in exchange for extending coverage on a Loan under the Master Policy.
- 9.62 “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.
- 9.63 “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.
- 9.64 “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 the Premium is required to be paid under the Periodic Premium Plan applicable to that Loan.
- 9.65 “Required Claim Documents”** means those particular documents you are required to submit to us with each Claim as set forth in our Delinquency and Claims Reference Manual on the date the Claim is submitted to us.
- 9.66 “Rescind” or “Rescission”** means our termination of coverage with respect to a Loan under Section 2.
- 9.67 “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.

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- 9.68** “**Servicer**” means the Person performing the servicing of the Loan on your behalf.
- 9.69** “**Servicing Report**” means a report in a format and via a medium we approved, reflecting the status of a Loan for which coverage is in force under the Master Policy, and containing information we reasonably requested in our then current Delinquency and Claims Reference Manual.
- 9.70** “**Single Premium**” is a one-time payment of Premium due on a Loan as indicated on the related Commitment and/or Certificate.
- 9.71** “**Split Premium**” is a type of Periodic Premium Plan which we may offer characterized by an initial Premium payment followed by a series of smaller periodic installments.
- 9.72** “**Supplemental Claim**” is a request timely filed pursuant to the requirements of Section 7.01(c), made after payment of an Insurance Benefit on an initial Claim for payment of any additional Advances that were not included in the initial Claim.
- 9.73** “**Third-Party Sale**” means: (i) a sale of a Property with our prior Written approval 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 we required you to bid at the sale; or (iii) your sale of a Property after foreclosure and before our payment of an Insurance Benefit to you.
- 9.74** “**Third-Party Sale Offer**” means your request in Writing to us to approve: (i) a Third-Party Sale of the Property; or (ii) your sale of a Property after foreclosure and before payment of an Insurance Benefit, and which conveys an offer you or the Borrower received from the 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: A. expense items you proposed to be included in the Insurance Benefit if we approve the Third-Party Sale Offer and the proposed sale of the Property closes; and B. your then-estimated amounts for the expense items.
- 9.75** “**Third-Party Sale Option**” means the method of determining the amount of Insurance Benefit with respect to a Loan as set forth in Section 7.04(a)(iii).
- 9.76** “**Total Loss**” means the Calculated Loss plus: (i) in the case of a Third-Party Sale, the amount of all commercially reasonable costs incurred in obtaining and closing the Third-Party Sale, less the proceeds of the Third-Party Sale; (ii) in the case of a Deed-in-Lieu of Foreclosure, the amount of all commercially reasonable costs incurred in obtaining and closing the conveyance, if any, less the estimated value of the Property as agreed to by us and you.
- 9.77** “**Underwriting Manual**” means the document on our website containing Our Underwriting Guidelines and other information, policies and procedures related to the underwriting of Loans for mortgage insurance.



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- 9.78** “**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.
- 9.79** “**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.
- 9.80** “**Writing**” or “**Written**” means any form of written communication in hard copy or electronic form, including e-mail.

END