

GSE reviews is agreed to in Writing by the Policyholder and the Company prior to the date the Company accepts any Loans. Such Written agreement shall require the Servicer, or other party as agreed, to submit its GSE reviews, or summaries thereof, for all Loans submitted to the Company and may only be amended by mutual agreement of the parties in Writing with respect to all Loans submitted thereafter.

3.3 Life of Loan Exclusions

The Rescission limitations in Section 3.2 shall not apply in the following circumstances:

- a) Single Loan Fraud. Either an adjudicated finding by a court, arbitrator, or tribunal or a finding by the Company based on clear and convincing evidence of a knowing misstatement, misrepresentation, or omission by any party in connection with the Origination or Closing of a Loan, the Loan Application, or the Insurance Application intended to: (i) defraud any party involved in the transaction; or (ii) obtain any moneys, funds, credits, assets, securities, insurance or other properties from any party involved in the transaction by means of fraudulent pretenses, representations, or promises.*

This Life of Loan Exclusion shall not apply for misstatements, misrepresentations, or omissions by the Borrower if:

- (i) The Loan has been subject to a successful Independent Validation or Quality Control Review by the Company and the Borrower has made the First Twelve Loan Payments; or the Independent Validation or Quality Control Review of the Loan was successfully conducted after the Loan has seasoned at least twelve (12) months, without regard to the delinquency status of the Loan prior to or at the time of such review;*
- (ii) The satisfaction of the First Thirty-Six (36) Months Test; or*
- (iii) The satisfaction of the Sixty (60) Months Test.*

- b) Pattern Activity. A finding of Pattern Activity.*

- c) Data Inaccuracies. Any inaccurate data submitted by or on behalf of the Loan Originator to the Company for purposes of obtaining insurance, if and to the extent such data inaccuracy:*

- (i) Involves five (5) or more Loans insured by the Company and Originated by the same Loan Originator; and*
- (ii) Involves the same delivery data element(s); and*
- (iii) Differs from the information in the Loan Origination File used as the basis of the Insurance Application; and*
- (iv) The Company determines that, had it known the correct information, either: (i) the Loan would not have been eligible for insurance at the time of Origination; or (ii) the Loan would have been eligible for insurance, but under different terms.*

The only data inaccuracies covered by this Section are those that occur as a result of an operational or system issue involving the electronic transmission of data to the Company.

- d) *Non-Compliance with Laws. Any non-compliance with Applicable Law to the extent such non-compliance (i) impairs the enforceability of the Loan, note, bond, instrument or other evidence of indebtedness, mortgage, deed of trust, or other similar instrument, which constitutes or is equivalent to a lien or charge on the Property; (ii) materially increases the amount of the Insurance Benefit; or (iii) the Loan is found by a court or regulatory body to have been in violation of, or if the Company reasonably believes, based on Credible Evidence, that a violation has occurred with respect to, one or more laws or regulations relating to the insurability of the Loan.*
- e) *Not Secured by First Lien. If the Loan is not secured by a valid, enforceable first lien against the Property.*
- f) *Unacceptable Mortgage Product. Any Loan that the Company is not permitted to insure under Applicable Law at the time the Loan was Originated.*

If a Life of Loan Exclusion applies, the Company shall have the right to Rescind coverage or pursue a Rescission Alternative, at its discretion.

3.4 GSE Repurchase Review Option

- a) *In the event that one of the Rescission Limitations in Section 3.2 apply and the Loan is then subject to a repurchase from a GSE for Single Loan Fraud or Pattern Activity (as defined in Section 3.3), the Company shall be permitted to conduct an Independent Validation of the Loan, even if one has already been performed. If, during this review, the Company identifies Single Loan Fraud or Pattern Activity, it may Rescind coverage of the Loan, regardless of whether a Rescission Limitation previously applied or a Rescission Alternative was accepted.*
- b) *The Insured shall notify the Company in the event that a Loan is required by the GSEs to be repurchased based on Single Loan Fraud or Pattern Activity.*

3.5 Rescission/Investigation Parameters

- a) *The Company shall not take any of the following actions with respect to a Loan at any time:*
 - (i) *Rescind coverage solely on the ground that the Insured has failed to provide to the Company a document or other information requested by the Company, if that document or information is not relevant to the Company's investigation as to whether there was a Defect or Significant Defect with respect to that Loan;*
 - (ii) *Rescind coverage for any reason unless the Rescission is supported by Credible Evidence;*
 - (iii) *Rescind coverage for misrepresentations which are not Significant Defects;*
 - (iv) *Rescind coverage when the sole basis for such Rescission is an eligibility and/or underwriting error committed by the Company in the course of its Mortgage Insurance Underwrite or Independent Validation (e.g., a miscalculation by the Company of the Borrower's debt-to-income ratio or a misapplication by the Company of its own underwriting or eligibility requirements). Provided, however, that if the Company determines that there is a basis for Rescission unrelated to the Company's error, the Company shall Rescind coverage on the Loan unless a Rescission limitation has taken effect by operation of Section 3.2.*

- b) *Subject to Section 3.5(c), the Company shall not take any of the following actions with respect to a Loan after a Rescission limitation has taken effect by operation of Section 3.2:*
- (i) Rescind coverage for a breach of Section 3.1, other than for a Life of Loan Exclusion;*
 - (ii) Request any documents or information from the Insured for the purpose of investigating a potential breach of Section 3.1;*
 - (iii) Rescind coverage for failure of the Insured to provide the Loan Origination File, or other documents relating to the Origination of the Loan, unless such documents are required by the Delinquency and Claims Reference Manual. This Section shall not affect the Insured's obligation to provide servicing documents, or other documents not related to the Origination of the Loan, upon request by the Company.*
- c) *Section 3.5(b) shall not apply to the Company's request for documents or information, investigation of a Loan, or Rescission of coverage where such action relates to:*
- (i) a Subject Matter for which a Rescission limitation has yet to take effect by operation of Section 3.2; or*
 - (ii) the Company becomes aware of Credible Evidence of a Life of Loan Exclusion; or*
 - (iii) documents required under Section 8.1 for the filing of a Claim.*

3.6 *Withdrawal or Limitation of Independent Validation Endorsement*

The Policyholder's authorization to deliver Loans for coverage under the Independent Validation Endorsement is at the Company's sole discretion. The Company has the absolute right to withdraw or limit the Policyholder's authorization to deliver Loans for coverage under the Independent Validation Endorsement for any reason with or without cause. Such withdrawal or limitation shall be effective immediately upon Written notice to the Policyholder.