

New 2020 Master Policy: Summary of Changes



Abbreviated Comparison of Sections of the 2020 Master Policy and the 2014 Master Policy

Our new Master Policy was designed in collaboration with the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac. This comparison summary highlights certain sections of the 2020 policy to identify notable differences between the new and old policies. Please see MGIC's complete comparison chart for further information including the list of updated definitions.

This comparison chart may not be used to establish the meaning of any policy documents (including the 2014 Master Policy and the New Master Policy) that Mortgage Guaranty Insurance Corporation has issued. Please refer to the provisions of our applicable policy documents for the specific terms of coverage.

Topic	2020 Master Policy Section reference	2014 Master Policy Section reference	Summary of the change
Governing law; severability; jury waiver	5	17.2, 18	Comparable provisions, except that Section 5(c) provides that all parties waive their right to a trial by jury.
Delegated vs. non-delegated underwriting	9	Endorsements	Comparable provisions, which require that the initial insured submitting Applications under our delegated underwriting program comply with the underwriting guidelines in our Delegated Underwriting Program Guide in effect when the Application is submitted.
Monitoring of loan manufacturing process; auditing procedures	15	16.1, 16.2	<ul style="list-style-type: none"> - Sets forth our right to monitor and audit the initial insured's loan manufacturing process. - The 2014 Master Policy requires the servicer to maintain records until the latest of (1) two years after settlement of a Claim or the date the Certificate is no longer in force; (2) the period required by the insured's records retention policy; and (3) the period required by applicable law. The corresponding provision in the New Master Policy (at Section 15(c)) includes these three prongs plus a fourth prong: (4) "one year following the last date on which you are permitted to commence an action against us arising out of this Policy."
Limitations on our right to rescind coverage	17	4.3	Please refer to Exhibit B.
Data inaccuracies	18	N/A	The data inaccuracies exclusion permits us to rescind coverage on the applicable certificates as a result of material data inaccuracies caused by operational or system issues involving electronic transmission of data to us.
Failure to comply with applicable law	22	4.1(f)	<p>The 2014 Master Policy permits us to rescind coverage on a loan if the Loan as originated did not comply with applicable law. The corresponding provision in the New Master Policy provides that:</p> <ul style="list-style-type: none"> - We may rescind coverage under a Certificate if the insured failed to comply with applicable law and if (1) we expect such failure to impair the ability to enforce the loan documents; or (2) a court or regulatory body finds, or we reasonably believe based on Credible Evidence, that the initial Insured's origination of the loan violated one or more laws or regulations relating to the insurability of the Loan. - We may cancel or rescind coverage under a Certificate if we reasonably believe based on Credible Evidence that the Loan violates a law or regulation. - We may cancel coverage under a Certificate or deny a Claim resulting from the insured's failure to comply with applicable law if we reasonably expect such failure to materially increase the Insurance Benefit payable by us over what it would have been had the failure not occurred. - We may reduce the Claim Amount if we reasonably determine that a failure to comply with applicable law materially increased the Insurance Benefit payable over what it would be in the absence of such failure.

**Abbreviated Comparison of Sections
of the New 2020 Master Policy and the 2014 Master Policy**



Topic	2020 Master Policy Section reference	2014 Master Policy Section reference	Summary of the change
Failure to comply with conditions and Insured's obligations	23	4.1(a); 4.1(h)	The 2014 Master Policy permits us to cancel coverage or deny a Claim if the servicer fails to provide access or information, and to reduce the Claim if the servicer fails to satisfy its post-origination obligations under the policy and to cancel coverage or deny a Claim as a result of such failure in certain circumstances. The corresponding provision of the New Master Policy sets forth comparable provisions, and also permits us to cancel or rescind coverage or deny a Claim (as applicable) if the Insured fails to notify us of a Significant Defect, Single Loan Fraud, Pattern Activity or a repurchase request within the time required by Section 47.
Incomplete Construction	27	4.1(k)	The 2014 Master Policy permits us to rescind coverage if the property was not completed in accordance with the applicable plans and specifications. Under the New Master Policy, we may deny a Claim if Incomplete Construction was the principal cause of the default giving rise to the Claim; Incomplete Construction will be deemed the principal cause of the default if the default was caused by any reason other than a borrower credit-related event. If the Incomplete Construction is not the principal cause of the default, then we may reduce the claim amount as described in Section 78.
Physical Damage as principal cause of Default	31	4.1(p)(i)	Please refer to Exhibit A.
Physical Damage that is not the principal cause of Default	32	4.1(p)(ii)	Cross refers to the operative provision of the New Master Policy (Section 77). Please refer to Exhibit A.
Significant Defect	35	3.1(b), 4.1(d)	In the 2014 Master Policy, rescission is available when there is an "Eligibility Criteria Violation." In the New Master Policy, rescission is available when there is a Significant Defect. Permits us to offer an alternative to rescission as described in our Servicing Guide. Provides that if our non-delegated underwriting process (or, with respect to loans participating in our early rescission relief program under Section 17(a), our Independent Validation process) reveals that, despite accurate information provided to us, we failed to identify a Significant Defect that should have been apparent to a qualified mortgage insurance underwriter and we erroneously insured a loan, we will not rescind coverage under the Certificate on the basis of that Significant Defect.
Single Loan Fraud	36	4.1(j)	Replaces the 2014 Master Policy exclusion for "First Party Misrepresentation." See Exhibit B, attached.
Unapproved resale restrictions	40	N/A	New exclusion for a property that is subject to a resale restriction that we did not approve.
Exclusion for loan charge-off	N/A	4.1(m)	This exclusion has been deleted.
Payment of premiums	43	2.3, 2.4 and 2.7(a)	Comparable provisions; Section 43(c) further provides that if a Defect is not a Significant Defect but the loan still would have been eligible for coverage at a higher premium, then we are permitted to increase the premium; if the increased premium is not paid within 60 days, we are permitted to cancel coverage.
Required reporting and notifications	47	5, 5.1	Comparable servicing report provisions. Adds requirement that the servicer notify us within 30 days after becoming aware of a Significant Defect, Single Loan Fraud or Pattern Activity. Requires the servicer to notify us and provide all related documents within 30 days of when a loan is required to be repurchased from a GSE or any other investor.

**Abbreviated Comparison of Sections
of the New 2020 Master Policy and the 2014 Master Policy**



Topic	2020 Master Policy Section reference	2014 Master Policy Section reference	Summary of the change
Filing a Claim; What happens if Insured misses the deadline?	64 and 65	9.1(a), 9.1(b), 4.1(n)	Comparable provisions. The 2014 Master Policy requires that Claims must be submitted within 60 days of the earliest to occur of (1) acquisition of borrower's title, (2) sale of the property and (3) expiration of the redemption period. The New Master Policy eliminates clause (3); please see New Master Policy Section 86 ("Required repayments") below.
Acquisition Option	75	9.2(f), 10.1(a)	Both the 2014 Master Policy and the New Master Policy provide us with an Acquisition Option for settling a Claim. Under Section 75(a) of the New Master Policy, we have 60 days after the later of the Perfected Claim Date and the date we are granted access to the Property under Section 68 to notify the servicer that we have elected the Acquisition Option. This is compared to 20 days after the date we obtain access to the property in Section 9.2(f) of the 2014 Master Policy. Under Section 75(d) of the New Master Policy, if we choose the Acquisition Option and the insured or servicer is unable to convey the title and possession of the Property within the later of 210 days of filing the Claim and 45 days after we elect the Acquisition Option, we may instead settle the Claim under the Anticipated Loss Option. By comparison, under the 2014 Master Policy, if the servicer is unable to convey title and possession of the Property, we may instead settle the Claim under the Anticipated Loss Option within 210 days following the submission of the Claim.
Adjustments for Physical Damage to the Property	77	4.1(p)(iii)	See Exhibit A.
Clarifications on adjustments for Incomplete Construction	78	N/A	Describes the method to calculate the reduction in the claim amount in the case of Incomplete Construction, and when we are permitted to exercise the Anticipated Loss Option.
Coordination of coverage	82	5.8	Comparable provisions. At the request of Fannie Mae and Freddie Mac, this provision states how coverage under the New Master Policy interacts with other mortgage guaranty insurance coverages, and generally prohibits the insured from carrying any duplicate policy of primary mortgage guaranty insurance on a loan covering the same loss.
Required repayments	86	9.1(b)	Sets forth our remedy if the insured fails to return excess Insurance Benefit payment, and requires a refund of the excess Insurance Benefit payment if the property is redeemed after we pay the Claim.
Arbitration	93	15.1, 15.2	States that disputes will be settled by binding arbitration only if all parties agree to this method of dispute resolution. Given this provision, the New Master Policy will not be accompanied by state-specific endorsements that prohibit mandatory arbitration, since such endorsements are no longer necessary.
Limitation of actions	94	15.3	Comparable provisions; state variations moved to Annex A
Option to Acquire Loan	N/A	8.3	This provision is not included in the New Master Policy.
State Variations	Annex A	Various state-specific endorsements	Annex A of the New Master Policy sets forth various state-specific variations to the policy form. Annex A will replace the corresponding state-specific endorsements that accompany the 2014 Master Policy.



Exhibit A

Summary of Section 31 (“Physical Damage as principal cause of Default”) and Section 77 (“Adjustments for Physical Damage to the Property”) of New Master Policy

2014 Master Policy Physical Damage Exclusion	New Master Policy Physical Damage Exclusion
If the Physical Damage was the principal cause of the Default (“PCD”) giving rise to the Claim, we may issue a Claim Denial Notice denying the Claim in full. Physical Damage is deemed to be the principal cause of Default if either (1) there is direct evidence that the Physical Damage led to the Default, or (2) the following five prongs are met.	The New Master Policy removes the direct evidence option from the 2014 Master Policy. We will evaluate Physical Damage as PCD based on the following four prongs.
i. as of Claim submission date, Borrower has not restored the Property to its Commitment date condition	i. comparable provision
ii. we reasonably determine that the estimated cost to restore the Property would equal or exceed 25% of the UPB of the Loan	ii. “25% of the UPB of the Loan” changed to “20% of the Original Value [of the Property]”
iii. Property uninsured or underinsured for loss arising from Physical Damage	iii. comparable provision
iv. Default occurred on or after the date that the Physical Damage occurred or manifested itself	iv. comparable provision
v. the Property is Uninhabitable	v. prong removed

2014 Master Policy Result	New Master Policy Result
Claim is denied if Physical Damage is deemed the PCD.	<p>If Physical Damage is deemed the PCD and the servicer does not notify us of intent to restore Property within 60 days of notice of our intent to deny, then the Claim may be denied.</p> <p>If the servicer notifies us of intent to restore Property within 60 days of notice of intent to deny, then the servicer has 180 days to restore Property to its condition on the Commitment date, reasonable wear and tear excepted (up to 1 year with extension of time).</p> <p>If Property is not timely restored, then Claim may be denied. If Property is timely restored, then we settle Claim using the Claim settlement option we choose.</p>
If Physical Damage is not deemed the PCD, and we are able to estimate restoration costs, then we may elect the Acquisition Option, the Percentage Option, or approve a Pre-Settlement Sale. If Physical Damage is not deemed the PCD, and we are unable to estimate restoration costs, we may elect the Anticipated Loss Option (“ALO”). In the case of the Acquisition Option, Pre-Settlement Sale, and ALO, we will reduce the Insurance Benefit on account of the Physical Damage.	Comparable provisions, except we may elect the ALO both when we are unable to estimate restoration costs, and when we are able to estimate restoration costs but the amount of Physical Damage is 10% or more of the Original Value, and no Third-Party Sale has occurred within 210 days of the filing of Claim.

Exhibit B

Summary of Section 17 (“Limitations on our right to rescind coverage”) of New Master Policy

The loans we insure are originated by banks and other mortgage lenders. The vast majority of those loans are then sold to one of the Government Sponsored Enterprises, Fannie Mae or Freddie Mac (“GSEs”), which becomes the beneficiary of the insurance coverage. The GSEs are the coverage beneficiaries on the vast majority of the loans we insure.

The GSEs requested an update to the policy provisions in our 2014 Master Policy that govern when we are permitted to rescind coverage of a loan, and the circumstances under which we are no longer permitted to exercise the remedy of rescission. These provisions, which we refer to collectively in the New Master Policy being submitted as the “Rescission Relief Provisions”, are set forth in Section 17 of the New Master Policy.

Subject to certain exceptions, the 2014 Master Policy generally provides that we cannot rescind coverage of a loan if:

- The borrower has established a history of timely payments for the first 36 months the loan was in effect; the 36th loan payment is not 30 days delinquent; all loan payments were made from the borrower’s own funds; not more than two loan payments were 30 days delinquent; no single loan payment was 60 or more days delinquent; and the loan is not subject to a workout (as further described in the Section 4.3(a) of the existing policy) (“36-month Relief”); or
- For eligible loans included in the early rescission relief program, the borrower has established a history of timely payments for the first 12 months the loan was in effect; the 12th loan payment is not 30 days delinquent; all loan payments were made from the borrower’s own funds; and we determine, based on our Independent Validation (Underwriting Review and Validation) of loan file information, that the loan is eligible for rescission relief, as further described in Section 4.3(b) of the existing policy (“12-Month Relief”) or the applicable endorsement.

Under the 2014 Master Policy, 36-Month Relief and 12-Month Relief do not apply if there is a “First-Party Misrepresentation” or “Pattern Activity”, in each case based on “Credible Evidence”, as those terms are defined in the 2014 Master Policy.

The New Master Policy includes a comparable provision for 36-Month Relief in Section 17(d) of the New Master Policy and the following additional Rescission Relief Provisions:

- Replaces the 12-Month Relief provision with another early rescission relief provision that applies to eligible loans included in the early rescission relief program at the time the insurance application was submitted and when we have successfully completed an Independent Validation of the loan. These provisions are set forth in Section 17(a) and (c) of the New Master Policy and in our Rescission Relief Guide (the Rescission Relief Guide is available on our website and is updated periodically; the updates apply only to loans originated after the update is published). If we are unable to make a determination or complete the Independent Validation within 180 days because the insured failed to provide the requisite information, then early rescission relief will not be available for that loan.
- Provides that we cannot rescind coverage on account of a Significant Defect if the borrower has established a history of timely payments for the first 60 months the loan was in effect and all loan payments were made from the borrower’s own funds, as further described in Section 17(e) of the New Master Policy.
- Provides that we cannot rescind coverage on account of a Significant Defect based on inaccurate results obtained from an Automated Tool that we approve, as further described in Section 17(f) of the New Master Policy.
- Provides that we cannot rescind coverage on account of Single Loan Fraud by the borrower under certain circumstances, such as where we have successfully completed an Independent Validation and the borrower has established a history of making the requisite timely payments on the loan from the borrower’s own funds, or if rescission relief available at 36 months or 60 months applies (see Sections 17(d) and (e)), as further described in Section 17(g).

The New Master Policy provides that rescission relief is not available in the case of Single Loan Fraud (except in the case of borrower fraud as described in Section 17(g)) or Pattern Activity. See Sections 30 and 36.

The 2014 Master Policy and the New Master Policy include comparable provisions with regard to when we are permitted to request additional documentation after a loan becomes eligible for rescission relief. See Section 4.3(d) of the 2014 Master Policy and Section 17(h) of the New Master Policy.