

Loans with Significant Defects

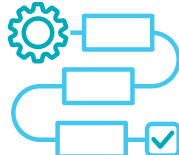
Arch MI's Quality Control (QC) process comprehensively evaluates insured loan files to confirm that the loan meets Arch MI's underwriting and eligibility requirements. Significant Defects discovered during Arch MI QC reviews have the potential to impact Arch MI's ability to provide MI coverage on a loan.



ANALYSIS



EVALUATION



PROCESS



APPROVAL



RESULTS

What causes a Significant Defect?

- Significant Defects are typically the result of eligibility guideline violations, material misrepresentations or fraud, and indicate defects that would have resulted in the loan being unacceptable for MI coverage had the true and accurate information about the loan been known at the time of the MI application.
- They can also come from a credit union's failure to provide sufficient documentation to evaluate the credit quality of a loan.

How does Arch MI QC notify customers of Significant Defects?

- Loans with Significant Defects are identified in the Preliminary Results report issued by Arch MI's QC department.

What should I do if I have a Significant Defect cited on the Preliminary Results report?

- A prompt response to these findings, along with any relevant supporting documentation, is necessary to address all of the Significant Defect(s) noted.
- Arch MI QC will review the response in good faith to determine if the issue can be cleared or the severity downgraded.
- If the Significant Defect cannot be resolved and the loan is deemed uninsurable, you will be notified of the next steps in the review process.

Why was my loan audited by Arch MI QC?

- Arch MI QC conducts post-close reviews of a random sample of recently insured loans. In addition, Arch MI QC reviews all early payment default loans and other loans with reported delinquencies prior to the rescission relief period.

What if the Significant Defect is not our fault?

- As part of its loan file review, Arch MI obtains independent reverifications of critical loan, member and property information. When this information contradicts the information provided at the time the loan was closed, it could result in a Significant Defect.
- Arch MI may cite Significant Defects for misrepresentations made by members under the terms of the Master Policy.
- Fannie Mae and Freddie Mac's Day 1 Certainty of Coverage does not waive the credit union's responsibility for ensuring that a loan meets Arch MI's underwriting guidelines.

What happens if I can't resolve the Defects cited in the Preliminary Results report?

- Loans with Significant Defects that cannot be resolved through the initial review process will be escalated for further review before a final determination is made on their eligibility for insurance.
- If coverage must be rescinded, Arch MI QC will notify you of the decision before the rescission letter is sent and coverage terminated.
- Rescission letters are sent to the credit union and servicer, explaining why coverage has been rescinded and reserving Arch MI's rights with respect to the loan.
- Arch MI will refund all premiums paid to the loan servicer of record when MI coverage is rescinded.
- Should you disagree with Arch MI's final decision to terminate MI coverage or can obtain additional documentation to address the Significant Defect, you have the option to appeal the decision. Appeals are reviewed independently of QC decisions. Instructions for submitting an appeal are included in the rescission letter.

If you have questions regarding this information, please contact Quality Control at **888-844-6787** or email us at **quality.control@archmi.com**.
