

ARCH MI

Delinquency and Claims Reference Manual and Claims Guide

Effective Jan. 3, 2022



Revision Notes

Page	Section	Title	Update Description	Date
27	12.	Appeals	Updated Independent Validation appeals period from 60 to 90 days.	1/3/22
6	2.	Arch MI Default Reporting, Loss Mitigation, Claims and Appeals Contact Information	Updated Default Reporting, Loss Mitigation, Claims and Appeals Contact Information.	5/15/21
5	1.	Introduction	Added Arch MI 3800.00 (03/20) Policy.	3/1/20
6	2.	Arch MI Default and Claims Contact Information	Contact information updated; same regardless of which company insured the loan.	3/1/20
12	4.	Exclusions from Coverage	Added information about exclusion for failure to mitigate loss. Added information about material value variance. Added Policy Note about Significant Defect.	3/1/20
13	6.2	How to File a Claim	Contact information updated (same regardless of which company insured the loan).	3/1/20
15	6.6.1	Loan Origination File	Clarifications to Final signed Loan Application, AUS report, Appraisal, Credit History Documentation, Income documentation, Self-employed Income documentation and Asset documentation.	3/1/20
17	7.	Claims Investigation	Clarification to wording of underwriting requirements and added a Policy Note about Significant Defect.	3/1/20
19	9.1	Claimable Items	Added a Policy Note about a listing of eligible expense items for Claims.	3/1/20
24	9.5	Payment of Claim/Explanation of Benefits	Added information regarding if the property is redeemed after Arch MI settles the Claim.	3/1/20
24	10.	Credible Evidence	Added a Policy Note about Significant Defect. Updated Material Value Variance, Property, Borrower Eligibility, Income, Employment, Assets, Credit and MI Eligibility Requirements sections.	3/1/20
27	11.	Eligibility — Pricing Adjustment	Updated wording of Underwriting Guidelines to Underwriting Requirements.	3/1/20
5, 10/1/19 6, 3/1/20.	2.	Arch MI Default and Claims Contact Information	Updated Loss Mitigation and Claims Contact Information.	10/1/19

Table of Contents

1. Introduction	5
2. Arch MI Default and Claims Contact Information	6
3. Required Servicing Practices	6
3.1.1 Delinquency Reporting and Servicing Reports	6
3.1.2 Delinquency Reporting — Initial Reporting Requirements	6
3.1.3 Delinquency Reporting — Update Requirements	7
3.1.4 How to File a Notice of Delinquency	7
3.1.5 Monthly Servicing Reports	7
3.2 Loss Mitigation	7
3.2.1 Home Retention Workouts	8
3.2.1.1 Repayment Plans	8
3.2.1.2 Forbearance	8
3.2.1.3 Modifications	8
3.2.2 Foreclosure Prevention Workouts	9
3.2.2.1 Presale	9
3.2.2.2 Deed-in-Lieu of Foreclosure	9
3.2.2.3 Borrower Participation/Promissory Notes	10
3.3 Foreclosure Proceedings	10
3.3.1 Foreclosure Overview	10
3.3.2 Foreclosure Time Frame	10
3.3.3 Bankruptcy Time Frames	11
3.3.4 Foreclosure Mitigation	11
3.3.5 Preservation of the Right to Pursue the Foreclosure Deficiency	11
3.3.6 Foreclosure Sale Bidding Instructions	11
3.4 Post Foreclosure and Real Estate Owned (REO)	12
3.4.1 Listing the Property for Sale	12
3.4.2 Offers to Purchase	12
4. Exclusions from Coverage	12
5. Life of a Claim	13
6. Initiation of a Claim for Loss	13
6.1 When to File a Claim	13
6.2 How to File a Claim	13
6.3 Claim Review Timeline	14
6.4 Supporting Documents	14
6.5 Required Claim Documents and Information	14
6.6 Loan Origination and Servicing	15
6.6.1 Loan Origination File	15
6.6.2 Loan Servicing File	16
7. Claims Investigation	17
8. Claim Settlement	18

8.1	Claim Settlement Methods	18
8.1.1	Percentage Option	18
8.1.2	Third-Party Sale Option	18
8.1.3	Acquisition Option	18
8.1.4	Non-Perfected Claims	19
8.2	Timing of Claim Payment	19
8.3	Claim Status	19
9.	Computation of Calculated Loss	19
9.1	Claimable Items	19
9.1.1	Unpaid Principal Balance	20
9.1.2	Past Due Interest	20
9.1.3	Advances	20
9.1.4	Hazard Insurance	20
9.1.5	Real Estate Taxes	21
9.1.6	Property Sales Expenses	21
9.1.7	Preservation Expenses	22
9.1.8	Broker's Price Opinion (BPO)/Appraisal	22
9.1.9	HOA Dues	22
9.1.10	Court Expenses and Attorneys' Fees Related to the Covered Loan	23
9.1.11	Additional Expenses Incurred to Protect Deficiency Rights	23
9.2	Non-Claimable Items	23
9.3	Deductions from Claims	23
9.3.1	Escrow Funds — Balance at Delinquency Deducted	23
9.3.2	Pledged Accounts	23
9.3.3	Property Insurance Proceeds	23
9.3.4	Other Income	23
9.3.5	Net Proceeds from Pre-Arranged Sale	24
9.4	Supplemental Claims	24
9.5	Payment of Claim/Explanation of Benefits	24
10.	Credible Evidence	24
11.	Eligibility — Pricing Adjustment	27
12.	Appeals	27

1. Introduction

The Delinquency and Claims procedures of Arch MI¹ are based on the terms and conditions of Arch Mortgage Insurance Company's First Lien Master Policy (the "Master Policy," Form Arch MI 1800.00, 7/14) and on our belief that the mortgage lending industry is better served if a Claim is averted or minimized. Our goal is to work with you to cure delinquencies on insured Loans within the framework of the Master Policy, if at all possible. If a delinquency cannot be cured, we seek to limit the loss, where appropriate. Arch MI's specialists are professionals committed to working with you to achieve this goal.

The ultimate value of Arch MI's coverage is realized when a Loan goes into Default. To preserve this value, it is important that you understand and follow the delinquency and claims procedures outlined and summarized in this Delinquency and Claims Reference Manual (the "Manual").

This Manual is based on the Master Policy but applies to all forms of master policies issued by the Arch MI insurers. All capitalized terms in this Manual shall have the meaning stated in the Master Policy unless used in reference to a specified form, program, business unit or is otherwise defined herein.

This Manual is intended to explain and assist in following the requirements of the Master Policy but is not intended to amend or modify the Master Policy and, therefore, in the event of any inconsistency between the Manual and the Master Policy, the terms of the Master Policy will prevail. Updates will be communicated to the Insured with specific timelines for implementation when guidance is significantly changed, added or removed.

This Manual applies to these master policies:

- **Arch MI 3800.00 (03/20):** [The Arch Mortgage Insurance Company/United Guaranty Residential Insurance Company Master Policy that governs the terms of coverage for all Loans with MI Application dates on or after March 1, 2020.](#)
- **Arch MI 1800.00 (7/14):** [The Arch Mortgage Insurance Company Master Policy that governs the terms of coverage for all Loans with MI Application dates on or after Oct. 1, 2014.](#)
- **CMG 1100.00 (7/94):** The Arch Mortgage Insurance Company Master Policy that governs the terms of coverage for all Loans with MI Application dates prior to Oct. 1, 2014.
- **CJA (01/14) DMA (01/14):** The applicable United Guaranty Master Policy that governs the terms of coverage for all Loans with MI Application dates on or after Oct. 1, 2014.
- **CAM (01/94):** The applicable United Guaranty Master Policy that governs the terms of coverage for all Loans with MI Application dates prior to Oct. 1, 2014.

The core of the content of this Manual applies to Arch MI 1800.00 (7/14). Policy Notes are listed where the other three policies materially differ.

Arch MI reserves all of its rights under Arch MI issued insurance policies, including the Master Policy. This Manual reflects delinquency and claims requirements applicable to Arch MI issued insurance policies. Please refer to your respective policy and endorsements for complete details. In the event of a conflict between this Manual and an Arch MI issued insurance policy, the appropriate policy shall govern unless otherwise specified in the policy itself.

Policy Notes:

- **CMG 1100.00 (7/94):** Does not refer to a Delinquency and Claims Reference Manual or a Claims Guide.
- **CJA (01/14) DMA (01/14):** Refers to the Delinquency and Claims Reference Manual as the Claims Guide.
- **CAM (01/94):** Does not refer to a Delinquency and Claims Reference Manual or a Claims Guide.

¹ "Arch MI" refers to Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company.

2. Arch MI Default and Claims Contact Information

Topic	Contact Information
Default Reporting	defaultreporting@archmi.com 877-642-4642 (Option 3) Fax: 800-490-6757 8:30 a.m.-5 p.m. ET
Loss Mitigation	LoanMods@archmi.com 877-642-4642 (Option 4) 8:30 a.m.-5 p.m. ET
Claims	claims.support@archmi.com 877-642-4642 (Option 4) 8:30 a.m.-5 p.m. ET
Appeals	appeals@archmi.com 877-642-4642 (Option 4) 8:30 a.m.-5 p.m. ET
CONNECT Servicing — New User	Visit archmi.com In the CONNECT box, click New User? Register Here.

3. Required Servicing Practices

The Insured shall follow the servicing standards required by the GSEs regarding the servicing of GSE-owned mortgage Loans and servicing practices as required by Applicable Law to mitigate Arch MI's loss. Practices required by GSEs are considered to be the industry standard. These loss mitigation activities may include, as appropriate:

- Taking action to mitigate a potential Default when a Default appears to be imminent, but has not yet occurred; or
- Facilitating the cure of a Default by the Borrower; or
- Inspecting and appraising the Property; and
- Pursuing a Loan Modification, pre-foreclosure Third-Party Sale or Deed-in-Lieu of Foreclosure.

3.1.1 Delinquency Reporting and Servicing Reports

3.1.2 Delinquency Reporting — Initial Reporting Requirements

When the Borrower has missed their second payment on an insured Loan, you must notify Arch MI by filing a notice of Default (NOD). The best practice for reporting is to file the NOD when the Borrower is 45 days in Default or no later than the last business day of the month in which the Borrower becomes two periodic payments in Default or the date on which foreclosure or other appropriate proceedings are commenced. After the NOD is filed, updates are required as described in this Manual.

Information required when reporting the Default includes the Loan's unpaid principal balance, next payment due date and the reason for Default. If a foreclosure action is necessary or litigation has taken place, we also need the dates and a description of the steps that have been taken in those processes. If a bankruptcy is filed, we need the case location, name and number, and the bankruptcy chapter type, and the dates associated with the filing. This information will help us assist you during the servicing of the delinquency. You should consult your own legal counsel as to your rights and obligations in the event a bankruptcy is filed.

Failure to file an NOD in the time required carries a penalty of the greater of 30 days interest or all interest accruing in the Loan during the period between the date Arch MI should have received the NOD and the date we actually received it, which will be deducted from the Claim settlement.

Policy Notes:

- CMG 1100.00 (7/94): The deduction from the Claim settlement is limited to a maximum of 30 days.
- CJA (01/14) DMA (01/14): Failure to file an NOD could result in a Claim Denial.
- CAM (01/94): Failure to file an NOD could result in a Claim Denial.

3.1.3 Delinquency Reporting — Update Requirements

After you have submitted the NOD, Arch MI requires a monthly update of the current servicing activity occurring on the Loan as long as the Loan remains in Default. If the Default has cured, notify us that the Loan is no longer in Default. If the Loan has been paid in full, notify us that the Loan has been paid in full so that we can update our records appropriately. Failure to report the NOD in accordance with the applicable Master Policy could result in the Insured Benefit being curtailed by the greater of 30 days of interest or all interest accruing on the Loan during the period between the date Arch MI should have received the monthly report and the date we actually received it.

Monthly delinquency updates must continue until it has been reported that:

- The Borrower is no longer in Default and the Loan has cured.
- The Loan has been paid in full.
- The Loan has been service transferred.
- A Claim has been filed or paid.

3.1.4 How to File a Notice of Delinquency

- Via Electronic Data Interchange (EDI) in the industry-standard Automated Default Reporting (ADR) format. If you report by EDI, the standard ADR format provides for the automatic updating of previously reported delinquencies.
- Using our online servicing [CONNECT portal](#).

3.1.5 Monthly Servicing Reports

Arch MI will accept a monthly Servicing Report via the Mortgage Insurance Loan Activity Report (MILAR), or any other comprehensive or minimum version of the MILAR template or any subset of MILAR the Servicer chooses to report. The Servicer shall provide the report on request by Arch MI, including information on the covered Loans. Delivery of the MILAR is optional and is not required. Please note the MILAR does not replace the required monthly Default reporting of delinquency, cancellation or servicing information.

3.2 Loss Mitigation

Servicers must make every reasonable effort to cure the Default and cooperate with and assist Arch MI to prevent and mitigate losses. Failure to comply with servicing requirements may result in a delay in Claim processing, curtailment of a Claim payment or the denial of a Claim.

Servicers should use the following options when considering a Borrower for a workout:

Home Retention

- Repayment plan.
- Forbearance.
- Other retention options such as GSE- or Treasury-sponsored programs.
- Modification.

Liquidation

- Short sale.
- Deed-in-Lieu (DIL).
- Foreclosure.

3.2.1 Home Retention Workouts

The following workout options should be the first course of action in working with the Borrower(s) to assist in retention of their home and mitigating losses on the Loan.

3.2.1.1 Repayment Plans

To help Borrowers keep their homes, Arch MI encourages reasonable attempts to reinstate a Loan through a repayment plan, provided the Borrower can afford the payment plan. Arch MI's approval is required for a repayment plan if the Loan is six months or more delinquent or if you will be changing the original Loan terms. All GSE Loans are delegated, and no additional approval is required if GSE guidelines are followed.

Considerations:

- Borrower can either partially or completely recover from financial setbacks within a few months.
- Borrower is unable to pay the arrearage all at once.

3.2.1.2 Forbearance

Payment forbearance can be a useful tool to assist a Borrower through a temporary hardship. Arch MI's approval is not required for a forbearance agreement, provided no other terms of the Loan will be modified and no amount will be capitalized into the Loan balance. If you wish to forbear payments in conjunction with modification of the Loan terms, please contact Arch MI's [Loss Mitigation](#) team. All GSE Loans are delegated, and no additional approval is required when GSE guidelines are followed.

Considerations:

- Servicer must have a written forbearance agreement with the Borrower.
- Borrower demonstrates a willingness and ability to cure the Default.
- Borrower suffers a temporary financial hardship, has become multiple months in arrears but will have the ability later to resume making regular monthly payments.

3.2.1.3 Modifications

Modification of the Loan's interest rate and term can be a useful tool in preventing a loss. If your analysis shows the Borrower has the ability to maintain monthly mortgage payments but does not have the funds necessary to reinstate the Loan, Arch MI may approve capitalization of past due interest and/or other expenses.

Consideration:

- Borrower experiences difficulty in making regular mortgage payments as a result of a permanent or long-term financial hardship.

Please note Arch MI encourages the use of Loan modifications, where appropriate, to achieve our goal of preserving home ownership, not as a means to preserve the Borrowers' credit. If the Borrowers' intent is not to remain in the home, but rather to list the Property for sale, Arch MI does not encourage the use of a Loan modification.

Unless applicable Servicer-specific delegation agreements are in place or this is a fully delegated GSE Loan, Arch MI's approval is required prior to finalizing a modification.

To obtain approval for modification of the terms, changing the Loan type or capitalization of the unpaid principal balance, please submit the request in writing to Arch MI's [Loss Mitigation](#) team. Please note if Arch MI does not send a written notice of disapproval within 10 business days of receipt of a written request for approval of a modification, the modification will be deemed approved.

3.2.2 Foreclosure Prevention Workouts

If a home retention workout is not feasible, Arch MI recognizes that potential loss can be minimized by working with distressed Borrowers to negotiate a sale of the Property in lieu of a foreclosure. Prudent workout standards consistent with industry guidelines, such as those set forth by the Consumer Financial Protection Bureau and the Federal Housing Finance Agency, are always to be observed.

3.2.2.1 Presale

If a Borrower has a hardship, cannot make payments on the mortgage and owes more on the Loan than the Property will sell for, he or she should list the Property for Fair Market Value (FMV). Unless delegated, you should submit any offers received by the Borrower to Arch MI's [Loss Mitigation](#) team for approval. After reviewing the pre-arranged sale package documentation, Arch MI will review the following information with respect to hardship, claim probability and loss mitigation:

Hardship: Is the delinquency and subsequent Third-Party Sale request caused by factors beyond the Borrower's control? Acceptable hardship reasons include loss of employment, loss of income, divorce, illness, involuntary job relocation, etc. Doubtful hardship reasons would be loss of equity, tenant problems and voluntary relocation.

Claim Probability: Are you going to suffer a loss on the Property and submit a Claim to Arch MI regardless of whether there is a Third-Party Sale? One good indicator of Claim probability is delinquency status. If the Loan is current, Arch MI finds it difficult to predict if there will be an eventual loss. Illness or loss of employment are other predictors of possible loss.

Loss Mitigation: Providing there is a probability of a Claim, Arch MI is always interested in proposals that reduce loss both to the Insured and to Arch MI.

If the Property is nearing a foreclosure sale date and a Third-Party Sale offer is received, please contact Arch MI [Loss Mitigation](#) for instructions. Please note that if Arch MI does not send a written notice of disapproval within 10 business days of receipt of a written request for approval of a Third-Party Sale, the sale will be deemed approved.

Documentation requirements for a Third-Party Sale may include, at Arch MI's request:

1. Letter of hardship.
2. Payoff statement.
3. Borrower's income/expense sheet (budget).
4. Last two pay stubs — for each Borrower.
5. Most recent tax return — for each Borrower.
6. Recent value — Broker's Price Opinion (BPO) or appraisal.
7. Sales contract.
8. Preliminary Closing Disclosure (formerly known as HUD-1 Settlement Statement).
9. Current credit report.

3.2.2.2 Deed-in-Lieu of Foreclosure

Approval of a Deed-in-Lieu of Foreclosure (DIL) results in a Claim for Loss; therefore, Arch MI usually limits approval to circumstances such as permanent disability, terminal illness or death. When an extreme hardship does not exist, we require the Insured demonstrate a reasonable effort to work with the Borrower to mitigate the loss, including Loan modification and/or listing the Property at fair market value for a period of no less than 90 days. Please note if Arch MI does not send a written notice of disapproval within 10 business days of receipt of a written request for approval of a DIL, the request will be deemed approved. If you wish to submit a DIL, please contact Arch MI [Loss Mitigation](#).

Documentation requirements for a DIL may include:

1. Letter of hardship.
2. Payoff statement.
3. Borrower's income/expense sheet.

4. Last two pay stubs — for each Borrower.
5. Most recent tax return — for each Borrower.
6. Recent value — BPO or appraisal.
7. Listing history of the Property.
8. Current credit report.

Considerations for DIL:

- If the Borrower is in Chapter 7 bankruptcy and deficiency rights do not exist, a DIL may be an appropriate remedy.
- A DIL may also be considered as an alternative if the hardship is the death of one of the Borrowers that substantially impacts the family income.
- Unsuccessful attempts to do a short sale where the property has been listed at least 90 days will also be considered for DIL.

3.2.2.3 Borrower Participation/Promissory Notes

In appropriate circumstances, Arch MI may require Borrower participation in the loss as a condition of approval of a request for a Third-Party Sale or DIL. To make this determination, Arch MI will review the Borrower's financial position to determine if he or she has the financial ability to continue making Loan payments. If so, Arch MI will determine the amount of the contribution, based on the Borrower's hardship and ability to pay. The Borrower's participation may be by way of a one-time cash payment to Arch MI or through a zero-interest promissory note executed by the Borrower in Arch MI's favor. If you wish to pursue borrower participation/promissory notes, please contact Arch MI [Loss Mitigation](#).

Additional considerations for all liquidations:

- If the Borrower does not have a hardship or has a weak hardship such as strategic defaults, our staff will often seek the Borrower's participation in the pending loss in order to approve the liquidation workout.
- Borrowers with legitimate hardships who are unwilling to contribute any funds to reduce Arch MI's loss will be reviewed, based on the Borrower's income, assets and financial history, to determine their ability to contribute towards the loss.

Borrower contributions may be in the form of one of the following:

- Cash.
- An Arch MI non-interest-bearing promissory note.
- A combination of cash and an Arch MI non-interest-bearing promissory note.

3.3 Foreclosure Proceedings

In the event home retention or other loss mitigation options are not appropriate, it is in both the Insured's and Arch MI's best interest to diligently pursue and conduct a timely foreclosure. Failure to initiate appropriate proceedings in a timely manner may result in a Claim curtailment or Claim Denial.

3.3.1 Foreclosure Overview

The Servicer shall pursue foreclosure proceedings according to GSE guidelines and state laws. If the Borrower contests the foreclosure or litigation takes place, notify Arch MI in the monthly Notice of Default report. Provide the dates and a description of the steps that have been taken in those processes.

3.3.2 Foreclosure Time Frame

The Servicer shall initiate foreclosure action by the later of 30 days after the Loan remains in Default for six consecutive months or 60 days after the earliest date foreclosure action may be initiated under applicable law.

To avoid interest curtailments, once a foreclosure is initiated, you must diligently pursue the necessary steps to acquire possession of and title to the Property. The Servicer shall complete the foreclosure action within the time frame listed in

Fannie Mae’s Foreclosure Time Frames and Compensatory Fee Allowable Delays Exhibit, available on Fannie Mae’s website. Failure to complete a foreclosure action within these time frames may result in a Claim curtailment. If Arch MI elects to acquire the Property, you must be able to tender a Good and Merchantable Title. Although many of our monthly Premium products do not require that you forward Premiums once a Loan goes into Default, Arch MI recommends that you forward Premiums until you are certain that the Borrower will not bring the Loan current. Failure to continue to pay Premium could result in a loss of coverage should the Loan become current and then re-default.

3.3.3 Bankruptcy Time Frames

In the event a delinquent Borrower files a bankruptcy petition, Arch MI allows six months from the date of the initial Borrower bankruptcy filing for you to obtain relief from the automatic stay or dismissal of the case. For Chapter 13 bankruptcy filings, Arch MI allows six months from the last post-petition payment to obtain relief. You are required to re-institute foreclosure action no later than 60 days from the date you obtain relief. Failure to do so may result in a curtailment to a future Claim on the Loan.

3.3.4 Foreclosure Mitigation

Arch MI will consider foreclosure actions that exceed Fannie Mae’s Foreclosure Time Frames and Compensatory Fee Allowable Delays Exhibit, provided the Servicer was pursuing loss mitigation efforts and documents how these efforts resulted in the foreclosure delay within the Claim for Loss. Failure to provide an explanation of these delays may result in a Claim curtailment.

3.3.5 Preservation of the Right to Pursue the Foreclosure Deficiency

The Servicer and its foreclosure attorney must preserve Arch MI’s right to pursue a deficiency.

3.3.6 Foreclosure Sale Bidding Instructions

In order to establish foreclosure sale bids and promote legitimate Third-Party bidding, Arch MI requires you to obtain either a BPO or appraisal, dated no more than 120 days prior to the foreclosure sale date, to determine the Property’s current fair market value (FMV). Arch MI will not accept automated valuation models (AVM) unless previously agreed to. Review the BPO or appraisal for accuracy, reasonableness and any indication of Physical Damage to the Property. Use the “as is” value to establish the bid unless there is a 20% variance between the “as is” and “repaired” value. In that case, use the “repaired” value.

For GSE Loans where Fannie Mae is the GSE Beneficiary and the foreclosure process permits or requires bidding at the foreclosure sale, bid an amount in accordance with the applicable bidding guidelines as described in the Fannie Mae Servicing Guide. For GSE Loans where Freddie Mac is the GSE Beneficiary, bid according to the applicable Freddie Mac guidelines.

On non-GSE Loans, the Insured must bid in accordance with the following state guidelines:

State Guideline Bidding Instructions

State	Bidding Instructions
FL, NJ, NY	Start at \$100. Continue bidding up to total debt or 90% FMV, whichever is less.
KY, LA, OH, OK	Start at two-thirds of the sheriff’s appraisal. Continue bidding up to total debt or 90% of FMV, whichever is less.
All other states	Bid total debt or 90% of FMV, whichever is less.

Total debt is the sum of the unpaid principal balance, delinquent interest and advances.

If these bidding instructions conflict with either the Investor's or your mortgage pool insurer's instructions, if you have any questions about the bidding process or if you require special consideration in establishing a foreclosure sale bid amount, please contact the [Arch MI Claims Department](#). Please [email the foreclosure sale results and BPO/appraisal to Arch MI](#) within 48 hours of the foreclosure sale.

Failure to follow proper bidding instructions may result in a Claim curtailment.

3.4 Post Foreclosure and Real Estate Owned (REO)

3.4.1 Listing the Property for Sale

Once you have acquired the title to the Property, you should list the Property at FMV with a real estate agency of your choice. Arch MI does not require approval to list the REO Property for sale. We do recommend careful consideration be made related to repairs or any upgrades to the Property. While these can enhance the marketability, the subsequent Claim will not cover any of these costs for improvements. Your listing agreement should contain a clause precluding payment of a real estate sales commission if Arch MI exercises its option to purchase (acquire) the Property.

3.4.2 Offers to Purchase

Should you receive an offer to purchase the REO Property prior to Claim payment and you wish to accept it, you must contact Arch MI [Loss Mitigation](#) for authorization. In the event the net proceeds from the sale of the REO are sufficient to mitigate Arch MI's Claim loss, additional interest will be paid by Arch MI through the close of escrow. Should the proposed purchase offer fall below the level of fully mitigating the Claim loss, Arch MI will advise you that it is a non-mitigating sale. Submit the following documentation to Arch MI [Loss Mitigation](#) for all offers that you wish to accept.

1. Purchase contract.
2. Preliminary Closing Disclosure (formerly known as HUD-1) or net sheet.
3. Copy of recent BPO or appraisal.

4. Exclusions from Coverage

Arch MI's insurance specifically covers the risk of a Borrower defaulting on their mortgage, and therefore certain events will result in an exclusion of coverage. Below is a non-exhaustive list of some of the most common scenarios that may result in a Company Initiated Cancellation, Rescission, Claim Denial or Claim curtailment.

- Failure to submit Claim within Master Policy prescribed timelines.
- Failure to provide required Claim documentation within required timelines.
- Material misrepresentation (including origination errors) of Borrower and/or Loan characteristics, supported by Credible Evidence.
- Material value variance, supported by a review appraisal and evidence that original appraisal was inadequate.
- Physical Damage: Unrepaired Property damage exceeding Master Policy thresholds.
- Incomplete Construction: Property has not been completed in accordance with construction plans and specifications relied upon at the time of Loan origination or during the time of appraisal.
- First payment Default: Claim resulting from a Default occurring with respect to the first payment due on the loan.
- Non-payment of Premium.
- Failure to mitigate loss in accordance with Section 3 of the Delinquency and Claims Reference Manual.

Please refer to your specific Master Policy for the complete list of exclusions with all relevant terms and conditions.

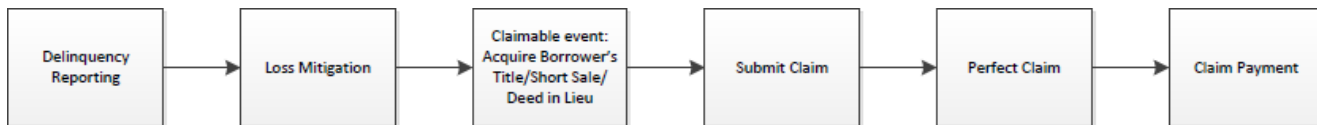
Policy Notes:

- Arch MI 3800.00 (03/20): “Material misrepresentation (including origination errors)” is replaced by “Significant Defect.” A “Significant Defect” if, had the true facts been known, the Loan would not have been eligible for insurance based on the eligibility criteria or Underwriting Requirements applicable at the time of the Insurance Application.
- Arch MI 3800.00 (03/20): The failure to mitigate loss exclusion is first introduced in this Policy.

5. Life of a Claim

This chart shows an overview of the life of a Claim:

- Delinquency reporting is covered in Section 3.
- Loss Mitigation is covered in Section 3.
- Claimable event, Claim submission and Perfecting claims are covered in Section 6.
- Claim payment is covered in Section 8.



6. Initiation of a Claim for Loss

6.1 When to File a Claim

The Claim along with the Required Claim Documents (listed below) must be filed within 60 days after the earlier of acquiring the Borrower’s Title to the Property or a pre-foreclosure Third-Party Sale. In states with post-sale redemption rights, the Insured must submit the Claim to Arch MI within the 60-day time frame once the redemption period has expired.

If a Claim is not submitted within 180 days of acquiring the Borrower’s Title to the Property or a pre-foreclosure Third-Party Sale, Arch MI may Deny the Claim.

Policy Notes:

- CMG 1100.00 (7/94): Failure to file a Claim no later than 60 days after acquiring the Borrower’s Title to the Property or a Pre-Arranged Sale relieves Arch MI of any obligation to include in the Claim Amount interest and Advances accruing on the Loan after the 60-day period has expired and entitles Arch MI to adjust the Claim to the extent that Arch MI is prejudiced by such late filing of the Claim, up to 100% of the Insurance Benefit.
- CJA (01/14) DMA (01/14): If a Claim is not submitted within one year of acquiring the Borrower’s Title to the Property or a pre-foreclosure Third-Party Sale, Arch MI may Deny the Claim. Otherwise, the Claim filing period is the same as in Arch MI 1800.00 (07/14).
- CAM (01/94): If a Claim is not submitted within one year of acquiring the Borrower’s Title to the Property or a pre-foreclosure Third-Party Sale, Arch MI may Deny the Claim. Otherwise, the Claim filing period is the same as in Arch MI 1800.00 (07/14).

6.2 How to File a Claim

Claims can be submitted to Arch MI using one of the following channels. Arch MI’s preferred method for Claim submission is via EDI 260 or Arch MI’s **CONNECT**. Please contact Arch MI’s [Claims team](#) for more information on any of these channels.

1. EDI 260 Claim submissions.
2. Arch MI **CONNECT**.
3. Mail: Arch Mortgage Insurance, Claims Department, 230 N. Elm St., Greensboro, NC, 27401.
4. Fax: 855-621-5290.

6.3 Claim Review Timeline

When a Claim is received by Arch MI, the Claim Specialist verifies coverage is in force.

Arch MI generally requires backup documentation to explain and support foreclosure times beyond those listed in Fannie Mae's Foreclosure Time Frames and Compensatory Fee Allowable Delays Exhibit. Supporting documentation should be provided at the time of Claim submission. Circumstances beyond the Servicer's control which prevent the foreclosure action from being completed within this time frame should be explained within the Claim for Loss. Once the Claim is received, an Arch MI Claims Specialist will review the Claim and request any Required Claim Documents that were not submitted with the Claim and any additional Claim Documents (listed below) to process the Claim within 20 days of receipt. If requested documents are not submitted within 30 days of the initial document request, an Arch MI Claims Specialist will make a final document request.

6.4 Supporting Documents

Arch MI recognizes there are a wide variety of documents associated with both Loan origination and Loan servicing. In order to properly review a Claim, these documents may be required from the Servicer. Below, we have identified two categories of documents. The first category, referred to as Required Claim Documents, includes all documents that must be submitted with every Claim, and additional documents that may be required to be filed with a Claim in the itemized Claim-specific circumstances. The second category includes the Loan Origination File and Loan Servicing File and itemizes all of the documents and information that may be contained in those files. The Loan Origination File and Loan Servicing File should be maintained by the Servicer and/or the Insured for a period ending 120 days after Arch MI pays an Insurance Benefit on that Loan or issues a Rescission, Company Initiated Cancellation or Claim Denial. Arch MI may request some or all of those documents during the period that there is Arch MI Mortgage Insurance (MI) coverage on the Loan. Failure to provide requested documents to Arch MI may result in a delay in the processing and/or payment of a Claim, expense and/or interest curtailment(s), Claim Denial or closure of the Claim without payment.

6.5 Required Claim Documents and Information

To prevent any delay in the handling of the Claim, the Required Claim Documents listed below should be submitted in advance of, or with, every Claim:

Documents required in advance of or with all Claims:

- Attorney chronology (if Claim exceeds Fannie Mae's foreclosure time frames).
- Collection notes (if Claim exceeds Fannie Mae's foreclosure time frames).
- Current fair market value (BPO/appraisal).
- Loan payment history.

Additional documents required in advance of or with Claims in the following specific circumstances:

If requested:

- Invoices for expenses and credits not explained on the Claim.
- Loan modification documents, if applicable.

Third-Party Sale:

- BPO used to bid on Third-Party Sale.
- Closing Disclosure (formerly known as HUD-1).

Deed-in-Lieu of Foreclosure:

- Deed-in-Lieu of Foreclosure agreement.

Claim after redemption by the Borrower:

- BPO used to bid at foreclosure.
- Copy of redemption check.

Physical Damage to the Property:

- Date of loss.
- Property photos.
- Reason for Default.
- Amount of hazard insurance proceeds.
- Hazard insurance denial letter, where applicable.

Property located in a jurisdiction where Arch MI has the right to pursue the Borrower for a deficiency judgment: (For more information, refer to the [State-by-State Foreclosure Reference document](#).)

- Bidding results.
- Bidding instructions with sale results.
- BPO/valuation within six months of sale.

6.6 Loan Origination and Servicing

The Loan Origination File and Loan Servicing File must be maintained by the Insured/Servicer and must be provided to Arch MI upon request. With the exception of the subset of Required Claim Documents, the documents included in these files do not have to be submitted to Arch MI unless specifically requested.

6.6.1 Loan Origination File

- Final, signed Loan Application (Fannie Mae 1003/Freddie Mac 65).
 - Signed Borrower Authorization (if not part of signed 1003).
- Uniform Underwriting Transmittal Form (Fannie Mae 1008/Freddie Mac 77) or other underwriting worksheet.
- Final automated underwriting system (AUS) report (DU®, Loan Product Advisor® or an Arch MI approved lender's proprietary AUS).
- Property Appraisal full report, including Completion Certificate (Fannie Mae 1004D/Freddie Mac 442) and any additional industry-standard supporting documentation; or evidence that a full appraisal has been waived as allowed by Arch MI underwriting requirements.
- Purchase/sale agreement with all addenda and escrow instructions.
- Borrower's proof of legal residency.
- Borrower's credit report(s) or alternative credit documentation if used in the Loan underwriting.
- Credit History Documentation used to qualify the Borrower for the Loan, including:
 - Verification(s) of mortgage payment history.
 - Verifications of rent payment history.
 - Debts not included on Credit Report.
 - Previous derogatory credit.
 - Debts paid by others.
 - Divorce decree.
 - Separation agreement.
 - Subordinate financing documents and payment history.
- Borrower's letter(s) of explanation and supporting documentation.
- Income documentation used to qualify the Borrower for the Loan, including:
 - Written and verbal verifications of employment.
 - Pay stubs.
 - W-2 forms.
 - Offers of employment.
 - Employment contracts.
 - Award letters.
 - Tax returns.
 - Tax transcripts.
 - Any GSE approved third-party vendor reports and/or alternative processes for determining income as allowed by Arch MI underwriting requirements.
 - Other supporting documentation as required by Arch MI.
- Self-employed income documentation used to qualify the Borrower for the Loan, including:
 - Personal and business federal income tax returns.

- Profit and loss statements.
- CPA letters.
- Form 1099s.
- IRS Form 4506 and/or 4506-Ts.
- Business licenses.
- Any GSE approved third-party vendor reports and/or alternative processes for determining income as allowed by Arch MI underwriting requirements.
- Self-employment income analysis worksheet.
- Investment property income documentation used to qualify the Borrower for the Loan, including:
 - Rental income analysis.
 - Tax returns.
 - Lease agreements.
- Asset documentation related to verification of Borrower's assets used to qualify the Borrower for the Loan including:
 - Bank statements.
 - Verification(s) of deposit.
 - Documentation related to gifts of funds to the Borrower.
 - Documentation related to the Borrower's sale of real or personal Property assets.
 - Documentation related to Borrower's net proceeds from the sale of departing residence, including Closing Disclosure and sales contract.
 - Documentation regarding any secured borrowed funds.
 - Documentation of earnest money deposits.
 - Documentation of cash on hand.
 - Documentation of funds received by the Borrower from grants or down payment assistance programs.
 - Any GSE approved third-party vendor reports and/or alternative processes for determining assets as allowed by Arch MI underwriting requirements.
- Final Closing Disclosure for the transaction related to the Loan.
- Mortgage or Deed of Trust for the Property.
- Promissory Note related to the Loan.
- Title Insurance policy with a chain of title history.
- Property insurance policy or declarations page.
- Power of Attorney.
- Loan approval with conditions.
- Handwritten or electronic underwriter notes.
- Additional documentation to support the specific Loan program or Loan approval.

6.6.2 Loan Servicing File

The following documents and information in combination with the documents listed in the [Required Claim Documents](#) section together constitute the Loan Servicing File. The Loan Servicing File should be maintained and must be provided to Arch MI upon request.

Additional documents when claimed expenses and/or Advances are not itemized or appear excessive:

- Attorneys' fee invoices.
- Statutory costs invoices.
- Invoices supporting charges included in the final Closing Disclosure (formerly known as HUD-1).
- Homeowners Association (HOA) monthly invoices.
- Sheriff's deposit/fee invoice.
- BPO/appraisal invoice.
- Property preservation invoices.
- Date of property inspections.
- Preservation expense explanation.
- Property tax information including coverage periods.
- Hazard insurance declarations page.

Additional documents when it appears a modification or loss mitigation activity occurred outside of delegated guidelines:

- Borrower financials.
- Workout package.
- Modification package.

Additional documents when there is a discrepancy between the Property address in Arch MI's records and the Property address indicated in the documents submitted with the Claim:

- Loan Origination deed.
- Loan Origination note.
- Loan Origination 1003 (Loan application).
- Lender's title policy obtained in connection with the Loan's origination.
- 442 Notice of Completion.
- Origination Appraisal.
- Origination final Closing Disclosure (formerly known as HUD-1).
- 911 county/city update.

Additional documents when a title discrepancy is discovered:

- Title transfer deed.
- Trustee deed/sheriff's deed.
- Cease and desist letter.
- Power of attorney.
- Name change affidavit.
- Quit claim deed.
- Divorce decree.

Additional documents for acquisition opportunities:

- Servicer contact information.
- Broker information.
- Property marketing status.

Additional documents related to the issuance of final payment:

- Investor Loan number.
- Repurchase demand.
- REO status.
- Date of Default.
- Description of other deduction entered on the Claim.
- Escrow deficit clarification.
- New Servicer information.
- Borrower current mailing address.
- Confirmation of interest rate.
- Reason for litigation.

7. Claims Investigation

As part of the review of Claim eligibility, Arch MI may perform an audit of the Loan Origination File. Generally, investigations occur before a Claim is filed. Arch MI's investigation of the Loan Origination File may include, but is not limited to, the following:

- Reconfirm the Borrower's information, including Social Security number, phone numbers, addresses, etc.
- Underwrite the Loan to the applicable underwriting requirements in force at the time of Loan submission. This involves an analysis of Borrower eligibility, employment, income, assets, credit, housing expenses, other recurring debts and occupancy.
- Review the origination appraisal and potentially obtain an AVM, BPO, field review or drive-by appraisal.
- Review all closing documentation.
- Evaluate "red flags" and file discrepancies. This includes using third-party fraud detection tools.

- Obtain new credit report to re-verify the Borrower's credit history and the debts and obligations at the time of Loan origination.
- Independently re-verify Borrower's employment, income, assets and occupancy.
- Conduct Borrower interviews, as needed, or interviews with other parties to the transaction as needed.
- Conduct additional reviews, reverifications or confirmations deemed necessary.

As a result of the investigation, Arch MI will either:

- Process the Claim for payment.
- Rescind coverage due to Credible Evidence of Material Misrepresentation, Material Origination Error or Material Value Variance.
- Deny the Claim due to policy violation.

Policy Note:

- Arch MI 3800.00 (03/20): "Material Misrepresentation" and "Material Origination Error" are replaced by "Significant Defect." A "Significant Defect" if, had the true facts been known, the Loan would not have been eligible for insurance based on the eligibility criteria or Underwriting Requirements applicable at the time of the Insurance Application.

8. Claim Settlement

8.1 Claim Settlement Methods

Arch MI will choose one of the following three settlement options.

8.1.1 Percentage Option

An amount equal to the calculated loss multiplied by the percentage of coverage specified on the Loan's Certificate.

8.1.2 Third-Party Sale Option

An amount equal to the lesser of the Percentage Option or the Insured's Loss on Sale in connection with a pre-arranged Property sale. The Insured's Loss on Sale is an amount equal to the calculated loss plus all reasonable costs incurred in obtaining and closing the Third-Party Sale, less the proceeds of the Third-Party Sale.

Policy Notes:

- CMG 1100.00 (7/94) refers to this method as Pre-Arranged Sale Option.
- CJA (01/14) DMA (01/14) refers to this method as Loss-on-Sale Option.
- CAM (01/94) refers to this method as Loss-on-Sale Option.

8.1.3 Acquisition Option

An amount equal to the calculated loss less the amount of any payments of loss previously made by Arch MI with respect to the Loan, payable in exchange for the conveyance of a Good and Merchantable Title to, and possession of, the Property.

If the conveyance of title does not occur within 210 days following submission of the Claim, Arch MI will pay the Anticipated Loss. Anticipated Loss is the calculated loss less the amount Arch MI reasonably anticipates receiving as proceeds of the sale of the Property, net of anticipated costs of the sale and holding costs.

Policy Notes:

- CMG 1100.00 (7/94): If the conveyance of title does not occur within the later of 30 days after the redemption period or 90 days after the Claim Adjustment Period, Arch MI will pay the Anticipated Loss.
- CJA (01/14) DMA (01/14): Acquisition option settlement method is the same as in Arch MI 1800.00 (07/14).
- CAM (01/94): Arch MI may continue to hold the Claim until conveyance of title occurs.

8.1.4 Non-Perfected Claims

If the Servicer does not provide all items requested within 120 days after the initial written request, Arch MI may Deny the Claim.

Policy Notes:

- CMG 1100.00 (7/94): If the Servicer does not provide all items requested within 120 days after the initial written request, Arch MI may close the Claim file without payment.
- CJA (01/14) DMA (01/14): If the Servicer does not provide all items requested within 120 days after the Claim is filed, Arch MI may Deny the Claim.
- CAM (01/94): If the Servicer does not provide all items requested within 60 days after the Claim is acknowledged, coverage on the Loan may be canceled.

8.2 Timing of Claim Payment

Arch MI will pay your Claim within 60 days of the date the Claim becomes a Perfected Claim. A Perfected Claim is one that includes all of the Required Claim Documents and any additional Claim Documents requested by Arch MI.

If Arch MI pays the Claim after the Claim Settlement Period, it shall also pay as penalty: (i) an amount equal to interest on the Claim payment 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 60th day following the last day of the Claim Settlement period; and (ii) an amount equal to the Loan's contract rate plus 10 percent thereafter.

Policy Notes:

- CMG 1100.00 (7/94): Pays liquidated damages at the Loan's contract rate.
- CJA (01/14) DMA (01/14): The timing of Claim payment is the same as in Arch MI 1800.00 (07/14).
- CAM (01/94): Pays liquidated damages at the Loan's contract rate.

Arch MI must be given access to the Property upon request. Failure to provide access when requested may entitle Arch MI to suspend payment of the Claim, pending access.

After the Claim becomes a Perfected Claim, if Arch MI selects the Acquisition Option, a recordable deed is required.

8.3 Claim Status

Once a Claim is filed, the status of the Claim is available real-time on **CONNECT** even if the Servicer did not submit the Claim through this channel. To obtain a login to access Claim status information, visit Arch MI's **CONNECT**.

9. Computation of Calculated Loss

The Calculated Loss is the sum of claimable items less related deductions.

9.1 Claimable Items

The following items may be submitted.

Policy Note:

- Arch MI 3800.00 (03/20): The Delinquency and Claims Reference Manual will include the list of eligible expense items for Claims. The following sections list the eligible expenses.

9.1.1 Unpaid Principal Balance

The Loan's unpaid principal balance (UPB) as of the date the last regular payment was applied. The amount should match the UPB reported to Arch MI through Default reporting. Loans that have been modified must have been reported as required by the Delegated Servicer Program or approved by Arch MI. If Arch MI is notified and approves the modified UPB, then the existing premium rate will be applied to the modified UPB. As long as the premium is remitted based on any new billing amount, the revised UPB will be the basis for the Claim payment.

9.1.2 Past Due Interest

Interest is accrued on the UPB from the last regular payment due date through the Claim filed date or 36 months, whichever is less. Accrued interest and Advances are allowed through the Claim filed date up to 60 days after the title transfer. As described in the [Foreclosure Mitigation section](#) above, unreasonable delays may result in Claim adjustments.

Policy Notes:

- CMG 1100.00 (7/94): Does not limit the amount of interest.
- CJA (01/14) DMA (01/14): Coverage of past due interest is the same as in Arch MI 1800.00 (07/14).
- CAM (01/94): Does not limit the amount of interest.

Foreclosure sale:

- For an option payment, from the last paid installment through the earlier of the claim filed date or 60 days from the foreclosure sale date.
- For an approved sale, from the last paid installment through the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a Third-Party sale, from the last paid installment through the settlement date on the Closing Disclosure (formerly known as HUD-1) on the full principal balance and to the claim submitted date on the remaining principal balance (if applicable).
- For a foreclosure sale with a redemption or ratification or confirmation date, from the last paid installment through the earlier of the claim filed date or 60 days from the redemption or ratification or confirmation expiration date.

Short sale:

- From the last paid installment through the settlement date on the Closing Disclosure (formerly known as HUD-1) on the full principal balance and to the claim submitted date on the remaining principal balance, if applicable.

DIL:

- For an option payment, from the last paid installment through the earlier of the claim filed date or 60 days from the DIL execution date.
- For an approved sale, from the last paid installment through the settlement date on the Closing Disclosure (formerly known as HUD-1).

9.1.3 Advances

Advances are expenses paid by the Servicer with respect to a Loan after Default for hazard insurance, taxes, property sales expenses, preservation, BPO/Appraisal, HOA dues, court expenses and attorneys' fees and additional expenses incurred to protect deficiency rights.

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

9.1.4 Hazard Insurance

Normal and customary property insurance premiums.

Coverage periods:

Foreclosure sale:

- For an option payment, from date of Default to the earlier of the claim filed date or 60 days from the foreclosure sale date.
- For an approved sale, from date of Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a third-party sale, from date of Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a foreclosure sale with a redemption or ratification or confirmation date, from date of Default to the earlier of the claim filed date or 60 days from the redemption or ratification or confirmation expiration date.

Short sale:

- From the date of Default to the short sale closing date.

DIL:

- For an option payment, from date of Default to the earlier of the claim filed date or 60 days from the DIL execution date.
- For an approved sale, from date of Default through the settlement date on the Closing Disclosure (formerly known as HUD-1).

9.1.5 Real Estate Taxes

Real estate taxes imposed on the Property.

Coverage periods:

Foreclosure sale:

- For an option payment, from taxes accrued and paid after Default to the earlier of the claim filed date or 60 days from the foreclosure sale date.
- For an approved sale, from taxes accrued and paid after Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For Third-Party sale, from taxes accrued and paid after Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a foreclosure sale with a redemption or ratification or confirmation date, from taxes accrued and paid after Default to the earlier of the claim filed date or 60 days from the redemption or ratification or confirmation expiration date.

Short sale:

- For a short sale, from taxes accrued and paid after Default to the short sale closing date.

DIL:

- For an option payment, from taxes accrued and paid after Default to the earlier of the claim filed date or 60 days from the DIL execution date.
- For an approved sale, from taxes accrued and paid after Default through the settlement date on the Closing Disclosure (formerly known as HUD-1).

9.1.6 Property Sales Expenses

Expenses typically, reasonably and customarily incurred for the sale of the property.

9.1.7 Preservation Expenses

Reasonable and necessary expenses incurred to protect and preserve the Property, as approved by Arch MI at the time Arch MI reviews the Claim. Examples are utilities, re-keying, yard work, boarding, inspections and normal maintenance necessary to protect and preserve the Property following Default. Arch MI's claimable preservation expenses are aligned with the GSE servicer expense guidelines, which are considered to be the industry standard.

Coverage periods:

Foreclosure sale:

- For option payment, from preservation expenses paid after Default to the earlier of the claim filed date or 60 days from the foreclosure sale date.
- For an approved sale, from preservation expenses paid after Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a Third-Party sale, from preservation expenses paid after Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a foreclosure sale with a redemption or ratification or confirmation date, from preservation expenses paid after Default to the earlier of the claim filed date or 60 days from the redemption or ratification or confirmation expiration date.

Short sale:

- For a short sale, from preservation expenses paid after Default to the short sale closing date.

DIL:

- For an option payment, from preservation expenses paid after Default to the earlier of the claim filed date or 60 days from the DIL execution date.
- For an approved sale, from preservation expenses paid after Default through the settlement date on the Closing Disclosure (formerly known as HUD-1).

9.1.8 Broker's Price Opinion (BPO)/Appraisal

Reasonable and customary BPO and appraisal costs are allowed. Arch MI's claimable BPO/Appraisal expenses and frequency are aligned with the GSE servicer expense guidelines, which are considered to be the industry standard.

9.1.9 HOA Dues

HOA base monthly dues can be claimed. Late fees, attorney related fees, judgments, liens, late charges, tax penalties and interest on HOA dues will generally be disallowed.

Coverage periods:

Foreclosure sale:

- For an option payment from date of Default to the earlier of the claim filed date or 60 days from the foreclosure sale date.
- For an approved sale, from date of Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a third-party sale, from date of Default to the settlement date on the Closing Disclosure (formerly known as HUD-1).
- For a foreclosure sale with a redemption or ratification or confirmation date, from date of Default to the earlier of the claim filed date or 60 days from the redemption or ratification or confirmation expiration date.

Short sale:

- From date of Default to the short sale closing date.

Deed in Lieu:

- For an option payment, from date of Default to the earlier of the claim filed date or 60 days from the DIL execution date.
- For an approved sale, from date of Default through the settlement date on the Closing Disclosure (formerly known as HUD-1).

9.1.10 Court Expenses and Attorneys' Fees Related to the Covered Loan

Court costs related to the Loan.

For Loans having unpaid principal balances of less than \$200,000 at the time the Claim is filed, attorneys' fees related to the Loan are limited to the lesser of 1) the actual fees, 2) 5% of the sum of the unpaid principal balance and the past due interest or 3) \$6,000. For Loans having unpaid principal balances of \$200,000 or more at the time the Claim is filed, attorney's fees related to the Loan are limited to the lesser of 1) the actual fees or 2) 3% of the sum of the unpaid principal balance and the past due interest.

Policy Notes:

- CMG 1100.00 (7/94): Attorney's fees not to exceed 3% of the sum of the unpaid principal balance and the past due interest.
- CJA (01/14) DMA (01/14): For Covered Loans having an Insured Loan Amount less than \$200,000, attorneys' fees related to the Covered Loan shall not exceed the lesser of 1) 5% of the sum of the Default Amount and the accumulated delinquent interest due or 2) \$6,000. For Covered Loans having an Insured Loan Amount equal to or greater than \$200,000, attorney's fees related to the Covered Loan shall not exceed 3% of the sum of the Default Amount and the accumulated delinquent interest due.
- CAM (01/94): Attorney's fees not to exceed 3% of the sum of the unpaid principal balance and the past due interest.

9.1.11 Additional Expenses Incurred to Protect Deficiency Rights

Additional Expenses incurred to protect deficiency rights.

9.2 Non-Claimable Items

Generally, any items not included in the above list of Claimable Items will be excluded from the Calculated Loss. If the Servicer needs clarification on a specific item, please contact [Arch MI Claims](#) to review and discuss the details.

9.3 Deductions from Claims

9.3.1 Escrow Funds — Balance at Delinquency Deducted

The Claim filing should report the balance in the escrow account as of the last payment date. A positive balance in the tax and insurance escrow account will be deducted from the Calculated Loss.

9.3.2 Pledged Accounts

Buy down funds or other compensating balances are deducted from the Calculated Loss.

9.3.3 Property Insurance Proceeds

Income collected from property insurance proceeds are deducted from the Calculated Loss.

9.3.4 Other Income

Income collected from managing/renting the Property, other suspense/holding accounts or Borrower contributions are deducted from the Calculated Loss.

9.3.5 Net Proceeds from Pre-Arranged Sale

When the Property is sold through a Third-Party Sale, the net proceeds from the sale, including cash contributions from the Borrower, will be applied against the Calculated Loss.

9.4 Supplemental Claims

Payment of a Claim is generally considered the full and final discharge of Arch MI's obligation. However, a supplemental Claim request may be submitted for:

- Previously unsupported or unreported Advances.
- Reconsideration of Arch MI's adjustment.
- Curtailment of Claims for reasons unrelated to Advances.

Supplemental Claims may be submitted within 90 days of the initial Claim payment and should include additional supporting documentation and explanation of the supplemental claim request. Arch MI will pay the Supplemental Claim within 60 days of receipt of documentation establishing the validity and amount of the Supplemental Claim.

Supplemental Claims may be submitted to Arch MI using any of the channels described in [Section 6.2, How to File a Claim](#).

Policy Notes:

- CMG 1100.00 (7/94): Arch MI prefers supplemental Claims to be submitted within 90 days of the initial Claim payment but they may be submitted after 90 days, subject to statutory requirements.
- CJA 01/14 DMA 01/14: Supplemental Claims timing is the same as in Arch MI 1800.00 (07/14).
- CAM 01/94: Supplemental Claims timing is the same as in Arch MI 1800.00 (07/14).

9.5 Payment of Claim/Explanation of Benefits

Arch MI issues Claim payments daily by check or electronic wire of funds.

An explanation of benefits (EOB) letter is provided for every settlement. The EOB letter includes the Insurance Benefit amount, a detailed explanation of the interest and expense calculations, an itemization of any curtailments and a Claim summary. EOBs are available on Arch MI's [CONNECT](#).

If the property is redeemed after Arch MI settles the Claim and the sum of the Claim payment plus the Redemption Price exceeds the Calculated Loss, the Insured must repay the excess to Arch MI.

Policy Notes:

- Arch MI 3800.00 (03/20): If such excess is not paid within 60 days of the redemption then interest will accrue.
- CAM (01/94): Repayment of excess due to redemption right does not apply to this Policy.

10. Credible Evidence

Arch MI will evaluate and make a decision about each mortgage Claim pursuant to the terms of the Master Policy. Coverage may be rescinded based on Credible Evidence of Material Misrepresentation, Material Origination error or Material Value Variance. The following are nonexclusive examples of Credible Evidence that may be used during the decision-making process.

Policy Note:

- Arch MI 3800.00 (03/20): "Material Misrepresentation" and "Material Origination Error" are replaced by "Significant Defect." A "Significant Defect" if, had the true facts been known, the Loan would not have been eligible for insurance based on the eligibility criteria or Underwriting Requirements applicable at the time of the Insurance Application.

Alleged Defect	Examples of Credible Evidence of Defect
Material Value Variance	<p>Review appraisal that indicates that the origination value is not defensible or in good faith. A 15% variance is required.</p> <ul style="list-style-type: none"> • Attributes of the comparable sales were misrepresented. • Attributes of the property were misrepresented. • Inappropriate comparable sales used in appraisal. • Failure to report historical sales for the subject property and/or comparable sales. • Obvious defects were ignored. • Uniform Standards of Professional Appraisal Practice (USPAP) violations. • Other evidence that the appraiser manipulated or unreasonably used information in producing the origination value.
Property	<ul style="list-style-type: none"> • Ineligible property type, such as a multi-family with more than four units, condo hotel, single-wide manufactured home or a working farm. • Properties in unacceptable condition. • Properties with significant marketability, livability or safety issues. • Legally prohibited properties. • Missing documentation/inspections needed to verify property is in acceptable condition. • Incomplete construction resulting in unsupported appraised value “subject to” completion of improvements.
Borrower Eligibility	<ul style="list-style-type: none"> • Evidence of using a false or incorrect Social Security number or using an ITIN in lieu of a SSN. • Misrepresentation of the Borrower’s status as a legal resident or citizen of the United States.
Income	<ul style="list-style-type: none"> • Evidence of the Borrower’s true income as of the Loan origination, as determined from bankruptcy records, tax transcripts, reverifications of employment or other reliable sources. • Borrower statement that is sworn or corroborated by other information or documentation. • Income documentation is present in the Loan file that is inconsistent with the income used to qualify the Loan. • Social Security and/or Medicare calculations not consistent with the federal requirements. • Reverification of employment indicating qualifying income was misrepresented on origination VOE. • Qualifying income derived from an ineligible or illegal source. • Employment history does not support continuity or stability of income used for qualifying.
Employment	<ul style="list-style-type: none"> • Reverification of employment, bankruptcy records, tax transcripts or other reliable sources indicating the employment was false. • No evidence can be found to support that the self-employed Borrower’s business exists and it is determined that the city and/or county to which the Borrower is doing business requires a license. • Reverification of employment indicating employment information was misrepresented on origination VOE or verbal VOE completed prior to Loan closing. • Reverification of employment indicating employment information was misrepresented on borrower’s signed application at time of Loan closing.

Alleged Defect	Examples of Credible Evidence of Defect
Assets	<ul style="list-style-type: none"> • Reverification of deposit indicating asset information was misrepresented on the origination asset documentation. • Misrepresentation of closing funds. • Borrower statement that is sworn or corroborated by other information or documentation. • Fraudulent or altered asset documentation with red flags indicating a falsity. • Reverification of deposit indicating asset information was misrepresented on origination VOD. • Excessive interested-party contributions, including selling concessions. • Closing funds from an ineligible source. • Insufficient verified assets to meet closing fund requirements.
Credit	<ul style="list-style-type: none"> • Evidence of indebtedness on or before the date that the subject Loan closes not disclosed in the Loan file and that is material to the Loan file. • Evidence of the Borrower's true indebtedness as of the Loan origination, as determined from credit reports, bank statements, payroll records, other legal documents, or other reliable sources. • Undisclosed debt originated with same lender that is material to the Loan file. • Undisclosed debt is otherwise known or should have been known to lender that is material to the Loan file. • Undisclosed lien or judgment. • Failure to disclose a previous significant derogatory credit event such as bankruptcy, foreclosure or short sale. • Insufficient evidence that credit was re-established following a significant derogatory credit event. • Insufficient time elapsed since a previous derogatory credit event. • Insufficient credit history that does not meet Arch MI's minimum requirements.
Occupancy	<ul style="list-style-type: none"> • Driver's license records, voter registration, vehicle registration or public records indicating the Borrower did not occupy the subject property. • Homeowner's/hazard insurance policy indicates the subject property is a rental property when Loan was presented as a primary residence. • Tax transcript in a Homestead state where the property securing the Loan is not listed as the Borrower's primary residence. • Mailing address for payment information on 1003 is listed as Borrower's prior residence and no change in billing address after Loan origination. • Absence of credible association linking the Borrower to the subject address. • Borrower statement that is sworn or corroborated by other information or documentation.
MI Eligibility Requirements	<ul style="list-style-type: none"> • Loan did not meet the applicable Arch MI/AMGC Underwriting Requirements in effect as of the commitment date and the Insured did not otherwise have an exception, in writing, via an Arch MI/AMGC Program Variance. • Use of an automated underwriting system (AUS) other than Desktop Underwriter or Loan Product Advisor not approved by Arch MI. • If an AUS was used to underwrite the loan file, the required AUS conditions of approval to close the Loan were not executed by the lender. • Information submitted to the AUS, when used in the MI approval decision, is verified to be inaccurate.
Missing Documents	<ul style="list-style-type: none"> • Any missing documents from the Loan origination file that are material to the investigation process. • Undisclosed lien resulting in title issue or excessive LTV/CLTV.

11. Eligibility — Pricing Adjustment

Loans in Default Status:

Upon evaluation of Credible Evidence, Arch MI may determine that coverage on a Loan could be rescinded, but based on the facts as determined by Arch MI, the Loan would have been eligible for coverage at a higher Premium rate under the Underwriting Requirements in effect on the Certificate Effective Date. In such situations, Arch MI will calculate the total premium shortfall from the Certificate Effective Date and will send a Notice to the Insured containing the amount of Premium owed and advising the Insured that the total amount must be paid within 60 days to maintain Loan coverage. If the payment is not received within 60 days, Arch MI will Rescind Loan coverage.

Loans not in Default Status:

Upon evaluation of Credible Evidence, if Arch MI determines that the attributes of a Loan reported to Arch MI by the Insured were incorrect, but based on the actual Loan attributes, the Loan would have been eligible for coverage at a higher Premium rate under the Underwriting Requirements in effect on the Certificate Effective Date, Arch MI will calculate the premium shortfall over a five-year period and will send a Notice to the Insured containing the amount of the additional premium required and advising the Insured the additional amount must be paid in a single payment within 60 days to maintain Loan coverage. If the payment is not received within 60 days, Arch MI will effect a Company Initiated Cancellation of Loan coverage.

12. Appeals

Arch MI's Appeals department provides an appeal process for disputed decisions on Rescissions, Claim Denials, Independent Validation failures, Certificate Cancellations, Company Initiated Cancellations and Claim curtailments that are unresolved through the supplemental Claim process. Every appeal will be analyzed by an independent team who will research and consider the basis/merit for every appeal, including supporting documentation.

1. The appeal must be submitted in writing with supporting documentation no later than 90 days from notification of the Rescission, Claim Denial or Independent Validation failure due to missing documents, Certificate Cancellation or Company Initiated Cancellation. For Claim curtailments, the appeal must be submitted in writing with supporting documentation within 90 days of Claim payment. No appeal will be allowed after 90 days from notification or Claim payment.

Loans receiving notification of a failure of Independent Validation that could result in Rescission must be appealed within 90 days of the notification or a Rescission will be issued. If an appeal of a failure of Independent Validation is received within 90 days, a Rescission will not be issued unless such failure remains uncured after 120 days from the date of the initial notification. Any failure of an Independent Validation may continue to be appealed after a Rescission is issued, but such an appeal must be resolved within 180 days from the date of Rescission notification.

2. Appeals may be submitted via email to appeals@archmi.com or by mail addressed to:

Arch MI — Appeals Department
230 N. Elm St.
Greensboro, NC, 27401.

3. Each appeal should include the Arch MI Certificate Number, lender loan number and Borrower name and should address the specific reason for the appeal and include all supporting documentation. (Claim curtailment appeals should include a Supplemental Claim for Loss Form.)
4. Every appeal will be analyzed by an independent team who will research and consider the basis/merit for every appeal, including supporting documentation. Arch MI will respond in writing within 60 days.
5. Per the terms of the Master Policy, all appeals must be resolved within 180 days following the loan decision.

Policy Notes:

- CMG 1100.00.00 (7/94): The appeal process is the same as in Arch MI 1800.00 (07.14).
- CJA (01/14): Appeals may be submitted within 120 days of notification or Claim payment for Claim curtailments.
- CAM (01/94): The appeal process is the same as in Arch MI 1800.00 (07.14).

**ARCH MORTGAGE INSURANCE COMPANY® | UNITED GUARANTY RESIDENTIAL INSURANCE COMPANY | 230 NORTH ELM STREET
GREENSBORO NC 27401 | ARCHMI.COM MCUS-B0558-1121**

© 2022 Arch Mortgage Insurance Company. All Rights Reserved. Arch MI is a marketing term for Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company. Arch Mortgage Insurance Company is a registered mark of Arch Capital Group (U.S.) Inc. or its affiliates. Desktop Underwriter and DU are registered marks of Fannie Mae. Loan Product Advisor is a registered mark of Freddie Mac.