

AMAC Second Lien Master Policy

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Terms and Conditions

I. Reporting Program

- A. Reporting Program Manual — The Insured represents and agrees that all Accounts shall be reported by it in strict accordance with the terms and provisions of the Reporting Program Manual attached to this Policy (as may be amended or restated from time to time) and in accordance with prudent underwriting judgment. The Insured represents to the Company that it has caused or will cause each of its loan underwriters to read and review the Reporting Program Manual and ask any questions relating thereto that they may have of the Company prior to allowing any such loan underwriter to report loans for coverage under this Policy. The Insured also represents it will cause each of its loan underwriters to do the same with respect to any updates to the Reporting Program Manual. The Insured understands and agrees that the Company may unilaterally change the Reporting Program Manual on 30 days' advance notice made by email, posting on the Company's website or other electronic means agreed to by the Insured; except changes that expand any underwriting guidelines in the Reporting Program Manual shall not require advance notice.
- B. Reporting of Accounts — Each month, a listing of Accounts (Account Report) shall be reported to the Company for insurance on the form prescribed by the Company together with applicable premium within 15 days after the close of the month in which the Account is originated. Account Reports may be transmitted to the Company in an approved format and by an approved transmittal method. The prescribed Account Report form is at the Company's discretion, but must contain, at a minimum, the number of Accounts, outstanding balance of those Accounts, and number and outstanding balance of Accounts in Default for 30, 60 or 90 days. All Accounts reported to the Company for insurance hereunder shall be identified by methods satisfactory to the Company on the records of the Insured.
- C. Post-Reporting Audit — The Company may perform an audit of insured Accounts as outlined in Section VII.J. (Audits and Examinations) of this Policy to verify compliance of insured Accounts with the provisions and stipulations of this Policy and the applicable Reporting Program Manual in force at the origination of the Accounts.

II. Coverage

- A. Application — In order to obtain coverage under this Policy:
 1. If a loan meets the underwriting guidelines outlined in the applicable Reporting Program Manual, the Insured may submit an application for coverage on that loan as required above in Section I.B. (Reporting of Accounts). Upon receipt of a properly completed Account Report and the payment of the appropriate premium for each such Account, the Company shall indicate its approval of coverage under this Policy by assigning a Certificate Number to each approved Account on an applicable Account Schedule issued by the Company to the Insured.

2. If an Account does not meet the requirements outlined in the Reporting Program Manual, the Insured may contact the Company and explain in all material regards how the loan does not meet such requirements and the Company shall, based on such representations and any additional information requested, either accept or reject the Account for coverage under the Reporting Program. The Company's approval of any such Account shall be indicated by the issuance of an exception approval to the Insured, which must be retained by the Insured as a part of the Account documentation. The Insured shall, for all such Accounts accepted by the Company under this Section II.A.2. and for which it wishes to obtain coverage under the Reporting Program, consummate such loan before the expiration date set forth in the exception approval issued with respect to such loan and submit that loan as part of the monthly Account Report. In the event the Company declines to accept any Account submitted for coverage under this Section II.A.2., it shall so notify the Insured in writing. If the Insured subsequently denies the loan application received by it from the loan applicant, the Insured shall bear full responsibility for notifying the applicant in compliance with any state or federal laws or regulations including, without limitation, the Equal Credit Opportunity Act and any similar law or regulation.

B. Representations of the Insured

1. The Insured agrees that all statements made and matters presented by it, the Account Holder or any other Person in any application for this Policy and/or coverage under this Policy, and in the appraisal, the plans and specifications, and other exhibits and documents submitted therewith or at any time thereafter, and/or in any Account Report, are deemed to be the Insured's representations, and that the Company has issued this Policy, and will issue exception approvals and/or Certificate Numbers in reliance on the correctness and completeness thereof.
2. The Insured represents to the Company that:
 - a. the information presented by it to the Company in each Account Report is supported by the loan file documentation and
 - b. none of the information presented by it to the Company is materially false or misleading as of the applicable date and
 - c. each Account described in such Account Report was underwritten by the Insured and complies with the Reporting Program Manual as of the date of the Account Report, except as may be set forth in an exception approval issued by the Company under Section II.A.2., and
 - d. prudent and commercially reasonable underwriting procedures have been followed by the Insured with respect to such Account and
 - e. the Insured either: 1) in all respects originated the Account, or 2) if the Insured did not in all respects originate the Account, verified with the original sources the applicable loan file documentation.

3. During the term of this Policy and any applicable legal retention period, the Insured represents that it shall obtain and maintain in its files all relevant loan file documents for Accounts insured under this Policy.
4. The Insured acknowledges that the Company will issue exception approvals and Certificate Numbers in reliance upon the accuracy and completeness of the information presented in the Account Report and the representations contained therein and herein.
5. Any coverage provided by this Policy shall be void if the Insured or any agent of the Insured has concealed or misrepresented any fact or circumstance that increases the risk of Loss concerning such coverage, or in case of any fraud, attempted fraud or false swearing by the Account Holder, Insured or agent of the Insured relating to any material matter affecting the acceptance of risk or to the hazard assumed by the Company, whether before or after a Loss, or if the Insured shall make any claim that is false or fraudulent.

III. Definitions

- A. "Acceptable Evidence of Loss" means documentation acceptable to the Company demonstrating an Account's terms and subsequent Default on the Account, consisting of the following:
 1. Loan file documents demonstrating the terms of an insured Account including, but not limited to, the Eligible Note, payment histories, collection notes and any related documentation reasonably requested by Company, including:
 - a. the originals (or in the case of recorded documents that have not been returned by the recording office, certified copies) of any and all documents executed and/or delivered by or to the Account Holder (including any second deed of trust and/or other security instruments, any policies of title insurance, letter reports of title, or opinions of title and surveys, and any state and/or federal disclosure and/or consumer credit documents), and
 - b. any other insurance policies of whatever type, the proceeds from which are derived from or in any way related to the Account or the Property and that have not been collected or received by the Insured, and
 - c. documentation demonstrating the outstanding principal on the Account and the timing and amounts of payments on the Eligible Note, and
 2. a duly and properly executed transfer and assignment, containing customary representations and warranties, of the Insured's interest in the Default(ed) Eligible Note to the Company.
- B. "Account" means an advance of funds or the opening of a line of credit, evidenced by an Eligible Note in compliance with approved underwriting guidelines outlined in the Reporting Program Manual in force at the time of the origination of the insured Account.

- C. “Account Holder” means any natural individual, or any trust controlled by a natural individual, obligated to repay the debt obligation created pursuant to the Account. The Account Holder may be more than one individual, and the term includes any co-borrower, co-signer, co-obligor or guarantor obligated to make payments under the note, mortgage or other instrument of indenture.
 - D. “Account Report” means the monthly documentation described in Section I.B. (Reporting of Accounts), which lists the Accounts reported to the Company.
 - E. “Account Schedule” means the list of Accounts that have been extended coverage under this Policy and that is periodically provided by the Company to the Insured, which is based on the Accounts reported by the Insured to the Company on the applicable Account Report.
 - F. “Certificate Number” means the identifier shown on the Account Schedule issued to the Insured, which indicates that the Company has extended coverage under this Policy for the specified Account.
 - G. “Closed-end Equity Account” means a loan that specifies the length of time for repayment of a predetermined dollar amount and for which the proceeds are disbursed at the time the loan is originated and closed.
 - H. “Company” means the mortgage guaranty insurance company identified on the declarations page of this Policy.
 - I. “Default” means:
 - 1. the failure by an Account Holder to pay when due a nonaccelerated scheduled periodic payment due under the Eligible Note or
 - 2. the failure by an Account Holder to pay the outstanding balance if the loan has been accelerated by reason of violation by the Account Holder of any due-on-sale clause.
- A loan is deemed to be in Default for that month as of the close of business on the Installment due date for which a scheduled monthly payment has not been made or on the date the Insured first discovers or should have discovered the violation of a due-on-sale clause. For example, a loan is “three (3) months in Default” if the monthly installments due on January 1 through March 1 remain unpaid as of the close of business on March 1.
- J. “Effective Date” means with respect to the Policy, 12:01 a.m. on the date designated as such on the declarations page of this Policy.
 - K. “Eligible Note” means any written evidence of obligation:

1. that bears the genuine signature of the Account Holder and all other parties to the instrument, is complete and regular on its face, and is valid and legally enforceable against the Account Holder; and
2. containing Payment and maturity requirements meeting the following specifications: the Eligible Note shall be payable in Installments, the first of which shall fall due within six months of the Account's origination and the last within the maximum eligible Account term specified in the declarations page of this Policy; and
3. that is for an amount such that the Net Proceeds, as defined below, of such Eligible Note plus the unpaid Net Proceeds of any other Accounts insured by the Company and extended by the Insured to the Account Holder making the Eligible Note are not in excess of the maximum eligible Account amount specified in the declarations page of this Policy, and
4. secured by a second deed of trust, and
5. that contains, where permitted by law, itself or in combination with the second deed of trust:
 - a. a clause providing for the acceleration of maturity at the option of the holder, upon a Default and
 - b. a due-on-sale clause and
 - c. a waiver of the Account Holder's homestead exemption; and
6. for an Open-end Equity Account
 - a. under which the Account Holder is obligated to repay a loan in monthly Installments of an amount not less than the interest due on the outstanding balance of the loan, and
 - b. under which no additional advances may be made after a period not to exceed 10 years from the date the loan was consummated, and
 - c. with an amortization term of at least 12 months, and
 - d. that allows the Insured to obtain updated credit and financial information periodically after the date the loan was consummated, and
 - e. containing, where permitted by law, itself or in combination with the second deed of trust:
 - i. a clause permitting the Account Holder to prepay the principal balance and interest due on any date without penalty, and

- ii. a clause providing for the acceleration of maturity, at the option of the holder, upon a Default, and
 - iii. a due-on-sale clause, and
 - iv. a clause permitting the Insured to make payments on, after default under, the first deed of trust, and
 - v. a clause providing that the Account Holder may not take additional advances under any loan secured by the first deed of trust, and
 - vi. a waiver of the Account Holder's homestead exemption, and
- f. containing, where permitted by law, itself or in combination with the second deed of trust, a clause that allows the Insured, upon written notice to the Account Holder as may be required by law, to reduce or otherwise limit the maximum proceeds or line of credit available to the Account Holder under the loan in either of the following circumstances:
 - i. receipt by the Insured of an appraisal or other evidence of values, indicating a decline in the value of the Property to a value less than the original Property value, or
 - ii. discovery by the Insured of a material adverse change in the Account Holder's financial condition, and
- 7. for a Closed-end Equity Account
 - a. under which the Account Holder is obligated to repay a loan in positive amortizing monthly installments of principal and interest and
 - b. with an amortization term of at least 12 months.
- 8. or any other note approved by the Company in writing.
- L. "Environmental Impairment" means (i) 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 (ii) 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 (iii) 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 (iv) 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.

- M. "Insured" means with respect to any Account, the owner of the Account.
- N. "Loss" means the Net Proceeds that become payable as a result of the Default by an Account Holder of Accounts owned by the Insured and previously reported to the Company.
- O. "Net Proceeds" means the unpaid principal balance of the Account, not to include finance charges, fees or penalties associated with the Account, plus the amount of accumulated delinquent interest due on the Account as of the earlier of the date the claim is submitted to the Company or is required to be submitted to the Company under Section VII.D. (Filing a Claim for Loss) computed at the contract rate and not compounded but excluding applicable late charges and penalty interest. For Closed-end Equity Accounts, Net Proceeds cannot exceed the original amount of the Account originally disbursed to the Account Holder. For Open-end Equity Accounts, Net Proceeds cannot exceed the amount shown on the declarations page of this Policy. In the event of a Loss under this Policy, Net Proceeds includes the following fees or costs incurred by the Insured:
1. Uncollected court costs (including fees paid for issuing, serving and filing summons); plus
 2. Attorneys' fees actually paid, not exceeding:
 - a. 25% of the amount collected by the attorney on the Default(ed) Eligible Note provided the Insured does not waive its claim against the Account Holder for such fees,
 - b. less any part of the foregoing amounts that the Insured has collected from others, or that the Insured can collect from a reserve or from retained funds on the Account.
- P. "Open-end Equity Account" means a loan that constitutes an open line of credit up to a predetermined dollar amount against which an Account Holder may draw without obtaining prior approval for each advance of funds.
- Q. "Payment" or "Installment" means monies paid by the Account Holder to the Insured, which represents the full or partial (re)payment of an Account according to the terms of the Eligible Note evidencing such Account.
- R. "Person" means any individual, corporation, partnership, association or other entity.
- S. "Physical Damage" means any injury, other than Environmental Impairment, to the Property that is tangible, whether caused by accident or otherwise, occurring for whatever reason, including, but not limited to, physical injury or destruction of tangible property, defects in construction, land subsidence, earth movement or slippage, earthquake, flood, or any other act of God, riot, insurrection, civil strife or war.

- T. “Policy” means this contract of insurance and any insurance applications, attachments, Reporting Program Manual, Account Reports, Account Schedules and endorsements relating to this Policy, which are incorporated and made a part of this Policy with respect to the Accounts to which they relate.
- U. “Policy Period” means the annual period from the Effective Date of this Policy until 12:01 a.m. of the same day of the following year and each subsequent time period similarly calculated unless otherwise specified on the declarations page of this Policy.
- V. “Property” means the residential real property and all improvements thereon, together with all easements and appurtenances, all rights of access, all rights to use common areas, recreational and other facilities, and all replacements or additions thereto:
 - 1. that secures the Account, and
 - 2. that is the Account Holder’s principal residence, and
 - 3. in which the Account Holder has fee simple title or the interest created by a properly recorded land purchase installment contract.
- W. “Reporting Program Manual” means the document designated as such by the Company in effect as of the date of this Policy, as it may be amended and restated by the Company from time to time under Section I.A. (Reporting Program Manual), which contains the applicable underwriting guidelines and that sets forth the terms and conditions under which the Insured is to report or apply for coverage under this Policy.

IV. Limit of Liability

- A. Individual Insured Account: Regardless of the number of claims made, the Company’s maximum liability for all Loss attributed an individual insured Account is equal to the limit shown on the declarations page of this Policy (Individual Account Limit).
- B. Annual Aggregate: The aggregate limit for Losses on insured Accounts reported to the Company in any Policy Period is equal to the percentage shown on the declarations page of this Policy (Policy Period Annual Aggregate Limit) times the aggregated Net Proceeds of new Accounts reported for the applicable Policy Period, adjusted as shown by the formula on the declarations page of this Policy for Accounts that had coverage properly transferred, canceled or terminated, or had a claim excluded, in accordance with the terms and conditions of this Policy. This aggregate is referred to as the Annual Aggregate.

V. Policy Period, Territory

The insurance afforded by this Policy only applies to Defaults arising from Accounts reported during the applicable Policy Period and secured by Property located within the United States of America.

VI. Exclusions

The Company shall not be obligated to pay, and this Policy does not apply to any Loss or claim arising from, occurring as a result of, or alleging:

- A. **Effective Date, Cancellation, Termination:** Any claim for Loss resulting from a Default occurring before the Effective Date of this Policy or after coverage has been canceled or terminated in accordance with the terms and conditions of this Policy.
- B. **Negligence and Fraud:** Any claim for Loss involving or arising out of any dishonest, fraudulent, criminal or knowingly wrongful act (including error or omission) by any Account Holder, Insured or agent of the Insured.
- C. **Environmental Impairment:** Any claim for Loss where there is Environmental Impairment.
- D. **Accounts Not Originated by the Insured:** Any claim for Loss if the Insured did not in all respects either (1) originate the Account or (2) verify that the Account's file documents are accurate and complete.
- E. **Physical Damage:** Any claim for Loss where there is Physical Damage to the Property provided, however, that this exclusion shall not apply if the Insured has restored the Property, as applicable, (1) to its condition as of the effective date of the Account's origination, reasonable wear and tear excepted, or (2) if the Property was not completed in accordance with the construction plans and specifications as of the date of Default, to the condition contemplated by such construction plans and specifications.
- F. **Balloon Payment:** Any claim for Loss arising out of or in connection with the failure of the Account Holder to make a Payment of principal and/or interest due under the Account, which Payment arises because the Insured exercises its right to call the Account when the Account is not in Default or because the term of the Account is shorter than the amortization period.
- G. **Disbursement of Proceeds After Account Holder Is Two Months in Default:** Any claim for Loss with respect to an Open-end Equity Account if the Insured allows an Account Holder to obtain a disbursement of proceeds under the Account when the Account Holder is two or more months in Default on the date the Account Holder receives the disbursement.
- H. **Condemnation, Zoning or Eminent Domain:** Any claim for Loss arising out of the condemnation, zoning or eminent domain actions of any governmental entity or authority.
- I. **Misrepresentation of Loan Transaction:** Any claim for Loss if the loan transaction closed by the Insured materially differed from loan transaction reported to Company for coverage.
- J. **Second Deed of Trust:** Any claim for Loss if the mortgage, deed of trust or other similar instrument executed by the Account Holder and the Insured did not provide the Insured at origination with a second deed of trust.

- K. Defenses: Any claim for Loss if, under applicable law, the Account Holder did successfully assert or may have successfully asserted any defense against the Insured so as to release in whole or in part the Account Holder's obligation to repay the loan provided, however, that this exclusion shall only apply to the extent and amount of such release.
- L. Failure to Conform to Underwriting Guidelines: Any claim for Loss if the loan did not meet the applicable underwriting guidelines contained in the Reporting Program Manual in effect at the time the related Account was originated, unless otherwise approved by the Company.
- M. Failure to Provide Loan File: Any claim for Loss if the Insured does not provide the Company with the applicable loan file documents upon the Company's request within the time frames specified in Section VII. (Conditions).
- N. Breach of Conditions and Insured's Obligations: Any claim for Loss resulting from a Default occurring after any material breach by the Insured of the obligations or material failure by the Insured to comply with the conditions set forth in this Policy with respect to the related Account.

VII. Conditions

- A. Conditions Precedent — As conditions precedent to payment of a claim for Loss under this Policy, all of the following conditions must be met:
 - 1. There was a Default by the Account Holder to the Insured of an Account, and
 - 2. The Account had been previously reported pursuant to the terms of this Policy during a month within the Policy Period shown in the declarations page of this Policy, and
 - 3. The Insured paid the Company the premium specified in the declarations page of this Policy for the Account, and
 - 4. The Default resulted in an insured Loss hereunder, and
 - 5. The Default was reported to the Company pursuant to the terms of this Policy, and
 - 6. For each Account insured under this Policy, the Insured shall obtain a dated credit application or electronic application by the Account Holder or other third party on behalf of the Account Holder. The credit application shall be supplemented by such other information as the Insured deems necessary and must comply with the underwriting guidelines outlined in the Reporting Program Manual that is attached to this Policy and in force at the origination of the Account, and
 - 7. If, after the Account is extended, the Insured discovers any material misstatements in the credit application, the Insured shall promptly report such discovery to the Company. The Insured shall exercise due diligence in disbursing proceeds of Accounts and in carrying out

collections and shall service its Accounts in accordance with acceptable practices of state and federal regulations, and

8. Payment(s) received on an Account, except late charges, must be applied to the maturing Installment(s) in their order, in the absence of specific written instructions from the Account Holder to do otherwise, and
9. Should a Default continue for a period of 30 days, notice thereof must be filed with the Company for each month thereafter, in a manner prescribed by the Company, until such Default is cured or a claim is made to the Company. Such notice shall also include the servicing efforts to remedy the Default and, upon request by the Company, copies of the loan file documents, and
10. The Insured shall comply with the loss mitigation obligations specified in Section VII.B. (Mitigation of Damages) but shall not exercise any right to demand from the Account Holder the full unpaid balance of the Eligible Note.

B. Mitigation of Damages

1. The Insured must file a proof of claim in any bankruptcy or similar proceeding and must file an “answer,” or otherwise take appropriate steps to protect its interest, whether a priority interest or not, in any potential “excess proceeds” in any foreclosure or similar action involving the Property.
2. The Insured shall actively cooperate with the Company to prevent and mitigate a loss and to assist the Company in the Company's attempts to prevent and mitigate a loss. If the Company so requests, the Insured shall permit the Company to assist the Insured in the collection of monies due under the Loan, including but not limited to activities such as obtaining information from the Account Holder, attempting to develop payment schedules acceptable to the Insured, conducting Property inspections and requesting appraisals of the Property.
3. In the event the Insured acquires the Property, good faith efforts must be made to dispose of the Property in a timely manner at the then-fair market value of the Property.

- C. Premium — All premiums for this Policy shall be computed in accordance with the Company's premium rates and minimum premiums applicable to the insurance afforded herein, as appearing on the declarations page of this Policy. The Premium rate is subject to monthly adjustment, effective 30 days after the delivery of the endorsement noting the new premium rate. The Insured shall maintain records of the information necessary for premium computation and shall send copies of such records to the Company within 15 days after the end of each month along with the proper premium amount due. In the event that the Insured fails to make required monthly premium payment as required by this Policy, the related coverage on an Account will be terminated due to non-payment of the required monthly premiums.

The Insured acknowledges that the Company, for the convenience of the Insured, allows premium to be tendered on a bulk basis for multiple transactions rather than on an individual transaction basis and that the Company deposits all premium upon receipt; accordingly, the Insured agrees that the receipt and deposit of premium by the Company does not constitute acceptance by the Company until final reconciliation by the Company of the Company's records with any report applicable to such premium.

D. Filing a Claim for Loss

1. A claim for Loss may be filed as to an individual Account after such Account is 90 days in Default (unless an earlier time frame is approved by the Company), but in no event later than 180 calendar days after the date of Default, unless the Company gives a written extension of the claim period. If the Company so directs, at any time after receiving the Insured's notice of Default as contained in an Account Report, the Insured must file a claim for Loss within 30 days after notice from the Company. Claims shall be filed on proof of Loss forms (provided by the Company) to the Company, or such other Person as may be designated by the Company as assignee. Payment of Loss shall be made to the Insured after the Company accepts the completed proof of Loss form and the presentment of Acceptable Evidence of Loss.
2. Within 20 days after the date the Company receives the claim for Loss, the Company may give written notice of any deficiencies in the submission or request additional documents included in the origination file or servicing file. If the Company does not give such a notice or make such a request within 20 days after the date the Company receives the claim for Loss, the submission is deemed to be acceptable as of the claim for Loss receipt date.
3. The Company may at any time prior to or after the filing of a claim for Loss investigate an Account and request in writing that the Insured deliver to the Company copies of any documents included in the loan origination file and/or loan servicing file within 30 days of the Company's written request. If the Insured fails to provide the requested documents within such 30day period, the Company will provide a second written notice to the Insured, allowing Insured to provide copies of the documents to the Company within an additional 30-day period. If the Company has not received all such requested documents within the second 30-day period, the Company may cancel the coverage on an Account and there shall be no refund of premium.
4. Upon acceptance by the Company of a claim for Loss and Acceptable Evidence of Loss, the Company shall pay to the Insured, within 60 days after the date the claim for Loss was filed, the lesser of:
 - a. the coverage percentage (as specified in the Account Schedule for that Account) of the Loss less any payments previously made by the Company with respect to that Account, or
 - b. the difference between the Annual Aggregate for such Policy Period and the aggregate Losses paid by the Company with respect to loans insured during such Policy Period.

On and after the date on which the aggregate Losses paid by the Company under this Policy with respect to a Policy Period is an amount equal to the Annual Aggregate for such Policy Period, the liability of the Company to pay any additional Losses with respect to that Policy Period ceases.

- E. **Reconsideration of Company Cancellations, Claim Denials or Reduced Claim Payments** — The Insured may submit to the Company a written request for reconsideration within 90 days of the date it received a written notice of any decision by the Company to effect a Company cancellation, claim denial or claim curtailment under any provision of this Policy. If, after review of the request, the Company determines that the Insured has provided credible evidence establishing that the Company did not have a reasonable basis for the Company cancellation, claim denial or claim curtailment, it will reinstate the coverage on the Account as of the coverage effective date, or readjust the claim payment as applicable. A claim will be deemed to be acceptable upon reinstatement and the insurance benefit will be paid within the time frame specified in Section VII.D.4. If the Company does not receive a request for reconsideration under this Section VII.E. within 90 days of the date it receives a written notice of a decision by the Company to effect a Company cancellation, claim denial or claim curtailment, the Insured shall be deemed to have accepted the Company's action and the Company shall have no further obligation with respect to that Account to the Insured or any other Person. The Company shall have 90 days following its receipt of a written request for reconsideration under this Section VII.E. to determine whether to reverse the Company cancellation, claim denial or claim curtailment. The Company will send a written notice to the Insured on or before the 90th day after receiving a timely written request for reconsideration from the Insured advising that it is either granting or denying the request for reconsideration.
- F. **Discharge of Obligation; Offset** — Any payment by the Company pursuant to Section VII D. (Filing a Claim for Loss) shall be a full and final discharge of the Company's obligation with respect to such Loss under this Policy. With respect to any such payment by the Company for which the Company determines, subsequent to any such payment, there was no loss, or the actual Loss was less than the amount of such payment, the Company shall be entitled to offset such payment against any Loss thereafter becoming payable.
- G. **Subrogation** — In the event of any payment of Loss under this Policy, the Company shall be subrogated to all of the Insured's rights of recovery against the Account Holder and any other Person liable under the terms of the Default(ed) Note and against any reserve or retained funds on its Account(s), and the Insured shall execute and deliver at the request of the Company, instruments and papers, and do whatever else is necessary to transfer, assign and secure such rights. The Insured shall do nothing after Loss to adversely affect such rights, and the execution by the Insured of a release or waiver of the right to collect the unpaid balance of an Account shall equally release the Company from any further obligation under this Policy as to said Account(s), anything in this Policy to the contrary notwithstanding.
- H. **Loan Assignment** — Unless advance written approval is obtained from the Company, if an Eligible Note is sold, assigned or transferred by the Insured (and the Company reserves the sole and absolute discretion as to whether or not to approve any such sale, assignment or transfer),

the coverage under this Policy for the related Account may not be assigned to such purchaser, assignee or transferee and the Company shall thereafter, for all purposes under this Policy, including but not limited to the Annual Aggregate, disregard such sale, assignment or transfer and continue to treat the Insured as the only Person with any interest in such loan and the Insured agrees that it and any such purchaser, assignee or transferee shall make all such arrangements as between or among themselves as may be appropriate or desirable in light of this restriction on the transfer of coverage under this Policy and the related Account. If written approval is obtained from Company for such assignment, the Annual Aggregate shall be adjusted as described in Section IV.B. (Annual Aggregate) and the declarations page of this Policy.

In no event will the Company refund any premium to the Insured upon the sale or transfer of any Account insured hereunder. Nothing contained herein shall be construed to prevent the pledging of such Account, or the Eligible Notes evidencing the same, as collateral security under a bona fide loan agreement.

- I. Change of Servicing — Servicing of a loan may be sold, transferred or assigned to a Person approved in writing by the Company without affecting the coverage for such loan; subject, however, to all of the terms and conditions of this Policy and to all defenses that the Company may have had prior to any such sale, transfer or assignment, and provided that written notice is given to the Company. Any approved change in servicing shall not affect the calculation of the Annual Aggregate.
- J. Audits and Examinations — At any time that coverage for any loan insured under this Policy is in force, and after coverage for all loans has terminated if there is a dispute regarding this Policy (whether or not the Insured is a party to the dispute), the Company or Persons designated by it shall have the right to conduct an inspection, review and audit in order to determine whether such loans conform to the requirements of this Policy. The Company may also call upon the Insured for such reports as it may deem necessary and may inspect the books or the financial reports of the Insured as they pertain to the Accounts reported for insurance hereunder. The Insured shall cooperate fully with such audit and shall furnish to the Company, if requested, any and all such documentation for review or, at Company's option, allow the Company to conduct such audit on the Insured's premises during normal business hours. The requested documentation shall be provided to Company within 30 days of the Company's written request. If the Insured fails to provide the requested documents within such 30-day period, the Company will provide a second written notice to the Insured, allowing Insured to provide copies of the documents to the Company within an additional 30-day period. If the Company has not received all such requested documents within the second 30-day period, the Company may cancel the coverage on the related Account and there shall be no refund of premium.

VIII. Amendments and Waiver

The Company reserves and shall have the right in its sole discretion to amend the terms and conditions of this Policy from time to time. Any such amendment: (i) shall be effective only after the Company has given the Insured written notice thereof by an endorsement to this Policy setting forth such amendment, and (ii) shall be applicable only with respect to coverage on

Accounts issued after the effective date of such amendment. Additionally, the Company and the Insured may by written agreement modify or amend this Policy in any respect whatsoever or rescind or terminate this Policy without the consent of or notice to the Account Holder or any other Person.

No term, condition or requirement of this Policy shall be deemed waived, modified or otherwise compromised unless such waiver, modification or compromise is stated in a writing duly executed by the Company. Each of the terms, conditions and requirements of this Policy is severable, and a waiver, modification or compromise of one shall not be construed as a waiver, modification or compromise of any other.

IX. Cancellation

- A. Cancellation of Policy — Either the Insured or the Company may cancel this Policy by providing 30 days' written notice of cancellation of this Policy provided, however, that coverage on Accounts issued prior to the cancellation of this Policy shall continue in force subject to the terms and conditions of this Policy.
- B. Cancellation of Account Coverage by the Insured
 - 1. Closed-end Equity Account — The Insured shall not be entitled to cancel coverage on a Closed-end Equity Account except for the full prepayment of a loan, unless otherwise required by law. If Account coverage is canceled for full prepayment, the Annual Aggregate shall be adjusted as described in Section IV.B. (Annual Aggregate) and the declarations page of this Policy.
 - 2. Open-end Equity Account — The Insured may cancel coverage on an Open-end Equity Account by submitting a request for cancellation of coverage on a form provided by the Company. Upon such cancellation, the Annual Aggregate shall be adjusted as described in Section IV.B. (Annual Aggregate) and the declarations page of this Policy.
- C. Cancellation of Account Coverage by the Company — The Company shall have the right, at its option and to the extent permitted by applicable law, to cancel coverage for any Account if the Insured has materially breached its obligations under this Policy in connection with such Account. Upon cancellation of coverage pursuant to this Section IX.C., the Annual Aggregate shall be adjusted as described in Section IV.B. (Annual Aggregate) and the declarations page of this Policy.

X. Loan Modifications

Unless advance written approval is obtained from the Company, if the Insured (i) makes any change in the terms of the loan (including, but not limited to, the borrowed amount, interest rate, term or amortization schedule of the loan), except as permitted by the original terms of the loan, (ii) allows any change in the Property, (iii) allows an assumption of the loan, (iv) releases the Account Holder from liability on the loan, or (v) allows the loan to be resubordinated if the first lien loan is refinanced, the liability of the Company for coverage on

the related Account shall terminate as of the date of such change or release. The company shall not unreasonably withhold approval of a change or release. Upon termination of coverage under this Section X, the Annual Aggregate shall be adjusted as described in Section IV.B. (Annual Aggregate) and the declarations page of this Policy.

XI. Other Insurance

- A. Proceeds Used to Pay off the Loan — All proceeds from insurance obtained by the Account Holder or the Insured for the purpose of paying off the loan (including but not limited to credit accident and health insurance, credit life insurance, involuntary unemployment insurance and similar types of insurance) shall be collected by the Insured and applied to the loan balance prior to the filing of a claim. In the event that the Insured has a right to collect such insurance proceeds, but fails to do so, the Company may reduce any claim for Loss by the amount that the Insured had the right to collect.
- B. Proceeds from Title Insurance — All proceeds from insurance obtained by the Account Holder or the Insured for the purpose of protecting against defects in originating the loan (including but not limited to title insurance of whatever type and insurance against automated valuations) shall be collected by the Insured and applied to the loan balance prior to the filing of a claim. In the event that the Insured has a right to collect such insurance proceeds, but fails to do so, the Company may reduce any claim for Loss by the amount that the insured had the right to collect.
- C. Additional Primary Insurance — The Insured shall not carry additional insurance that provides coverage on the same or a similar basis as this Policy without the prior written consent of the Company. If the Insured violates this Section XII.C., the coverage under this Policy shall be excess over the prohibited insurance, regardless of the type or effective date of such other coverage.

XII. Suit against Company

- A. Limitations Period — No suit, action or proceeding for recovery of any claim under this Policy shall be instituted or sustained in any court of law or equity unless the insured has substantially complied with the terms and conditions of this Policy, and unless the suit, action or proceeding is commenced within one year after the claim has been presented to the Company or the cause of action accrued, whichever is earlier. Provided, however, that if such limitation is invalid under the laws of the state in which the original Insured is located, as shown on the declarations page of this Policy, then any such claims shall be void unless such suit, action or proceeding is commenced within the shortest limit of time permitted by the law of such state.
- B. Company Defense — If a dispute arises concerning the loan that involves either the Property or the Insured, the Company has the right to protect its interest by defending the suit, even if the allegations contained in such suit are groundless, false or fraudulent. The Company is not required to defend any lawsuit involving the Insured, the Property or the Loan. The Company shall also have the right to direct the Insured to institute a suit on the Insured's behalf if this suit is necessary or appropriate to preserve the Company's rights.

XIII. Conformity To Statute

Any provision of this Policy that is in conflict with the law of the jurisdiction in which the original Insured is located, as shown on the declarations page to this Policy, is hereby amended to conform to the minimum requirements of that law. This Policy, as it pertains to coverage on any Account, claim for Loss or insurance benefit, loan or otherwise, shall be governed by and construed in accordance with the laws of the jurisdiction in which the original insured is located, as shown on the declarations page to this Policy.

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