



Date: July 6, 2012

Updates to the Underwriting Guideline Manual

Effective Date: July 6, 2012

Highlights of Changes

Essent is implementing an update to our Underwriting Guideline Manual. All changes will be effective for MI applications received on or after **July 6, 2012**. Details on these changes are outlined below.

The updated **Underwriting Guideline Manual** and **Guideline Summaries** are available on Essent's website (<http://www.essent.us>).

Construction-to-Permanent Transactions

» Underwriting Guideline Expansion

- » Expanded eligibility to allow one-time close construction-to-permanent transactions in which the interim construction financing and the permanent loan close simultaneously

» Underwriting Guideline Updates and Clarifications

- » Transactional definitions have been added for:
 - Conversion of construction-to-permanent financing
 - One-time and two-time close transactions
 - Purchase vs. Rate/Term Refinance transactions
- » New guidance has been added regarding:
 - LTV/CLTV calculations -
 - Purchase Transactions:
 - Lesser of the total acquisition costs (purchase price of the lot and documented construction costs) or the appraised value as completed
 - Rate/Term Refinance Transactions:
 - Land owned <12 months from the date of the application: lesser of the total acquisition costs (purchase price of the lot and documented construction costs) or the current appraised value as completed
 - Land owned ≥12 months from the date of the application: the current appraised value as completed



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- Appraisal documentation -
 - Appraisal Update and/or Completion Certificate (Form 1004D/442) completed by the original appraiser is required upon completion of construction
 - A re-certification of value is required after 120 days; re-certifications of value are ineligible if the appraiser indicates the subject property's value has declined on the Form 1004D/442 and a full Uniform Residential Appraisal Report is required
- Payment History -
 - Loans must be current (0x30 delinquencies during the construction phase) at the time insurance is activated
- Commitment Extensions -
 - Extensions for expired commitments are ineligible under Delegated Underwriting Authority and are subject to current published Construction-to-Permanent guidelines and rates

Non-Permanent Resident Aliens (NPRA)

» Underwriting Guideline Updates

- » Removal of previous requirement whereby the applicable visa status should provide for a remaining duration of at least three years
- » Inclusion of new guidance regarding acceptable documentation to verify the lawful status of the borrower to include:
 - Copy of the borrower's current visa, and
 - Copy of the Employment Authorization Document (EAD) as evidence that the borrower is authorized for employment in the U.S. with the stated employer on the loan application, or
 - I-797 (Notice of Action) approval notice of an I-140 (Immigrant Petition for Alien Worker) filed by the borrower's employer, or
 - If a borrower has filed for permanent residency, an I-797 Receipt Notice of an I-485 (Application to Register Permanent Residence or Adjust Status) is required

If you have any questions regarding these changes and updates, please contact your Essent account representative.