



# Rescission Relief Guide

**Applicable to National Mortgage Insurance Corporation (“National MI”) Master Policy, AS08.12.01.03.20, effective 3/1/2020 (the “Master Policy”)**

**VERSION 1.1**

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## COVID-19 Rescission Relief

## Rescission Relief for Loans in Forbearance due to COVID-19

National MI was founded on the principle to provide certainty of coverage and significantly reduce repurchase risk for Master Policy Holders. National MI upholds its commitment to support its customers and has produced the following information to provide further clarity regarding rescission relief for loans in forbearance due to COVID-19:

- **Rescission Relief Eligibility:** Loans impacted by COVID-19 remain eligible to receive rescission relief. Forbearance does not automatically disqualify the lender from rescission relief eligibility. National MI will not automatically make loans ineligible for rescission relief due to forbearance plans associated with COVID-19 Reason for Delinquency (RFD) codes. If the COVID-19 related forbearance occurred before a loan meets the applicable minimum monthly payment requirements for rescission relief, the loan may still be eligible for rescission relief, as long as all mortgage payments after the forbearance period meet the minimum monthly payment eligibility requirements.
- **Missed Payments:** National MI will not treat missed mortgage payments during a COVID-19 related forbearance as missed payments for purposes of meeting the applicable rescission relief payment requirements, as long as the required mortgage payments are otherwise timely made after taking into consideration the forbearance period, and all other mortgage payments after the forbearance period meet the applicable requirements.
- **First Payment Default:** National MI will not automatically rescind coverage or deny a claim for a first-payment default related to a COVID-19 forbearance. If a borrower seeks forbearance prior to making the first loan payment, National MI will continue coverage on the loan if:
  - The loan is originated and closed in compliance with applicable law and meets National MI's underwriting guidelines and fully satisfies all terms and conditions of coverage; and
  - The lender/servicer remits all required MI premiums to National MI as specified in the Master Policy and in accordance with the requirements in [National MI's Servicing Guide](#). The Servicer is advised to continue to remit MI premiums to ensure there is no lapse in coverage if the borrower resumes mortgage payments after the forbearance period. National MI reserves all other rights and remedies under the applicable Master Policy.
- **Failure to Cure:** If a loan never cures after a COVID-19 related forbearance ends, and a claim is filed, National MI will evaluate the loan and determine whether the conditions for rescission relief were satisfied prior to the start of a COVID-19 related forbearance plan.
- **Servicer Notification to National MI:** Servicers are required to notify National MI that the reason for forbearance was due to a COVID-19 forbearance and are encouraged to continue providing complete and timely monthly reporting to National MI as required under the applicable Master Policy.

For further details on reporting and submission requirements, please refer to [National MI's Servicing Guide](#) or contact [servicing@nationalmi.com](mailto:servicing@nationalmi.com) or call 855.317.4NMI (4664).

The content of the National Mortgage Insurance Corporation (“National MI”) Rescission Relief Guide applies to loans insured under the Master Policy, AS08.12.01.03.20, with respect to Applications submitted to National MI on or after 3/1/2020 (the “Master Policy”).

For Applications submitted prior to that date, refer to the applicable Master Policy.

A sample of National MI’s Master Policy is available at [www.nationalmi.com](http://www.nationalmi.com).

## 1.0 Introduction

This guide summarizes the Rescission Relief Provisions in the Master Policy and provides supplemental information regarding National MI requirements related to each option available to Master Policy Holders (“MPH(s)”). Capitalized terms not defined in this guide shall have the meanings given to them in the Master Policy. If information contained in this guide conflicts with the Master Policy, the terms of the Master Policy shall control. National MI may change this Rescission Relief Guide at any time by posting changes on National MI’s website ([www.nationalmi.com](http://www.nationalmi.com)).

National MI’s rescission relief program includes early and payment-based rescission relief options for both delegated and non-delegated MPHs, each of which is described in detail below in [Section 2.0 Rescission Relief Program Options and Master Policy Holder Elections](#). To qualify for the earliest rescission relief National MI can provide on a loan, National MI must conduct an Independent Validation of such loan, and rescission relief for such loan will be effective upon National MI’s notification to the MPH regarding the outcome of the Independent Validation. Eligible non-delegated MPHs may obtain early rescission relief at the 12<sup>th</sup> month on qualifying loans under the Closing Document Exception, defined below in [Section 1.3 What is the Non-Delegated Closing Document Exception](#) and [Section 2.2.1 Option 1 – Non-Delegated with Closing Document Exception](#). Insured loans that do not qualify for early rescission relief may achieve relief based on a Borrower’s payment history at the 36<sup>th</sup> or 60<sup>th</sup> month, provided the conditions in the Master Policy are satisfied.

### 1.1 What is Rescission Relief?

When a National MI insured loan achieves rescission relief (referred to in this guide as “Rescission Relief”), this means that National MI will not rescind coverage of such loan based on a Significant Defect. A Significant Defect is a Defect existing on the Certificate Effective Date that is in any respect material (as determined by National MI) to National MI’s acceptance of the risk or hazard assumed under National MI’s Underwriting Guidelines in effect when an Application was submitted, such that had National MI known of the Defect, National MI would not have insured the loan, regardless of whether the Defect causes a Default or contributes to the Claim Amount.

The timing and substance of Rescission Relief depends on:

- 1) The options discussed in this guide that National MI makes available to the MPH;
- 2) The MPH’s election(s) from the available options; and
- 3) Exclusions to Rescission Relief.

It is important to note that Rescission Relief with respect to a loan does not limit National MI's rights and remedies under certain life-of-loan exclusions set forth in Sections 18 through 40 of the Master Policy, including for Single Loan Fraud and Pattern Activity among others (the "Life-of-Loan Exclusions").

Note that National MI may conduct a second review of loans that have achieved Rescission Relief if National MI becomes aware of Credible Evidence that a Life-of-Loan Exclusion may apply or if National MI is notified that a loan was repurchased from a GSE for Single Loan Fraud or Pattern Activity.

## 1.2 What is Independent Validation?

Independent Validation is defined in the Master Policy and consists of processes National MI undertakes to review a loan to determine if early Rescission Relief under Section 17 of the Master Policy applies. National MI's Independent Validation process is different for delegated and non-delegated loans. Independent Validation for a delegated loan includes a review of the Application and Origination File to confirm that the loan meets the applicable National MI Underwriting Guidelines and that there are no Significant Defects. For non-delegated loans, National MI performs this step of Independent Validation when National MI underwrites an Application. For both delegated and non-delegated loans, an Independent Validation includes a comparison of the Closing File to the Application and Commitment to confirm that there are no Significant Defects. Further, as described below, when an insured loan is selected for review by National MI's Quality Control ("QC") Department (a "QC Review," as defined in the Master Policy), such QC Review qualifies as an Independent Validation for such loan.

If National MI has completed an Independent Validation on a loan and there are no Significant Defects, Rescission Relief for such loan is effective upon National MI's notification to the MPH regarding the successful outcome. If National MI's notice of the outcome of an Independent Validation indicates National MI is unable to resolve concerns regarding the represented occupancy status of a Borrower, then Rescission Relief for Significant Defects relating to occupancy will be effective only if the Borrower has made the first 12 loan payments on time from the Borrower's Own Funds and National MI has not previously notified the MPH of a Significant Defect relating to occupancy.

If National MI is unable to make a determination or complete an Independent Validation of a loan to National MI's reasonable satisfaction because the MPH failed to provide the information required by this guide (refer to [Section 5.0 Required Documents](#) of this guide for details), such loan will not qualify for early Rescission Relief, but may be eligible for 36- or 60-month Rescission Relief, as applicable.

## 1.3 What is the Non-Delegated Closing Document Exception ("Closing Document Exception")?

Under the Closing Document Exception, participating non-delegated MPHs do not have to submit Closing Files for review by National MI to qualify for early Rescission Relief. The Closing Document Exception is an alternative to Independent Validation that provides for early Rescission Relief at 12 months on every loan from eligible MPHs if the Borrower has made the first 12 payments on time from the Borrower's Own Funds. Eligible MPHs must provide the Closing File only for a small QC sample among insured loans for which National MI will complete a QC Review.

## 1.4 What is 36- or 60-month Rescission Relief?

### 1.4.1 36-Month Rescission Relief

If a loan does not qualify for early Rescission Relief through one of National MI's early Rescission Relief programs, it will be eligible for "36-Month Rescission Relief" (subject to Life-of-Loan Exclusions), if:

- Loan is current after the Borrower has made the first 36 payments from the Borrower's Own Funds; and
- No more than 2 payments have been 30 days in Default; and
- Never been more than 60 days in Default; and
- The loan has not been subject to a Workout, other than one entered into as a result of a natural disaster.

### 1.4.2 60-Month Rescission Relief

If a loan does not qualify for Rescission Relief prior to the 60<sup>th</sup> payment, it will be eligible for "60-Month Rescission Relief" (subject to Life-of-Loan Exclusions) on or after the 60<sup>th</sup> payment due date, if:

- Loan is current or becomes current; and
- All payments have been made on the loan from the Borrower's Own Funds.

## 1.5 How does a Workout affect Rescission Relief?

If an insured loan has qualified for Rescission Relief, the Rescission Relief will continue to apply to such loan following any Workout National MI approves or to any modification of coverage under the Certificate for such loan effected in connection with a refinance of that loan insured under such Certificate.

## 2.0 Rescission Relief Program Options and Master Policy Holder Elections

### 2.1 Choosing Rescission Relief Options

When the relationship between National MI and the MPH is established, the MPH must, in consultation with their National MI Account Manager and National MI Director of Risk Operations, choose from among the Rescission Relief options described below. Delegated MPHs should also elect a non-delegated Rescission Relief option that will apply to any non-delegated insurance Applications they elect to make. Elections must be made at the Master Policy level (i.e., individual loans cannot be directed to one option or the other, except in the limited circumstances described in this guide). MPHs may change their elections if their needs change, and their updated elections will apply to all new insurance Applications received by National MI after the effective date of the change.

### 2.2 Non-Delegated Rescission Relief Options

Non-delegated MPHs may elect one of the following two Rescission Relief options. In addition, delegated MPHs may elect to submit certain loans for non-delegated underwriting by National MI and therefore should elect one of the following options that will apply to such loans.

#### 2.2.1 Option 1: Non-Delegated with Closing Document Exception

The Non-Delegated Closing Document Exception (“Closing Document Exception”) is National MI’s default election for all non-delegated MPHs and Applications. Note that Closing Document Exception insured loans will be subject to selection for QC Reviews under National MI’s QC program described below. Under the Closing Document Exception, the MPH is required to submit the Closing Files on a randomly selected sample of insured loans made by National MI QC, and such QC Reviews will qualify as Independent Validations. The random sampling is done at the portfolio level (not the individual MPH level) so individual MPHs may or may not have files sampled in each random selection. The Closing File consists of those documents described in [Section 5.2 Non Delegated Post Closing Documents for Independent Validations or QC Reviews](#).

Note: Refer to [Section 6.0 How to Submit Documents to National MI](#) for information about alternative means to submit loan documents to National MI.

#### **Closing Document Exception Eligible Master Policy Holders**

All non-delegated MPHs are eligible for the Closing Document Exception unless National MI has notified them that they have been deemed ineligible, based on unsatisfactory QC Review findings.

For Closing Document Exception eligible MPHs, loans earn Rescission Relief (subject to Life-of-Loan Exclusions) if the Borrower has made the first 12 loan payments on time from the Borrower’s Own Funds (“12-month Rescission Relief”). If the loan does not qualify for 12-month Rescission Relief, such loan may be eligible for 36- or 60-month Rescission Relief, as applicable.

**QC Review Findings for Non-Delegated with Closing Document Exception Loans**

- QC Review concludes there are no Significant Defects:
  - Rescission Relief is effective when National MI notifies the MPH that the QC Review is complete with no Significant Defects found.
  - 12 Months (Sunset for Single Loan Fraud by a Borrower): Provided (1) the loan has earned Rescission Relief at the conclusion of the QC Review; and (2) the Borrower has timely made the first 12 payments on the loan, Rescission Relief is effective for Single Loan Fraud by a Borrower.
- QC Review concludes there is Credible Evidence of one or more Significant Defects:
  - The loan will be referred to National MI Servicing to process a rescission in accordance with Master Policy requirements (refer to [Section 4.0 Rescissions, Alternatives & Re-pricing](#) for details).
- Unable to complete QC Review:
  - If National MI is unable to complete the QC Review of a loan to National MI's reasonable satisfaction because the MPH failed to provide the information required by this guide (refer to [Section 5.0 Required Documents](#) for details) within 180 days of the due date specified in the National MI QC request), such loan will not qualify for early Rescission Relief, but may be eligible for 36- or 60-month Rescission Relief, as applicable.

**Closing Document Exception Ineligible Master Policy Holders**

MPHs ineligible for the Closing Document Exception may be designated as eligible, provided the cause of the ineligibility has been satisfactorily addressed. Until that time, the MPH may maintain its Closing Document Exception election. If the MPH is ineligible for the Closing Document Exception but wishes to have early Rescission Relief, the MPH may elect [Rescission Relief Option 2](#), as described below. Regardless of the election made, loans from MPHs ineligible for the Closing Document Exception continue to be subject to National MI's QC program applicable to non-delegated MPHs, as described below.

For Closing Document Exception ineligible MPHs who do not elect [Rescission Relief Option 2](#), loans may be eligible for 36- or 60-month Rescission Relief, as applicable.

- Loans Sampled for QC Review (roughly 5% of the population): Rescission Relief may be earned in the same fashion described in the preceding section [QC Review Findings for Non-Delegated with Closing Document Exception](#).

**2.2.2 Option 2: Non-Delegated with Closing File Independent Validation**

This early relief option is available to MPHs who are deemed ineligible for and/or voluntarily opt out of the Closing Document Exception option. This option requires the MPH to submit to National MI Insurance Operations the Closing Files for 100% of insured non-delegated loans for validation. The validation will be completed either by National MI QC (if sampled) or National MI Insurance Operations (all loans not sampled by QC). The Closing File consists of those documents described in [Section 5.2 Non Delegated Post Closing Documents for Independent Validations or QC Reviews](#). Note: Refer to [Section 6.0 How to Submit Documents to National MI](#) for information about alternative means to submit loan documents to National MI.



### **Independent Validation Findings for Non-Delegated with Closing File Independent Validations**

- Independent Validation concludes there are no Significant Defects:
  - Rescission Relief is effective when National MI notifies the MPH that the Independent Validation is complete with no Significant Defects found.
  - 12 Months (Sunset for Single Loan Fraud by a Borrower): Provided (1) the loan has earned Rescission Relief at the conclusion of the Independent Validation; and (2) the Borrower has timely made the first 12 payments on the loan, Rescission Relief is effective for Single Loan Fraud by a Borrower.
- Independent Validation concludes there is Credible Evidence of one or more Significant Defects:
  - The loan will be referred to National MI Servicing to process a rescission in accordance with Master Policy requirements (refer to [Section 4.0 Rescissions, Alternatives & Re-pricing](#) for details).
- Unable to complete Independent Validation:
  - If National MI is unable to complete the Independent Validation of a loan to National MI's reasonable satisfaction within 180 days of the Certificate Effective Date because the MPH failed to provide the information required by this guide (refer to [Section 5.0 Required Documents](#) for details), such loan will not qualify for early Rescission Relief, but may be eligible for 36- or 60-month Rescission Relief, as applicable.

Loans that are not initially sampled by National MI QC may be subject to a QC Review at a later date in circumstances including, but not limited, to the following:

- Loan defaults prior to the conclusion of the validation;
- MPH self-reports a problem with the loan;
- Early Payment Default; or
- Fraud is suspected.

## **2.3 Delegated Rescission Relief Options**

Delegated MPHs may elect one of the following two rescission relief options.

Note: Delegated MPHs who occasionally submit a loan to National MI for non-delegated approval must also elect a non-delegated option (described in [Section 2.2 Non-Delegated Rescission Relief Options](#)) applicable to their non-delegated loans.

### **2.3.1 Option 3: Delegated with Independent Validation**

This option, fulfilled via National MI's Delegated Assurance Review (DAR) process, provides the quickest path to Rescission Relief among the two delegated options and requires the MPH to submit to National MI Insurance Operations the required documents for 100% of insured delegated loans. The validation will be completed either by National MI QC (if sampled) or National MI Insurance Operations (all loans not sampled by National MI QC are validated via the DAR process). The required documents are those documents described in [Section 5.3 Delegated Documents for Independent Validations or QC Reviews](#).

Note: Refer to [Section 6.0 How to Submit Documents to National MI](#) for information about alternative means to submit loan documents to National MI.

**Independent Validation Findings for Delegated Loans**

- Independent Validation concludes there are no Significant Defects:
  - Rescission Relief is effective when National MI notifies the MPH that the Independent Validation is complete with no Significant Defects.
  - 12 Months (Sunset for Single Loan Fraud by a Borrower): Provided (1) the loan has earned Rescission Relief at the conclusion of the Independent Validation; and (2) the Borrower has timely made the first 12 payments on the loan, Rescission Relief is effective for Single Loan Fraud by a Borrower.
- Independent Validation concludes there is Credible Evidence of one or more Significant Defects:
  - The loan will be referred to National MI Servicing to process a rescission in accordance with Master Policy requirements (refer to [Section 4.0 Rescissions, Alternatives & Re-pricing](#) for details).
- Unable to complete Independent Validation:
  - If National MI is unable to complete the Independent Validation of a loan to National MI's reasonable satisfaction within 180 days of the Certificate Effective Date because the MPH failed to provide the information required by this guide (refer to [Section 5.0 Required Documents](#) for details), such loan will not qualify for early Rescission Relief, but may be eligible for 36- or 60-month Rescission Relief, as applicable.

Loans that are not initially sampled by National MI QC may be subject to a QC Review at a later date in circumstances including but not limited to the following:

- Loan defaults prior to the conclusion of the validation
- MPH self-reports a problem with the loan
- Early Payment Default
- Fraud is suspected

**2.3.2 Option 4: Delegated without Independent Validation**

This option applies to MPHs who do not elect to submit 100% of their delegated loans for Independent Validation. MPHs who elect this option will be subject to sampling under National MI's QC program described below in [QC Review Findings for Sampled Delegated Loans](#). The MPH is required to submit the required documents on a randomly selected sample of insured loans made by National MI QC, and such QC Reviews will qualify as Independent Validations. For sampled loans, the MPH must submit the documents described in [Section 5.3 Delegated Documents for Independent Validations or QC Reviews](#). Note: Refer to [Section 6.0 How to Submit Documents to National MI](#) for information about alternative means to submit loan documents to National MI.

**QC Review Findings for Sampled Delegated Loans**

- Loans not sampled may be eligible for 36- or 60-month Rescission Relief, as applicable.
- Loans Sampled for QC Review:
  - QC Review concludes there are no Significant Defects:
    - Rescission Relief is effective when National MI notifies the MPH that the review is complete with no Significant Defects.

- 
- 12 Months (Sunset for Single Loan Fraud by a Borrower): Provided (1) the loan has earned Rescission Relief at the conclusion of the QC Review; and (2) the Borrower has timely made the first 12 payments on the loan, Rescission Relief is effective for Single Loan Fraud by a Borrower.
  - QC Review concludes there is Credible Evidence of one or more Significant Defects:
    - The loan will be referred to National MI Servicing to process a rescission in accordance with Master Policy requirements (refer to [Section 4.0 Rescissions, Alternatives & Re-pricing](#) for details).
  - Unable to complete QC Review:
    - If National MI is unable to complete the QC Review of a loan to National MI's reasonable satisfaction because the MPH failed to provide the information required by this guide (refer to [Section 5.0 Required Documents](#) for details) within 180 days of the due date specified in the National MI QC request, such loan will not qualify for early Rescission Relief, but may be eligible for 36- or 60-month Rescission Relief, as applicable.

## 3.0 Automated Tool Rescission Relief

Automated Tool is defined in the Master Policy and means a system, process or tool that National MI has approved for use in underwriting or validating a loan or loan component in accordance with the requirements for such use described in National MI's Underwriting Guidelines.

The following "Automated Tools" are approved by National MI as of the date of this guide. Refer to the [National MI TrueGuide® Underwriting Guidelines](#) for the current list of Automated Tools.

### **Valuation Related Automated Tools**

- Appraisal with Fannie Mae Collateral Underwriter® (CU®) when the score is  $\leq 2.5$  and with DU® Approve/Eligible
- Fannie Mae Appraisal Waiver with DU® Approve/Eligible
- Fannie Mae Rural High-Needs Appraisal Waiver with DU® Approve/Eligible
- Freddie Mac Automated Collateral Evaluation (ACE) with LPA® Accept/Eligible

### **Borrower Income and Assets Related Automated Tools**

- Fannie Mae Validation Services with DU® Approve/Eligible
- Freddie Mac Asset and Income Modeler (AIM) with LPA® Accept/Eligible

Consistent with Section 17(f) of the Master Policy, National MI's approval of an Automated Tool means that National MI will not rescind coverage because of a Significant Defect based on or arising from inaccurate results from the Automated Tool if:

- 1) The Master Policy Holder (MPH) used the Automated Tool in accordance with the requirements of National MI's Underwriting Guidelines,
- 2) The inputs to the Automated Tool were accurate and the outputs of the Automated Tool were accurately reflected in the insurance Application, and
- 3) The MPH did not have, prior to the Certificate Effective Date, any information that conflicts with or invalidates the inputs or results of the Automated Tool that were not fully evaluated and shared with National MI prior to the Certificate Effective Date.

National MI does not track or report when Automated Tool Rescission Relief is effective for individual loans when one or more components of such loans have been validated by the MPH during the loan origination process with an Automated Tool.

## 4.0 Rescissions, Alternatives & Re-pricing

### 4.1 Rescissions

Rescissions may arise when National MI discovers a Significant Defect. The Master Policy Holder (MPH) will have an opportunity to respond to findings and provide additional documentation to cure and/or reduce the severity of the finding. If the MPH cannot resolve the finding, National MI Servicing will then process a rescission in accordance with Master Policy requirements, which provide the Insured/MPH with an additional opportunity to appeal the findings.

### 4.2 Rescission Alternatives

National MI does not currently offer an alternative to rescission when a Significant Defect is discovered.

### 4.3 Re-pricing – Eligible Loans

Re-pricing occurs when the MPH is responsible for a Defect such that had the actual facts been known, the loan would have been eligible for coverage despite such Defect, but at a higher rate.

When National MI identifies the need to re-price, the MPH will have an opportunity to respond to findings and provide additional documentation to cure and/or reduce the severity of the finding.

If National MI discovers a Defect and concludes that the loan should be re-priced, National MI Servicing will notify the Servicer that a premium adjustment is required. To maintain coverage on the loan, the Servicer must remit the additional premium in a single payment within the time specified in National MI's billing notice. Failure to pay the additional premium will result in rescission of coverage.

## 5.0 Required Documents

Required documents are described below.

### 5.1 Non-Delegated Underwriting

- National MI Application (online submissions or electronic deliveries that include information we require to underwrite a loan to qualify)
- 1003 Loan Application
- 1008 Underwriting Transmittal Summary (optional)
- AUS final reports – DU<sup>®</sup> Findings/LPA<sup>®</sup> Feedback (if applicable)
- Credit Reports (including all required letters of explanation (LOX))
- Verification of Rent (VOR)/Verification of Mortgage (VOM) as required
- Employment and income verification (paystubs, W-2's, tax returns, verifications of employment, verbal VOEs and letters of explanation)
- Current version of verification reports from vendors supporting components of the loan file (income, employment and assets) validated by a GSE approved vendor (via Fannie Mae's DU<sup>®</sup> validation service or Freddie Mac's LPA<sup>®</sup> asset and income modeler)
- 4506-T (4506, 4506-EZ or 8821) tax transcripts required for Non-AUS loans when:
  - Self-employed income is included in qualifying
  - OR
  - Income included in qualifying is not from self-employment and the lender has obtained the tax transcripts prior to submitting the file to National MI for non-delegated underwriting
- Asset verifications (bank/investment statements, verifications of deposit (VOD), gift letters, community or employer grants)
- Valuation documentation:
  - Required: Appraisal Report (including all attachments, if applicable); or alternative valuation documentation (i.e., appraisal waiver offer message identified in DU<sup>®</sup> or LPA<sup>®</sup>)
  - Recommended: Fannie Mae Collateral Underwriter<sup>®</sup> (CU<sup>®</sup>) or Freddie Mac Loan Collateral Advisor<sup>®</sup> (LCA<sup>®</sup>) Print Report, UCDP Submission Summary Report from CU<sup>®</sup> or LCA<sup>®</sup>, if applicable
- Sales Contract (final executed with all attachments/amendments, if applicable)
- Loan Closing Disclosure or lease/rental agreement from departure residence, as applicable
- Underwriter notes/worksheets utilized
- Other documents as required

Note: As required by National MI's Underwriting Guidelines, the Master Policy Holder must obtain valid written consent from all Borrower(s) on the related loan in compliance with the Taxpayer First Act (26 USC 6103(b) and (c)).

## 5.2 Non-Delegated Post Closing Documents for Independent Validations or QC Reviews

- Final Closing Disclosure
- Final signed Note
- Final signed Mortgage (Deed of Trust)
- Title Insurance Commitment
- Signed Borrower's Authorization form
- Other closing documents or information National MI may request

## 5.3 Delegated Documents for Independent Validations or QC Reviews

- 1003 Loan Application
- 1008 Underwriting Transmittal Summary (optional)
- AUS final reports – DU<sup>®</sup> Findings/LPA<sup>®</sup> Feedback, if applicable
- Credit Reports (including all required letter(s) of explanation (LOX))
- Verification of Rent (VOR)/Verification of Mortgage (VOM) as required
- Employment and income verification (paystubs, W-2's, tax returns, verifications of employment, verbal VOEs and letters of explanation)
- Current version of verification reports from vendors supporting components of the loan file (income, employment and assets) validated by a GSE approved vendor (via Fannie Mae's DU<sup>®</sup> validation service or Freddie Mac's LPA<sup>®</sup> asset and income modeler)
- 4506-T (4506, 4506-EZ or 8821) tax transcripts required for:
  - AUS loans for the time period as required by DU<sup>®</sup>/LPA<sup>®</sup>
  - Non-AUS loans when:
    - Self-employed income is included in qualifying;
    - OR
    - Income included in qualifying is not from self-employment and the lender has obtained the tax transcripts prior to submitting the file to National MI
- Asset verifications (bank/investment statements, verifications of deposit (VOD), gift letters, community or employer grants)
- Valuation documentation:
  - Required: Appraisal Report (including all attachments – if applicable); Form 442, Appraisal Update and/or Completion Report; alternative valuation documentation (i.e., appraisal waiver offer message identified in DU<sup>®</sup> or LPA<sup>®</sup>), or Condominium Eligibility documentation, as applicable
  - Recommended: Fannie Mae Collateral Underwriter<sup>®</sup> (CU<sup>®</sup>) or Freddie Mac Loan Collateral Advisor<sup>®</sup> (LCA<sup>®</sup>) Print Report, UCDP Submission Summary Report from CU<sup>®</sup>, or LCA<sup>®</sup>, if applicable
- Sales Contract (final executed with all attachments/amendments, if applicable)
- Loan Closing Disclosure/HUD-1 from previous home sale, if applicable
- Closing Documents for the subject property:
  - Final Closing Disclosure
  - Final signed Note
  - Final signed Mortgage (Deed of Trust)
  - Title Insurance Commitment
- Signed Borrower's Authorization form

SECTION 5  
Required Documents

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- Underwriter's Approval with conditions, notes and worksheets
- Other documents or information National MI may request

Note: As required by National MI's Underwriting Guidelines, the Master Policy Holder must obtain valid written consent from all Borrower(s) on the related loan in compliance with the Taxpayer First Act (26 USC 6103(b) and (c)).



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## 6.0 How to Submit Documents to National MI

### 6.1 National MI's AXIS System

National MI's AXIS system supports the following:

- Upload of the Loan Application data via a DU<sup>®</sup> 3.2 or 1003
- Data entry of the Loan Application (if DU<sup>®</sup> 3.2 or 1003 file is unavailable)
- Document upload

### 6.2 Loan Origination System (LOS)

National MI supports direct integration to order MI and upload documents from the lender's loan origination system (LOS). A current list of National MI's LOS technology partners and supporting document upload capabilities are posted on National MI's website at <http://www.nationalmi.com/tech-partners/>.

### 6.3 Email or ShareFile

For document delivery via secure email or ShareFile submission, please contact National MI's Solution Center at 855-317-4NMI (4664) or [solutioncenter@nationalmi.com](mailto:solutioncenter@nationalmi.com).

## 7.0 QC Review Requirements and Processes

### 7.1 Applicability and Sampling Methodology

All loans are subject to National MI QC Reviews. If the Master Policy Holder (MPH) has elected Rescission Relief [Option 2 – Non-delegated with Closing File Independent Validation](#) or [Option 3 – Delegated with Independent Validation](#) (i.e., submission of 100% of non-delegated or delegated files), National MI QC will carry out the Independent Validations for sampled files and National MI Insurance Operations will carry out Independent Validations for those files not sampled by QC.

QC sampling will occur consistent with National MI's internal risk policies and QC requirements. National MI sampling includes:

- A random sampling methodology for determining the sample size that produces at least a 95% confidence interval with no more than 2% margin of error when measured on a quarterly basis.
- For random selections, National MI's sampling techniques are designed to ensure that every type of insurance, origination source, program, property type, etc. is eligible to be selected for review. The samples National MI selects include insured loans that are representative of the full scope of business written during the period being audited.
- Review of 100% of early payment defaults (as defined by National MI, including but not limited to loans that are 60 days in Default in the first 12 months).
- Additional targeted and/or high-risk discretionary sampling, including loans with layered risk characteristics, new loan types, MPHs with high QC error rates or poor credit performance, loans underwritten by certain underwriters, lender concentrations and prior incidences of fraud.

The overall sample size will depend upon the above-described sampling requirements and the variables that drive them. National MI anticipates the total sample size will not exceed roughly 5% of the MPH's insured loans over the long run, provided the quality is consistent with National MI's expectations, and individual MPHs will be randomly sampled in proportion to insured volume. However, there is always a chance that a MPH with a single insured loan may be sampled via random selection.

### 7.2 Quality Control (QC) Review Process

#### **Set-up Requirements and Designating MPH Contacts for QC**

National MI has established 3 contact roles for QC as follows:

- File Requests
- Loan Level Feedback
- Summary Reporting

The different roles provide the MPH with the option to designate different individuals as the contact for different aspects of the QC process. Individual MPH employees can be designated (by their email address) with one or more of these roles. National MI Account Managers will set up and/or amend the appropriate contacts and their roles. It is important that MPHs keep their contacts and contact information updated and current.

## National MI QC Review

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### **File Requests**

MPHs will receive a request from National MI QC for loan files via email if one or more loans have been selected for QC Review. The request from National MI QC will include the due date. Typically, new loan file requests made during a calendar month will be due around the 20<sup>th</sup> of the next calendar month (e.g., loans insured in December and sampled in January will be due on February 20th).

File submissions should include, at a minimum, the documents listed in [Section 5.0 Required Documents](#). Refer to [Section 6.0 How to Submit Documents to National MI](#) to understand alternative means of delivering loan files.

National MI QC will send a reminder email when the due date is approaching, and a late notice after it has passed. If requested files are routinely not submitted, National MI QC will refer the matter to National MI Risk Operations for an assessment of the MPH's status as an approved customer.

National MI QC will share preliminary review results via secure email and provide MPHs with an opportunity to respond. National MI QC will finalize and share the findings with the MPH, after taking into consideration any response and additional information submitted.

### **QC Review Scope, File Ratings and Interpretation**

The QC Review is intended to confirm that an insured loan was underwritten and closed in accordance with National MI's Underwriting Guidelines (including risk tolerances established by National MI) and priced appropriately. The QC Review is not equivalent to audits conducted by GSEs to assess loan salability, which are completed in accordance with the GSEs' respective requirements and tolerances that they have established to assess loan sale eligibility.

When possible, the QC Review includes re-verifications of employment, income, assets, occupancy and credit. Re-verification findings, if any, will be included in the review findings. In addition to re-verifications, third-party appraisal reviews and/or field reviews will be completed on a portion of the sample and may be obtained for files with appraisal red-flags.

At the conclusion of the QC Review for a loan, the file will be assigned one of the following ratings to indicate the severity of the findings:

- 1 – No Errors;
- 2 – Minimal Errors;
- 3 – Moderate Errors; or
- 4 – Severe Errors (one or more Significant Defects).

The Severe Error rate is a primary driver of National MI's assessment of loan quality, which, in combination with other variables, drives the size of the random statistical samples. Plainly, if National MI QC determines there is a Severe Error (hence a Significant Defect) that may render the loan uninsurable under National MI's Underwriting Guidelines and cause the mortgage insurance to be rescinded, there may be implications for GSE loan salability. However, the presence or absence of lesser findings has no direct correlation to loan salability (e.g., findings that fall inside National MI tolerances may fall outside GSE tolerances).

Loans with final ratings of Severe Errors (i.e., Significant Defect(s) are discovered) will be referred to National MI Servicing to process rescissions in accordance with the Master Policy requirements (refer to [Section 4.0 Rescissions, Alternatives & Re-pricing](#) for details).

National MI QC Review

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**Sharing Results**

National MI QC will share preliminary results of files with moderate and severe (i.e., Significant Defect(s)) ratings via secure email and provide MPHs with an opportunity to respond (typically 10-14 calendar days). The emails and attached reports will exclude all private borrower data. Monthly findings are aggregated and shared quarterly. Loan level findings for files with minor or no errors will not be shared.

If the preliminary findings indicate the MPH has not satisfied the documentation submission requirements, the MPH must respond with the missing content. If the preliminary findings indicate an error, the MPH is encouraged to respond, but not required, if the findings are considered incorrect or there is additional information the MPH can submit that may impact the findings. The MPH should respond by email or ShareFile privacy protocols (refer to [Section 6.3 Email or ShareFile](#) for setting-up a secure connection with National MI).

**Finalizing Quality Control Review Findings**

National MI QC will finalize the findings after taking into consideration any response and additional information submitted by the MPH. The final findings will be shared for all files included in the preliminary results.

**Action Planning**

If problems are material (as determined by National MI), the National MI Risk Officer responsible for lender monitoring will become involved and take responsibility for working with the MPH to develop necessary action plans that will be monitored by the Risk Officer and National MI QC. If problems are not sufficiently corrected (as determined by National MI), National MI may refuse to insure new loans from the MPH and/or revoke the MPH's delegated authority.

**Summary Reporting**

National MI QC will periodically provide MPHs with reports summarizing their QC Review results.

**Master Policy Holder Questions about QC**

MPHs may contact their Account Manager to answer questions about National MI QC. In addition, National MI QC can be reached at:

Email: [QualityControl@NationalMI.com](mailto:QualityControl@NationalMI.com)

Phone: 855.317.4NMI (4664)

## National MI Independent Validation

## 8.0 Independent Validation Requirements and Processes

### 8.1 Applicability and Sampling Methodology

Independent Validations are required for 100% of Closing Files when MPHs elect Rescission Relief [Option 2 – Non-Delegated with Closing File Independent Validation](#) and for 100% of the Origination File and Closing File when MPHs elect Rescission Relief [Option 3 – Delegated with Independent Validation](#). National MI QC will carry out the validations for sampled files and National MI Insurance Operations will carry out validations for those files not sampled by QC.

### 8.2 National MI Insurance Operations Delegated Assurance Review (DAR) Process

#### Overview

When a MPH selects Rescission Relief [Option 2 – Non-Delegated with Closing File Independent Validation](#) or [Option 3 – Delegated with Independent Validation](#), 100% of the loans will be validated. Those validations will be carried out by National MI Insurance Operations unless the loan has been sampled by National MI QC and designated for QC Review (refer to [Section 7.0 QC Review Requirements and Processes](#) for details). Note: The title of this section of the Rescission Relief Guide references the DAR process which is the name given to the delegated validation process applicable when Rescission Relief [Option 3 – Delegated with Independent Validation](#) is selected, but the requirements described in this section also apply to the validation of non-delegated Closing Files submitted under Rescission Relief [Option 2 – Non-Delegated with Closing File Independent Validation](#).

National MI Insurance Operations will validate delegated files via National MI's Delegated Assurance Review (DAR) process and validate non-delegated files via National MI's Non-Delegated Closing File Independent Validation process.

National MI Account Managers or a National MI Director of Risk Operations will designate one or more MPH employees as the National MI contact for validation purposes (file submissions, findings, and reporting). MPHs must keep their contacts and contact information updated and current. If the MPH elects [Option 3 – Delegated with Independent Validation](#), one or more MPH employees must attend National MI's "Welcome to Delegated" training about the DAR (Delegated Assurance Review) process.

#### File Requests

The MPH must deliver complete files to National MI within 60 days of the Certificate Effective Date (no request for files from National MI is necessary), since 100% of loan files (either the Closing File alone or both the Origination File and Closing File) must be Independently Validated. National MI may email the MPH with a reminder requesting the file, if the file is not received within 30 days. Refer to [Section 7.0 QC Review Requirements and Processes](#) for timelines applicable to files sampled for a QC Review.

File submissions should include, at a minimum, the documents listed in [Section 5.0 Required Documents](#). Refer to [Section 6.0 How to Submit Documents to National MI](#) to understand alternative means of delivering loan files.

## National MI Independent Validation

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Additional reminders to the MPH may be sent by National MI. If National MI is unable to complete an Independent Validation of a loan to National MI's reasonable satisfaction within 180 days of the Certificate Effective Date, because the MPH failed to provide the information required by this guide (refer to [Section 5.0 Required Documents](#) for details), such loan will not qualify for early Rescission Relief, but may be eligible for 36- or 60-month Rescission Relief, as applicable. In addition, if the MPH makes a practice of failing to provide necessary information, the MPH's ability to insure loans, and/or exercise delegated authority (if any), and/or elect a rescission option with validation will be reassessed.

National MI's Insurance Operations will share preliminary results via secure email and provide MPHs with an opportunity to respond. National MI will finalize and share the findings after taking into consideration any response and additional information submitted.

### **Independent Validation Scope, File Ratings and Interpretation**

The Independent Validation is intended to confirm that an insured loan was underwritten and closed in accordance with National MI's Underwriting Guidelines (including risk tolerances established by National MI) and priced appropriately. The Independent Validation is not equivalent to audits conducted by GSEs to assess loan salability, which are completed in accordance with the GSEs' respective requirements and tolerances that they have established to assess loan sale eligibility.

Independent Validations carried out by National MI Insurance Operations typically do not include re-verifications or third party appraisal reviews (desktops or field reviews). However, these tools may be used if there are red-flags or concerns with respect to the loan file.

At the conclusion of the Independent Validation of a loan completed by National MI Insurance Operations, the file will be assigned one of the following ratings to indicate the severity of the findings:

- Insurable, or
- Out of Scope (one or more Significant Defects).

The Out of Scope error rate is a primary driver of National MI's assessment of loan quality. Plainly, if National MI determines a loan is Out of Scope (hence a Significant Defect) that may render the loan uninsurable under National MI's Underwriting Guidelines and cause the mortgage insurance to be rescinded, there may be implications for GSE loan salability. However, the presence or absence of lesser findings has no direct correlation to loan salability (e.g., findings that fall inside National MI tolerances may fall outside GSE tolerances).

Loans with a final rating of Out of Scope (i.e., Significant Defect(s)) will be referred to National MI Servicing to process rescissions in accordance with Master Policy requirements (refer to [Section 4.0 Rescissions, Alternatives and Re-pricing](#) for details).

### **Audit Findings**

MPHs will be informed of and have an opportunity to respond to findings that affect pricing (where National MI is seeking additional premium) or insurability. National MI will finalize the Independent Validation findings after taking into consideration any response and additional information submitted by the MPH. MPHs will be notified of the outcome of the validation process by National MI once the validation process is concluded.

## National MI Independent Validation

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### **Action Planning**

If problems are material (as determined by National MI), the National MI Risk Officer responsible for lender monitoring will become involved and take responsibility for working with the MPH to develop necessary action plans that will be monitored by the Risk Officer. If problems are not sufficiently corrected (as determined by National MI), National MI may revoke the MPH's ability to insure loans with National MI and/or its delegated authority.

### **Summary Reporting**

National MI will periodically provide MPHs with reports summarizing their results.

### **Master Policy Holder Questions about Independent Validation**

MPHs may contact their National MI Account Manager or National MI Director of Risk Operations to answer questions about non-delegated and delegated Independent Validation processes.

In addition, National MI Insurance Operations can be reached at:

Phone: 855.317.4NMI (4664)

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## 9.0 Notifications

Consistent with Section 47 of the Master Policy:

- If the Insured/Servicer becomes aware of a Significant Defect, Single Loan Fraud or Pattern Activity of a National MI insured loan, the Insured/Servicer must notify National MI within 30 days of discovering such information; and/or
- If the Insured/Servicer is required to repurchase a loan from a GSE or any other investor, the Insured/Servicer must notify National MI within 30 days of when the loan was required to be repurchased.

Such notifications are to be made to National MI's QC Department at [qualitycontrol@nationalmi.com](mailto:qualitycontrol@nationalmi.com).



## 10.0 Frequently Asked Questions

|   |  |  |
|---|--|--|
| 1 | Can I request a different Rescission Relief option for each loan I submit?   | No, MPHs may elect to change their Rescission Relief option, but it will apply to all loans.   |
| 2 | What happens if I don't submit the documents National MI requires to perform an Independent Validation or QC Review?   | If National MI cannot perform an Independent Validation or QC Review because National MI does not receive the necessary documents, the loan will not be eligible for early Rescission Relief but may be eligible for 36- or 60-month Rescission Relief, as applicable. If a claim is ever filed, it will not be considered perfected until the file or missing documents are submitted. Frequent failure to submit files may be grounds to make the MPH ineligible to insure additional loans, ineligible for delegated underwriting, or ineligible for a particular Rescission Relief election. |
| 3 | How many loans will be sampled by QC or for Independent Validation?  | For QC, the overall sample size is uncertain because it depends on many factors. National MI anticipates the total sample size will not exceed roughly 5% of the MPH's insured loans over the long run, provided the quality is consistent with National MI's expectations, and individual MPHs will be randomly sampled in proportion to insured volume.<br><br>Independent Validation requires 100% of loan files to be submitted, so sampling does not apply.   |
| 4 | How many QC-related sample requests will National MI send to a MPH each month?   | No more than one (which could include multiple loans). It is unlikely that a MPH will be sampled every month.  |
| 5 | Are National MI QC Review and Independent Validation requirements like those of other mortgage insurers?   | Yes, to a significant degree because all GSE eligible mortgage insurers must meet GSE requirements with respect to Independent Validations. However, see the specific requirements above in this guide.  |
| 6 | What happens if an insured loan that has been selected for Independent Validation or QC Review is paid-off and the Certificate cancelled? Do I still need to submit documents and respond to findings? | For Independent Validation – no. However, if the loan has been selected for a National MI QC Review, the statistical integrity of the sampling requires that the review be completed and the MPH is required to submit documents for such loan.  |
| 7 | Who should be notified when fraud is discovered on a National MI insured loan?   | Please notify National MI's QC Department at <a href="mailto:qualitycontrol@nationalmi.com">qualitycontrol@nationalmi.com</a> within 30 days of discovering fraud.   |

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## 11.0 Rescission Relief Guide Revision History

### Rescission Relief Guide Revision History

EFFECTIVE DATE

REVISION SUMMARY

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|-----------|--|
| 8.17.2020 | <p>Version 1.1:</p> <ul style="list-style-type: none"><li>▪ Added COVID-19 Rescission Relief terms.</li><li>▪ Section 3.0 Automated Tools: Added LPA<sup>®</sup> ACE; and clarified eligibility of Fannie Mae's rural high-needs appraisal waiver as Automated Tools.</li><li>▪ Section 5.0 Required Documents: Updated the list of required documents and added reference to Taxpayer First Act.</li><li>▪ Section 9.0 Notifications: Added a Notifications section.</li><li>▪ Section 10.0 FAQs: Added one additional Q&amp;A.</li></ul> |
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