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IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

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IN THE MATTER OF THE REHABILITATION OF)
TRIAD GUARANTY INSURANCE CORPORATION) Case No. 12 CH 43895

OBJECTION AND RESPONSE OF CERTAIN SECURITIZATION TRUSTS TO THE PLAN OF REHABILITATION FOR TRIAD GUARANTY INSURANCE CORPORATION

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(Pro Hac Admission To Be Filed)

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The Securitization Trusts identified on Exhibit "A" ("Trusts"), by and through their loan servicer Ocwen Loan Servicing, LLC, by and through its counsel, Dykema, respectfully submit this Objection and Response to the Plan Of Rehabilitation For Triad Guaranty Insurance Corporation ("Plan").

I. Introduction And Summary Of Issues

The Trusts have an enormous stake in the Triad Guaranty Insurance Corporation ("Triad") Rehabilitation. Their interests arise out of approximately 29,000 mortgage loans ("Loans") that were originated and underwritten by a non-party called American Home Mortgage ("AHM").[1] Between 2004 and 2007, the Loans individually were insured by Certificates issued by Triad pursuant to a series of master mortgage insurance policies between Triad and AHM ("Master Policies"). AHM subsequently packaged these Loans together and sold them to members of the secondary mortgage market. Many of these Loans were sold to the Trusts, who thereafter became the Policyholders on the individual Certificates. The Trusts collectively utilize one mortgage servicing company to handle the day-to-day servicing of the former AHM mortgage loans and, where necessary, to submit claims and interact with Triad in connection with insurance policies.[2] Therefore, the Trusts have a common interest in this matter and millions of dollars at stake.

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[1] AHM refers collectively to American Home Mortgage Holdings, Inc., American Home Mortgage Investment Corp., AHM SV, Inc. (f/k/a American Home Mortgage Servicing, Inc.), and American Home Mortgage Corp. (now in jointly administered bankruptcy proceedings pending in the United States Bankruptcy Court for District of Delaware under Case No. 07-11047).

[2] The mortgage servicer for the Trusts' loans is Ocwen Loan Servicing, LLC.

The Trusts appreciate the Rehabilitator's efforts in developing the Plan, believe that certain aspects of it are constructive and represent a positive change from the *status quo*, but nonetheless have a few important objections and concerns as set forth below.

First, the Plan purports to allow Triad to continue to rescind an insurance policy without first returning in full the premium that Triad collected. Rather, Return of Premium amounts are classified as general assets of the Estate and their disbursement is subject to the distribution framework in the Plan. The issue, however, is that returning a premium in full is a condition precedent to an effective rescission. The concepts of "rescinding" a policy while nonetheless keeping a portion of the premium are mutually inconsistent. The Plan in its current form thus conflicts with settled law and the Plan should be revised to confirm that Triad in Rehabilitation must tender back the full premium in cash in order to effectuate a rescission.

Second, the Plan contains Claims Procedures (Part III) that are inconsistent with the claims procedures in the Master Policies and Triad's written guidelines. The proposed changes are unnecessary and will create confusion and uncertainty. The Claims Procedures should be stricken from the Plan.

Third, the Plan would only pay out interest payments ("Carrying Charges") owed to Policyholders on Deferred Payment Obligations ("DPOs") at the general creditor level instead of the policyholder level, and defers disbursement of such monies until principal payments on other claims have been satisfied. The Rehabilitator's Petition and Memorandum do not explain why these amounts, which are specific and knowable debts to Policyholders, should be paid from monies allocated among all general creditors. Nor do the papers proffer an analysis of the impact to the Estate if such payments were paid at the same time as other such policyholder disbursements. Therefore, the Trusts are concerned about this aspect of the Plan but need to understand the Rehabilitator's rationale for this proposal before they can take a position.

Fourth, the Trusts seek confirmation that payment of a particular classification of Covered Claim, *i.e.*, approximately $140 million in previously allowed claim amounts that Triad held into escrow pending litigation between it and AHM, will be paid at the 75/25 cash/DPO split set forth in the Plan. This is a $20 million issue, but one that could be resolved by the Rehabilitator through written confirmation.

Finally, the Trusts seek further clarification as to the Rehabilitator's plans for resolving disputed claims. Given the volume of preexisting claims denied by Triad, and concerns of ongoing denials, there needs to be a robust and clear process for handling such disputes. As is, the Plan provides little guidance and few details of what policyholders can expect.

Each of these issues is discussed in more detail below. The Trusts also reserve all rights to evaluate and join in any objections or comments proffered by other stakeholders in this matter.

II. Standard Of Review

The Plan submitted by the Rehabilitator must be in the best interest of the policyholders, creditors, and the company. 215 ILCS 5/192(4). "[T]he underlying purpose of Article XIII of the Insurance Code . . . is the 'protection of individual policyholders and other claimants without permitting certain classes of creditors to place themselves in a superior position.'" *In re Liquidations of Coronet Ins. Co.*, 298 Ill. App. 3d 411, 418, 698 N.E.2d 598, 603 (1st Dist. 1998), *quoting Lincoln Towers Ins. Agency, Inc. v. Boozell*, 291 Ill. App. 3d 965, 970, 684 N.E.2d 900 (1st Dist. 1997). Thus, the Rehabilitator's Plan shall not treat one group of policyholders differently than another.

The Rehabilitator does not have unlimited discretion for determining what is in the best interest of the policyholders, creditors, and the company. Nor does the Rehabilitator's Plan carry any force and effect at its inception. Rather, the Rehabilitator is limited to provisions that are both "necessary and advisable" and must seek Court approval of the Plan. 215 ILCS 5/192(4). Article XIII of the Insurance Code places the duty and therefore burden on the Rehabilitator to demonstrate to the Court that the plan should be approved. *Id.*

III. The Trusts' Objections And Concerns

A. The Plan Purports To Vest Triad With Novel Legal Rights Regarding Rescission Of Policies.

The first issue concerns premiums that are owed to Policyholders in the event Triad decides to rescind an insurance policy. The Rehabilitator is seeking permission to retain the right to rescind policies *without* having to satisfy the condition precedent of fully refunding the premiums back to the policyholder.

On the one hand, there is no dispute that the premium is owed to a Policyholder following a rescission. The Plan expressly acknowledges the obligation in that it defines these payment obligations as "Return of Premium" amounts (*see* Plan, §1.10), that are among the categories of "Covered Claims" eligible for payments from the estate. *Id.*, at §1.03(c) and (d). As Covered Claims, the Rehabilitator would pay Return of Premium amounts pursuant to the same allocation plan as other claims. Under Section 2.05(a), the Rehabilitator will pay Covered Claims "at the rate of seventy-five percent (75%) of the amount due," with the remaining twenty-five percent (25%) booked as a Deferred Payment Obligation ("DPO"). *Id.*, at §2.05(e).

The problem lies in how the Rehabilitator intends to satisfy the obligation to fully refund the premiums.

The net result of the Plan is that the Rehabilitator will retain the right to rescind policies without having to tender all of the premiums back to the policyholders in cash. This is inconsistent with settled law regarding rescission of contracts. Illinois courts follow the general principle that rescission requires a return to the *status quo*, which necessarily entails a return of any consideration paid or benefits received. *See Puskar v. Hughes*, 179 Ill. App. 3d 522, 528-29, 533 N.E.2d 962, 967 (2nd Dist. 1989) ("Restoration of the *status quo* initially requires return of any property or other consideration that has passed to the rescinding party under the contract . . . and also generally requires the rescinding party to account for any benefits received from the other party under the contract."); *see also Berger v. Manhattan Life Ins. Co.*, 805 F.Supp. 1097 (S.D.N.Y 1992) ("where an insurer seeks to rescind a policy, "equity requires that the insurance company tender back the premium prior to trial . . . ."; *La Rocca v. John Hancock Mutual Life Ins. Co.*, 286 N.Y. 233, 238, 36 N.E.2d 126 (1941) (when a contract of insurance has been rescinded, "the law implies an obligation on the part of the insurer to refund the consideration to the insured").[3] Clearly, the Plan does not return a Policyholder to the *status quo* upon the Rehabilitator's rescission of a given policy. Receiving 75% of what is owed in cash and then an "IOU" for the balance does not place the Policyholder in the same position it was before the insurer issued the policy in the first place.

Perhaps anticipating this issue and objection, the Rehabilitator states in the Plan that payment of 75% in cash and 25% as a DPO "shall together constitute payment in full by Triad" *Id.* at §2.05(g). Yet, the Rehabilitator does not address or provide support in his Petition for this

[3] Insofar as a rescission decision is based on the conduct of AHM, then a choice of law analysis might necessitate applying the law of the state with the most contacts. New York was AHM's principal place of business and thus New York law could apply to certain issues. As a practical matter, however, on the threshold point of return of premium, no conflict of law likely exists.

contention. Merely saying that it has "paid in full" does not make it so, and the reality is that a DPO is not cash. A DPO is merely a promise to pay in the future, on the assumption that assets will eventually exist to do so.

The Rehabilitator also might argue that the Illinois Insurance Code requires Triad to pay the Return of Premium amounts under this 75/25 framework on the premise that (i) estate assets must be distributed according to the statutory priority scheme set forth in Section 205, (ii) the only appropriate classification is the Policyholder level in Section 205(d), and (iii) in order to treat all Policyholders the same, all disbursements at this level must be at the 75/25 cash/DPO split. *See e.g., In the Matter of Conservation of Alpine Ins. Co.*, 318 Ill. App. 3d 457, 741 N.E.2d 663 (1st Dist. 2000) (finding that the priority distribution scheme in Section 205 applies to rehabilitations as well as to liquidations, and rejecting a request to create sub-classifications within a priority level that treated policyholders differently).

But the distribution framework in Section 205 applies only to the distribution of "general assets," and the argument above begs the question of whether the Return Premium amounts, when tendered to a policyholder as a condition to effectuate a rescission, even count as a distribution at all, or that the amounts tendered are "general assets" of the estate in the first place. *See* 215 ILCS 5/205(1). Logically, a rescission returns parties to the *status quo* and, in our context, this means that a rescission legally may occur only if the monies are relinquished in full.[4] The Rehabilitator has not satisfied his burden of explaining why Return of Premium amounts must be distributed as assets under the framework in section 205.

[4] Premiums returned to effectuate a rescission are different from "unearned premiums" in the wake of a cancellation of a policy. The Proposed Plan notes the distinction, defining "Unearned Premiums" as "[t]hat portion of the premium on a Certificate of Insurance that has not been earned by Triad." Proposed Plan, §1.13. In the case of "Unearned Premiums," there would have

Even assuming the Return of Premium amounts are "general assets" of the estate subject to the distribution framework in Section 205, then the amounts should be classified as "costs and expenses of administration" of the estate and afforded level (a) priority. *See* 215 ILCS 5/205(1)(a). This makes sense; if rescinding a particular policy is legally justified and serves a business purpose that is intended to benefit the overall estate, then the "cost" of doing so, *i.e.*, the return of premium, should be deemed an expense of the estate. The Rehabilitator cannot rescind a policy without incurring this "cost" and so logically its payment should be given a different priority classification than a "claim" for benefits by a policyholder. And in this respect, returning the premium in full as a condition precedent to rescission does not grant "preferential treatment of creditors," which underlies the policy behind the priority scheme in Section 205. *In the Matter of Conservation of Alpine Ins. Co.*, 318 Ill. App. 3d at 460.

The concern about return of premiums is a significant one given Triad's history of attempting to effectuate rescissions of policies. Triad itself has admitted to an astonishing past practice of rescinding claims. In 2009 litigation between Triad and AHM (which has since been dismissed) Triad stated that the rescission rate "increased rapidly from traditional levels of less than 5% to **over 75%**." *See* Exhibit "B", ¶9, Amended Complaint (without exhibits), filed by Triad in *In re American Home Mortgage Holdings, Inc.*, Case No. 07-11047, Adv. Proc. No. 09-52193 (Bankr. D. Del) (200) (emphasis added). Given this rate of rescission, there are and will be thousands of individual claims at issue. *See* Plan, §4.04 (". . . certain of Triad's Policyholders had pending appeals of Triad's decision to rescind its Certificate of Insurance"). Consequently,

been a period of time when the policy legally was in place and for that time both parties had the benefit of the bargain, such that Triad appropriately would have held title to the premium amount. Upon cancellation, the "unearned" portion of premium for the period of time following cancellation is returned.

the Trusts reasonably are concerned that the trend of rescissions will continue (however misguided) and therefore, the Plan must address the Return of Premium issue in a manner consistent with settled law, not Triad's historic past practice. In sum, Triad in Rehabilitation may not have it both ways; it may not continue to "rescind" policies as Triad did, while simultaneously holding a portion of premiums in the estate for potential future treatment at the policyholder distribution level.

B. The Claims Procedures In The Plan Are Not "Necessary And Advisable."

The next issue concerns the process by which Policyholders, through their servicing entities, will be required to interact with Triad to submit and support claims on insurance policies. *See* Plan, Part III.

The Master Policies set forth a framework for submitting claims under which Triad and the Policyholders have operated for several years. *See* Master Policy Exemplar, Exhibit "C". Further, Triad has published a detailed, 69-page "Default & Claims Servicing Guide" ("Servicing Guide") that provides guidance regarding the Master Policy, including default reporting, loss mitigation, foreclosure, and claims. *See* Servicing Guide, Exhibit "D".

Part III of the Plan also contains Claim Procedures ("Claim Procedures"). Although Section 3.01 states that the Claim Procedures are "[i]n accordance with the provisions set forth in the applicable mortgage guaranty insurance policies," and the Claim Procedures ostensibly attempt to summarize some of the provisions of the Master Policy, there are differences between the Claims Procedures and the Master Policy that are either confusing or outright conflicting.

The Trusts acknowledge that the Rehabilitator has authority to propose changes to the *status quo* in claims procedures if necessary and for the best interests of the policyholders. But the Rehabilitator's Petition and Memorandum do not explain why the Claims Procedures differ from the Master Policy, nor do they explain why the Claims Procedures are necessary or in the best interests of the policyholders. Given the lack of an explanation for a need to alter the claims procedures set forth in the Master Policy, as supplemented by the Servicing Guide, there is no reason or basis for the Court to approve the Claim Procedures set forth in the Plan.

Moreover, the Plan's Claims Procedures risk causing confusion that will lead to more inefficiencies. Examples are set forth below.

1. Loss mitigation procedures

An example of inconsistency in the Plan is in the area of loss mitigation. The Master Policy and Servicing Guidelines set forth a procedure for mitigating Triad's exposure. The Master Policy states as follows:

> The Insured shall actively cooperate with the Company to prevent and mitigate the Loss and to assist the Company in the Company's attempts to prevent and mitigate the Loss, including but not limited to good faith efforts to effectuate the early disposition of the property. The Company will administer the Policy in good faith.

Master Policy, Section IV.F.1.

The Servicing Guide contains nine pages of guidelines for mitigating Triad's exposure. Ex. "D", pp. 17-25. The Servicing Guide explains what information the Insured should obtain from a delinquent borrower to determine the borrower's financial situation; provides guidance for entering into repayment plans, forbearance plans, and loan modifications; explains that an Insured can request a partial claim advance in certain situations; and discusses mitigation by sale of the property to third parties, short sales, and deeds in lieu of foreclosure.

In contrast, the Claim Procedures set forth a different and much less descriptive procedure for loss mitigation. Section 3.01(c) of the Plan states as follows:

> LOAN WORKOUTS. The Policyholder is responsible for making every reasonable effort to work with Triad to mitigate losses or prevent a foreclosure. This is inclusive of repayment plans, loan modifications, loan assumptions, short sales, deeds-in-lieu, effectuating an early disposition of the property, and exercising an assignment of rents if applicable.

There is no good reason to superimpose this vague language over the detailed procedures set forth in the Master Policy and Servicing Guide. It would cause confusion to the existing process for no apparent reason. Nor is there any reason to subject the Insureds to a new but undefined standard of "making every reasonable effort" regarding loss mitigation. The Master Policy already requires the Insureds to "actively cooperate with the Company to prevent and mitigate the Loss and to assist the Company in the Company's attempts to prevent and mitigate the Loss, including but not limited to good faith efforts to effectuate the early disposition of the property." Given Triad's financial condition, it is reasonable to assume that the Insureds will work diligently to mitigate all losses.

2. Foreclosure

The Plan's provisions regarding foreclosure are inconsistent with the loss mitigation provisions. For example, Section 3.01(g) provides: "It is the **lender's** responsibility to acquire borrower's title to the mortgaged property in order to file a claim for loss." Plan, §3.01(g) (emphasis added). But "acquir[ing] the borrower's title" is inconsistent with the loss mitigation options of a short sale to the borrower and a loan assumption by a third party, each of which is listed in Section 3.01(c) of the Plan, and more specifically detailed in the Servicing Guide (*see* Ex. "D", pp. 22-23), as required options to be considered before a foreclosure.

Neither of these loss mitigation options results in the Insured "acquir[ing] the borrower's title." The Plan's requirement "to acquire borrower's title" also ignores that a third party occasionally purchases the property at a foreclosure sale. The Master Policy insures these losses, and both the Master Policy and Plan specifically contemplate the filing of claims following "the disposition of the Property to a third party at a foreclosure sale" and "the early disposition of the Property to a third party with the Company's approval . . . ." *See, e.g.*, Master Policy, §V.A.2-3; Plan, §3.01(g). Presumably, the Rehabilitator does not intend to preclude claims if one of these preferred loss mitigation options is implemented and the Insured does not foreclose and obtain title to the property. This internal inconsistency demonstrates why the Plan should simply incorporate the claims procedures in the Master Policy.

3. Additionally, clarification is needed on several issues.

Because of the potential for confusion caused by the Plan's Claim Procedures, the Trusts seek clarification on several items.

First, the Trusts seek clarification that, to the extent that the Claims Procedures do not alter or address a provision of the Master Policy, the Master Policy controls. For example, the Claims Procedures and Master Policy address the Insured's obligation to provide the Company with written notice of a borrower's default within certain time frames. *See* Claim Procedures, §3.01(a); Master Policy, §IV.A. The Master Policy also contains a "savings clause" stating that failure to provide timely notice of default is not a basis for denying a claim unless the Company is materially prejudiced by the failure, or notice is not given within 12 months:

> The Company shall not deny a claim by reason of the Insured's failure to provide timely notice as provided above unless the Company is materially prejudiced by such failure or written notice is not given to the Company within twelve (12) months after such

> notice became untimely. In the event the Company pays a claim as to which notice was not given timely, all Loan Interest accruing during the period of lateness shall be excluded from the calculation of Loss.

Master Policy, §IV.A.3.

Because the Claims Procedure does not express any intent to alter this savings clause, the Trusts understand that this savings clause would remain in force following approval of the Plan.

Second, the Trusts also seek to confirm that the Plan does not alter the standard for "Incontestability." The Master Policy provides that "the Company agrees not to reject or deny a claim for benefits under this Policy by reason of fraud, negligence, omission, error, or misrepresentation in the application for coverage of a Loan" if there is no proof that the Insured and Company, among others, had knowledge of the alleged fraud "within twelve (12) months after the Effective Date of coverage with respect to the Loan," and "[t]he Borrower has made twelve (12) consecutive regularly scheduled loan payments prior to the date the Loan went into Default . . . ." Master Policy, §VI.K. Because the Plan does not alter or even address this standard, the Trusts understand that it will continue to apply following approval of the Plan. Given the large volume of claim denials and rescissions by Triad, it is important to the Trusts to confirm that the "Incontestability" provisions of the Master Policy will continue to control.

Third, the Plan's language regarding claim submission states that a "claim for loss must be submitted to Triad no later than 60 days following the first event to occur: the foreclosure sale ***and/or*** expiration of redemption rights . . . ." Plan, §3.01(g) (emphasis added). The "and/or" language appears to be included in error. Following a foreclosure sale in many states, a borrower has a right to redeem, or buy back, the property for a period of time. The "expiration of redemption rights," therefore, could not occur before the foreclosure sale. The "or" should be omitted to make the Plan consistent with the Master Policy, which states in part that a claim should be filed no later than 60 days following "[t]he acquisition by the Insured of the Borrower's Title to the Property **and** the expiration of any redemption rights." Master Policy, §V.A.1 (emphasis added).

Fourth, Section 3.01(g), noted above regarding the "acqui[sition] of title," states that "[i]t is the **lender's** responsibility to acquire the borrower's title to the mortgaged property in order to file a claim for loss." Plan, §3.01(g) (emphasis added). The reference to the "lender" is puzzling, given that the originating lender often sells the loan immediately after origination. Other provisions of the Plan refer to the "Policyholder," and the Master Policy refers to the "Insured." One of these should be substituted for "lender" if the language of Section 3.01(g) is not stricken altogether.

Fifth, Section 3.01(f) of the Plan states that "Triad utilizes due diligence time frames during the processing of the claim." Plan, §3.01(f). The Plan goes on to refer to "[f]oreclosure time frames [that] may be found in Triad's" Servicing Guide. *Id.* It is not clear whether the "due diligence time frames" referenced in Section 3.01(f) are the "foreclosure time frames" listed in the Servicing Guide. The Court should require clearly defined standards to which the Insureds will be held.

For all of the foregoing reasons, the "Claim Procedures" should be stricken and Plan should be amended to provide that all claims procedures as set forth in the Master Policy control.

C. The Rehabilitator's Petition Does Not Explain The Rationale For Relegating Interest Amounts Owed To Policyholders To The "General Creditor" Priority Level

The third issue is the Plan's treatment of "Carrying Charges," which are defined as "[i]nterest owed to Policyholders on Deferred Payment Obligations, pursuant to the Director's Amended Corrective Order No. 1-2009." *See* Plan, §1.01. As the Court may be aware, prior to the Order of Rehabilitation, Triad was operating under a Corrective Order that, among other things, had Triad "paying" allowed claims at 60% in cash and 40% as a DPO. In connection with this arrangement, Triad became obligated to pay Policyholders interest on the DPO amounts, *i.e.*, "Carrying Charges." These debts were tracked and booked by Policyholder; Triad sent quarterly reports to Policyholders (usually through their designated loan servicing agents) that detailed the payment split and the amount of interest. Attached as Exhibit "E" is an exemplar cover email (minus the attachments) from Triad that typifies this reporting. Triad promised that, although the Carrying Charges would not compound, the amounts would "equal the annualized investment portfolio yield for the immediately preceding calendar quarter." *See id.* The Carrying Charges are specific, knowable amounts due to individual Policyholders.

Despite this, the Plan (i) relegates claims for Carrying Charges to "general creditor" level status pursuant to Section 205(1)(g) and, consequently, (ii) precludes payment of such amounts "unless and until all policyholder priority level claims" are paid by cash in full. Plan, §2.05(c). This raises two potential concerns. First, the Rehabilitator's Petition does not explain the rationale for paying Carrying Charges at the general creditor level. Carrying Charges are amounts owed directly to Policyholders as a *quid pro quo* for the DPOs. Second, the Rehabilitator does not give an analysis of the impact to the estate if Triad were to pay Carrying Charges now, and on a going-forward basis.

Presumably, the Rehabilitator is concerned about having sufficient funds overall to cover principal payments and with the impact of paying interest to certain claimants in the near term versus being able to satisfying claims in the future for others. This very well could be a legitimate concern, but the Plan and the Rehabilitator's Petition do not give stakeholders a framework upon which to evaluate that impact for themselves. The Rehabilitator should provide an analysis and rationale as to the impact of paying Carrying Charges to Policyholders on a going-forward basis and at the Policyholder level instead of the existing Plan. Without that, stakeholders cannot effectively comment or address the fairness of this particular aspect of the Plan and therefore reserve all rights to comment further.[5]

D. The Rehabilitator Should Confirm That It Will Pay A Specific Accrued "Covered Claim" At The Same 75/25 Split As Other Covered Claims.

When Triad was in litigation with AHM during 2009-2012 (*see* III(A), *supra*), Triad continued to process some claims arising out of the AHM originated loans but, when it allowed a claim, it would put the monies into escrow instead of paying it to the current Policyholders.[6] That litigation has been resolved and the Rehabilitator correctly recognizes that the monies must be disbursed. According to the Plan, the amount owed is $140,271,544. *See* Plan, §1.03(e). As a "Covered Claim," this accrued obligation should be paid at the same 75/25 split as any other claim. This means that upon adoption of a Plan, the Rehabilitator should disburse approximately

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[5] The financial assumptions and forecasts that support the Petition for the Plan raise a number of questions as well. By way of example, the Affidavit of Robert Ogburn addresses the premium income portion of the forecast. *See* Ogburn Affidavit, Ex. 1 to the Memorandum in Support of the Petition. A number of implicit assumptions are contained within the summary information, including forecasted default and cure rates which, without further explanation or support, makes any meaningful analysis of the forecasts difficult. The Trusts reserve all rights to comment further if and when additional information about the assumptions that underlie the Rehabilitator's forecasts are disclosed.

[6] Given that AHM had no interest in the proceeds because it was no longer the policyholder for such loans, Triad never should have deferred payment at all. The Trusts intervened in the Triad/AHM litigation to make this point and to protect their interests.

$105 million in cash, and convert the balance to DPOs. The Plan on its face is clear enough in this regard.

The Trusts' concern on this point arises out of comments in Affidavits attached to the Rehabilitator's Memorandum. The Affidavit of Kenneth S. Dwyer notes in paragraph 9 that "$84 million in cash payments [will be made] on claims that were escrowed pending settlement of a lawsuit." *See* Dwyer Affidavit, ¶9, Ex. 3 to the Rehabilitator's Memorandum. Likewise, the Affidavit of Leo C. Garrity, Jr. also refers to paying "$84 million" in the sixth bullet point in paragraph 20. *See* Garrity Affidavit, ¶20, Ex. 20 to the Rehabilitator's Memorandum. Both individuals presumably are referring to the Triad/AHM litigation. The problem is that the "$84 million" cash payment figure they quote correlates to paying only sixty percent (60%) of the $140 million currently owed (.6 x 140 = 84). The sixty-percent cash level is, of course, the amount that Triad had been paying on allowed claims pursuant to the Corrective Order, but the Plan changes the ratio to seventy-five percent (75%). The Trusts reasonably believe that the comments in the Affidavits are reflective of evaluating the finances and obligation of Triad *at present*, and that the Rehabilitator going forward fully intends to pay 75% of the $140 million in cash, not 60%. But, we would appreciate confirmation. Otherwise, the Trusts will object to any proposal that pays the $140 million under a lower framework than received by other policyholders.

E. Development Of More Robust Dispute Procedures Will Be Needed.

As noted above, due to Triad's extraordinary practice of denying claims and efforts to rescind policies at a rate of approximately 75%, there will be an enormous number of disputed claims that may have to be litigated in this matter. The Plan provides that disputes will be "adjudicated pursuant to the procedures set forth in 215 ILCS 5/209(11)" of the Illinois

Insurance Code. *See* Plan, §3.02. Section 209(11), in turn, states that following the denial of a claim, the claimant may submit "written objections" to the Director, and that the Director shall "petition the court for a hearing as soon as practicable." *Id.* at §209(11)(a) and (b). Aside from the directive that the parties must "petition the Court," this section gives no details or guidance on what procedures should be followed. This issue might be relatively unimportant if rehabilitation was likely to generate a handful of disputes, but in this case there are thousands of individual "rescission" decisions that may need to be litigated. The Trusts, therefore, respectfully suggest that, either now or in the near future, the Rehabilitator promulgate detailed dispute resolution procedures for comment and then for the Court's consideration.

IV. Conclusion

For all of the foregoing reasons, the Trusts respectfully that the Plan be denied and/or altered in part as identified above, and that the Rehabilitator provide additional clarity and confirmation as to other issues addressed in this pleading.

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EXHIBIT A

INV ID	Deal Name	Trustee
4032	AHMIT 2007-1	Deutsche Bank National Trust Company
4009	AHMAT 2006-3	Citibank, N.A.
4011	AHMAT 2006-5	Deutsche Bank National Trust Company
4229	MASTR ARM Trust 2007-1	U.S. Bank National Association,
4010	AHM Assets Trust 2006-4	Citibank, N.A.
4029	AHMIT 2006-1	Deutsche Bank National Trust Company
4014	AHMAT 2007-2	Deutsche Bank National Trust Company
4007	AHMAT 2006-1	Deutsche Bank National Trust Company
4013	AHMAT 2007-1	Deutsche Bank National Trust Company
4356	SAMI 2006-AR5	The Bank of New York Mellon
4209	HVMLT 2006-7	Deutsche Bank National Trust Company
4216	LUMINENT 2006-7	HSBC Bank USA, National Association
4017	AHMAT 2007-5	Deutsche Bank National Trust Company
4211	HVMLT 2007-5	Deutsche Bank National Trust Company
4012	AHMAT 2006-6	Deutsche Bank National Trust Company
4008	AHMAT 2006-2	Deutsche Bank National Trust Company
4030	AHMIT 2006-2	Deutsche Bank Trust Company Americas
4188	GSR 2006-OA1	Deutsche Bank National Trust Company
4031	AHMIT 2006-3	Deutsche Bank National Trust Company
4016	AHMAT 2007-4	Deutsche Bank National Trust Company
4227	MARM 2006-OA1	U.S. Bank National Association
4015	AHMAT 2007-3	Deutsche Bank National Trust Company
4033	AHMIT 2007-2	Deutsche Bank National Trust Company
4207	HVMLT 2006-14	Deutsche Bank National Trust Company
4026	AHMIT 2005-4A	U.S. Bank National Association
4027	AHMIT 2005-4C	U.S. Bank National Association
4210	HVMLT 2007-2	Deutsche Bank National Trust Company
4024	AHMIT 2005-2	Deutsche Bank National Trust Company
4422	AHMAT 2007-SD2	Deutsche Bank National Trust Company
4167	DBALT 2006-AB4	HSBC Bank USA, National Association
4023	AHMIT 2005-1	Deutsche Bank National Trust Company
4034	AHMIT 2007-A	Deutsche Bank National Trust Company
4036	AHMIT 2007-SD1	Deutsche Bank National Trust Company
4142	BSABS 2006-AC3	U.S. Bank National Association
4173	DBALT 2007-1	HSBC Bank USA, National Association
4139	BAFC 2008-1	U.S. Bank National Association
4224	MALT 2006-2	The Bank of New York Mellon
3945	FHLMC S/S	Federal Home Loan Mortgage Corporation
4165	DBALT 2006-AB2	HSBC Bank USA, National Association
4166	DBALT 2006-AB3	HSBC Bank USA, National Association
3256	CWALT 2004-24CB	The Bank of New York Mellon
3947	DOJ NON-DSI FKA COUNTRYWIDE	Bank of America, National Association
3971	BANK OF AMERICA DOJ NON-DSI III	Bank of America, National Association
4005	AHMAT 2005-1	Deutsche Bank National Trust Company
4172	DBALT 2006-AR6	HSBC Bank USA, National Association
4179	GSAA 2006-10	Deutsche Bank National Trust Company
4189	GSR 2007-OA1	Deutsche Bank National Trust Company
4212	HVMLT 2007-6	Deutsche Bank National Trust Company
2647	CSMC 2007 -NC1 OSI	US Bank N.A
3136	GSAA 2007-2	Deutsche Bank National Trust Company,
3139	GSAA 2007-5	Deutsche Bank National Trust Company
3264	CWALT 2007-2 CB	The Bank of New York Mellon
3363	RALI 2005-QS17	DEUTSCHE BANK TRUST COMPANY AMERICAS,
3555	GOLDMAN BULK PURCHASES	Goldman Sachs Mortgage Company

3557	MTGLQ	MTGLQ Investors, L.P.
3796	MSM 2007-11AR	U.S. Bank National Association
3888	FHLMC STANDARD SERVICING SAXON	Federal Home Loan Mortgage Corporation
3966	BANK OF AMERICA DOJ NON-DSI II	Bank of America, National Association
3974	BANK OF AMERICA DOJ NON-DSI IV	Bank of America, National Association
4006	AHMAT 2005-2	Deutsche Bank National Trust Company
4022	AHMIT 2004-4	The Bank of New York Mellon
4028	AHMIT 2005-SD1	Deutsche Bank National Trust Company
4440	INVESCO IV	RESI WHOLE LOAN IV LLC
4445	MRF ILLINOIS ONE, LLC	MRF Illinois One, LLC

Investor Name Full(claims)	Investor Number(claims)	FHA VA PMI Prefix Desc	Deal	Trustee Name
21ST MORTGAGE CORPORATION	42617	TRIAD	whole loan	N/A
21ST MORTGAGE CORPORATION	42617	TRIAD	whole loan	N/A
ALLY BANK	50235	TRIAD	whole loan	N/A
ALLY BANK	50251	TRIAD	whole loan	N/A
DEUTSCHE BANK NATIONAL TRUST	41861	TRIAD	HVMLT 2006-SB1	Deutsche Bank Nat'l Trust Co.
DEUTSCHE BANK NATIONAL TRUST	41861	TRIAD	HVMLT 2006-SB1	Deutsche Bank Nat'l Trust Co.
DEUTSCHE BANK NATIONAL TRUST	41861	TRIAD	HVMLT 2006-SB1	Deutsche Bank Nat'l Trust Co.
GMAC MORTGAGE	50150	TRIAD	whole loan	N/A
GMAC MORTGAGE	50150	TRIAD	whole loan	N/A
GMAC MORTGAGE	50150	TRIAD	whole loan	N/A
GMAC MORTGAGE	50150	TRIAD	whole loan	N/A
GMAC MORTGAGE	50150	TRIAD	whole loan	N/A
GMAC MORTGAGE	50150	TRIAD	whole loan	N/A
GMAC MORTGAGE	50150	TRIAD	whole loan	N/A
IMPAC FUNDING CORPORATION	40267	TRIAD	Impac CMB 2005-7	Deutsche Bank Nat'l Trust Co.
IMPAC FUNDING CORPORATION	40267	TRIAD	Impac SAC 2005-2	Wells Fargo Bank, N.A.
IMPAC FUNDING CORPORATION	40954	TRIAD	Impac CMB 2004-7	Deutsche Bank Nat'l Trust Co.
IMPAC FUNDING CORPORATION	40954	TRIAD	Impac CMB 2004-8	Deutsche Bank Nat'l Trust Co.
IMPAC FUNDING CORPORATION	40954	TRIAD	Impac CMB 2004-8	Deutsche Bank Nat'l Trust Co.
IMPAC FUNDING CORPORATION	40954	TRIAD	Impac CMB 2005-7	Deutsche Bank Nat'l Trust Co.
IMPAC FUNDING CORPORATION	40954	TRIAD	Impac CMB 2005-7	Deutsche Bank Nat'l Trust Co.
IMPAC FUNDING CORPORATION	40954	TRIAD	Impac CMB 2005-7	Deutsche Bank Nat'l Trust Co.
IMPAC FUNDING CORPORATION	40954	TRIAD	Impac SAC 2005-2	Wells Fargo Bank, N.A.
NATIONSTAR MORTGAGE LLC	41610	TRIAD	LXS 2006-4N	U.S. Bank National Association
NATIONSTAR MORTGAGE LLC	41619	TRIAD	LXS 2006-GP1	U.S. Bank National Association
NATIONSTAR MORTGAGE LLC	41685	TRIAD	LXS 2006-GP3	U.S. Bank National Association
NATIONSTAR MORTGAGE LLC	41795	TRIAD	GPMF 2006-AR4	U.S. Bank National Association
NATIONSTAR MORTGAGE LLC	41916	TRIAD	GPMF 2006-AR8	U.S. Bank National Association
PIA ACT/ACT U72	91782	TRIAD	whole loan	N/A
PIA ACT/ACT U72	91782	TRIAD	whole loan	N/A
PIA ACT/ACT U72	91782	TRIAD	whole loan	N/A
PIA ACT/ACT U72	91782	TRIAD	whole loan	N/A
RESIDENTIAL ASSET MORTGAGE P	41100	TRIAD	GMACMLT 2004-AR2	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL ASSET MORTGAGE P	41488	TRIAD	GMACMLT 2005-J1	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL ASSET MORTGAGE P	41505	TRIAD	GMACMLT 2005-AF2	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94257	TRIAD	RALI 2004-QA5	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94286	TRIAD	RAMP 2004-RS8	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94287	TRIAD	RAMP 2004-RS9	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94311	TRIAD	RALI 2007-QS7	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94342	TRIAD	RALI 2007-QS9	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94394	TRIAD	RAMP 2005-RS1	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94395	TRIAD	RAMP 2005-RS2	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94396	TRIAD	RAMP 2005-RS3	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94396	TRIAD	RAMP 2005-RS3	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94396	TRIAD	RAMP 2005-RS3	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94396	TRIAD	RAMP 2005-RS3	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94399	TRIAD	RAMP 2005-RS6	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94401	TRIAD	RAMP 2005-RS8	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94425	TRIAD	RAMP 2007-RS2	U.S. Bank National Association
RESIDENTIAL FUNDING CORP	94527	TRIAD	RALI 2006-QS3	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94527	TRIAD	RALI 2006-QS3	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94528	TRIAD	RALI 2006-QS4	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94530	TRIAD	RALI 2006-QS6	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94532	TRIAD	RALI 2006-QS8	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	94542	TRIAD	RAMP 2006-RS1	the Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94544	TRIAD	RAMP 2006-RS3	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94546	TRIAD	RAMP 2006-RS5	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	94581	TRIAD	DBALT 2007-RAMP1	HSBC Bank USA, National Association
RESIDENTIAL FUNDING CORP	97376	TRIAD	RALI 2005-QS13	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	97516	TRIAD	RALI 2006-QS1	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	98176	TRIAD	RAMP 2003-RS6	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	98178	TRIAD	RAMP 2003-RS8	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	98284	TRIAD	RAMP 2004-RS6	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	98341	TRIAD	RALI 2007-QS8	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	98395	TRIAD	RAMP 2005-RS2	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	98395	TRIAD	RAMP 2005-RS2	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	98397	TRIAD	RAMP 2005-RS4	the Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	98525	TRIAD	RALI 2006-QS18	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	98528	TRIAD	RALI 2006-QS4	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	98533	TRIAD	RALI 2006-QS9	Deutsche Bank Nat'l Trust Co.
RESIDENTIAL FUNDING CORP	98544	TRIAD	RAMP 2006-RS3	The Bank of New York Mellon Trust Company, National Association
RESIDENTIAL FUNDING CORP	98551	TRIAD	RAMP 2006-RZ4	The Bank of New York Mellon Trust Company, National Association
TCF NATIONAL BANK	41600	TRIAD	whole loan	N/A
TCF NATIONAL BANK	41660	TRIAD	whole loan	N/A
THE BANK OF NEW YORK MELLON	41021	TRIAD	NAAC 2004-AP1	The Bank of New York Mellon Trust Company, National Association
THE BANK OF NEW YORK MELLON	41728	TRIAD	TCMLT 2006-1	the Bank of New York Mellon Trust Company, National Association
WELLS FARGO BANK, N.A.	40341	TRIAD	MALT 2002-2	Wilmington Trust Company
WELLS FARGO BANK, N.A.	41158	TRIAD	MALT 2004-11	U.S. Bank National Association
WELLS FARGO BANK, N.A.	41160	TRIAD	HVMLT 2004-7	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41160	TRIAD	HVMLT 2004-7	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41168	TRIAD	BART 2004-9	U.S. Bank National Association
WELLS FARGO BANK, N.A.	41202	TRIAD	ARMT 2004-5	HSBC Bank USA, National Association

WELLS FARGO BANK, N.A.	41455	TRIAD	HVMLT 2005-15	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41522	TRIAD	BAFC 2005-8	U.S. Bank National Association
WELLS FARGO BANK, N.A.	41655	TRIAD	DBALT 2006-AR2	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	41655	TRIAD	DBALT 2006-AR2	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	41898	TRIAD	HVMLT 2006-14	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	42106	TRIAD	HVMLT 2007-3	Wells Fargo Bank, N.A.
WELLS FARGO BANK, N.A.	42141	TRIAD	DBALT 2007-OA3	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42168	TRIAD	DBALT 2007-OA4	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42222	TRIAD	DBALT 2007-OA5	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42233	TRIAD	HVMLT 2007-06	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	42233	TRIAD	HVMLT 2007-06	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	42233	TRIAD	HVMLT 2007-06	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	42233	TRIAD	HVMLT 2007-06	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	42233	TRIAD	HVMLT 2007-06	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	42233	TRIAD	HVMLT 2007-06	Deutsche Bank Nat'l Trust Co.
WELLS FARGO BANK, N.A.	42280	TRIAD	DBALT 2007-3	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42280	TRIAD	DBALT 2007-3	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42280	TRIAD	DBALT 2007-3	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42280	TRIAD	DBALT 2007-3	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42280	TRIAD	DBALT 2007-3	HSBC Bank USA, National Association
WELLS FARGO BANK, N.A.	42288	TRIAD	DBALT 2007-3	HSBC Bank USA, National Association

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	
	Chapter 11
AMERICAN HOME MORTGAGE HOLDINGS INC., a Delaware Corporation, et al.,	Case No. 07-11047 (CSS) (Jointly Administered)
Debtors.	
TRIAD GUARANTY INSURANCE CORP.	
Plaintiff,	
AMERICAN HOME MORTGAGE INVESTMENT CORP.; AMERICAN HOME MORTGAGE CORP., AHM SV, INC. (f/k/a AMERICAN HOME MORTGAGE SERVICING, INC.); COUNTRYWIDE BANK, FSB, Formerly COUNTRYWIDE BANK, N.A.; COUNTRYWIDE HOME LOAN, INC.; FEDERAL HOME LOAN MORTGAGE CORPORATION and CERTAIN SECURITIZATION TRUSTS IDENTIFIED IN EXHIBITS D AND E FOR THEMSELVES AND AS A REPRESENTATIVE OF A CLASS CONSISTING OF ALL OTHERS SIMILARLY SITUATED AS OWNERS OF MORTGAGE LOAN INSURANCE ISSUED BY TRIAD GUARANTY CORP. TO AMERICAN HOME MORTGAGE,	**Adv. Proc. No. 09-52193 (CSS)**
Defendants.	

AMENDED COMPLAINT

The plaintiff Triad Guaranty Insurance Corp. ("Triad"), complaining of the defendants, seeks a rescission of multiple master mortgage guaranty insurance policies and declaratory relief, and alleges as follows:

I. NATURE OF THE ACTION

1. This is an action for rescission and declaratory relief arising out of the misrepresentations of American Home Mortgage ("AHM") that induced Triad to issue multiple master mortgage guaranty insurance policies ("master policies") under which Triad provided mortgage guaranty insurance on over 29,000 loans made by AHM, as well as AHM's failure to perform reasonably and in good faith under those master policies.

2. Historically, Triad had conducted its own insurance underwriting for loans such as the ones at issue. Over time, lenders such as AHM requested and agreed to assume the insurance underwriting obligation under guidelines approved by Triad. In reliance on AHM's representations regarding its underwriting processes and quality control procedures, Triad issued the master policies and delegated the insurance underwriting function for loans under those policies to AHM.

3. Fundamental to the contractual relationship between AHM and Triad was proper underwriting of loan applications for insurance purposes. This process was essential to a determination of whether each loan was qualified for mortgage guaranty insurance in the first instance.

4. As Triad now has learned, AHM never intended to and never did comply with its essential obligations under the master policies. Instead, AHM failed to follow the insurance underwriting guidelines approved by Triad, resulting in Triad insuring a large percentage of loans that did not qualify for Triad's insurance in the first instance.

5. AHM's conduct induced Triad to enter into the master policies, frustrated Triad's reasonable expectations in doing so, and deprived Triad of the benefit of the bargain with AHM.

6. Inherent in any contract to provide mortgage guaranty insurance is the covenant that the loans insured will be underwritten pursuant to reasonable standards aimed at determining whether borrowers are qualified and actually have the ability to repay the loans.

7. AHM expressly agreed to observe such standards and to abide by underwriting requirements agreed to by Triad and AHM.

8. In reality, AHM never intended to comply with these obligations, as evidenced by its underwriting practices both before and after entering into the agreements. Namely, AHM was not diligent in underwriting the over 29,000 loans placed by AHM for coverage under the master policies. Triad never would have entered into the master policies with AHM if it had known that AHM would not perform its obligations properly.

9. AHM's failure to perform its obligations has resulted in substantial damage to Triad. The rescission rate[1] of the AHM loans increased rapidly from traditional levels of less than 5% to over 75%. The number of defaulted loans also soared from historical levels of 2% to over 30%. Triad has incurred enormous losses by virtue of its review of defaulted loans and its return of premiums for loans that did not qualify for insurance.

[1] The rate of rescission for defaulted loans which are reviewed is referred to as the "rescission rate."

10. By this lawsuit, Triad seeks to be excused from its obligation to insure any loans under its master policies with AHM as a result of the fraudulent inducements that caused Triad to issue the master policies in the first place, as well as AHM's material breach of the master policies, and AHM's breach of the implied covenant of good faith and fair dealing. Triad therefore seeks Court approval of rescission of the master policies.

II. PARTIES

11. Triad is an insurance company organized and existing under the laws of the State of Illinois, with its principal place of business in Winston-Salem, North Carolina.

12. American Home Mortgage Investment Corp. ("AHMIC") is a Maryland corporation with its principal place of business in New York and is a debtor in possession in this Chapter 11 action.

13. American Home Mortgage Corp. ("AHMC") is a Maryland corporation with its principal place of business in New York and is a debtor in possession in this Chapter 11 action.

14. AHM SV, Inc. (f/k/a American Home Mortgage Servicing, Inc.) ("AHMSI") is a Maryland corporation with its principal place of business in New York and is a debtor in possession in this Chapter 11 action. AHMIC, AHMC and AHMSI are sometimes collectively referred to as "AHM."

15. Countrywide Bank, FSB, Formerly Countrywide Bank, N.A., and Countrywide Home Loans, Inc. (hereinafter collectively referred to as "Countrywide") filed a motion to intervene in this matter on October 15, 2009. On May 10, 2010, United

States Bankruptcy Judge Christopher S. Sontchi entered an Order granting Countrywide's motion to intervene.

16. Certain Securitization Trusts identified on Exhibits D and E attached hereto (the "Trusts") filed motions to intervene in this matter on March 25, 2010 and December 7, 2010. On May 10, 2010, United States Bankruptcy Judge Christopher S. Sontchi entered an Order granting the motion to intervene of the Trusts identified on Exhibit D, but the Court has not yet ruled on the motion to intervene of the Trusts identified on Exhibit E. The Trusts are members of and represent the Class.

17. Federal Home Loan Mortgage Corporation ("Freddie Mac") filed a motion to intervene in this matter on October 8, 2010. On October 29, 2010, United States Bankruptcy Judge Christopher S. Sontchi entered an order granting Freddie Mac's motion to intervene.

III. JURISDICTION AND VENUE

18. This Court has subject matter jurisdiction over this proceeding pursuant to 28 U.S.C. §§157, 1334 and 2201 and venue is proper pursuant to 28 U.S.C. §§1408 and 1409.

IV. FACTS

19. Triad was a residential mortgage insurer which offered private residential mortgage guaranty insurance that protected lenders against the risk of borrower default.

20. In issuing mortgage guaranty insurance, Triad agreed, in exchange for an insurance premium, to cover a portion of a lender's risk of loss from a loan default. Under the typical mortgage insurance policy, the mortgage insurer pays an agreed percentage of the lender's loss which occurs when the borrower defaults on the loan, and

following a foreclosure and a sale, the loan has still not been paid in full. Because the risk of loss from the borrower's default is directly related to the borrower's qualifications to borrow the money from the lender, Triad depends upon accurate underwriting of the loan before the insurance is placed. By express agreement of the parties, this essential underwriting function was delegated by Triad to AHM, as explained below.

21. AHM was an independent mortgage lender in the business of providing home mortgage products and services.

22. Upon information and belief, AHM's primary business was originating, selling and servicing residential mortgage loans.

23. AHM would often seek to purchase mortgage guaranty insurance to make its loans more attractive to buyers and investors, and to obtain a higher sales price for AHM.

24. AHM sought mortgage guaranty insurance from Triad. Triad agreed to write such insurance for AHM with the express understanding that AHM would assume the obligation of underwriting AHM's loans for insurance purposes pursuant to agreed underwriting guidelines.

25. Triad insured AHM's loans pursuant to two types of policies: flow and bulk.

26. AHM placed over 29,000 loans for coverage under the Triad flow and bulk master policies.

A. FLOW LOANS

27. Flow loans are individually underwritten loans. AHM did not purchase separate insurance policies for each flow loan. Rather, AHM purchased master insurance

policies applicable to flow loans, and Triad issued a commitment/certificate with respect to each insured loan. A listing of these master policies is attached as Exhibit A. Triad's master policies for flow loans were issued to AHM from November, 2004 through March, 2006.

28. AHM and Triad agreed that flow loans would be insured as part of a "delegated" program. Under the delegated program, AHM was responsible for underwriting the mortgage insurance for each loan to be insured by Triad. Simply, the underwriting was "delegated" to AHM.

29. Under the delegated program, AHM submitted underwriting guidelines to Triad for prior approval. Once Triad approved those guidelines, AHM was obligated to follow those guidelines if AHM wanted mortgage loan insurance on an individual loan from Triad. If an individual loan did not meet the underwriting guidelines, AHM could seek a variance from Triad. If a loan did not meet the guidelines, and no variance was approved by Triad, the loan was not eligible to be insured by Triad.

30. Under the delegated program, once AHM determined a flow loan met the approved underwriting guidelines or a variance was approved by Triad, AHM would underwrite the insurance for that loan. AHM would determine pursuant to approved guidelines the amount of insurance and premium. AHM then submitted a transmittal form to Triad that contained certain basic information about the loan. In response to the transmittal form, and in reliance on the representations by AHM that it had followed the approved underwriting guidelines in making the loan, Triad issued a separate commitment/certificate for each such loan.

31. Triad was unable, and AHM was aware that Triad was unable, to review AHM's compliance with the approved underwriting guidelines at the time the commitment/certificate was issued. The underwriting process between AHM and Triad for a delegated program precluded Triad from reviewing the underwriting of an individual loan prior to the issuance of a commitment/certificate. Triad would review an individual loan's underwriting in one of two circumstances: (a) a quality review audit; or (b) when AHM advised of a potential for a claim, as where a loan had gone into default.

32. Each of the AHM policies for flow loans provides that only certain loans are eligible for coverage. They state, in part:

> Coverage under this Policy shall extend only to Loans eligible for coverage under the Manual and as to which the Insured has satisfied all of the existing underwriting procedures set forth in the Manual.

33. Exclusion G in the AHM policies for flow loans provides:

> The Company shall not be liable for, and the Policy shall not apply to, extend to, or cover the following:
>
> G. Non-Eligible Loans – Any Loan not eligible for coverage under the Manual or as to which the Insured failed to satisfy all of the underwriting procedures in the Manual, or any Loan as to which the Insured fails to submit a copy of its Loan file to the Company within thirty (30) days after the Company's request.

34. Page 5 of Triad's Delegated Underwriting Manual states:

> All loans originated under American Home Mortgage approved for delegated program must meet the requirements and guidelines of that program.

35. In addition to the independent bases stated above, other exclusions in the policies for flow loans may apply to a claim.

36. Following notice of a loan default, Triad would review the loan and determine if it was eligible for coverage under the master policies for flow loans. Prior to the review, Triad would not be aware of facts which would have demonstrated that a loan was not eligible for coverage.

B. BULK LOANS

37. Bulk loans were groups of loans packaged together by AHM. Triad is informed and believes that the bulk loans were sold by AHM to other entities; that some of those entities would then issue and sell securities backed by the group of loans, with ownership of the loans remaining with the entity; and that the owners of the securities did not own any individual loan.

38. AHM purchased a single master insurance policy which applied to all loans in a particular bulk transaction and Triad issued a commitment/certificate with respect to each insured loan. A listing of the master insurance policies applicable to particular "bulk" transactions is attached as Exhibit B. Triad's master policies for bulk loans were issued to AHM from March, 2006 through March, 2007.

39. For bulk loans, the master policies provide that the insurance is issued "in reliance upon the Insured's representation and statements made in any application for coverage under this Policy, and in any documents and writings, including any electronic media related thereto."

40. As with flow loans, AHM would submit limited information to Triad regarding the loans in a bulk transaction. Any individual loan in the bulk transaction was eligible to be insured only if it met the approved underwriting guidelines. Triad was unable, and AHM was aware that Triad was unable, to review AHM's compliance with

the approved underwriting guidelines at the time the commitment/certificate was issued. The underwriting process between Triad and AHM precluded Triad from reviewing the underwriting of an individual loan prior to the issuance of the commitment/certificate. As with flow loans, Triad would review an individual loan's underwriting only during a quality review audit or when a default was presented.

41. There is a written agreement which is part of each master policy issued for bulk loans. The March 23, 2006 letter to Alan Horn for Deal # AHM (QRS) MTA 2006-1, attached as Exhibit C, is an example of such an agreement. The following are some of the relevant portions of the agreement:

(a) Paragraph 8(c) in "Loss Eligibility Criteria" states:

> The information with respect to each Loan on the Final Data File is true, correct, accurate, and complete in all respects.

(b) Paragraph 10 states:

> Triad acknowledges the representations of AHM as the Insured that the loans insured under the Primary Coverage were made and underwritten by the originator of the loan in accordance with the underwriting requirements contained in the originator's eligibility criteria ("Underwriting Requirements"). AHM acknowledges and agrees that Triad shall be entitled to rely upon AHM to determine individual loan acceptability based on the Eligibility Criteria set forth above and such Underwriting Requirements of the originators. AHM represents and warrants to Triad that each loan to be insured under the Primary Coverage meets the loan Eligibility Criteria set forth in Section 8 above and in all material respects meets such Underwriting Requirements.

(c) Paragraph 12 states:

> AHM acknowledges and agrees that (a) the mortgage loan information contained on the preliminary file provided to Triad prior to issuance of Primary Coverage as confirmed in the final file delivered to Triad is material to Triad's decision as to whether to issue such Primary Coverage and (b) Triad is relying on such information in issuing such Primary Coverage. AHM acknowledges and agrees that all mortgage loan information relevant to Triad's insurance decision and contained on the

preliminary and final files provided by AHM is materially true, correct and accurate.

42. In addition to the independent bases stated above, other exclusions in the policies for bulk loans may apply to a claim.

V. FRAUD IN THE INDUCEMENT

43. Triad repeats and incorporates by reference each of the allegations in paragraphs 1 through 41.

44. In the fall of 2004, AHM sought to obtain mortgage guaranty insurance from Triad for loans originated by AHM. As an inducement to obtain such insurance, AHM promised to continue its alleged practice of originating high quality loans in strict compliance with published underwriting guidelines. In reliance on AHM's representations, Triad delegated its mortgage insurance underwriting function to AHM and issued the master policies to AHM.

45. Among other things, AHM represented to Triad that:

(a) AHM would extend loans based upon a borrower's stated income only if the stated income was subjected to a reasonability test;

(b) If a borrower claimed to be self-employed, AHM would ordinarily verify that the borrower had been in business for a period of two years; ;

(c) A borrower whose income was insufficient to qualify him for a given loan would not be moved into a different loan program that required no documentation of income;

(d) AHM would issue adjustable rate mortgages only if it was determined that the borrower was qualified to afford the actual costs of the loan;

(e) AHM would not extend a loan to a borrower where there was evidence of fraud in the borrower's application;

(f) AHM would not extend a loan to a borrower if there was no appraisal as required by the particular loan program;

(g) AHM would not extend a loan to a borrower if the borrower's income could not be verified;

(h) AHM would not extend a loan to a borrower if the loan to value ratio exceeded the loan to value ratio for the particular loan program;

(i) AHM would not extend a loan to a borrower who presented insufficient documentation of income, assets or liabilities as required by the particular loan program; and

(j) AHM would not extend a loan to a borrower whose credit score did not meet the score required by the particular loan program.

46. As an inducement to the issuance of the master policies, AHM agreed to submit its own loan underwriting guidelines to Triad for approval as part of the insurance underwriting function delegated to AHM by Triad. Triad reasonably relied upon AHM's compliance with the approved delegated underwriting guidelines.

47. However, before, during and after issuance of the master policies, AHM was in fact not following its own loan underwriting guidelines or Triad's delegated insurance underwriting guidelines. For example, upon information and belief:

(a) AHM extended loans based upon borrowers' stated incomes without subjecting those incomes to a standard reasonability test.

(b) If a borrower claimed to be self-employed, AHM did not verify that the borrower had been in business for a specified period of time;

(c) If a borrower's salary did not appear sufficient to qualify him for a given loan, AHM moved him into a loan program that did not require documentation of income;

(d) AHM issued adjustable rate mortgages without determining if the borrower was qualified to afford the actual cost of the loan, and only determined that borrowers could afford the "teaser rates" that were substantially lower than the minimum principal or interest only payments;

(e) AHM took steps to extend loans even where there was evidence of fraud in the borrower's application. For example, when underwriters identified fraud in loan files, regional managers would assign those loans to other underwriters so the loans would be approved. Likewise, AHM employees would approve loans over an underwriter's objection, even after being informed of fraud on the loan application;

(f) AHM extended loans to borrowers without having an appraisal performed as required by the particular loan program;

(g) AHM extended loans to borrowers without verifying the borrower's income;

(h) AHM extended loans to borrowers when the loan to value ratio exceeded the loan to value ratio for the particular loan program;

(i) AHM extended loans to borrowers without obtaining documentation of income, assets or liabilities as required by the particular loan program; and

(j) AHM extended loans to borrowers whose credit scores were less than the score required by the particular loan program.

(k) AHM extended loans to borrowers for a second home when the loan approval required the home to be the borrower's primary residence;

(l) AHM extended loans to borrowers who took cash out of the transaction even though the residence was on the market or had been on the market during the preceding six months which was not allowed by the program;

(m) AHM failed to consider the impact of multiple mortgage requests from the same borrower and the borrower's ability to pay all loans applied for; and

(n) AHM supplied Triad with loan information on its data tapes that contained material errors because the loan closed under a different product than the one presented.

48. AHM's actions and practices as described above demonstrate that, despite its representations, AHM never intended to comply with its responsibility to follow the appropriate loan underwriting guidelines when delivering a loan to be insured by Triad.

49. AHM's misrepresentations as described above were intended to induce Triad to issue the Master Policies.

50. AHM knew that Triad would rely upon its misrepresentations as described above when delivering loans to be insured by Triad, as evidenced by the language in the master policies and the agreement signed by Alan Horn.

51. Triad did reasonably rely upon AHM's misrepresentations as described above when it issued the master policies to AHM. Without these representations and misrepresentations, Triad would never have issued the master policies. At all relevant times, Triad was unaware of the conduct of AHM as described above.

52. As a proximate result of the matters alleged herein, Triad has been required to cease writing new business and has been placed under the supervision of the Illinois Director of Insurance.

VI. FAILURE OF PURPOSE

53. Triad repeats and incorporates by reference each of the allegations in paragraphs 1 through 52.

54. Pursuant to the master policies, AHM acknowledged that Triad was relying on AHM to follow the approved underwriting guidelines in issuing the mortgage insurance.

55. In submitting loans to Triad for mortgage insurance coverage, AHM represented that each loan complied with the approved underwriting guidelines.

56. Implied in the master policies is the covenant that AHM will also underwrite each loan insured in a reasonable and prudent manner designed to make sure the borrower has the ability to repay the loan.

57. Triad delegated to AHM the responsibility and obligation to deliver for mortgage guaranty insurance coverage only those loans that had been prudently underwritten and in which the borrower had a reasonable prospect for repayment.

58. It was entirely reasonable for Triad to expect AHM to underwrite in a reasonable and prudent manner and follow the approved underwriting guidelines with respect to the loans which it submitted for mortgage insurance coverage, and AHM understood that Triad was relying upon AHM to perform its obligation properly.

59. The parties intended to enter into the master policies for mutual benefit. AHM's purpose was to have mortgage insurance on the mortgage loans it underwrote and to add value to the loans. Triad's purpose was to provide a much needed service to its insureds – mortgage insurance – and to earn income through premiums collected in excess of claims and expenses.

60. Loans that were written in violation of the approved underwriting guidelines were not eligible for insurance under the master policies in the first instance. Upon discovery of such violations, Triad's practice has been to rescind the applicable coverage and return all premiums collected for such coverage.

61. Before the master policies were issued to AHM, Triad had rescinded coverage for less than 5% of defaulted loans. Both parties were aware of these rescission rates before the flow and bulk contracts were made.

62. After the master policies were issued, Triad began finding a dramatic and unexpected increase in underwriting violations in its review of defaulted AHM loans. As a result, the rate of rescissions for defaulted loans increased rapidly from less than 5% of the insured loans to over 75%.

63. The number of defaulted loans has also soared from historical levels of 2% to over 30% of the AHM portfolio. This was caused at least in part by the fact that loans were made to borrowers who did not qualify for Triad's insurance in the first instance. As a result, Triad is incurring unprecedented and unanticipated costs in reviewing defaulted loans to determine whether or not the loans were in compliance with the agreement of the parties.

64. Because of the extensive number of underwriting violations, the essential purpose of the master policies has been defeated. Triad has been returning the premiums collected on rescinded coverage, and its income stream has been severely affected.

65. Triad relied upon AHM to properly underwrite the mortgage insurance on its behalf and to submit only qualified loans to Triad for coverage. AHM's failure to do so constitutes a breach of contract that substantially and fundamentally defeats the object of the parties in entering into the master policies, excuses Triad from further performance, and constitutes grounds for rescission of the master policies.

66. By its actions, AHM has also breached the implied covenant of good faith and fair dealing that accompanied AHM's undertaking of the insurance underwriting obligation.

67. As a proximate result of the matters alleged herein, Triad has had to cease writing new business and has been placed under the supervision of the Illinois Director of Insurance.

68. Triad has performed all obligations under the master policies, or such performance has been excused or waived.

69. Triad has attempted to reach a resolution with AHM, but without success as of the date of this filing.

VII. CLASS ALLEGATIONS

70. Triad repeats and incorporates by reference each of the allegations in paragraphs 1 through 69.

71. Under the policies identified in Exhibit A and Exhibit B:

> If a Loan or a majority participation in a Loan is sold, assigned, or transferred by the Insured, coverage under the Certificate will continue with respect to the Loan, and the new owner or majority loan participant shall be considered the Insured(s) hereunder from the date notice thereof is given to the Company, if the new owner or majority loan participant is an institutional investor approved by the Company in advance, or otherwise from the date the new owner or loan participant is approved in writing by the Company, provided that, in either case, the Loan continues to be serviced by a Servicer approved by the Company....

72. Triad brings this action pursuant to Rule 23(a) and Rule 23(b)(1) of the Federal Rules of Civil Procedure and Bankruptcy Rule 7023 against the following class:

> The owners of individual loans insured by the master policies identified on Exhibits A and B.

73. Numerosity. Triad is informed and believes AHM has sold an unknown number of the over 29,000 loans it insured through the master policies. In most cases, Triad was not informed of the identity of the purchasers of the loans. Triad is informed and believes the purchasers themselves may have sold the loans to other parties. Triad does not know the identity of those purchasers.

74. The number of owners of loans is too numerous, potentially numbering in the hundreds, and geographically dispersed across the globe, such that joinder of all owners is impracticable.

75. The identities of the owners of loans are or should be known to AHM.

76. Commonality. Questions of law and fact relating to the application and rescission of the master policies are common to the class and predominate over any questions affecting only individual members of the class. Insurance for an individual loan is subject to application and validity of the master policies identified on Exhibits A and B. Triad's claims do not involve issues of fact or law relating to each and every individual loan. Triad's claims are directed to the master policies negotiated solely with AHM, and under which AHM is the named insured.

77. Typicality. The defendants' defenses are typical of the defenses of the class. Any defense available to a member of the class is available to the defendants.

78. Adequacy of Representation. The defendants will fairly and adequately protect the interests of the defendant class. For example, Triad is informed and believes that the Trusts own many individual loans. Moreover, in the Memorandum of Law supporting their motion to intervene, the Trusts alleged that they "have a significant interest in the outcome of [this matter] as they hold the Triad Mortgage Insurance Certificates which Triad seeks to rescind." Accordingly, the Trusts have fair and adequate incentive to be involved in the decision whether the master policies identified on Exhibits A and B are to be rescinded or remain operative.

79. Inconsistent Adjudication. This class action is appropriate for certification because the prosecution of separate actions against the individual members of the class in this Court and courts throughout the country would create a risk of a multiplicity of lawsuits, burdening the court system, while also creating the risk of inconsistent rulings and contradictory judgments. In contrast to proceeding on a case-by-case basis, in which

inconsistent results will magnify the delay and expense to all parties, this class action presents far fewer management difficulties, while providing unitary adjudication, economies of scale and comprehensive supervision by a single court.

FIRST CLAIM FOR RELIEF (RESCISSION—FRAUD IN THE INDUCEMENT)

80. Triad repeats and incorporates by reference each of the allegations in paragraphs 1- 79.

81. AHM misrepresented that it intended to follow the approved underwriting guidelines when it entered into the master policies with Triad. In fact, AHM's conduct before and after entering the master policies shows AHM never intended to follow the approved underwriting guidelines.

82. AHM's misrepresentations induced Triad to enter into the master policies, and Triad would not have entered into the master policies absent the misrepresentations.

83. Triad reasonably relied upon AHM's misrepresentations, and AHM knew Triad was relying upon its misrepresentations as evidenced by language in both the master policies and the agreements like the one in Exhibit C.

84. Accordingly, AHM's misrepresentations are cause for complete rescission of the master policies.

SECOND CLAIM FOR RELIEF (RESCISSION – MATERIAL BREACH)

85. Triad repeats and incorporates by reference each of the allegations in paragraphs 1-84.

86. In addition, the master policies were based on the premise that the loans delivered for coverage would be underwritten pursuant to the approved underwriting guidelines, thorough quality assurance, and quality control procedures.

87. AHM has breached the master policies with Triad in numerous substantial and material ways, including, without limitation, failing to follow approved underwriting guidelines, and in representing that loans were made pursuant to the approved underwriting guidelines. The large number of rescissions of coverage for individual loans was not contemplated by the parties when the master policies were entered into and constitute breaches going to the root of the insurance contracts between AHM and Triad.

88. The covenant of good faith and fair dealing between AHM and Triad is implied in the master policies, as it is in every contract under controlling law.

89. Pursuant to the implied covenant of good faith and fair dealing, AHM was prohibited from doing anything that could injure the right of Triad to receive the benefit of the master policies or evade Triad's reasonable expectations under the master policies.

90. AHM breached the implied covenant of good faith and fair dealing because it failed to follow reasonable and prudent underwriting practices; it failed to follow the approved underwriting guidelines; and it caused Triad to issue insurance coverage on a group of loans that was almost entirely underwritten in an improper and imprudent manner. AHM's breach of the implied covenant of good faith and fair dealing constitutes a material breach of the master policies that excuses Triad's contractual obligation to insure any of the loans delivered to Triad for coverage under the master policies.

91. Triad has suffered, and will continue to suffer, substantial harm and injury under the master policies if they are not rescinded in that, as a result of AHM's conduct, Triad will be forced to review coverage for thousands of mortgage loans that were not

underwritten properly and, thus, carry a far higher rate of rescission than Triad would have accepted for the premiums charged.

92. Furthermore, Triad has incurred enormous, unanticipated additional expenses, which are substantially greater than the parties bargained for, such as costs associated with reviewing and investigating the subject loans.

93. The breaches described herein are so substantial and fundamental as to defeat the purpose of the parties in making the insurance contracts.

94. Due to the substantial and material breaches of contract, Triad seeks rescission of each of the master policies issued to AHM, as listed on Exhibits A and B. Triad is prepared to tender into Court the premiums paid with respect to the master policies issued to AHM, net of claims paid by Triad.

95. AHM's substantial and material breach of contract also excuses further performance by Triad under the master policies. Claim payments will soon exceed premiums received under the master policies. In order to avoid further irreparable harm by paying claims under the master policies but being unable to recover them once the master policies are rescinded, henceforth, Triad will make all claim payments into an escrow account pending final resolution of this matter.

96. Based on the foregoing allegations, Triad respectfully requests that the Court find that AHM committed substantial and material breaches of each of the master policies, and that the Court order that the master policies be declared rescinded, *ab initio*.

THIRD CLAIM FOR RELIEF (DECLARATORY RELIEF)

97. Triad repeats and incorporates by reference each of the allegations in paragraphs 1-96.

98. An actual and justiciable controversy exists between Triad and defendants. Triad contends AHM's substantial and material breaches of contract entitle Triad to rescind the master policies and invalidate the certificates on individual loans issued pursuant to the master policies.

99. Triad seeks a declaration that the master policies shown on Exhibits A and B are rescinded and that Triad has no further obligation to perform under those contracts.

FOURTH CLAIM FOR RELIEF (DECLARATORY RELIEF)

100. Triad repeats and incorporates by reference each of the allegations in paragraphs 1-99.

101. If the Court orders rescission of the master insurance policies identified on Exhibits A and B, then Triad will be required to reimburse an entity or entities for the amounts paid as premiums on the master insurance policies identified on Exhibits A and B less claims paid (the "Premiums").

102. Bankruptcy Code § 541(a) identifies the types of property and interests that comprise a debtor's bankruptcy estate as of the commencement of the debtor's bankruptcy case.

103. Pursuant to Bankruptcy Code § 541(a), Triad seeks a declaration regarding whether any of the Premiums are property of AHM's bankruptcy estate.

104. Triad also seeks a declaration regarding the entity or entities to which it will be required to repay the Premiums in the event the Court orders rescission of the master insurance policies identified on Exhibits A and B.

105. To the extent the Premiums which are to be returned upon rescission of the master policies exceed amounts owed to entities other than AHM, Triad seeks a declaration that such surplus Premiums be returned to the bankruptcy estate.

WHEREFORE, plaintiff Triad Guaranty Insurance Corp. prays for relief as follows:

A. That this action be certified as a class action pursuant to Rule 23(a) and Rule 23(b)(1) of the Federal Rules of Civil Procedure and Bankruptcy Rule 7023, appointing the defendants as defendant class representatives and their counsel as class counsel, and that appropriate notice be provided to the class pursuant to Rule 23(c)(2) of the Federal Rules of Civil Procedure;

B. That the Court order rescission of the insurance policies identified on Exhibits A and B;

C. That the Court determine which entity or entities are entitled to the Premiums which are to be returned upon rescission of the master policies, and that the balance of the Premiums be returned to the bankruptcy estate;

D. That the Court declare that plaintiff has no obligations under any of the policies identified on Exhibits A and B;

E. That all costs of this action, including reasonable attorneys fees, be taxed to the defendants; and

F. That the Court grant such other and further relief as it deems just and proper.

Dated: 3/4/11

COZEN O'CONNOR

Barry Klayman

Mark E. Felger (No. 3919)
Barry M. Klayman (No. 3676)
1201 N. Market Street, Suite 1400
Wilmington, DE 19801
Telephone: (302) 295-2000
Attorneys for Plaintiff,
Triad Guaranty Insurance Corp.

EXHIBIT C

TRIAD
Guaranty Insurance

P.O. Box 2300
Winston-Salem, NC 27102

MASTER POLICY

Triad Guaranty Insurance Corporation (a stock insurance company hereinafter called the "Company") agrees to pay the below named Insured, in consideration of the premium or premiums to be paid as hereinafter specified and in reliance upon the Insured's representation and statements made in any application for coverage under this Policy and in any documents and writings, including any data transferred by electronic media related thereto, any Loss due to the Default by a Borrower on a Loan, subject to the terms and conditions contained herein.

The Insured: AMERICAN HOME MORTGAGE
2370 CORPORATE CIRCLE
HENDERSON, NV 89074

Master Policy No: 28-0069-0004 Original Issued 07/01/2005

Date: Reissued 12/08/2005,

In Witness Whereof, the Company has caused its Corporate Seal to be hereto affixed and these presents to be signed by its duly authorized officers in facsimile to become effective as its original seal and signature and binding on the Company.

TRIAD Guaranty Insurance Corporation

Darryl W. Thompson
President

SEAL

Earl F. Wall
Secretary

Countersigned this 13 day of Dec. 2005

By

A and H INSURANCE, INC., RENO, NEVADA
Nevada Resident Agent
Bradley A. Pearce

Authorized Signature

Terms and Conditions

Definitions

A. **Appropriate Proceedings** means any legal or administrative action by the Insured affecting either the Loan or the title to the Property, and include, but are not limited to:

1. Preserving and pursuing deficiency rights where appropriate and permissible and where directed by the Company;
2. Enforcing the terms of the Loan as allowed by the laws where the Property is located;
3. Acquiring all of the Borrower's right, title, and interest in the Property, but excluding any voluntary conveyance under Condition IV.D.; or
4. Asserting the Insured's interest in the Property in a bankruptcy proceeding involving the Borrower.

B. **Borrower** means any Person required to repay the debt obligation created pursuant to the Loan, including any co-signer or guarantor of the Loan.

C. **Certificate** means the document issued by the Company pursuant to this Policy and extending the indicated coverage option to a specified Loan.

D. **Borrower's Title to the Property** shall mean all of the Borrower's right, title, and interest in the Property other than unexpired redemption rights.

E. **Claim** means the timely filed written request, made on a form approved by the Company, to receive the benefits of this Policy.

F. **Claim Amount** means the amount computed in accordance with Condition V.B.

G. **Consummated** means the later of:

1. The date on which the Loan was closed and all Loan documents were executed; or
2. The date on which the funds under the Loan were initially disbursed to or for the account of the Borrower.

H. **Court Expenses** means the out-of-pocket cost of initiating and conducting Appropriate Proceedings or any eviction proceedings. These expenses include costs of filing or serving pleadings, conducting discovery, and the enforcing of a judgment. These expenses do not include reimbursement for any time spent by the Insured or the Insured's employees, officers or agents nor do these expenses include attorney's fees.

I. **Default** means the failure of a Borrower to pay when due an amount equal to or greater than one (1) monthly regular periodic payment due under the terms of a Loan, including any such amount due by reason of the Insured's exercise of the right to accelerate the Loan. 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. 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, provided that the premium has been paid as required herein:

1. For new Loans, 12:01 a.m. on the date the Loan was Consummated. A new Loan is a Loan which was not Consummated as of the date the Insured submitted an application for coverage under this Policy; or
2. For other Loans, 12:01 a.m. on the date of coverage as indicated on the Certificate.

K. **Environmental Impairment** means damage to the environment caused by any of the following conditions, whether or not the occurrence of any such conditions was fortuitous, expected, intended, sudden, accidental, or gradual:

1. The emission, discharge, disposal, dispersal, release, seepage, or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants, into or upon land, the atmosphere or any watercourse or body of water, or

2. The generation of odor, noises, vibrations, light, electricity, radiation, changes in temperature, or any other sensory phenomona.

L. Environmental Lien means any lien on Property pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act and all laws amendatory thereof or supplementary thereto, or any similar federal or state law providing for liens in connection with the cleanup of Environmental Impairments, or the commencement of legal or administrative proceedings that could result in such a lien.

M. Good and Merchantable Title means the title to the Property, free and clear of all liens (including but not limited to Environmental Liens), encumbrances, covenants, conditions, restrictions, redemption rights and easements, except for:

1. Any lien established by public bond, assessment or tax, when no installment, call or payment of or under such bond, assessment or tax is delinquent;

2. Any municipal and zoning ordinances and exceptions to title waived by the regulations of federal mortgage insurers and guarantors with respect to mortgages on one-to-four family residences in effect on the date on which the Loan was closed and all documents were executed; and

3. Any impediments which will not have a materially adverse effect on either the transferability of the Property or the sale thereof to a bona fide purchaser.

N. Insured means:

1. The Person designated on the face of this Policy; and

2. Any Person who has become an Insured pursuant to Condition II.J.

O. Loan means any note, bond, or other evidence of indebtedness secured by a mortgage, deed of trust, or other instrument, which constitutes or is equivalent to a first lien or charge on the Property and which the Company has underwritten and approved and to which coverage under this Policy has been extended.

P. Loss means the liability of the Company with respect to a Loan calculated in accordance with this Policy. A Loss shall be deemed to have occurred when a Default on a Loan payment occurs, notwithstanding that the amount of Loss is not then either presently ascertainable or due and payable.

Q. Person means any individual, corporation, partnership, association or other entity.

R. Perfected Claim means a Claim received by the Company and containing all information or proof required by the Company.

S. Physical Damage means any tangible injury to the Property occurring after the Effective Date of the Certificate, whether caused by accident or otherwise, not including reasonable wear and tear.

T. Policy means this contract of insurance and all commitments, endorsements, schedules, and Certificates relating hereto, which are incorporated herein.

U. Possession of the Property means actual and physical occupancy and control of the Property.

V. Property means the Residential real property and all improvements and fixtures thereon which secure the Loan, 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.

W. Residential means:

1. A type of building or a portion thereof which is designed for occupancy by not more than four (4) families; or

2. A single family condominium or PUD unit.

X. Servicer means the Person designated by the Insured and approved by the Company to service a Loan pursuant to Condition II.I.

Y. Any pronouns, when used herein, shall mean the single or plural, masculine or feminine, as the case may be.

Coverage

A. Application and Certificate—In order to obtain an extension of coverage under this Policy to a Loan, the Insured shall submit an application on forms furnished by or acceptable to the Company. The written application for original coverage or an increase in coverage on a Loan under the applicable Certificate, together with all supporting documentation and representations, are incorporated herein by reference. Approval of any application shall be at the discretion of the Company and shall be in the form of a Certificate which extends coverage pursuant to the terms and conditions of both this Policy and the Certificate.

B. Initial Premium—Within fifteen (15) days from the Effective Date of the Certificate, the Insured shall forward the appropriate initial premium due to the Company. The Insured shall be entitled to a 30-day grace period for the payment of the initial premium.

C. Renewal of Certificate and Cancellation for Non-Payment of Renewal Premium—The entire renewal premium for a Certificate shall be due and payable within forty-five (45) days after the coverage date through which the prior premium on the Certificate had been paid. The Company shall give the Servicer (or the Insured, if the Company's records do not indicate that a Servicer has been appointed) notice of the renewal premium due date of each Certificate. Upon payment of the entire renewal premium when due, the Certificate will be deemed renewed. If the Insured fails to make this payment within the forty-five (45) day period, the liability of the Company for any Default not then existing shall terminate as of 12:01 a.m. on the first day following the coverage date through which the prior premium had been paid, except that any Default occurring within the forty-five (45) day period which results in a Claim being filed will be covered and any due and unpaid renewal premium for the Certificate through the end of the applicable renewal period will be deducted from the Loss payment. In the event coverage hereunder for a Loan lapses due to non-payment of premium attributable to the transfer, seizure, or surrender of servicing rights with respect to such Loan, coverage shall automatically be reinstated, retroactive to the date coverage had lapsed, provided all past due premiums with respect to the Loan are paid to the Company within 90 days after the lapse commenced.

D. Cancellation by the Insured of a Certificate—The Insured may cancel a Certificate by returning the Certificate to the Company or making a written request for cancellation to the Company and the Company must comply. Upon receipt thereof, the Company shall refund or collect such sum as may be determined to be due in accordance with the appropriate cancellation of premium schedule then in effect and furnished to the Insured. However, no refund on a Certificate will be paid if a Claim has been filed. Cancellation of a Certificate will not cancel this Policy.

E. Cancellation of Policy—Either the Insured or the Company may cancel this Policy by providing thirty (30) days' [forty-five (45) days in Florida] written notice of cancellation of the Policy. After the effective date of cancellation, this Policy shall continue in full force and effect with respect to Certificates issued prior to the effective date of cancellation, subject to all of the terms and conditions of this Policy and the Certificates, but in all other respects this Policy shall be considered null and void.

F. Loan Modifications—Unless advance written approval is obtained from the Company, the Insured shall not make 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 terms of the Loan; nor any change in the Property; nor release the Borrower from liability on the Loan. If any of the foregoing events occur without the Company's advance written approval, the Company's liability for coverage under its Certificate shall terminate as of the date such event occurs and the Company's liability shall be limited to the return of a portion of the premium paid prior to the date of such event in accordance with the applicable cancellation schedule and all premiums paid after the date of such event.

G. Open End Provisions—The Insured may increase the principal balance of the Loan, provided that the approval of the Company has been obtained. The Insured shall pay the Company the additional premium due at the then prevailing premium rate.

H. Assumptions—If a Loan is assumed with the prior approval of the Insured, the liability of the Company for coverage under its Certificate shall terminate as of the date of such assumption, unless the Company approves the assumption in writing or the Borrower's liability under the Loan has not been released. The Company shall not unreasonably withhold approval of an assumption. Upon termination of coverage under this Condition, the Company's liability shall be limited to the return of a portion of the premium paid prior to the date of such termination in accordance with the applicable cancellation schedule and all premiums paid after the date of such termination. It is understood that coverage will continue, and that the restriction of this Condition shall not apply, if the Insured cannot exercise a "due-on-sale" clause under the Loan or applicable law.

I. Servicer—The Insured may transfer (by sale or otherwise) the right to service a Loan, subject to the Company's written approval. The Insured shall furnish written notice to the Company within thirty (30) days after the date the servicing is transferred. The Company may withdraw its approval of any approved Servicer by furnishing written notice to the Insured. The Insured shall replace a Servicer as to which approval is withdrawn within ninety (90) days after receipt of the Company's notice of withdrawal. The approved Servicer shall be considered the agent of the Insured with respect to all matters involving this Policy, including but not limited to the giving and receiving of notice of a Claim, the cancellation of a Certificate, the payment of premiums, and the receipt of any premium refunds that may become due under this Policy, and the Insured shall be bound by the acts and omissions of the Servicer as if they were the Insured's own acts and omissions.

J. Change of Insured—If a Loan or a majority participation in a Loan is sold, assigned, or transferred by the Insured, coverage under the Certificate will continue with respect to the Loan, and the new owner or majority loan participant shall be considered the Insured(s) hereunder from the date notice thereof is given to the Company, if the new owner or majority loan participant is an Institutional Investor approved by the Company in advance, or otherwise from the date the new owner or loan participant is approved in writing by the Company; provided that, in either case, the Loan continues to be serviced by a Servicer approved by the Company. For purposes hereof, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation are considered approved Institutional Investors. Coverage for any Person becoming an Insured pursuant to this Condition shall be subject to all of the terms, conditions, and exclusions contained in this Policy and to all defenses to coverage available to the Company against the original Insured. Approval by the Company of a change of Insured shall not constitute a waiver by the Company of any rights under this Policy or any coverage defenses.

K. Coordination and Duplication of Insurance Benefits—

1. If any portion of the Loan is uninsured, all payments made by the Borrower under the terms of the Loan shall be allocated to the insured portion of the Loan in the same ratio as the insured principal amount bears to the total principal amount of the Loan. Any payment of a Loss hereunder shall be likewise allocated on the same pro-rata basis.

2. The Insured shall not carry duplicate mortgage guaranty insurance (other than mortgage guaranty pool insurance or supplemental mortgage guaranty insurance) on any Loan.

3. The coverage under this Policy shall be excess over any other insurance which may apply to the Loan, except for mortgage guaranty pool insurance or supplemental mortgage guaranty insurance.

III. Exclusions From Coverage

The Company shall not be liable for, and the Policy shall not apply to, extend to, or cover the following:

A. Balloon Payment—Any Claim arising out of or in connection with the failure of the Borrower to make any payment of principal and/or interest due under the Loan, which payment arises because the Insured exercises its right to call the Loan when not in Default or because the term of the Loan is shorter than the amortization period, and which payment is for an amount more than twice the regular periodic payments of principal and interest that are set forth in the Loan (commonly referred to as a "Balloon Payment"); provided, however, that such exclusion shall not apply if the Insured or its approved Servicer offers the Borrower a renewal or extension of the Loan or a new loan at market rates, otherwise subject to Section II.F., in an amount not less than the then outstanding principal balance with no decrease in the amortization period. The exclusion shall not apply if the Borrower is notified of the availability of a renewal or extension of the Loan or a new loan and does not seek such renewal, extension or new loan.

B. Effective Date—Any Claim resulting from a Default occurring before the Effective Date of the Policy or Certificate or after its lapse or cancellation, unless coverage is renewed in accordance with Condition II.C.

C. Incomplete Construction—Any Claim when, as of the date of such Claim, construction of the Property is not completed in accordance with the construction plans and specifications (other than construction of repairs for Physical Damage occurring after the Effective Date of the Certificate).

D. Negligence and Fraud—Any Claim involving or arising out of any dishonest, fraudulent, criminal, or knowingly wrongful act (including error or omission) by the Insured or the Servicer; or any Claim involving or arising out of negligence of the Insured or the Servicer, which negligence either (1) is material to the acceptance of the risk or to the hazard assumed by the Company or materially contributed to the Default resulting in such Claim.

or (2) increased the Claim Amount, except that if the Company can reasonably determine the amount of such increase, such Claim will not be excluded, but the related Claim Amount will be reduced by the extent of such amount.

E. **Non-Approved Servicer**—Any Claim occurring when the Servicer, at time of Default or thereafter, was not approved by the Company, provided that if approval of the Servicer is withdrawn by the Company pursuant to Condition II.I., the Servicer shall be deemed approved for purposes of this Condition until 90 days after the Insured has received the Company's notice of disapproval.

F. **Environmental Impairment**—Any Claim involving Property that is subject to tangible injury caused by an Environmental Impairment, which has not been removed or remediated by the Insured in accordance with applicable federal, state, or local standards, and which was in existence prior to the Effective Date of the Certificate and

1. originated outside the dwelling (except radon);

2. was the principal cause of the Default;

3. was not known to the Company on the Effective Date of the Certificate; and

4. renders the Residential structure on the Property uninhabitable. For purposes hereof, a structure shall be considered "uninhabitable" if generally recognized standards for residential occupancy are violated or if, in the absence of such standards, a reasonable person would conclude that the structure does not provide a reasonably safe place to live without fear to health or safety.

IV. Conditions Precedent to Payment of Loss

It is a condition precedent to the Company's obligation to pay a Loss that the Insured comply with all of the following requirements:

A. **Notice of Default**—The Insured shall give the Company written notice:

1. Within forty-five (45) days of the Default, if it occurs when the first payment is due under the Loan; or

2. Within ten (10) days of the earlier of either

   a. The date when the Borrower becomes four (4) months in Default on the Loan; or

   b. The date when any proceeding, including Appropriate Proceedings, which affects the Loan or the Property or the Insured's or Borrower's interest therein has been started.

3. The Company shall not deny a claim by reason of the Insured's failure to provide timely notice as provided above unless the Company is materially prejudiced by such failure or written notice is not given to the Company within twelve (12) months after such notice became untimely. In the event the Company pays a claim as to which notice was not given timely, all Loan interest accruing during the period of lateness shall be excluded from the calculation of Loss.

B. **Monthly Reports**—Following a notice of Default on a Loan, the Insured shall give the Company monthly reports, on forms furnished by the Company, on the status of the Loan and on the servicing efforts undertaken to remedy the Default. These monthly reports shall continue until the Borrower is no longer in Default, the Appropriate Proceedings terminate, or until the Insured has obtained Borrower's Title to the Property.

C. **Company's Options after Notice of Default**—

1. 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 Borrower, attempting to develop payment schedules acceptable to the Insured, conducting Property inspections, and requesting appraisals of the Property.

2. If the Company so directs, at any time after receiving the Insured's Notice of Default, the Insured shall file a Claim within twenty (20) days and the Company shall make a payment of Loss in accordance with Condition V.C.2. Thereafter, following acquisition of Borrower's Title to the Property or either of the events described in Condition V.A.2. or V.A.3., the Insured shall be entitled to file a supplemental Claim in an amount

equal to the sum of the advances, not included in the initial Claim, made by the Insured under Condition IV.G., subject to the limitation of Condition V.B.1.c., less the seven deductions specified in Condition V.B.2., to the extent not deducted in the payment of the initial Claim, and such supplemental Claim shall be paid by the Company in accordance with Condition V.C.2. For purposes of calculating the supplemental Claim, all amounts reimbursable to the Insured pursuant to Condition IV.H.2. shall be reimbursed in full.

D. Voluntary Conveyance—The Insured may accept a conveyance of title from the Borrower in lieu of foreclosure or other proceeding if:

1. a. The ability of the Insured to preserve, transfer and assign to the Company the Insured's rights against the Borrower is not impaired; and

   b. The rights of the Company under this Policy against such Borrower are not adversely affected; or

2. The written approval of the Company has been obtained.

E. Appropriate Proceedings—The Insured MUST begin Appropriate Proceedings when the Loan becomes six (6) months in Default unless the Company provides written instructions that some other action be taken. The Company reserves the right to direct the Insured to institute Appropriate Proceedings at any time after Default. When either defending against or bringing Appropriate Proceedings, the Insured shall report the status of these proceedings to the Company as reasonably and expeditiously as possible.

In conducting Appropriate Proceedings, the Insured shall:

1. Diligently pursue the Appropriate Proceedings once they have begun;

2. Apply for the appointment of a receiver and assignment of rent, if permitted by law and requested by the Company;

3. Furnish the Company with copies of all notices and pleadings filed or required in the Appropriate Proceedings;

4. Act so that its ability to preserve, transfer and assign to the Company its rights against the Borrower is not impaired; and so that the rights of the Company under this Policy against the Borrower are not adversely affected, including any rights to obtain a deficiency judgment in accordance with Condition IV.H.;

5. Furnish the Company with a written statement indicating the estimated potential Loss, calculated in accordance with Condition V.B., at least fifteen (15) days before the foreclosure sale; and

6. Bid an amount at the foreclosure sale which fully protects the rights of the Company under this Policy against the Borrower, including any rights to obtain a deficiency judgment in accordance with Condition IV.H.The Insured shall follow the bidding instructions, if any, furnished by the Company. In the absence of such instructions, the Insured may bid the amount necessary to obtain Borrower's Title to the Property. If the Insured is unable to obtain Borrower's Title to the Property because it follows the Company's bidding instructions that specify a maximum bid or the winning bid price exceeds the Insured's estimate of the Property's market value, the Insured shall be entitled to file a claim under the Policy for the lesser of (a) the Loss payable in accordance with Condition V.C.2. and (b) the difference between the Loss payable in accordance with Condition V.C.1. and the net proceeds realized at the foreclosure sale. If the Company specifies a maximum bid that results in the amount described in (b) above exceeding the amount described in (a) above, then the Insured shall be entitled to file a claim under the Policy for the greater of such amounts. If the Company specifies a minimum bid that is less than the difference between the Loss payable in accordance with Condition V.C.1. and the Loss payable in accordance with Condition V.C.2. and the Property is redeemed from the Insured for less than the amount owed under the terms of the Loan, the Insured shall be entitled to file a claim for the difference between the Loss payable in accordance with Condition V.C.1. and the redemption price of the Property.

F. Mitigation of Damages—

1. The Insured shall actively cooperate with the Company to prevent and mitigate the Loss and to assist the Company in the Company's attempts to prevent and mitigate the Loss, including but not limited to good faith efforts to effectuate the early disposition of the property. The Company will administer the Policy in good faith.

2. Until such time as the Company waives its right to settle a Claim in accordance with Condition V.C.1. or its right to elect such method of settlement has expired, the Insured shall not execute a binding contract to sell the Property without the Company's prior approval. Further, the Insured shall authorize its broker to release to the Company marketing information for the Property when requested by the Company, unless the Insured shall have notified the broker that the Company's right to elect to settle a Claim in accordance with Condition V.C.1. has been waived or has expired. If the Insured wishes to obtain the Company's approval to execute a binding contract to sell the Property, it will submit to the Company information concerning the proposed Property sale, the expense items proposed by the Insured to be deducted from the gross proceeds of sale for purposes of Condition V.C.3., and the Insured's then-estimated amounts thereof. The Company will approve or reject the proposed settlement and will not require the Insured to make counteroffers. If the Company elects to settle the Claim in accordance with Condition V.C.1., it will thereafter control the marketing of the Property.

G. Advances—The Insured shall advance real estate property taxes and normal and customary hazard insurance premiums, foreclosure and eviction costs (including but not limited to Court Expenses and reasonable attorneys' fees), and necessary and reasonable expenses for the protection and preservation of the Property. The costs of repairing Physical Damage to the Property shall not be considered an approvable expense.

H. Deficiency Actions—

1. If either the Company or the Insured elects to pursue a deficiency judgment against the Borrower, such party shall notify the other and together they shall determine for whose benefit the action shall be undertaken after considering all material information available. Any amounts collected from a judgment thereon, less post-judgment collection costs, shall be paid to the party for whose benefit the action was commenced. If pursuit of the deficiency judgment was undertaken for the mutual benefit of the Company and the Insured, (a) the rights against the Borrower will be held jointly, with each plaintiff having full and undivided rights against the Borrower, and (b) the Company shall be entitled to a percentage of the net amount collected, determined by dividing the total Loss paid by the Company with respect to the Claim by the gross amount of the deficiency judgment, and the balance shall be paid to the Insured. Until payment of Loss by the Company, the Insured shall retain control and management of a deficiency action undertaken for the mutual benefit of the Company and the Insured; and thereafter the control and management of such action shall be in accordance with the Company's instructions, provided that the Insured may retain control and management if, determined at the time of payment of the Loss, the Insured has more at risk than the Company due to multiple loan defaults by the same Borrower.

2. If the pursuit of a deficiency judgment will cause additional expense, whether through delay in the Insured's ability to obtain Borrower's Title to the Property (free of any redemption rights) or otherwise, all advances made by the Insured pursuant to Condition IV.G., notwithstanding any limitation thereon continued to Condition V., and the amount of interest on the Loan computed at the contract rate stated in the Loan which are paid or accrued solely because of such delay in obtaining Borrower's Title to the Property shall be reimbursed as follows:

   a. If pursuit of the deficiency judgment was undertaken solely for the Company's benefit, all such amounts shall be added to the Loss payable by the Company hereunder;

   b. If pursuit of the deficiency judgment was undertaken solely for the Insured's benefit, no such amounts shall be recoverable hereunder; and

   c. If pursuit of the deficiency judgment was undertaken for the mutual benefit of the Company and the Insured, all such amounts shall be allocated between the Company and the Insured in the same proportion to which they are entitled to share in the deficiency judgment, and appropriate settlement shall be made in accordance with such allocation. A settlement shall be made upon conclusion of the deficiency action for items paid or accrued through such date, and a final settlement shall be made after completion of any collection efforts.

I. Claim Information—In order to make a Perfected Claim, the Insured must provide the Company with the following:

1. A completed form approved by the Company for payment of a Claim;

2. All information reasonably requested by the Company;

3. An executed trustee's or sheriff's deed, or other evidence satisfactory to the Company that the foreclosure sale has been completed, or a deed from the Borrower in the case of a voluntary conveyance, demonstrating that the Insured has obtained Borrower's Title to the Property; and

4. Access to the Property if requested by the Company;

provided that the Insured shall not be required to comply with subparagraphs 3 and 4 above if the Property is redeemed by the Borrower pursuant to the exercise of redemption rights arising in a foreclosure sale or is conveyed to a third party prior to the filing of a Claim in a foreclosure sale or in an early disposition of the Property approved by the Company.

V. Loss Payment Procedure

A. Filing of Claim—The Insured shall file a Claim no later than sixty (60) days following the first to occur of the following events:

1. The acquisition by the Insured of Borrower's Title to the Property and the expiration of any redemption rights;

2. The disposition of the Property to a third party at a foreclosure sale; or

3. The early disposition of the Property to a third party with the Company's approval pursuant to Condition IV.F.

If the Insured fails to file a Claim within the time prescribed, such failure shall be deemed to have been and election by the Insured to waive any right to any benefit under this Policy with respect to the affected Loan unless the Company agrees otherwise.

B. Calculation of Claim Amount—The Claim Amount shall be an amount equal to the following:

1. The sum of

a. The amount of unpaid principal balance due under the Loan as of the date of Default;

b. The amount of accumulated delinquent interest due on the Loan, computed at the contract rate stated in the Loan, through the date that the Claim is submitted to the Company or, if earlier, the date sixty (60) days after the occurrence of the applicable event described in Condition V.A.; and

c. The amount of advances made by the Insured under Condition IV.G.; provided that

(1) Attorney's fees advanced thereunder shall not exceed three percent (3%) of the sum of the unpaid principal balance and the accumulated interest payable in accordance with Condition V.B.1.b; and

(2) Payment for such other advances shall be prorated through the date the Claim is submitted to the Company or, if earlier, the date sixty (60) days after the occurrence of the applicable event described in Condition V.A.

2. Minus the sum of

a. The amount of all rents and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Insured, which are derived from or in any way related to the Property (other than proceeds of a sale of the Property);

b. The amount of cash remaining in any escrow account as of the last payment date;

c. The amount of cash to which the Insured has retained the right of possession as security for the Loan;

d. The amount paid under applicable fire and extended coverage policies which are not applied to restoring and repairing the Property, if the Property suffered Physical Damage, and which has not been applied to the payment of the Loan;

e. The estimated cost to repair Physical Damage to the Property, if more than $1,500.00, but only if the Company elects to settle the Claim pursuant to Condition V.C.1. and the Insured does not elect to perform such repairs;

f. The amount expended by the Insured for advances not authorized by Condition IV.G; and

g. The amount of any payments of Loss previously made by the Company on the Loan.

3. If a Loan has been divided into secured and unsecured portions pursuant to proceedings under the federal bankruptcy laws, the amount of Loss shall include unpaid principal due under the unsecured portion of the

Loan, even if the Borrower has been released from such portion of the Loan, with interest thereon computed at the note rate from the date of Default through the date referred to in Condition V.B.1.b.

C. Payment of Loss—The Company shall elect the method of Loss settlement, as provided herein, within sixty (60) days after the Insured has filed a Claim in accordance with Condition V.A., whether or not the Company has made a final determination to accept the Claim. If additional information is required in order to make the Claim a Perfected Claim, the Company must request such information from the Insured within twenty (20) days after the date the Claim was filed, whereupon the 60-day period shall be suspended until such additional information is furnished to the Company. If at any time prior to its settlement election the Company is denied reasonable access to the Property, the 60-day period shall be suspended until such access is made available to the Company. The Company shall select from the following settlement options, at its sole discretion:

1. Acquire title to the Property and pay the Claim Amount calculated in accordance with Condition V.B. The Loss shall be payable only if all of the following conditions are satisfied:

   a. Title to the Property is conveyed to the Company by delivery of a recordable deed in normal and customary form, containing the usual warranties and convenants and conveying to the Company or its designee Good and Merchantable Title to the Property, together with evidence satisfactory to the Company, in the form of a title insurance policy approved by the Company or an opinion of title from an attorney approved by the Company, that the Insured has acquired and can convey to the Company or its designee Good and Merchantable Title to the Property;

   b. All Physical Damage to the Property has been repaired by the Insured, but only if the cost of repairs exceeds $1,500.00 and the Insured has elected to repair Physical Damage to the Property in lieu of accepting a deduction from the Loss payment pursuant to Condition V.B.2.e. If the Insured elects to accept a deduction from the Loss payment in lieu of performing repairs, the Insured shall, at the Company's request, assign all of the Insured's rights, title, and interests in any and all insurance policies pertaining to the Property (but only to the extent the proceeds thereof have not been deducted from the Loss pursuant to Condition V.B.2.d.); and

   c. Possession of the Property is furnished to the Company.

2. Pay a percentage of the Claim Amount pursuant to the coverage option specified on the Certificate. If the Company elects to pay the Loss under the terms of this subparagraph 2, the Company shall have no rights in the Property and the title to the Property shall be retained by the Insured; or

3. If the Property is redeemed by the Borrower pursuant to the exercise of redemption rights arising in a foreclosure sale or is conveyed to a third party prior to the date the Loss payment becomes due in a foreclosure sale or in an early disposition with the Company's approval, the Company shall pay the lesser of (a) the Loss calculated in accordance with Condition V.B. minus the net proceeds of such disposition (i.e., net of actual and reasonable marketing and closing costs), or (b) the percentage of Loss calculated in accordance with Condition V.B. pursuant to the coverage option specified on the Certificate (unless the Company is required to pay the greater of amounts (a) and (b) under the specific circumstances described in Condition IV.E.6.).

   Except as provided in Condition VI.C., payment of Loss shall be made not later than the end of the 60-day period or, if settlement is to be made in accordance with Condition V.C.1., not later than ten (10) days after the Insured notifies the Company that it has satisfied all of the conditions stated therein, or the end of the 60-day period, whichever is later.

D. Discharge of Obligation—Any and all payments in the full amount required by Condition V.C., plus any amounts required by Condition IV.C.2 and Condition IV.H.2, shall be a final discharge of the Company's obligation with respect to such Loss under this Policy.

VI. Additional Conditions

A. Proceedings of Eminent Domain—In the event that part or all of the Property is taken by eminent domain, condemnation or by any other proceedings by a federal, state or local governmental unit or agency, the Insured shall require that the Borrower apply the maximum permissible amount of any compensation awarded in such proceedings to reduce the principal balance of the Loan, in accordance with the law of the jurisdiction where the Property is located.

B. Subrogation—

1. To the extent permitted by applicable law, the Company shall be subrogated pro rata (with pro rata shares determined in accordance with Condition IV.H.) to all of the Insured's rights of recovery against the Borrower and any other person or organization relating to the Loan or to the Property; except that the Company will be entitled to all such rights if it is determined pursuant to Condition IV.H. that only the Company will pursue such rights or if the Company pays such Loss pursuant to Condition V.C.1. or Condition V.C.3.(a); and except, further, that the Insured will be entitled to all such rights if it is determined pursuant to Condition IV.H. that only the Insured will pursue such rights or if the Company is not entitled by law to pursue such rights. The Insured shall execute and deliver at the request of the Company such instruments and papers and undertake such actions as may be necessary to transfer, assign and secure such rights. The Insured shall refrain from any action, either before or after payment of a Loss hereunder, that would prejudice such rights.

2. The execution by the Insured of a release or waiver of the right to collect the unpaid balance of a Loan shall release the Company from its obligation under its Certificate to the extent and amount of said release or waiver, anything in this Policy to the contrary notwithstanding.

C. Claims Delay—If the payment of Loss is delayed pending an investigation by the Company of possible coverage defenses or for any other reason, simple interest on the amount thereof, computed at the contract rate or rates stated in the Loan through the date the Loss is paid, shall be added to the Loss payment. In no event shall the Company delay its decision to accept or deny a Claim more than one hundred twenty (120) days after the date the payment of Loss was otherwise required pursuant to Condition V.C. The denial of a Claim shall not abate the accrual of interest pursuant to this Condition VI.C. if it is ultimately determined, by legal proceedings or otherwise, that the Claim is covered under the Policy.

D. Misrepresentation and Materiality of Obligations—The Insured agrees that statements made in matters presented by it, the Borrower, or any other party in any application for coverage under this Policy, and in the appraisal, the plans and specifications, and other exhibits and documents submitted therewith or at any time thereafter are the Insured's representations, and that the Company has issued the Certificate in reliance on the correctness and completeness thereof.

E. Notice—In addition to all other means of communication deemed acceptable by the Company in writing, all notices, claims, tenders, reports and other data required to be submitted to the Company by the Insured shall be mailed postpaid to the Company at P.O. Box 2300, Winston-Salem, North Carolina 27102. The Company may change this address by giving written notice to the Insured. All notices to the Insured shall be postpaid to the address on the face of this Policy or the last known address unless the Company is otherwise notified in writing. The Company and the Insured may mutually agree that notices shall be sent to any additional Person. No liability is incurred by the Company if it is discovered that notice should have been sent to a Person other than the Insured or such additional Persons theretofore mutually agreed upon.

F. Reports and Examinations—The Company may call upon the Insured for such reports pertaining to any Loan Insured hereunder as it may deem necessary and may inspect the books or accounts of the Insured as they pertain to any Loan insured hereunder.

G. Suit—

1. No suit or action for recovery of any Claim under this Policy shall be 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 or action in equity is commenced within three (3) years [five (5) years in Kansas and Florida] after the Claim has been filed with the Company. No suit or action for Claim may be brought against the Company until sixty (60) days from the date that the Claim is filed.

2. If a dispute arises concerning the Loan and involving 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, at the Company's expense, if this suit is considered necessary or appropriate by the Company to preserve the Company's rights.

3. If, under applicable law, the Borrower successfully asserts a defense which results in the release in whole or in part of the Borrower's obligations to repay the Loan, the Company shall be released to the same extent and amount from its liability under this Policy except as provided in Condition V.B.3.

H. Conformity to Statute—Any provision of this Policy which is in conflict with the law of the jurisdiction in which the Insured is located is hereby amended to conform to the minimum requirements of that law.

I. Special Conditions—The Company will not rescind coverage or deny or adjust a claim with respect to a Loan on the basis of a failure to satisfy a special condition (other than a special condition relating to completion of constructing rehabilitation or repairs) if the Borrower has made twenty-four (24) consecutive monthly payments from the Borrower's own funds.

J. Premium Refunds—If a Claim is excluded and the Company is not otherwise prejudiced or damaged thereby, the Company shall refund to the Insured a portion of the premium paid on the Certificate prior to the date of the event giving rise to such exclusion in accordance with the applicable cancellation schedule and all premiums paid after the date of such event.

K. Incontestability—Subject to the satisfaction of all of the conditions set forth below, the Company agrees not to reject or deny a claim for benefits under this Policy by reason of fraud, negligence, omission, error, or misrepresentation in the application for coverage of a Loan, or in any statement, document, exhibit, or information submitted in connection with an application for coverage. This provision will not apply unless all of the following conditions are satisfied:

1. The Insured, any officer, employee, or agent of the Insured, any mortgage broker or intermediary underwriting or originating the Loan, or any other Person under contract with any of the foregoing Persons acting with respect to the Loan or the related Property transaction (including but not limited to an appraiser, escrow agent, or closing agent) did not possess or otherwise acquire actual knowledge of such fraud, negligence, omission, error, or misrepresentation prior to or within twelve (12) months after the Effective Date of coverage with respect to the Loan;

2. The Company did not acquire actual knowledge of such fraud, negligence, omission, error, or misrepresentation prior to or within twelve (12) months after the Effective Date of coverage with respect to the Loan or if such knowledge was acquired by the Company within such twelve-month period, the Company failed to rescind coverage within thirty (30) days after the date it acquired such knowledge; and

3. The Borrower has made twelve (12) consecutive regularly-scheduled loan payments prior to the date the Loan went into Default, utilizing funds available to Borrower from sources other than any Person described in condition 1 above.

TRIAD GUARANTY INSURANCE CORPORATION

SHORT RATE CANCELLATION SCHEDULE

MINIMUM RETAINED PREMIUM

Initial Coverage $100.00 Renewal of Coverage $50.00

ANNUAL PREMIUM PLAN

DAYS POLICY IN FORCE	PER CENT OF PREMIUM	DAYS POLICY IN FORCE	PER CENT OF PREMIUM	DAYS POLICY IN FORCE	PER CENT OF PREMIUM	DAYS POLICY IN FORCE	PER CENT OF PREMIUM
1	5	66-69	29	154-156	53	256-260	77
2	6	70-73	30	157-160	54	261-264	78
3-4	7	74-76	31	161-164	55	265-269	79
5-6	8	77-80	32	165-167	56	270-273 (9 mos.)	80
7-8	9	81-83	33	168-171	57	274-278	81
9-10	10	84-87	34	172-175	58	279-282	82
11-12	11	88-91 (3 mos.)	35	176-178	59	283-287	83
13-14	12	92-94	36	179-182 (6 mos.)	60	288-291	84
15-16	13	95-98	37	183-187	61	292-296	85
17-18	14	99-102	38	188-191	62	297-301	86
19-20	15	103-105	39	192-196	63	302-305 (10 mos.)	87
21-22	16	106-109	40	197-200	64	306-310	88
23-25	17	110-113	41	201-205	65	311-314	89
26-29	18	114-116	42	206-209	66	315-319	90
30-32 (1 mo.)	19	117-120	43	210-214 (7 mos.)	67	320-323	91
33-36	20	121-124 (4 mos.)	44	215-218	68	324-328	92
37-40	21	125-127	45	219-223	69	329-332	93
41-43	22	128-131	46	224-228	70	333-337 (11 mos.)	94
44-47	23	132-135	47	229-232	71	338-342	95
48-51	24	136-138	48	233-237	72	343-346	96
52-54	25	139-142	49	238-241	73	347-351	97
55-58	26	143-146	50	242-246 (8 mos.)	74	352-355	98
59-62 (2 mos.)	27	147-149	51	247-250	75	356-360	99
63-65	28	150-153 (5 mos.)	52	251-255	76	361-365	100

SINGLE PREMIUM PLANS

MONTHS POLICY IN FORCE	4 YR.	5 YR.	6 YR.	7 YR.	10 YR.	12 YR.	15 YR.
1	8	7	6	6	6	3	2
	12	11	10	8	7	5	4
3	16	15	13	11	9	8	7
4	20	19	17	15	11	9	8
5	28	23	20	17	13	11	10
6	33	27	23	20	16	12	11
7	37	31	27	22	17	14	12
8	40	35	30	25	19	16	14
9	42	38	33	28	21	17	15
10	45	40	36	31	23	19	16
11	47	42	38	34	25	21	18
12 (1 yr.)	50	44	40	37	27	23	19
13	52	46	42	39	29	24	20
14	55	48	44	40	31	26	22
15	57	50	45	41	33	28	23
16	60	52	47	43	35	29	24
17	62	54	49	44	37	31	26
18	65	56	51	46	38	32	27
19	67	58	52	47	39	33	28
20	70	60	54	49	40	35	30
21	72	62	55	50	41	36	31
22	75	64	57	51	42	38	32
23	76	66	59	53	43	39	34
24 (2 yrs.)	78	68	61	54	44	40	35
25	79	70	63	56	45	41	36
26	81	72	64	57	46	42	37
27	82	74	66	59	47	42	38
28	84	76	68	60	48	43	38
29	85	77	69	61	48	44	39
30	86	78	70	63	50	45	40

MONTHS POLICY IN FORCE	4 YR.	5 YR.	6 YR.	7 YR.	10 YR.	12 YR.	15 YR.
31	87	79	71	64	51	46	40
32	89	80	73	65	52	47	41
33	90	82	74	67	53	47	42
34	91	83	75	69	54	48	43
35	92	84	77	70	55	49	43
36 (3 yrs.)	93	85	78	71	56	50	44
37	93	86	79	73	57	51	45
38	94	87	80	74	58	52	46
39	95	88	82	75	59	52	46
40	96	89	82	76	60	53	47
41	96	90	83	77	61	54	47
42	97	91	84	78	62	55	48
43	97	91	84	79	63	55	49
44	98	92	85	80	64	56	49
45	98	93	86	80	65	57	50
46	99	93	87	82	66	58	51
47	99	94	88	82	67	58	51
48 (4 yrs.)	100	95	89	83	68	59	52
49		95	89	84	69	60	52
50		96	90	84	70	61	53
51		96	90	85	71	61	54
52		97	91	86	72	62	55
53		97	91	87	73	63	55
54		98	92	87	74	64	56
55		98	93	88	75	64	57
56		98	93	89	76	65	57
57		99	94	90	76	66	58
58		99	94	90	77	67	59
59		100	95	91	77	67	59
60 (5 yrs.)		100	95	91	78	68	60

MONTHS POLICY IN FORCE	6 YR.	7 YR.	10 YR.	12 YR.	15 YR.
61	96	92	78	69	61
62	96	92	79	69	61
63	97	93	80	70	62
64	97	93	80	71	63
65	97	94	81	71	63
66	98	94	82	72	64
67	98	95	82	73	65
68	99	95	83	73	66
69	99	95	83	74	66
70-71	100	96	84	75	67
72 (6 yrs.)	100	96	85	76	68
73	—	97	85	77	69
74	—	97	86	77	69
75	—	97	86	78	70
76	—	98	87	78	71
77	—	98	87	79	71
78	—	98	88	79	72
79	—	99	88	80	73
80	—	99	89	81	73
81	—	99	89	81	74
82	—	99	90	82	75
83	—	100	90	82	76
84-85 (7 yrs.)	—	100	91	83	76
86	—	—	91	84	77
87-88	—	—	92	84	77
89	—	—	92	85	78
90-91	—	—	93	86	78
92	—	—	93	86	79
93-94	—	—	94	86	79
95	—	—	94	87	80

MONTHS POLICY IN FORCE	10 YR.	12 YR.	15 YR.
96 (8 yrs.)	95	87	80
97-98	95	87	81
99	96	88	82
100	96	88	82
101-103	96	89	83
104-106	97	90	84
107	97	91	85
108-109 (9 yrs.)	98	91	85
110-112	98	92	86
113-115	99	93	87
116-117	99	94	88
118	100	94	88
119-121 (10 yrs.)	100	94	89
122-124	—	95	90
125-130	—	96	91
131-133 (11 yrs.)		97	92
134-135	—	97	93
136-139	—	98	93
140-142	—	99	94
143-148 (12 yrs.)		100	95
149-154		—	96
155-160 (13 yrs.)		—	97
161-169 (14 yrs.)		—	98
170-175		—	99
176-180 (15 yrs.)	—	—	100

TRIAD GUARANTY INSURANCE CORPORATION

SHORT RATE CANCELLATION SCHEDULE

MINIMUM RETAINED PREMIUM

Initial Coverage $100.00 Renewal of Coverage $50.00

ANNUAL PREMIUM PLAN

DAYS POLICY IN FORCE	PER CENT OF PREMIUM	DAYS POLICY IN FORCE	PER CENT OF PREMIUM	DAYS POLICY IN FORCE	PER CENT OF PREMIUM	DAYS POLICY IN FORCE	PER CENT OF PREMIUM
1	5	66-69	29	154-156	53	256-260	77
2	6	70-73	30	157-160	54	261-264	78
3-4	7	74-76	31	161-164	55	265-269	79
5-6	8	77-80	32	165-167	56	270-273	(9 mos.) 80
7-8	9	81-83	33	168-171	57	274-278	81
9-10	10	84-87	34	172-175	58	279-282	82
11-12	11	88-91	(3 mos.) 35	176-178	59	283-287	83
13-14	12	92-94	36	179-182	(6 mos.) 60	288-291	84
15-16	13	95-98	37	183-187	61	292-296	85
17-18	14	99-102	38	188-191	62	297-301	86
19-20	15	103-105	39	192-196	63	302-305	(10 mos.) 87
21-22	16	106-109	40	197-200	64	306-310	88
23-25	17	110-113	41	201-205	65	311-314	89
26-29	18	114-116	42	206-209	66	315-319	90
30-32	(1 mo.) 19	117-120	43	210-214	(7 mos.) 67	320-323	91
33-36	20	121-124	(4 mos.) 44	215-218	68	324-328	92
37-40	21	125-127	45	219-223	69	329-332	93
41-43	22	128-131	46	224-228	70	333-337	(11 mos.) 94
44-47	23	132-135	47	229-232	71	338-342	95
48-51	24	136-138	48	233-237	72	343-346	96
52-54	25	139-142	49	238-241	73	347-351	97
55-58	26	143-146	50	242-246	(8 mos.) 74	352-355	98
59-62	(2 mos.) 27	147-149	51	247-250	75	356-360	99
63-65	28	150-153	(5 mos.) 52	251-255	76	361-365	100

SINGLE PREMIUM PLANS

MONTHS POLICY IN FORCE	PER CENT OF PREMIUM RETAINED 4 YR.	5 YR.	6 YR.	7 YR.	10 YR.	12 YR.	15 YR.
1	8	7	6	6	5	3	2
2	13	11	10	8	7	5	4
3	18	15	13	11	9	8	7
4	23	19	17	15	11	9	8
5	28	23	20	17	13	11	10
6	33	27	23	20	15	12	11
7	37	31	27	23	17	14	12
8	40	35	30	26	19	15	14
9	42	38	33	28	21	17	15
10	45	40	36	31	23	19	16
11	47	42	38	35	25	21	18
12 (1 yr.)	50	44	40	37	27	23	19
13	52	46	42	38	29	24	20
14	55	48	44	40	31	26	21
15	57	50	45	41	34	28	23
16	60	52	47	43	35	29	24
17	62	54	49	44	37	31	26
18	65	56	51	46	38	32	27
19	67	58	52	47	39	33	28
20	70	60	54	48	40	35	30
21	72	62	56	50	41	36	31
22	75	64	57	51	42	38	32
23	76	66	59	53	43	39	34
24 (2 yrs.)	78	68	61	54	44	40	35
25	79	70	63	56	45	41	36
26	81	72	64	57	46	42	37
27	82	74	66	59	47	42	38
28	84	76	68	60	48	43	38
29	85	77	69	61	49	44	39
30	86	78	70	63	50	45	40

MONTHS POLICY IN FORCE	PER CENT OF PREMIUM RETAINED 4 YR.	5 YR.	6 YR.	7 YR.	10 YR.	12 YR.	15 YR.
31	87	79	71	64	51	46	40
32	89	80	73	65	52	47	41
33	90	82	74	67	53	47	42
34	91	83	76	68	54	48	43
35	92	84	77	70	55	49	43
36 (3 yrs.)	93	85	78	71	56	50	44
37	93	86	79	72	57	51	45
38	94	87	80	74	58	52	45
39	95	88	82	75	59	52	46
40	96	89	82	76	60	53	47
41	96	90	83	77	61	54	47
42	97	91	84	78	62	55	48
43	97	91	84	79	63	56	49
44	99	92	86	80	64	56	49
45	99	93	86	80	65	57	50
46	99	93	87	81	66	58	51
47	99	94	88	82	67	58	51
48 (4 yrs.)	100	95	89	83	68	59	52
49		95	89	84	69	60	53
50		96	90	84	70	61	53
51		96	90	85	71	61	54
52		97	91	86	72	62	55
53		97	91	87	73	63	55
54		98	92	87	74	64	56
55		98	93	88	75	64	57
56		98	93	89	75	65	57
57		99	94	90	76	66	58
58		99	94	90	77	67	58
59		100	95	91	77	67	59
60 (5 yrs.)		100	95	91	78	68	60

MONTHS POLICY IN FORCE	PER CENT OF PREMIUM RETAINED 6 YR.	7 YR.	10 YR.	12 YR.	15 YR.
61	96	92	79	69	61
62	96	92	79	69	61
63	97	93	80	70	62
64	97	93	80	71	63
65	97	94	81	71	63
66	98	94	82	72	64
67	98	95	82	73	65
68	99	96	83	73	65
69	99	95	83	74	66
70-71	100	96	84	75	67
72 (6 yrs.)	100	96	85	76	68
73	—	97	85	77	68
74	—	97	86	77	69
75	—	97	86	78	70
76	—	98	87	78	71
77	—	98	87	79	71
78	—	98	88	79	72
79	—	99	88	80	73
80	—	99	89	81	73
81	—	99	89	81	74
82	—	99	90	82	75
83	—	100	90	82	76
84-85 (7 yrs.)	—	100	91	83	76
86	—	—	91	84	77
87-88	—	—	92	84	77
89	—	—	92	85	78
90-91	—	—	93	85	78
92	—	—	93	86	79
93-94	—	—	94	86	79
95	—	—	94	87	80

MONTHS POLICY IN FORCE	PER CENT OF PREMIUM RETAINED 10 YR.	12 YR.	15 YR.
96 (8 yrs.)	95	87	80
97-98	95	87	81
99	95	88	82
100	96	88	82
101-103	96	89	83
104-106	97	90	84
107	97	91	85
108-109 (9 yrs.)	98	91	85
110-112	98	92	86
113-115	99	93	87
116-117	99	94	88
118	100	94	88
119-121 (10 yrs.)	100	94	89
122-124	—	95	90
125-130	—	96	91
131-133 (11 yrs.)		97	92
134-135	—	97	93
136-139	—	98	93
140-142	—	98	94
143-148 (12 yrs.)		100	95
149-154		—	96
155-160 (13 yrs.)		—	97
161-169 (14 yrs.)		—	98
170-175		—	99
176-180 (15 yrs.)	—	—	100

NEVADA STATE PROVISIONS ENDORSEMENT

1. It is agreed that Section II-B, Cancellation of Policy, is deleted from the Policy in its entirety and replaced with the following:

Cancellation of Policy by Insured - The Insured may cancel this Policy by providing advanced written notice of cancellation of this Policy.

Cancellation of Policy or Certificate by the Company - If this Policy has been in effect for seventy (70) days or more, or if this Policy is a renewal of a Policy the Insurer issued, the Insurer may cancel only for one or more of the following reasons:

(1) Nonpayment of premium;

(2) Conviction of the Insured or Other Insured (s) of a crime arising out of acts increasing the hazard insured against;

(3) Discovery of fraud or material misrepresentation in obtaining the Policy or in presenting a claim thereunder;

(4) Discovery of:

(a) An act of omission; or

(b) A violation of any condition of the Policy,

which occurred after the first effective date of the current Policy and substantially and materially increases the hazard insured against;

(5) A material change in the nature or extent of the risk, occurring after the first effective date of the current Policy, which causes the risk of loss to be substantially and materially increased beyond that contemplated at the time the Policy was issued or last renewed;

(6) A determination by the Commissioner that continuation of the Insurer's present volume of premiums would jeopardize the Insurer's solvency or be hazardous to the interests of the Insurer's policyholders, creditors or the public; or

(7) A determination by the Commissioner that the continuation of the Policy would violate, or place the Insurer in violation of, any provision of the code.

If this Policy is canceled by the Insurer based on 2 through 7 above, the Insurer shall mail or deliver a written notice to the Insured thirty (30) days before the effective date of cancellation. If this Policy is canceled for nonpayment of premium, the Insurer will mail or deliver a written notice to the Insured ten (10) days before the effective date of cancellation.

If this Policy is written for a term longer than one year, the Insurer may cancel for any reason at an anniversary, by mailing or delivering written notice of cancellation to the Insured at the last mailing address known to the Insurer at least sixty (60) days before the anniversary date.

2. Notice of Nonrenewal - If the Insurer elects not to renew this Policy, the Insurer will mail or deliver to the Insured a notice of intention not to renew at least sixty (60) days before the agreed expiration date. The Insurer need not provide this notice if:

(1) The Insured has accepted replacement coverage;

(2) The Insured has requested or agreed to nonrenewal;

(3) This Policy is expressly designated as nonrenewable.

Notice of cancellation or nonrenewal in accordance with the above, will be mailed, first class or certified, or delivered to the Insured at the last mailing address known to the Insurer and will state the reason for cancellation or nonrenewal. The Insurer will also proved a copy of the notice of cancellation, for both policies in effect less than seventy (70) days and policies in effect seventy (70) days or more, to the agent who wrote the Policy.

All other terms, conditions and exclusions remain unchanged.

Attaching to and forming part of Policy No. _____28-0069-0004______________________ issued to ______________________________________ American Home Mortgage________________.

TRIAD GUARANTY INSURANCE CORPORATION

President	Countersigned this 13 day of Dec 20 05 By ________ A and H INSURANCE, INC., RENO, NEVADA Nevada Resident Agent Bradley A. Pearce Authorized Representative	Secretary

Form #TGB-12 (6/94)

MASTER POLICY PROVISIONS ENDORSEMENT
(Incontestability)

The purpose of this Endorsement is to amend Section VI.K. under Master Policy (Form TG-1, TG-87 or TG-106, but not any other Endorsement to the Policy under which Loans are insured), relating to the incontestability of coverage, by deleting Condition 3 of Section VI.K. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control.

A. Section VI.K. is amended by deleting Condition 3 thereof.

B. Prior to this Endorsement, Condition 3 of Section VI.K., which is being deleted, read as follows:

   3. The Borrower has made twelve (12) consecutive regularly-scheduled loan payments prior to the date the Loan went into Default, utilizing funds available to Borrower from sources other than any Person described in condition 1 above.

C. This Endorsement will apply only to those Loans with a Certificate Effective Date which is on or after December 20, 1996.

All terms capitalized will have the meaning set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.

Attaching to and forming part of Policy 28-0069-0004 issued to
American Home Mortgage
TRIAD GUARANTY INSURANCE CORPORATION

Daryl W. Thompson — Earl F. Webb

President

Countersigned this 23 day of Dec 2003
By
A and H INSURANCE, INC., RENO, NEVADA
Nevada Resident Agent
Bradley A. Pearce

Authorized Representative

Secretary

Form #TGB-26 (12/96)

Master Policy Provisions Endorsement

(Exclusions From Coverage)

The purpose of this Endorsement is to amend Condition III (Exclusions From Coverage) under Master Policy (Form TG-1 or TG-106, but not any other Endorsement to the Policy under which Loans are insured), to include the following:

G. *Physical Damage (Other than Relating to Pre-Existing Environmental Conditions)* - Any Claim where, at any time after the Certificate Effective Date, there is Physical Damage to the Property of a type other than as described in Condition III.F. and other than reasonable wear and tear, subject to the following provisions:

1. This exclusion will not apply if the Company in good faith determines that the aggregate cost of restoring all such Physical Damage is less than fifteen hundred dollars ($1,500.00), or such higher amount as the Company may provide from time to time.
2. This exclusion will not apply if such Physical Damage was specifically disclosed to the Company in the application for coverage relating to the Property.
3. This exclusion will apply if such Physical Damage occurred:
   a. prior to expiration of the settlement period described in Condition V.C. if the Company elects to acquire the related Property in settlement of a Claim; or
   b. prior to the Default and was the principal cause of the Default and the Property was either uninsured for loss arising from such Physical Damage or was insured for an amount which, disregarding any deductibles up to $1,500.00, was insufficient to restore the Property as provided in Condition III.G.4. below.
4. The exclusion resulting from Condition III.G.3. will not apply if the Property is restored in a timely and diligent manner to its condition (except reasonable wear and tear) as of the Certificate Effective Date. In lieu of requiring restoration of the property, the Company may, at its option, reduce the Claim Amount by an amount equal to the cost of such restoration.
5. For purposes of this Condition III.G., the Property subject to restoration will consist only of the land, improvements or personal property deemed part of the real property under applicable law; and chattel items, affixed to the real property and identified in the appraisal of the Property at the time the Loan was made, whether or not they are deemed part of the real property.
6. Cost estimates relied upon by the Company in connection with this Condition III.G. shall be provided in writing by an independent party selected by the Company. The Company will furnish the Insured with any such written cost estimates, if requested by the Insured.

H. *Down Payment* - Any Claim involving a Loan which is for the purchase of the Property, and for which the Borrower did not make a down payment as described in the application for coverage.

I. *First Lien Status* - Any Claim, if the mortgage, deed of trust or other similar instrument executed by the Borrower and Insured hereunder did not provide the Insured at origination with a first lien on the Property.

J. **Breach of the Insured's Obligations or Failure to Comply with Terms** - Any Claim involving or arising out of any breach by the Insured of its obligations under, or its failure to comply with the terms of, this Policy or of its obligations as imposed by operation of law, if the breach of failure:

1. Materially contributed to the Default resulting in such Claim; or
2. Increased the Loss, except that if the Company can reasonable determine the amount of such increase, such Claim will not be excluded, but the related Loss will be reduced to the extent of such amount.

Attaching to and forming part of Policy No. 28-0069-0004 issued to American Home Mortgage

Triad Guaranty Insurance Corporation

Darryl W. Thompson

President

Countersigned this 13 day of Dec 2005

By [signature]

A and H INSURANCE, INC., RENO, NEVADA
Nevada Resident Agent
Bradley A. Pease

Authorized Representative

Earl F. Wall

Secretary

Form #TGE-27 (12/96)

MASTER POLICY PROVISIONS ENDORSEMENT

This Endorsement applies to all Certificates issued under the Master Policy to which it is attached:

Under Section V. B., Calculation of Claim Amount provision, 2.h. is added to the Master Policy as follows:

h. And, if the coverage under this Policy was paid for in a single premium that was financed at origination and included in the original amount of the Loan, the amount of the single premium so financed.

Under Section V. C., Payment of Loss provision, the following sentence is added at the beginning of the last paragraph as follows:

In addition to the sum due pursuant to the option described above which the Company selects, if the coverage under this Policy was paid for in a single premium that was financed at origination and included in the original amount of the Loan, the Loss payable by the Company will include the amount of the single premium so financed.

TRIAD GUARANTY INSURANCE CORPORATION

Darryl W. Thompson

President

Earl F. Wall

Secretary

Countersigned this 13 day of Dec 2005

By

A and H INSURANCE, INC., RENO, NEVADA
Nevada Resident Agent
Bradley A. Pearse

Authorized Representative

Form # TGB-33(1/98)

EXHIBIT D

Default & Claims Servicing Guide

Triad Guaranty Insurance

Fax:
(336) 723-1001

www.triadguaranty.com

Mail:
Triad Guaranty Insurance Corporation,
In Rehabilitation
Loss Management Department
Post Office Box 2300
Winston Salem, NC 27102

Email:
DEFAULT REPORTING - defaults@tgic.com
CLAIMS - claims@tgic.com
LOSS MITIGATION - hope@tgic.com
FORECLOSURE - defaults@tgic.com

TGIC.0126.2011

Loss Management Department - (800)-451-4872, ext 7003

Triad Guaranty believes communities, borrowers, lenders, investors, and insurers are all better served if we work out problem loans and keep borrowers in their homes with their loans performing. While it is your responsibility to cooperate actively with Triad Guaranty to prevent or mitigate a loss, we all know there are times that a delinquency cannot be cured. Therefore, we strive to work with you to minimize the losses of all parties with an expeditious disposition of the property. Triad Guaranty's Loss Management Team is committed to working through the delinquency process with you to preserve and maximize the value of your mortgage insurance. Our goal is to become your partner in your defense against losses.

The intent of this servicing guide is to assist you in following the requirements of the Master Policy that governs your insured loan. It is designed to increase your success as a servicer by providing you with the answers to the questions that may affect your mortgage insurance benefits. We want to preserve the value of your mortgage insurance with the guidance this manual offers along with the requirements of the Master Policy.

This guide is designed to supplement the Master Policy it does not replace the Master Policy. Therefore, in the event of any inconsistency between this servicing guide and the Master Policy, the terms of the Master Policy will prevail.

This manual uses the following words interchangeably; "servicer" and "insured" "Master Policy" and "Policy" as well as "borrower" and "borrowers".

This manual may be amended at any time without notice.

Failure to adhere to this guide in conjunction with the Master Policy may have serious effects on your rights to receive benefits. Violations of the provisions in either document may result in claim adjustments, claim denials, or a rescission of coverage.

email: defaults@tgic.com

1.0 default reporting

Fax:
(336) 723-1001

www.triadguaranty.com

Mail:
Triad Guaranty Insurance Corporation,
In Rehabilitation
Loss Management Department
Post Office Box 2300
Winston Salem, NC 27102

Email:
DEFAULT REPORTING - defaults@tgic.com
CLAIMS - claims@tgic.com
LOSS MITIGATION - hope@tgic.com
FORECLOSURE - defaults@tgic.com

1.1 notice of default (NOD)

You are required to notify Triad Guaranty of the occurrence of a delinquency. You are also asked to notify Triad Guaranty of potentially problematic loans that are in the process of a workout or if an event has occurred to compromise the security or loan itself. Triad Guaranty requires this notification for two reasons. It is a condition precedent to the payment of benefits by Triad Guaranty which triggers the process that establishes reserves for any potential future claim payment. It also notifies Triad Guaranty of the opportunity to partner with you in resolving the delinquency.

You are also required to notify Triad Guaranty if:
1. A loan in the process of workout has the potential to become problematic (see below) or
2. An event has occured to compromise the security or loan itself.

- A **default** is the failure of the borrower to pay an amount equal to or greater than one (1) regular periodic payment due under the terms of the loan.
- A loan is considered **delinquent** on the close of business of the installment due date or the date on which a legal action is filed that affects the loan or the security of the loan. Examples of legal action are bankruptcy filings, property condemnations, property tax sales, or litigation.
- A **problematic** loan occurs with the initiation of any proceeding that affects complete compliance with the Master Policy or requires a request for benefits under the policy such as a loan modification, short sale, deed-in-lieu, condemnation proceedings, bankruptcy filings, lawsuit, or the borrowers request for assistance due to an imminent default. A loan is considered problematic upon the insured's first knowledge of the event.

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1.2 when to file a notice of default (NOD):

Timely submission of the NOD is essential to protect your right to benefits under the Master Policy. A timely submission providesTriad Guaranty with the time needed to establish reserves, institute loss prevention and mitigation efforts, conduct investigations, or provide any special instructions to you if warranted.

A delinquency should be reported within the following time frames.

- Within 45 days of the due date if the first scheduled mortgage payment due on the loan is missed **or**
- Within 10 days of when the borrower becomes four months in default **or**
  *For example, a loan due for the January 1st mortgage payment requires a reporting to Triad Guaranty no later than the close of business on the 10th day of April**
- Within 10 days of the date of knowledge that a loan is considered problematic.

**Triad Guaranty encourages a report within the reporting month of the second delinquent payment.*

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1.3 how and where to file NOD:

Non-Electronic Filing

You may report a default electronically, through Triad's TAXI or by completing Triad Guaranty's Notice of Default form [TG-22] or any mutually agreed upon format. Triad Guaranty's form TG-22 may be found in Section 6.0-FAQs & Forms.

Notice of Default Form [TG-22] terminology is listed below to assist you in completing your form.

MI Certificate Number	The seven digit number found on the commitment/ certificate of insurance.
Servicer Loan Number	Your loan identification number for the insured loan as the servicer.
Servicer Address	The mailing address to send any delinquency correspondence.

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Investor	√ The owner of the loan. If a portfolio loan, enter your name here. √ If Fannie Mae or Freddie Mac, check the appropriate box and provide us with their loan identification number.
Property Address	The physical address of the subject property.
Home Phone Number	The borrower's home phone number.
Work Phone Number	The borrower's current work or mobile phone number.
Mailing Address	The current mailing address of the mortgagor, if different from the property address.
Current Principal Balance	The unpaid amortized principal balance due at the date the loan went into default, excluding late charges, delinquent interest, escrow, attorney fees, capitalizations, etc.

1.3 how & where to file NOD

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Total Delinquent Amount	The total delinquent principal, interest, taxes and insurance (PITI) payments and advances associated with the delinquency, not including penalties, fees, or late charges.
Loan Due for Date	The date that the first payment is missed creating the delinquency.
Reason for Non Payment	√ Check the most appropriate reason reported by the borrower or the reason determined by you to have caused the default.
Is this a first payment default?	√ Check "yes" if the first obligated mortgage payment due under the new loan was not paid as contracted in the borrower's promissory note. √ Check "no" if the delinquency is due to any other payment being missed.

1.3 how & where to file NOD

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Occupancy Status	√ Check the appropriate status based on the most recent property inspection that you have completed on the home due to the delinquency. If the property is tenant occupied, the rents should be assigned to you if this right is protected under the loan documents. This assignment is a requirement of the Master Policy. If the property is vacant, you should provide details of the efforts that have been made to dispose of the property or rent it in the Describe Servicer's Collection Efforts box. Be sure to complete the borrower's mailing address when checking "tenant" or "vacant" since it differs from the property address.

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Servicer's Next Action Will Be	√ Check the appropriate box indicating your next action on this loan at the time of completing this report. Remember that some actions require prior approval from us. Examples are a deed-in-lieu of foreclosure, loan modification, forbearance, or assumption.
Describe Servicer's Collection Efforts	Enter any information on the loan that will assist us in understanding how you are working to cure the delinquency, dispose of the property, or report an issue involving the loan or property that is not discussed elsewhere on the form.
Servicer Contact	The name of the contact responsible for default reporting.
Servicer Phone Number	The direct phone number of the contact responsible for updates or questions regarding the report.

1.3 how & where to file NOD

1.4 delinquency status reports (DSR):

Once a delinquency has been reported to Triad Guaranty you are required to update Triad Guaranty with the status of the loan on a monthly basis via a DSR. Triad Guaranty's DSR [TG-23] or any agreed upon format must be sent to Triad Guaranty each month. Monthly updates are to continue until either:

1. You report that the delinquency or problematic loan has been cured, resolved, or the mortgage loan has been paid in full;
2. The legal action affecting the loan or its security has terminated; or,
3. A Claim for Loss [TGIC.0134] has been submitted to Triad Guaranty.

Reporting (1) or (2) will remove the delinquency or problematic loan from our system and reflect the loan as cured and as a performing asset or extinguished mortgage. If the loan again becomes delinquent or experiences a problematic event, a new NOD will be required. A NOD is only the beginning of the process and requires a DSR until the delinquency has been resolved or the claim has been filed. Failure to return a DSR with the required information may jeopardize your benefits.

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1.5 when to file a DSR:

A DSR should be submitted between the 20th and the last day of each month.

- *Electronic DSR* - Process the file and submit to Triad Guaranty on the same date each month.
- *Manual DSR* - If you are returning a manual report generated by our system and sent to you for execution, complete the report and mail or fax it to Triad Guaranty on the same date each month.

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1.6 how and where to file a DSR:

Once an NOD has been received, for manual NOD's, Triad Guaranty will generate a DSR [TG-23] form by the 3rd day of each month for you to complete. For electronic NOD's, a DSR will not generate as a file is expected each month following the NOD. Form TG-23 may be found in Section 6.0 - FAQs & Forms.

Non-Electronic Filing

The DSR will be populated with the information that you reported on the initial NOD or the previous DSR. If any of the information is incorrect, strike through the text on the form and enter the correct information. Return to Triad Guaranty between the 20th and the last day of the month.

Electronic Filing

Process the file and transmit to Triad Guaranty on the same date each month.

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DSR [form TG.23] terminology is listed below to assist you in completing your form.

Servicer Loan Number	Your loan identification number for the insured loan as the servicer.
MI Certificate Number	The seven digit number found on the commitment/certificate of insurance.
Servicer Name and Address	The company name and address of the servicing entity.
Mortgagor Name and Property Address	The borrowers name and the physical address of the subject property.
Loan Status	√ Check "cured" if the delinquency has cured or if the loan has paid in full. Also define which by checking current or paid off. √ Check "servicing transferred" if you have transferred or sold servicing to another servicer. *Enter the new servicer's name and address if "servicing transferred" is checked.* √ Check "remains delinquent" if the loan is still delinquent.

1.6 how & where to file a DSR

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Current Principal Balance	The unpaid amortized principal balance due at the date the loan went into default, excluding late charges, delinquent interest, escrow, attorney fees, capitalizations, etc.
Loan Due for Date	The date that the first payment is missed creating the delinquency.
Occupancy Status	√ Check the appropriate status based on the most recent property inspection that you have completed on the home due to the delinquency. If the property is tenant occupied, the rents should be assigned to you if this right is protected under the loan documents as this is a requirement of the Master Policy. If the property is vacant you should provide details in the Describe Servicer's Collection Efforts box of the efforts that have been made to dispose of the property or rent it. Be sure to complete the borrower's mailing address when checking "tenant" or "vacant" since it differs from the property address.

1.6 how & where to file a DSR

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Delinquent Status	√ Check the appropriate box based on your next action on this loan at the time of completing this report. Remember that some actions require prior approval from Triad Guaranty. Examples are deed-in-lieu of foreclosure, loan modification, forbearance, or assumption.
Date Referred to Foreclosure	Enter the date that you shipped the file to your attorney to initiate the foreclosure process.
Redemption Expiration Date	Enter the date that the borrower's rights to redemption expire.
Claim File Date	Enter the date that you filed your Claim For Loss with Triad Guaranty to request benefits under the Master Policy.
Sale Scheduled Date	Enter the date that you scheduled the foreclosure sale.
Date Title Acquired	Enter the date that you acquired borrower's title to the property.
Servicer Contact	Enter the name of the contact responsible for default reporting to Triad Guaranty.

1.6 how & where to file a DSR

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1.7 bankruptcy proceedings requirements

Appropriate action must be taken to release the automatic stay if the borrower misses two post-petition payments in a Chapter 13 or immediately in the case of a Chapter 7 No Asset Filing. We will allow up to an additional six months to the state foreclosure time frames to allow for release or dismissal of the case. We do not require that you forward copies of the bankruptcy filings, but do reserve the right to request such documentation if needed. Notification of the bankruptcy chapter filed, the date of filing, and the release date may be sent through the NOD and DSR reporting requirement.

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Failure to adhere to this guide in conjunction with the Master Policy may have serious effects on your rights to receive benefits. Violations of the provisions in either document may result in claim adjustments, claim denials, or a rescission of coverage.

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2.0 loss mitigation

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Loss Management Department - (800)-451-4872, ext 7003

2.1 loss mitigation and loan workouts

You are required by the Master Policy to cooperate in good faith with Triad Guaranty and assist in preventing or mitigating losses.

To assist you with this process, Triad Guaranty has an experienced and dedicated team that will work with you or supplement your efforts to prevent or minimize losses. Our team fully understands how critical timing can be when processing workouts. Speed is crucial when it comes to mortgage loans; therefore, we provide dedicated phone lines, fax lines, and email addresses for your convenience. Our team is committed to providing you with a rapid response to your request. We will even work with current borrowers who are experiencing a problem that has the potential to result in a future default.

Many workouts require that you obtain current information from the borrower that is similar to the type of information required from the borrower to obtain the loan in the beginning. When working with a delinquent borrower or a problem loan you should :

1. Determine the reason for default. Why was the borrower unable to make his/her mortgage payments?
2. Establish the borrower's intention to keep or dispose of the property. If able, does the borrower wish to remain in the property and continue to pay the loan?
3. Identify the borrower's ability or inability to retain or dispose of the property through financial and property analysis. Can the borrower continue with payments once the workout cures the delinquency? What can the borrower contribute towards the disposition of the property to minimize losses?

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The type of information required to complete a loan workout or loss mitigation depends upon the type of workout being considered. Typically you should obtain all or some portion of the following information to determine a borrower's financial situation:

- Detailed letter of hardship from the borrower outlining the reason for default, a synopsis of his/her current financial situation, his/her desire to keep or dispose of the property, and the extent of his/her ability to participate in the workout being explored.
- Financial statement, which discloses all income, assets and expenses of all parties liable on the loan.
- Last two most recent years of federal tax returns with corresponding W-2s and 1099s.
- Last two pay stubs for all employment for each responsible party on the loan.
- Most recent bank statements on all accounts for all parties responsible on the loan.
- Current credit report on all parties responsible on the loan.
- Current broker's price opinion or real estate appraisal on the subject property if a non-retention workout is considered.
- Listing agreement if the borrower does not have the ability or desire to retain the property.
- Payoff statement or reinstatement figures, whichever are applicable to the workout.

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2.2 loan workouts

Loan workouts are avenues explored that allow the borrower to retain possession of the property and cure the loan. The cornerstone of Triad Guaranty's workout philosophy is helping the borrower cure the delinquency and retain the property. It is important to work closely with borrower's as soon as they encounter a problem making their mortgage payments. The earlier the stage of delinquency, the greater the number of options that are available for curing the delinquency. The following options are available to assist in achieving this goal.

Retention Workouts

Repayment Plans

Triad Guaranty encourages any attempts to reinstate a loan through a repayment plan. To ease this effort, you do not need our approval for any reasonable repayment program as long as the loan is never more than six months in default during the effort. If the loan falls more than six months in default, at any point during the repayment plan, you are required to contact a Triad Guaranty Loan Workout Specialist for approval to eliminate or minimize any potential claim adjustment. We require notification of repayment plan efforts through the DSR or written notice of the activity sent to Triad Guaranty.

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Forbearance Plans

Triad Guaranty encourages any attempts to reinstate a loan through a forbearance plan, if you have a plan that will cure the loan or dispose of the property at the end of the forbearance period. To ease this effort, you do not need our approval for any reasonable forbearance program as long as the loan is never more than six months in default during the workout effort. If the loan falls more than six months in default, at any point during the plan, you should contact a Triad Guaranty Loan Workout Specialist for approval to eliminate or minimize any potential claim adjustment should the delinquent loan result in a claim. We require notification of any workout plan efforts through the DSR or written notice of the activity sent to Triad Guaranty.

Loan Modifications

Triad Guaranty encourages the use of loan modifications during property retention workouts to keep loans current or resolve a delinquency. A change in the loan's interest rate, balance, or term can be a very useful tool in preventing foreclosures. To ease this effort, you do not need our approval for any interest rate reduction on a fully amortizing loan. Notify Triad Guaranty of the new interest rate and status of the loan after completion of the loan modification through the DSR or other written notice. Any capitalization of delinquent interest or extension of term requires our approval prior to execution of the agreement. Capitalizations are limited to the original mortgage loan amount that was insured, and term extensions are limited to 480 months with prior approval. For changes outside of the interest rate reduction, you may contact one of our Loan Workout Specialists to discuss. As always, you should not stop normal and customary collection efforts or foreclosure processes during the loan modification processing unless instructed to do so by Triad Guaranty.

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Partial Claim Advances

There are times when a repayment plan or a loan modification may not be feasible to reinstate a delinquency. To supplement these two workout options and provide for another foreclosure prevention avenue, we offer the opportunity for you to request an advance on your potential future claim. A partial claim advance will cover the delinquent interest, or a portion thereof, that is needed to reinstate the loan or complete a property retention workout. Any partial claim advance made under a policy requires the deduction of the unpaid advance from any future claim settlement if the loan ultimately forecloses and you file a Claim For Loss. Because a partial claim advance reduces your future mortgage insurance benefits, all parties to the transaction may need prior notification before you request this option.

A partial claim advance is designed for a delinquency where the borrower has the ability to maintain future payments but circumstances beyond his/her control have forced him/her into a default. To be eligible, a borrower must reside in the property that is in default, title must be vested in the borrower's name, and the borrower must have the ability and willingness to maintain future payments on the loan after the advance. A partial claim advance typically requires that the borrower repay the amount of the advance to Triad Guaranty over time. The borrower will sign a promissory note with Triad Guaranty for repayment of the amount of the partial claim advance. This note is non-interest bearing when performing and is structured to accommodate the borrower's own financial situation for repayment. As always, you should not stop normal and customary collection efforts or foreclosure processes during the partial claim advance processing unless instructed to do so by Triad Guaranty.

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Partial claim advances must be requested in writing. Our Loan Workout Specialists will work closely with you to determine if this option is the right one for the situation. At times, a partial claim advance is coupled with other property retention workouts such as loan modifications and repayment plans. We may ask that a borrower demonstrate his/her ability to perform with temporary payments for a scheduled time frame before completing the partial claim advance.

Non Retention Workouts

Assumptions

There are times when a borrower's income has been curtailed making the sale of the property the only viable alternative to a foreclosure. In addition to a short sale of the property, we may be able to assist in an assumption of the loan by a new owner. We will first discuss a loan modification or capitalization of the delinquency coupled with an assumption to transfer the property. There may also be times where we couple an assumption with a partial claim advance. We do this by advancing a portion of the delinquent mortgage loan payments under the partial claim advance program described above. If you feel that this is a possible workout for your delinquency, contact the Loss Management Department to discuss this option further with a Loan Workout Specialist. As always, you should not stop normal and customary collection efforts or foreclosure processes during the asumption processing unless instructed to do so by Triad Guaranty.

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Short Sales

At times, the value of a property will be less than the potential proceeds from its sale creating a shortage in the payoff of the loan. Short sales, or pre-foreclosure sales, can minimize the potential loss and prevent additional real estate owned for you.

We review short sales on the basis of hardship, claim probability and claim mitigation. In addition to the borrower financial information addressed in Section 2.1, you must provide the following items for consideration of a short sale:

1. A payoff statement for the insured loan through the anticipated closing date of the sale.
2. An executed sales contract.
3. A good faith estimate of the costs and expenses associated with the sale of the property.
4. A current fair market value of the property, independent of the real estate agent associated with the sale.

During the short sale process you should prepare your borrower for his/her participation in the form of cash or a promissory note as each case is reviewed for participation by our Loan Workout Specialists. As always, you should not stop normal and customary collection efforts or foreclosure processes during the short sale processing unless instructed to do so by Triad Guaranty.

Short sale prequalification - If you would like Triad Guaranty to prequalify a borrower for a potential short sale simply forward the borrower's financial information, along with the property value information, to Triad Guaranty and we will review for prequalification. Our prequalification approval carries a four month limit. If no offer is received and accepted within this time frame the prequalification is void and a new financial package and property value must be obtained to review for another prequalification.

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Deed-in-Lieu of Foreclosure

There are times when a borrower must relinquish his/her property due to unforeseen circumstances. To minimize the losses involved with a foreclosure there may be times when a deed-in-lieu of foreclosure is acceptable. While the costs may be minimized with the acceptance of a deed, the result is still another real estate owned in inventory, as well as a full claim for Triad Guaranty. Therefore we typically limit an approval to exceptional circumstances such as permanent disability, a fatal illness or death. At a minimum, we request that the property be listed for sale during the review process and may require a listing timeframe before the acceptance to try to obtain an offer on the property to eliminate the real estate owned increase.

Deeds-in-lieu are reviewed on the basis of hardship, claim probability and claim mitigation so they require that you provide certain information to evaluate your request. In addition to the borrower financial information addressed in Section 2.1, you must provide the following items for consideration of a deed-in-lieu:

1. A payoff statement for the insured loan through the anticipated transfer date.
2. A current fair market value of the property independent of the real estate agent listing the property.
3. Any medical statements or certificates that establish the exceptional hardship for the borrower.

During the deed-in-lieu process you should prepare your borrower or the estate for his/her possible participation in the form of cash or a promissory note as each case is reviewed for participation by our Loan Workout Specialists. As always, you should not stop normal and customary collection efforts or foreclosure processes during the deed-in-lieu processing unless instructed to do so by Triad Guaranty.

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2.3 proactive borrower contact by Triad Guaranty

We have established a team of Loan Workout Specialists to supplement your efforts in keeping borrowers in their homes and minimizing losses. Once a default is reported we begin working to supplement your collection efforts. We focus on loans where you have been unable to contact the borrowers. Once contact is made we can work with you for a "hot transfer" of the call direct to your workout team or begin gathering the information ourselves to work with you on a solution. Contact our workout team directly to discuss our supplementing your conseling efforts.

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Failure to adhere to this guide in conjunction with the Master Policy may have serious effects on your rights to receive benefits. Violations of the provisions in either document may result in claim adjustments, claim denials, or a rescission of coverage.

email: defaults@tgic.com

3.0 foreclosure

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3.1 foreclosure proceedings requirements

Once you have exhausted all efforts for a workout of the loan, you are required to foreclose on the loan in a timely manner. Unless Triad Guaranty had directed you in writing to commence foreclosure proceedings at an earlier date, you must make the first legal filing with the court before the end of the sixth month of delinquency. For example, if the loan is due for the January 1st mortgage payment then the first legal action must be filed no later than June 30th.

While expedient foreclosure processing is required, foreclosure alternatives and loan workouts should still be considered throughout the entire process. If you need additional time to resolve the delinquency or to initiate workout arrangements, you must contact a Loan Workout Specialist to request a delay. Otherwise, we will adjust the claim for unapproved foreclosure delays.

The number for requesting an extension to initiate foreclosure is:

(800) 451-4872, ext. 7003 or (336) 723-1282, ext. 7003.

Once the foreclosure process has commenced, you are required to pursue the steps necessary to acquire title and possession of the property in an expeditious manner. To clarify this time frame, Triad Guaranty has defined this period by establishing an appropriate time interval between sending the file to the attorney for action and acquiring borrower's title to the property. The following table displays the variable state foreclosure time periods. The state foreclosure time frames list indicates the foreclosure process after the initial six months allowed to initiate the process and does not include delays due to bankruptcy filings or attempted workout activities.

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To protect your benefits and avoid claim curtailments for delays, you are required to abide by the state foreclosure time frames. In the event the delinquent borrower files for bankruptcy on liquidation chapters, we will allow an additional six (6) months from the date of the filing for you to obtain relief from the automatic stay or dismissal of the case. For reorganization chapters, we allow an additional three (3) months from the last post petition payment applied in accordance with the bankruptcy plan.

If you need additional time to complete the foreclosure and claim filing process because of attempted loan workouts or bankruptcy, you should include a chronological listing of events, with explanations of delays, from the date of default to the date of claim filing. The time line of events and the explanations will assist the Claims Examiner with the processing of your claim. As a result, if the number of days exceeds the state time frame, Triad Guaranty will review the individual case facts before any adjustment to your claim is considered.

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3.2 state foreclosure time frames

STATE	TIME FRAME	COMMENTS	STATE	TIME FRAME	COMMENTS	STATE	TIME FRAME	COMMENTS
Alabama	90		Louisiana	220		Oregon	180	
Alaska	120		Maine	300		Pennsylvania	270	
Arizona	120		Maryland	60		Puerto Rico	375	
Arkansas	120		Massachusetts	120		Rhode Island	85	
California	120		Michigan	75		South Carolina	180	355 redemption
Colorado	175		Minnesota	100	280 redemption	South Dakota	205	
Connecticut	180		Mississippi	90		Tennessee	90	
District of Columbia	100		Missouri	65		Texas	60	
Delaware	210		Montana	155		Utah	150	
Florida	170		Nebraska	125		Vermont	335	
Georgia	80		Nevada	120		Virgin Islands	300	
Guam	150		New Hampshire	90		Virginia	60	
Hawaii	180		New Jersey	300		Washington	150	
Idaho	190		New Mexico	250		West Virginia	120	
Illinois	300		New York	240	370 Long Island & New York City	Wisconsin	315	
Indiana	265		North Carolina	120		Wyoming	90	180 redemption
Iowa	190		North Dakota	205				
Kansas	120	Judicial 230	Ohio	210				
Kentucky	200		Oklahoma	250				

Triad Guaranty continually monitors and evaluates these state time frames to ensure that an appropriate amount of time is available for you to file your claim. (Time frames are reflected in days)

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3.3 foreclosure sale bidding

We expect you to establish a foreclosure sale bid that protects our rights to a deficiency recovery that promotes third party bidding or ensures obtaining borrower's title to the property. Unless Fannie Mae owns the loan, you are required to determine fair market value of the property by obtaining a current Broker's Price Opinion (BPO) or an appraisal prior to the scheduled foreclosure sale. You should review the BPO or appraised value for reasonableness and look for any indication of physical damage (outside of normal wear and tear) that may affect the value of the property. If the property has physical damage, then the fair market value will be the value after the restoration of the property to its original condition at time of insurance.

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3.4 bidding guidance

For Fannie Mae insured loans, we concur with the applicable bidding guidelines found in the current Fannie Mae Servicing Guide. You may bid as directed for private mortgage insured loans.

For all other insured loans, if the current fair market value of the property exceeds the total indebtedness, use the total debt as the starting bid.

If the total indebtedness exceeds the current fair market value of the property, begin bidding at the percentage of current fair market value as reflected in the bidding guidance table on page 32. Bid up to total debt in the event of 3rd party bidding.

For an insured conventional first mortgage that is secured by a property located in a state (or jurisdiction) that has a redemption period, the servicer should instruct the foreclosure attorney or trustee to bid 100% of the total mortgage indebtedness.

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Property State	Does Triad Guaranty Pursue a Deficiency?	Percentage of Current Market Value
AL	N	90%
AK	N	90%
AZ	N	90%
AR	Y	See A Below
CA	N	100%
CO	Y	100%
CT	Y[1]	100%
DE	Y	100%
D.C.	Y	90%
FL	Y	See B Below
GA	N[1]	100%
HI	Y	90%
ID	Y	100%
IL	N	100%
IN	Y	90%
IA	N	100%
KS	N	100%
KY	Y[1]	90%
LA	Y	90%
ME	Y[1]	90%
MD	Y	90%
MA	Y	90%
MI	Y[1]	100%
MN	N	100%
MS	Y[1]	90%
MO	Y	100%
MT	N	100%
NE	Y	90%
NV	Y[1]	90%
NH	Y[1]	90%
NJ	N	See B Below
NM	Y	90%
NY	N	100%
NC	Y	90%
ND	N	90%
OH	N	100%
OK	Y	See C Below
OR	N	100%
PA	N	100%
RI	Y	90%
SC	Y[1]	90%
SD	Y	100%
TN	Y	90%
TX	N	100%
UT	Y	90%
VT	Y[1]	90%
VA	N	100%
WA	N	100%
WV	Y	90%
WI	N	100%
WY	N	100%

If you have any questions about bidding or if there is any conflict with your investor or mortgage insurance pool carrier, contact our Loss Management Department for discussion.

1 An appraisal of the property is required for bidding.
A Bid 90% of current fair market value but not less than 2/3 of the total indebtedness due.
B Bid $100 or the minimum required by law unless there is competitive bidding, in which case bid 90% of value.
C If we instruct you to protect deficiency rights, bid 2/3 of the sheriff's appraisal or an amount required by law.

3.4 bidding guidance table

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3.5 foreclosure sale results notice

You are required to notify Triad Guaranty of the results of a foreclosure sale within seven (7) days of the foreclosure sale date. This form is to notify Triad Guaranty of the successful bidder along with other pertinent information established at the foreclosure sale. Triad Guaranty's Foreclosure Sale Notice Form TGIC.0138 may be found in Section 6.0 FAQs & Forms.

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3.6 when & how to file foreclosure sale results

Within seven (7) days of the foreclosure sale, please update Triad Guaranty with the foreclosure sale results. You may complete Triad Guaranty's Foreclosure Sale Results form or any mutually agreed upon format. The Foreclosure Sale Results form [TGIC.0138] may be found in Section 6.0 - FAQs & Forms.

Mail completed form to:

Triad Guaranty Insurance Corporation
Loss Management Department
Post Office Box 2300
Winston-Salem, NC 27102

Fax completed form to:

Attention: Loss Management Department
(336) 723-1001

Email completed form to:

defaults@tgic.com

3.7 post foreclosure requirements for real estate owned

Listing the property for sale

You are required to actively assist Triad Guaranty to prevent and mitigate the loss by attempting an early disposition of the property. When you have acquired title and possession of the property, the disposition process should begin. You should begin preparing the property for sale immediately after the foreclosure sale to expedite the liquidation of the asset. It should be listed in the local multiple listing service at fair market value with a licensed real estate agent of your choice. The strategy that you employ for the disposal of the property is also your choice. You may choose an "as is" strategy or a "repaired" strategy. While we have found that a "repaired" strategy will generally expedite the liquidation of the property, the expenses associated with the sale may not all be claimable. Telephone the Loss Management Department to discuss any questions you have regarding these expenses. Any repairs or cosmetic enhancements to the property should be completed quickly to minimize the time that the property is off the market. Delays in listing the property for sale may result in claim adjustments. Contact our office immediately if there are any delays in listing the asset for sale.

Offers to Purchase

When you receive an offer to purchase, you are required to contact Triad Guaranty for review and approval of the offer. If the net proceeds obtained from the sale are sufficient to mitigate our loss, we will allow additional interest through the close of escrow on influence sales. We will review additional expenses and costs associated with the sale of the property at time of claim for allowance in the settlement.

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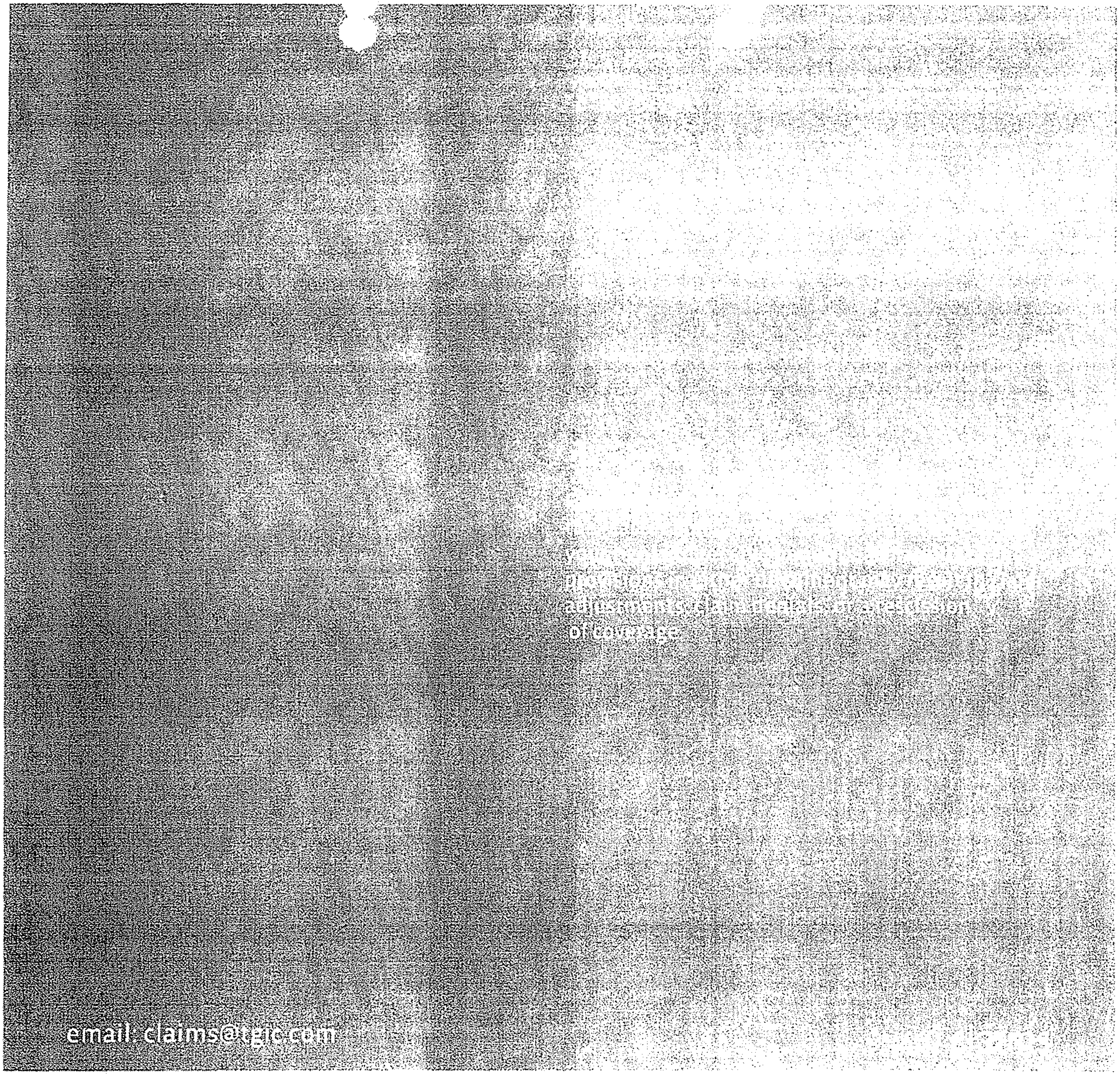

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Loss Management Department - (800)-451-4872, ext 7003

4.1 filing a claim for loss

Triad Guaranty has simplified the process of filing a claim. It starts with a simple written or electronic request for benefits as displayed in the Claim for Loss form (TGIC.0134). Upon receipt of the request, your claim is assigned to a Claims Specialist who will work to process your claim and help perfect it in a timely manner. A claim is considered "perfected" when we have received all information needed to process it. This information includes documentation as well as access to the property. We make every effort to request any additional information needed over the phone. However, sometimes we need written documentation to perfect your claim so it may be settled. In these cases, your Claim Specialist will request the information within 20 days of receipt of the claim.

Please include a copy of the payment history for the loan as well as copies of any values obtained to expedite processing of your claim. See Section 6.0 - FAQs & Forms - Claim Processes for additional documentation and information that may be requested to process your claim.

Note: To ensure the quality of our streamlined claim filing program, we regularly review a random selection of paid claims. During this review we may request additional information and documentation to ensure that this program is successful. If one of your claims is chosen, you will receive a letter informing you of our audit and a list of information that we are requesting. Typically, this information will include evidence of title to the property, the original note and any riders, the mortgage, the origination HUD, the origination appraisal, as well as other information.

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4.2 when to file a claim for loss

You should file your Claim For Loss within the earlier of (a) 60 days of acquiring the borrower's title to the property or (b) within 60 days of the closing of a pre-approved property sale. In states where there is a post-sale redemption period, you may file the Claim For Loss within 60 days of expiration of the redemption rights. Failure to file a Claim For Loss within the time frames stated may extinguish your rights to benefits under the Master Policy.

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4.3 how to file a claim for loss

Electronic Filing

We accept both electronic and manual claim filings. We support the standard 260 transaction set for electronic claim filings. If you are not currently set up to submit your claims to Triad Guaranty electronically, you may contact the Loss Management Department. You may also submit your Claim For Loss through the Internet via TAXI[SM] (Transactions Across the Internet). Go to our website at www.triadguaranty.com and click on the Triad Guaranty TAXI icon. Click on the Claims and Defaults button to file your claim. In order to file a claim through TAXI, you need a user name and password for access. For any questions regarding our electronic claim filings or registration on our TAXI site, please contact the Loss Management Department.

Non-Electronic Filing

You may file a Claim For Loss by completing Triad Guaranty's Claim For Loss form [TGIC.0134]or any mutually agreed upon format. Triad Guaranty's form TGIC.0134 may be found in Section 6.0 - FAQs & Forms.

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4.4 claimable items

The claim calculation typically consists of the expenses listed below. This list includes items allowed under the Master Policy and items associated with the foreclosure process. This list does not include all claimable or nonclaimable items. See Section 4.5 for line item instructions on the Claim for Loss [TGIC.0134].

1. The amortized unpaid principal balance of the insured loan as of the date the last regular payment was applied. No capitalization of penalties or charges is allowed.
2. Accrued interest on the unpaid principal balance at the approved contract rate from the last regular payment application through the allowable claim filed date. This date may be extended as discussed in the Post Foreclosure Requirements for Real Estate Owned section. Interest on the claim is calculated on a 30-day month, 360-day year. No late charges or penalties are allowed in this calculation. For adjustable rate mortgages, remember to indicate the rate change date and the rates on Line 42 of the Claim for Loss form [TGIC.0134].
3. Reasonable attorney's fees expended in obtaining the borrower's title to the property. These fees are limited to 3% of the sum of the unpaid principal balance and allowable accrued interest. Statutory costs associated with the foreclosure are not included in this item.
4. Statutory expenses related to the foreclosure process, such as sale publications, title costs, filing fees, deed recordings or sheriff's expenses for conducting the sale.
5. For escrowed accounts, real estate property taxes are prorated from the date of default to the allowable claim filing date.
6. For escrowed accounts, hazard insurance premiums are prorated from the date of default to the allowable claim filing date.
7. Property preservation costs up to $500 expended to protect the property from damage. Please itemize all costs. Expenses in excess of $500 require prior written approval by Triad Guaranty before incurring the expense.

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8. Two expenses incurred to obtain the current fair market value of the property are claimable if you provide copies of the reports to Triad Guaranty when requested.
9. Any other miscellaneous expenses should be placed in the "Other Disbursements" (Form TGIC.0134, Line 30) section of the claim form. Claim Specialists will review expenses for validity during the claim review process.

Note: Triad Guaranty retains the right to reclassify any expense that is reported incorrectly on the Claim For Loss form into the correct category or remove ineligible items.

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4.5 line item instructions for a claim for loss

Claim For Loss form [TGIC.0134] terminology is listed below to assist you in completing your form.

1. Insurance type	√ Check "Primary" for first layer of insurance or "Pool" for deep coverage/modified pool policies or traditional loss pool policies.
2. Claim Type	√ Check "Initial" if this is the first request for benefits for this certificate of insurance. √ Check "Supplemental" if this is a supplemental benefit request for expenses not submitted with the initial claim request.
3. Date This Claim Submitted	The date that you mailed or submitted the claim to Triad Guaranty.
4. Insured's Name	The name of the entity insured under this certificate. The insured is typically the servicer of the loan.
5. Insured's Loan Number	The insured's identification number for the loan.
6. Address	The street mailing address of the insured.
7. Certificate Number	Triad Guaranty's identification number found on the commitment/certificate of insurance.
8. City, State, Zip Code	Mailing address of the insured.

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9. Master Policy Number	The Master Policy number issued for the certificate for which you are requesting benefits. This number may be found on the declarations page of your Master Policy.
10. Borrower Name(s)	The name(s) of the primary borrower(s) responsible for the mortgage.
11. % Coverage	The coverage percentage purchased for the certificate. This number may be found on the commitment/certificate of insurance issued for the loan.
12. Type Coverage	Indicate primary, modified pool or pool coverage that was purchased for the certificate.
13. Property Address	The address of the property that is insured.
14. Servicer Name	The name of the servicing entity responsible for the mortgage. Typically this is the same entity as the insured.
15. Servicer Loan Number	The servicer's identification number for the loan.
16. Servicer Address	The mailing address of the servicer.
17. Payee Name	The beneficiary of the policy; the insured. If the loan is owned by Fannie Mae or Freddie Mac, the owner's name goes in this blank because Triad Guaranty pays the GSEs direct.
18. Payee Loan Number	The loan identification number for the payee.
19. Payee Address	The mailing address of the payee.

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20. Investor Name	The name of the owner of the loan, including Fannie Mae or Freddie Mac.
21. Investor Loan Number	The loan identification number for the investor.
Claimable Items	
22. Unpaid Principal Balance	The amortized unpaid principal balance of the insured loan as of the date the last regular payment was applied. No capitalization of penaltiés or charges is allowed. The interest paid through date is also requested on this line.
23. Accumulated Interest	Accrued interest on the unpaid principal balance at the approved contract rate from the last regular payment application through the claim filed date. Interest on the claim is calculated on a 30-day month, 360-day year. No late charges or penalties are allowed in this calculation. Enter the accumulated interest "from" and "to" dates on this line as well as the interest rate percentage.
24. Sub-Total Principal and Interest	Add Lines 22 and 23 together and enter total here.
Expense Information	
25. Attorney's Fees	Reasonable attorney's fees expended in obtaining borrower's title to the property. This amount will be limited to 3% of Line 24. Statutory costs associated with the foreclosure are not included in this item.
26. Property Taxes	Enter the real estate taxes paid on the subject property from the date of default through the allowable claim filing date.

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27. Hazard Insurance Premiums	Hazard insurance premiums paid on the subject property from the date of default through the allowable claim filing date.
28. Property Preservation Costs	Enter the costs associated with the protection and preservation of the property. Property preservation costs up to $500 are allowed without prior approval. Expenses in excess of $500 require prior written approval by Triad Guaranty before incurring the expense.
29. Statutory Disbursements	Expenses related to the foreclosure process such as sale publications, title costs, filing fees, deed recordings, or sheriff's expenses for conducting the sale.
30. Other Disbursements	Any additional expenses associated with appropriate proceedings for this certificate, including two expenses to obtain the current fair market value of the property. These two are claimable if you provide copies of the reports to Triad Guaranty.
31. Sub-total Claimable Items	The total of Lines 24 through 30.
Deductible Items	
32. Escrow Account Balance	Positive funds in the escrow account at the default date are entered here. Negative escrows are not allowed.
33. Net Rental Proceeds	Any rental proceeds received from the subject property.
34. Pledged Savings, Buydowns, or Other Funds Held for Insured	Any accounts or funds on the loan's behalf that were pledged as collateral, used for interest buydowns, or deposited by or on behalf of the borrower as a credit to the loan.

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35. Insurance Proceeds	Any funds received from an insurance company as a refund or payment for the loan.
36. Other Deductions (Attach Explanation)	Any additional funds associated with the loan that will be used towards the reduction of the debt.
37. Sub-Total Deductible Items	The total of Lines 32 through 36.
38. Total Claim Amount	Subtract Line 31 from Line 37 and enter results here.
39. Less Adjustments, if any (Attach Explanation)	Any negotiated or held funds used as a reduction of the total indebtedness.
40. Adjusted Claim Amount	Subtract Line 38 from Line 39 and enter results here.
41. Comments	At a minimum, the following information should be entered in this section; • Foreclosure sale date • HUD-1 settlement date • Redemption date • Redemption expiration date • Execution or transfer date on a deed-in-lieu • Current fair market value • Date completed for appraisals or broker price opinions obtained • Occupancy status of the property at claim time • Real estate broker information including agent's name, phone number and/or email address • Bankruptcy information including case number, bankruptcy chapter, file and release dates for all filings.

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42. ARM Interest Information	Enter each interest rate change along with its corresponding change date, rate, number of days and accumulated interest calculation for the delinquency. Calculation should be based on a 360 day calendar year.
43. Attorney's Fees	Itemize the Attorney Fees claimed on Line 25.
44. Property Taxes	Itemize the Property Taxes claimed on Line 26.
45. Hazard Insurance Premiums	Itemize the Hazard Insurance Premiums claimed on Line 27.
46. Property Preservation Costs	Itemize the Property Preservation Costs claimed on Line 28.
47. Statutory Disbursements	Itemize the Statutory Disbursements claimed on Line 29.
48. Other Disbursements	Itemize the Other Disbursements claimed on Line 30.
49. Required Enclosures	The loan payment history and property values are the only required enclosures for submission with the Claim For Loss. We will request the remaining documents if they are needed for processing or audit.
50. Status of Property	Check the occupancy status of the property as of the claim submitted date entered on Line 3. If occupied, enter the name of occupant. Enter the name and telephone number of the person from whom we may obtain access to the property.
51. Foreclosure Sale or Transfer Information	Enter foreclosure sale or property transfer date, foreclosure bid amount and name of successful bidder

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FORECLOSURE - defaults@tgic.com

52. Bankruptcy Filings (if applicable)	Enter Bankruptcy Chapter(s), File date(s) and Release Date(s)
53. Authorized Signature	The signature of an agent authorized to certify the correctness and completeness of the claim being filed.
54. Contact Name	The typed or printed name of the person signing as authorized agent.
55. Title/Department	The title of the person signing the claim and his/her title.
56. Phone	The telephone contact number of the authorized person.

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4.6 non-claimable items

Do not list items on the Claim For Loss form (TGIC.0134) that are not claimable under the Master Policy. The list below includes typical, but not all, items that are not claimable.

- Extended interest for unreasonable delays in the foreclosure process
- Delinquent real estate property taxes or liens due before the date of default (unless you obtain prior written approval from Triad Guaranty)
- Judgments or liens placed against the property
- Late charges or penalties imposed on the loan
- Late charges or liens from the Homeowner's Association
- Tax penalties
- Inspection photos
- Mortgage insurance premiums
- Property Inspections

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4.7 deductible items on the claim

There are many items associated with a loan that will be deducted from the claim calculation. This list is typical of what we see submitted in the claim that are not claimable and disallowed from the calculation when processing your claim. This list is not inclusive of all nonclaimable items.

- The positive balance in the escrow account as of the date the last regular payment was applied
- Buydown funds or other compensating balances pledged on the loan
- Rental or other income collected from the property
- Hazard insurance refunds
- Suspense or holding account funds
- Borrower contributions or partial payments
- Net proceeds amount from the sale of the property
- Restoration of the property

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4.8 comments section of the claim

Line 41 of the Claim For Loss form [TGIC.0134] provides a space for additional comments. In order to expedite the processing of your Claim For Loss please include the following information in this section.

- Foreclosure sale date
- HUD-1 settlement date
- Redemption date
- Redemption expiration date
- Execution or transfer date on a deed-in-lieu
- Current fair market value and date completed for appraisals or broker price opinions
- Occupancy status of the property at claim time
- Real estate broker information including agent's name, phone number, and/or email address
- Bankruptcy information including case number, bankruptcy chapter, file and release dates for all filings

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4.9 claims settled without payment

There are times when a Claim For Loss request is closed and the coverage cancelled without payment. This typically happens when you receive make whole funds prior to settlement of the claim, if you fail to provide Triad Guaranty with all requested information to complete the processing of your claim after three written attempts to obtain the information and more than 60 days have elapsed since the last request, or if you are outside of the 180 or 240 day allowance for providing requested information, whichever shall occur first.

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4.10 where payment is made

Upon validation, claim settlements are sent to the verified payee named on the Claim For Loss form. This is typically the servicer of the loan that is also listed on Line 14 of the Claim For Loss form [TGIC.0134]. However, if the loan is sold to Fannie Mae or Freddie Mac and you wish to have Triad Guaranty pay them directly, we will do so provided that you include their loan number on Line 21 of the Claim For Loss form as well as their name on Line 17 of the Claim for Loss form [TGIC.0134].

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4.11 exclusions from coverage

As discussed in the Exclusions From Coverage section of your Master Policy, several situations may affect your benefits. Exclusions include, but are not limited to, the situations listed below. Please refer to your Master Policy for a complete listing.

- Pre-existing environmental conditions to the property
- Balloon payments
- Unapproved loan changes
- Failure to report a default or submit a claim on time

Your Master Policy also excludes coverage where there is physical damage to the property. This includes, but is not limited to:

- Catastrophic damage
- Vandalism
- Unfinished or partial property rehabilitation

Normal wear and tear to the property is not considered physical damage and will be reviewed upon receipt of the claim. Physical damage in excess of $1,500 requires the restoration of the property to its original condition as of the date of insurance or that an adjustment be made for net harm caused to Triad Guaranty as a result of the damage.

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4.12 explanation of benefits (EOB)

To assist you with understanding the claim settlement amount that you received, we provide an explanation of benefits letter. The letter includes the following information:

- The expenses you filed in your request
- The expenses we allowed in your settlement
- Reasons certain expenses were disallowed or adjusted
- Vital information on when, how and who we paid

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4.13 supplemental claims

The settlement of a Claim For Loss is considered the full and final discharge of our obligation under the policy. However, if you forget to file an expense with the initial claim or your invoice was unavailable at filing of the claim, we will allow an additional 60 days from the settlement of the initial claim for you to file a supplemental claim for the additional expenses incurred and allowable during the delinquency through claim filing time frame.

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4.14 eminent domain requirements

In the event that part or all of the property is taken by eminent domain or other proceedings by a federal, state, or local governmental unit or agency, Triad Guaranty requires that all maximum permissible amounts of compensation awarded be applied to reduce the unpaid and insured principal balance of the loan in accordance with the law of the jurisdiction where the property is located.

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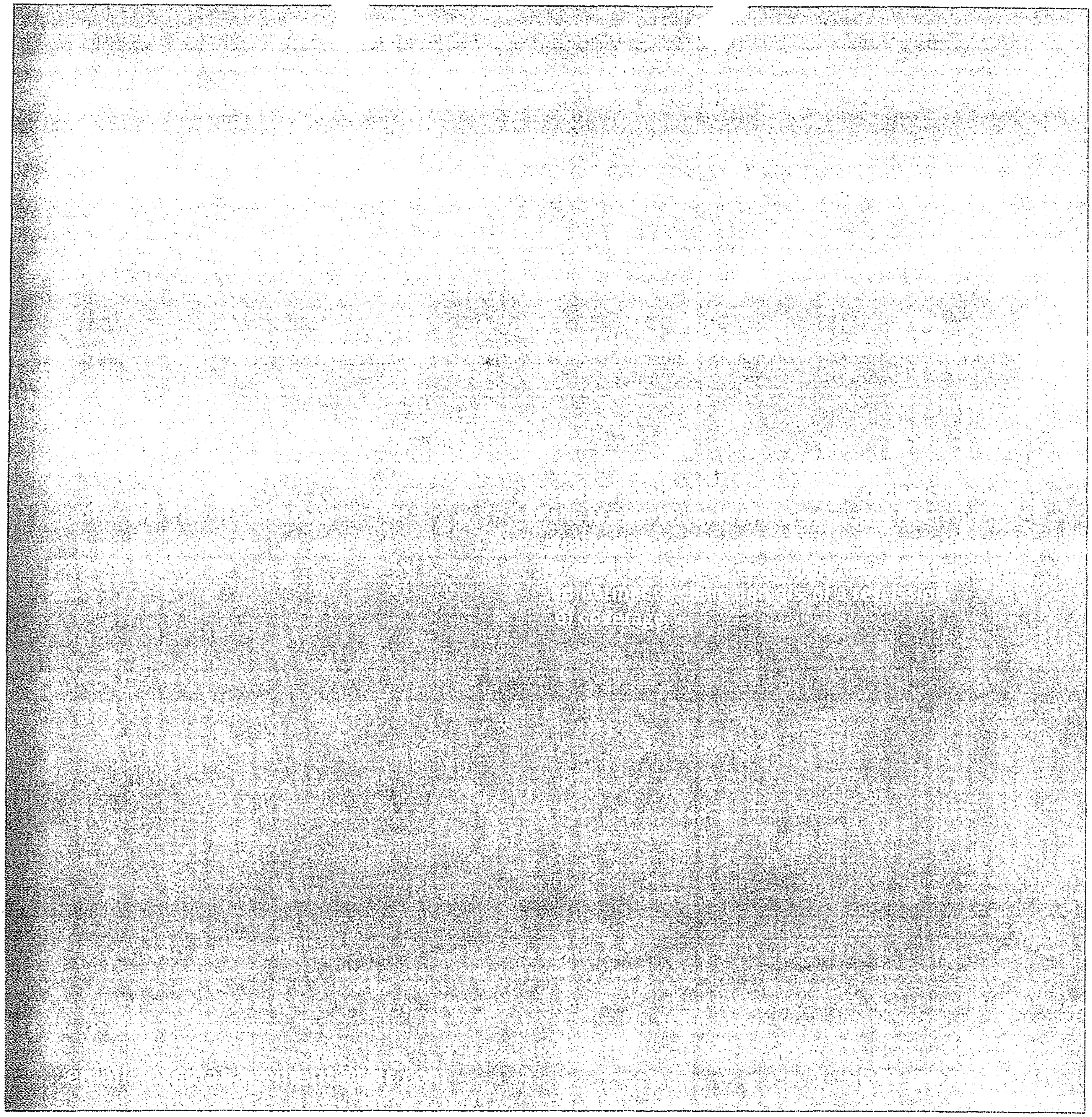

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Loss Management Department - (800)-451-4872, ext 7003

5.1 premium remittance on delinquent loans

If the mortgage defaulted and you reported the delinquency to Triad Guaranty during a covered mandatory period, you may continue to remit premiums. We recommend that you pay the premium as due on a valid delinquent loan until you extinguish the mortgage loan by acquiring the borrower's title. Continuing to pay premiums will protect the coverage in the event the default cures. If you do not remit premiums, coverage for the certificate will terminate on subsequent defaults. Payment of the premium will protect your loan from termination of coverage and relinquishment of benefits on subsequent defaults if the validated incidence of default cures. For additional or specific discussions regarding your account please contact Triad Guaranty.

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5.2 Triad Guaranty paper reduction initiative

Triad Guaranty continuously updates our processes and looks for ways to minimize our use of paper. Therefore, unless we request a specific document, please **do not** forward copies of all notices and pleadings filed or required in pursuing foreclosure or bankruptcy proceedings even though this is the procedure stated in the Appropriate Proceedings section of your Master Policy. The information may be passed through with your NOD or DSR each month.

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5.3 property inspections

You are required to take all steps necessary to preserve and protect the property. During the delinquency stage, if a workout has not been made or borrower contact has not been established, we recommend that property inspections begin thirty (30) days from the first missed payment and continue until the default cures or the property is disposed.

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5.4 disaster relief policy

For loans where the Federal Emergency Management Agency (FEMA) designates a geographic area as a major federal disaster, we will begin immediately to work with you and your borrowers to avoid delinquency and foreclosure. If the borrower's property or job is located in the disaster area and if the borrower's delinquency is worsened by the disaster, Triad Guaranty can provide assistance in several ways.

1. Standard workout programs or procedures
2. 90 day moratorium on any legal action against the borrower for delinquency
3. 90 day moratorium on continuation of pending legal actions against the borrower for delinquency

Fannie Mae or Freddie Mac must agree to any action taken by Triad Guaranty. You are required to notify Triad Guaranty of your intent to allow the 90-day moratorium either through the DSR or in writing prior to initiation of the moratorium.

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5.5 deficiency judgment pursuits

In states where a deficiency is permitted, the potential for a deficiency pursuit may be the strongest leverage you have to encourage a borrower to work out his/her loan; therefore it is important that all collection and workout staff are well versed on the impact of local deficiency laws.

You should protect Triad Guaranty's rights to pursue the borrower on a deficiency for any benefit request in excess of $5,000.00 unless we have informed you that we are waiving our rights. If the state that you are foreclosing in provides for alternative foreclosure processes and pursuit of the borrower is not warranted due to minimal assets or a bankruptcy filing, you should contact Triad Guaranty and discuss the prospect of recovery against the additional cost of preserving the rights for a deficiency.

Triad Guaranty reserves the right to raise any defenses against liability during the claim review process.

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Failure to adhere to this guide in conjunction with the Master Policy may have serious effects on your rights to receive benefits. Violations of the provisions in either document may result in claim adjustments, claim denials, or a rescission of coverage.

6.0 FAQs & forms

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6.0 FAQs

premiums

q: Should I continue paying premiums once the loan is reported delinquent?

a: We recommend paying the premium until you extinguish the mortgage loan by acquiring the borrower's title to the property. (See Section 5.1 for further details)

default notices (section 1.0)

q: When should I report a delinquency?

a: Within 45 days for a first payment default, within four months and ten days for other defaults or legal proceedings. (See Section 1.2 or further details)

q: When should I send a delinquency status report to Triad Guaranty?

a: Between the 20th and the last day of the month. A DSR is required every month on every delinquency that you report to Triad Guaranty. (See Section 1.4 for further details)

q: Should I report a servicing transfer as a removal code "04".

a: No. Report servicing transfer as a removal code "03" on all electronic reporting. Do not report a servicing transfer as a paid in full loan. The paid in full will trigger a curing of the loan.

q: Do I need to forward copies of all bankruptcy documents and proceedings to Triad Guaranty?

a: No. Notification of the chapter filing, the date of filing, and the relief, dismissal or release date through the NOD or DSR reporting is sufficient. (See Section 5.2 for further details)

q: Should I send all documentation for legal pleadings notices to Triad Guaranty?

a: No. Reporting the information through the initial NOD or the monthly DSR is sufficient. (See Section 5.2 for further details)

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default processes (section 1.0)

q: What if the property is taken through the exercise of eminent domain?

a: All permissible proceeds awarded will be applied to the unpaid principal balance of the outstanding loan. (See Section 4.14 for further details)

q: How often should a property inspection be completed?

a: We recommend one inspection per month. (See Section 5.3 for further details)

loss mitigation (section 2.0)

q: What are the three major steps of a loan workout or loss mitigation?

a: 1) Find out the reason for default. 2) Determine if the borrower wants to keep or sell the property. 3) Determine the borrower's ability to maintain payments or participate in the disposal of the property through financial analysis. (See Section 2.1 for further details)

q: Do I need to contact Triad Guaranty for a repayment plan?

a: Only if the plan allows for the loan to become more than six months in default during the repayment. (See Section 2.2 for further details)

q: Do I need to contact Triad Guaranty for a forbearance plan?

a: Only if the plan or agreement allows for the loan to become more than six months in default during the workout. (See Section 2.2 for further details)

q: Do I need to contact Triad Guaranty if I modify the loan?

a: Yes. Any change to the term, interest rate, principal balance, product type, property, or borrower liability requires Triad Guaranty's approval first. (See Section 2.2 for further details)

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q: Do I need to contact Triad Guaranty for a partial claim advance?

a: Yes. You must contact Triad Guaranty in writing with the amount needed for a partial claim. (See Section 2.2 for further details)

q: Do I need to contact Triad Guaranty if I allow an assumption of the loan?

a: Yes. Any release of borrower liability requires Triad Guaranty's approval first. (See Section 2.2 for further details)

q: Do I need to contact Triad Guaranty if I want to do a short sale of the property?

a: Yes. A short sale of the property requires Triad Guaranty's approval and participation in the loss. (See Section 2.2 for further details)

q: Do I need to contact Triad Guaranty if I want to do a deed-in-lieu of foreclosure?

a: Yes. A deed-in-lieu of foreclosure requires Triad Guaranty's approval and our participation in the loss. (See Section 2.2 for further details)

q: Does Triad Guaranty ever contact borrowers directly?

a: Yes. We work to supplement your loan counseling efforts. We will contact your "unable to contact" borrowers and begin gathering information to work towards a solution. (See Section 2.3 for further details)

q: What do I do in case of a major federal disaster?

a: Call Triad Guaranty right away. We allow for an immediate 90-day moratorium on the initiation or continuation of any legal action to give all parties the time needed to assess the situation. (See Section 5.4 for further details)

q: If I try a workout after foreclosure has been initiated, will my claim be adjusted for any delay that the attempt caused?

a: Workouts are welcome at anytime prior to a foreclosure sale. If you feel that a delay of the foreclosure is warranted, contact a Workout Specialist at Triad Guaranty for approval of the delay.

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foreclosure processes (section 3.0)

q: Do I need to forward copies of all foreclosure documents and proceedings to Triad Guaranty?

a: No. Triad Guaranty does not require you to forward copies of the foreclosure filings and proceedings, but does reserve the right to request such documentation if needed. You may send notification of dates and foreclosure status updates through the DSR reporting. (See Sections 1.7 and 5.2 for further details)

q: What are the state foreclosure time frames?

a: They vary by state and are listed in the State Foreclosure Time Frames table in Section 3.2.

q: What should I do if I go beyond the state foreclosure time frame to complete the foreclosure?

a: You should include a chronological listing of events from the date of default to the date of claim filing with explanations of the delays that caused your foreclosure process to go beyond the listed times. (See Section 3.2 for further details)

q: When should I list my foreclosed property for sale?

a: As soon as reasonable after you obtain borrower's title to the property. Review the post foreclosure requirements section for delays to this process. (See Section 3.7 for further details)

foreclosure bidding (section 3.0)

q: How should I bid at the upcoming foreclosure sale?

a: Unless Triad Guaranty instructs a specific bid, you should bid an amount at the foreclosure sale that is sufficient to obtain borrower's title to the property or to encourage a bid sale to a third party. The bid amount chosen should protect Triad Guaranty's rights to a deficiency recovery. (See Section 3.3 and 3.4 for further details)

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deficiency pursuit (section 5.0)

q: Does Triad Guaranty pursue deficiencies?

a: Yes. We do individual and joint pursuits based on the loss and rights preserved. Our bidding guidelines will assist you in protecting those rights. (See Section 5.5 for further details)

foreclosure notices (section 3.0)

q: When should foreclosure sale results be reported?

a: Within 7 days of the foreclosure sale. (See Section 1.8 for further details)

real estate owned (section 3.0)

q: Does Triad Guaranty need to approve offers on our real estate owned properties?

a: Yes. You are required to contact Triad Guaranty for approval prior to accepting any offers on a property until the claim is paid. (See Section 3.7 for further details)

claim processes (section 4.0)

q: When should a Claim For Loss be filed?

a: Within 60 days of acquiring borrower's title to the property either through a foreclosure sale or approved owner transfer/property sale. (See Section 4.2 for further details)

q: What items make up a Claim For Loss?

a: The unpaid principal balance, accrued delinquent interest, and expenses less income plus assets. (See Section 4.4, 4.5, 4.6, 4.7, and 4.8 for further details)

q: What is an explanation of benefits letter or an EOB?

a: An EOB is a letter that states how a claim was settled. It provides you with a snapshot of the claim as it was received and a snapshot of how the claim was settled. Any adjustments made by us to the claim are explained in this letter. (See Section 4.12 for further details)

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Triad Guaranty Insurance

NOTICE OF DEFAULT

In accordance with our Master Policy, we hereby notify Triad Guaranty Insurance Corporation, In Rehabilitation that the Borrower named below has defaulted in the monthly payments on the loan insured under the Master Policy and Certificate described herein.

MI CERTIFICATE NUMBER			SERVICER LOAN NUMBER		
SERVICER NAME					
SERVICER ADDRESS	Street	City	State	Zip Code	
Investor (Check One):	☐ FHLMC ☐ FNMA	☐ OTHER	Investor Loan #		
Mortgagor Name: First	Middle	Last	Mortgagor Social Security Number		
Co-Mortgagor Name: First	Middle	Last	Co-Mortgagor Social Security Number		
Property Address	Street	City	State	Zip Code	
Mailing Address If Different	Street	City	State	Zip Code	
Home Phone Number			Work Phone Number		

CURRENT PRINCIPAL BALANCE (exclude all delinquent interest, etc)				Total Delinquent Amount		
LOAN DUE FOR DATE	Month	Day	Year	BANKRUPTCY	File Date	Chapter

REASON FOR NONPAYMENT (Check One)

☐ Business Failure ☐ Fraud ☐ Inability to Sell ☐ Other (Explain Below) ☐ Curtailment of Income
☐ Death ☐ Hazard/Casualty Loss ☐ Marital Problems ☐ Payment Adjustment ☐ Transfer of Ownership
☐ Disregard for Obligation ☐ Illness/Medical ☐ Military Service ☐ Payment Dispute ☐ Unknown (Explain Below)
☐ Excessive Use of Credit ☐ Inability to Rent ☐ Moved/Abandoned ☐ Property Problems ☐ Unemployment

IS THIS A FIRST PAYMENT DEFAULT?	OCCUPANCY STATUS (Check One):
☐ Yes ☐ No	☐ Mortgagor ☐ Tenant ☐ Vacant

DATE OF LAST MORTGAGE CONVERSION:	Month	Day	Year

SERVICER'S NEXT ACTION WILL BE (Check One)

☐ Foreclosure ☐ Offer to Take Voluntary Conveyance (DIL) ☐ Recommended Mortgagor List for Sale
☐ Loan Modification/Workout ☐ Pending Refinance
☐ Negotiate Payment Plan ☐ Promise to Pay–Date: (If available)

DESCRIBE SERVICER'S COLLECTION EFFORTS

SERVICER CONTACT

SERVICER PHONE NUMBER & EXT	EMAIL	DATE

TGIC.0125.0113

TG 22 - notice of default form

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TGIC.0126.2011

Loss Management Department - (800)-451-4872, ext 7003

101 South Stratford Road
Winston-Salem, NC 27104

Triad Guaranty Insurance

DELINQUENCY STATUS REPORT

MORTGAGE INSURANCE COMPANY TRIAD GUARANTY INSURANCE	DATE:

SERVICER NAME AND ADDRESS (Including City, State and Zip Code)

ATTN:

SERVICER LOAN NUMBER
MI CERTIFICATE NUMBER
INVESTOR (CHECK ONE)
☐ FHLMC ☐ FNMA ☐ OTHER

MORTGAGOR NAME AND PROPERTY ADDRESS (Including City, State and Zip Code)

INVESTOR LOAN NUMBER

LOAN STATUS

☐ CURED (Loan brought current or paid off by the mortgagor, not foreclosed/REO.)
If cured, indicate reason: ☐ CURRENT ☐ PAID OFF

☐ SERVICING TRANSFERRED (Loan has been sold to another servicer.)
Servicer Name (if known) ______

☐ REMAINS DELINQUENT -- Complete the Following:

CURRENT PRINCIPAL BALANCE (Exclude all delinquent interest, etc.) $	LOAN DUE FOR DATE (MM/DD/YY)	OCCUPANCY STATUS (Check One) ☐ MORTGAGOR ☐ VACANT ☐ TENANT ☐ UNKNOWN

DELINQUENT STATUS (Check One)

☐ Business Failure	☐ Dissatisfied w/Prop	☐ Moved/Vacate	☐ Temp Loss Of Income
☐ Bankruptcy	☐ Excess Use of Credit	☐ Other	☐ Transfer Of Ownership
☐ Chronic Delinquent	☐ Incarceration	☐ Payment Adjustment	☐ Unknown
☐ Casualty Loss	☐ Illness	☐ Payment Dispute	☐ Unemployment
☐ Death	☐ Inability To Rent	☐ Servicer Problem	
☐ Disregard For Obligation	☐ Marital Problems	☐ Temp Forebearance	

OUTLOOK (Check One)

☐ Claim Advanced	☐ Loan Assumed	☐ No Action	☐ Recommend Sale
☐ Chronic Delinquent	☐ Loan Modification	☐ Other Volun Convync	☐ Short Sale
☐ Cure	☐ Loan Refinanced	☐ Other	
☐ Foreclosure	☐ Negotiate Payment Plan	☐ Promise To Pay	

☐ Bankruptcy: Yes____ No____ File Date:___/___/___ Chapter Filed:_______ Discharge Date:___/___/___

Date Referred for Foreclosure	Redemption Expiration Date (if applicable)	Claim File Date	Sale Scheduled Date	Date Title Acquired

COMMENTS:

1. Please return no later than the 20th of this month.

COMPLETED BY

SERVICER CONTACT NAME	TELEPHONE NUMBER	FAX NUMBER	E-MAIL	DATE COMPLETED
	( )	( )		

FORM TG-23 (9/99)
CLMR0010

Phones: 336-723-1282 800-628-4744 x7226 Fax: 336-499-0064 E-mail:defaults@tgic.com

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TG 23 - delinquency status report

Fax:
(336) 723-1001
www.triadguaranty.com

Mail:
Triad Guaranty Insurance Corporation,
In Rehabilitation
Loss Management Department
Post Office Box 2300
Winston Salem, NC 27102

Email:
DEFAULT REPORTING - defaults@tgic.com
CLAIMS - claims@tgic.com
LOSS MITIGATION - hope@tgic.com
FORECLOSURE - defaults@tgic.com

Triad Guaranty
Insurance

FAX NUMBER: (336) 499-0064 EMAIL ADDRESS: dcfaults@tgic.com

FORECLOSURE SALE RESULTS

Please fax or email this form to Triad Guaranty within 7 days of the foreclosure sale date.

Certificate Number: ____________ Servicer Loan Number: ____________

Borrower Name: ____________

Foreclosure Sale Date: ____________ Redemption Expiration Date (if applicable): ____________

Investor Name: ☐ FNMA ☐ FHLMC ☐ Other (List Name and Address)
Name: ____________
Address: ____________
____

Investor Loan Number: ____________

Estimated Total Debt: ____________ Final Bid at Sale: ____________

Successful Bidder: ____________

Current Market Value of Property: ____________ Date Completed: ____________

☐ Appraisal* ☐ Interior BPO* ☐ Exterior BPO* (Check One)

**For value reimbursement, please include a copy of the BPO/Appraisal with your claim-for-loss submission.*

Listing Agent's Name: ____________

Listing Agent's Telephone Number: ____________

List Price of Subject Property: ____________

Triad Guaranty Insurance Corporation, In Rehabilitation
101 South Stratford Road
Winston-Salem, NC 27104

Post Office Box 2300
Winston Salem, NC 27102
(800) 628-4744 ext. 7003 / (336) 723-1282 ext. 7003

TGIC.0138.0113

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TGIC.0138 foreclosure sale results form

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Winston Salem, NC 27102

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LOSS MITIGATION - hope@tgic.com
FORECLOSURE - defaults@tgic.com

TGIC.0126.2011

Loss Management Department - (800)-451-4872, ext 7003

Triad Guaranty Insurance

CLAIM FOR LOSS

Triad Guaranty Insurance Corporation, In Rehabilitation
P.O. Box 2300
Winston-Salem, NC 27102
Phone: 336-761-5177
Fax: 336-723-1001
Email: claims@tgic.com

1. Insurance Type ☐ Primary ☐ Pool
2. Claim Type ☐ Initial ☐ Supplemental ☐ Other ____
3. Date This Claim Submitted
4. Insured's Name
5. Insured's Loan Number
6. Address
7. Certificate Number
8. City State Zip Code
9. Master Policy Number
10. Borrower Name(s)
11. % Coverage
12. Type Coverage
13. Property Address (Including City, State and Zip Code)
14. Servicer Name (If different from Insured's Name)
15. Servicer Loan Number
16. Servicer Address (Including City, State and Zip Code) (If different from Insured)
17. Payee Name (If different than Insured's Name)
18. Payee Loan Number
19. Payee Address (Including City, State and Zip code) (If different than Insured)
20. Investor Name (If different than Payee's Name)
21. Investor Loan Number

Claimable Items:

22. Unpaid Principal Balance (Interest paid through ____/____/____) $ ____
23. Accumulated Interest: $ ____
From ____/____/____ to ____/____/____ = ____ Days @ ____
24. Sub-total Principal and Interest (Line 22 Plus Line 23) $ ____

Expense Information:

25. Attorney's Fees $ ____
26. Property Taxes $ ____
27. Hazard Insurance Premiums $ ____
28. Property Preservation Costs $ ____
29. Statutory Disbursements $ ____
30. Other Disbursements $ ____
31. Sub-total Claimable Items (Total Lines 24 through 30) $ ____

Deductible Items:

32. Escrow Account Balance $ ____
33. Net Rental Proceeds $ ____
34. Pledged Savings, Buydowns, or Other Funds Held for Insured $ ____
35. Insurance Proceeds $ ____
36. Other Deductions (Attach Explanation) $ ____
37. Sub-total Deductible Items (Total Lines 32 Through 36) $ ____
38. Total claim amount (Line 31 Minus Line 37) $ ____
39. Less Adjustments, if any (Attach Explanation) $ ____
40. Adjusted Claim Amount (Line 38 Minus Line 39) $ ____

41. Comments:

42. ARM Interest Rate Information: Unpaid Principal Balance (from line 22) $ ____

	Rate	From	To	Number of Days	Amount
1.	____%	___/___/___	___/___/___	____	$ ____
2.	____%	___/___/___	___/___/___	____	$ ____
3.	____%	___/___/___	___/___/___	____	$ ____
4.	____%	___/___/___	___/___/___	____	$ ____

Expense Information:

Type	Date Paid	Description	Amount
43. Attorney's Fees	____	____	$ ____
	____	____	$ ____
	____	____	$ ____
		Total (Enter on Line 25)	$ ____
44. Property Taxes			
Tax Period ___/___/___ to ___/___/___	____	____	$ ____
Tax Period ___/___/___ to ___/___/___	____	____	$ ____
Tax Period ___/___/___ to ___/___/___	____	____	$ ____
		Total (Enter on Line 26)	$ ____

TGIC.0134.0113

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TGIC.0134 - claim for loss form page 1 of 2

Fax:
(336) 723-1001
www.triadguaranty.com

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FORECLOSURE - defaults@tgic.com

45. Hazard Insurance Premiums Effective __/__/__ to __/__/__ Effective __/__/__ to __/__/__ Effective __/__/__ to __/__/__		Total (Enter on Line 27)	$ $ $ $
46. Property Preservation Costs		Total (Enter on Line 28)	$ $ $ $ $
47. Statutory Disbursements		Total (Enter on Line 29)	$ $ $ $ $
48. Other Disbursements		Total (Enter on Line 30)	$ $ $ $ $

49. Required Enclosures:

☐ Loan Payment History from default

☐ BPO/Appraisals claimed

Additional Enclosures (If Applicable):

☐ Copy of Primary MI Claim for Loss, settlement check and EOB, if applicable

50. Is property ☐ vacant or ☐ occupied? If occupied, please state name of occupant: ________

Key to property may be obtained from: ________ Telephone: (____)

51. Foreclosure sale or property transfer date: ___/___/___ Foreclosure bid amount: $______

Successful bidder:

52. Bankruptcy filings (if applicable):

Chapter ____ File date ___/___/___ Release date ___/___/___

Chapter ____ File date ___/___/___ Release date ___/___/___

WARNING: Any person who knowingly and with intent to defraud any insurance company files an insurance application and/or a claim for the payment of loss containing any incomplete, false, misleading or fraudulent information, or conceals any material information for the purpose of misleading the company, may be guilty of insurance fraud. Such person may be subject to fines, civil and/or criminal penalties, denial of benefits and/or imprisonment. Insurance coverage may be rescinded or a claim denied if the insurer relied on any misstatement, misrepresentation, omission or concealment and such misinformation or omission was material to the risk assumed or provided fraudulently.

WARNING: ME, TN, VA, WA: It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties for such an act include imprisonment, fines and denial of benefits.

WARNING: NY: "Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."

WARNING: DC: "It is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits, if false information materially related to a claim was provided by the applicant."

WARNING: CA: For your protection California law requires the following to appear on this form. Any person who knowingly presents a false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.

WARNING: AZ: For your protection Arizona law requires the following statement to appear on this form. Any person who knowingly presents a false or fraudulent claim for the payment of a loss is subject to criminal and civil penalties

Claim Authorization:

I hereby certify that the statements contained herein are true, correct and complete. I understand that a claim will not be complete until all applicable documents have been received by the Insurer. We are not aware of any facts indicating that the subject property is or might be subject to any environmental contamination or hazard, except as disclosed in accompanying attachments.

53. Authorized Signature

54. Contact Name (Type or Print)

55. Title/Department

56. (____) Phone

57. Email

TGIC.0134.0710

TGIC.0134 - claim for loss form page 2 of 2

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LOSS MITIGATION - hope@tgic.com
FORECLOSURE - defaults@tgic.com

Loss Management Department - (800)-451-4872, ext 7003

EXHIBIT E

From:	Teresa Haines <THaines@tgic.com>
Sent:	Monday, October 08, 2012 10:03 AM
To:	Thomas Brolan; James Mayers
Cc:	DPO
Subject:	3Q2012 Deferred Payment Obligation (Homeward Residential, Inc) :secure:
Attachments:	CLM_RPT_DPO_HOMEWARD_RESIDENTIAL_INC_AHM_TGIC_ESCROW_20121008004243.zip

To whom it may concern,

Effective June 1, 2009 the Illinois Division of Insurance directed Triad Guaranty Insurance to pay and satisfy each claim in two segments **(i)** a cash payment equal to 60% of the full settlement payment and **(ii)** a deferred payment obligation equal to 40% of the full settlement payment. The cash amount will be paid by TGIC to the designated recipient (normal process). The deferred amount of each claim amount shall be evidenced by a book entry (payable) to the deferred claim amount in TGIC's SAP financial statements.

This process is in compliance with Corrective Order No. 01-2009 issued by the Illinois Division of Insurance on March 31st 2009. The attached spreadsheet complies with Section 7 of that order in that it exhibits **(i)** the deferred amount attributable to each claim amount under a policy owned by the insured for such designated recipient (***'Principal Payable'*** in the attached spreadsheet), **(ii)** the date on which the claim was acknowledged to be due and payable by TGIC (***'Claim Payment Cal Day Dt'*** / ***'Payment Year'*** / ***'Payment Month'*** on the 'Detail' tab in the attached spreadsheet), and **(iii)** the associated carrying charge accrued for such deferred amount during the previous calendar quarter, year to date and on a cumulative basis (***'Interest Payable'*** / ***'Interest Rate'*** in the attached spreadsheet).

There are a few things we would like to point out. First, the carrying charge ('Interest Rate' in the attached spreadsheet) shall apply to each insured's deferred amount beginning with the first day of the month ***next following the month in which the corresponding cash amount has been paid***. This carrying charge will equal the annualized investment portfolio yield for the immediately preceding calendar quarter. The carrying charge will not compound or bear a carrying charge itself. Also, in the event Triad meets specific Capital based thresholds at each year-end valuation date, TGIC shall distribute to all insured recipients a corresponding percentage of their then outstanding aggregate deferred amounts. The beginning amount has been set to 40% and shall be decreased in 5% increments.

Most of the information you will need can be found on the first tab entitled ***'Summary'***. This will give you the DPO counts, principal payable and interest payable amounts by issuance year. When redemptions are claimed you will be able to see the adjusted Cash/Deferred Obligation % as time passes. The ***'Principal Payable'*** tab groups the Deferred Principal amounts by issuance month/year. The ***'Interest Payable Schedule'*** will display the inventory of payable interest ('Carrying Charge') by month with reporting months in columns and issuance months in rows (remember there will be no interest accumulation in the first month).

When we have finished the cash payment transaction, the remaining process involves the payment of the deferred payment obligation. You should be receiving an ***'Explanation of Benefits'*** to satisfy your record keeping of the Cash/Deferred Obligation payments. If and when the Illinois Department of Insurance approves payment of all or a portion of the Deferred Obligation Payment, we will contact you regarding that payment.

Triad Guaranty has entered into litigation against American Home Mortgage. In early September 2009, Triad Guaranty ceased payment of claims for any loan originated by American Home Mortgage. These funds have been sent to a separate escrow account pending settlement. If you are the investor/owner of any of these loans, we have attached a second spreadsheet detailing the information for these specific Deferred Payment Obligations. Though you have not received cash at settlement, we will continue to report the restricted DPO balance and interest until the situation has been clarified.

Lastly, as we continue this process, we want to make sure we're including the appropriate individuals on this distribution list. If you feel anyone needs to be added/deleted please forward their information, but for security's sake it would probably be better to have a few lead contacts that can distribute to each group internally. Thank you for that consideration.

Please note that the creation of these reports has been automated on our side to better manage the reporting. If you have any questions, please visit our Q&A website at www.tgic.com/dpo.php or email DPO@tgic.com.

<<CLM_RPT_DPO_HOMEWARD_RESIDENTIAL_INC_AHM_TGIC_ESCROW_20121008004243.zip>>

Teresa Haines

Triad Guaranty Insurance Corporation

Loss Management Project Analyst

336-723-1282 Ext. 1287

Firm No. 42297

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION OF)
TRIAD GUARANTY INSURANCE CORPORATION) Case No. 12 CH 43895

NOTICE OF FILING

To: J. Kevin Baldwin
Danniel A. Guberman
Counsel to the Receiver
222 Merchandize Mart Plaza Suite 1450
Chicago, IL 60654

PLEASE TAKE NOTICE that on August 26, 2013, the undersigned filed with the Clerk of the Circuit Court of Cook County, Illinois, County Department, Law Division, Richard J. Daley Center, 50 West Washington Street, Chicago, Illinois, **OBJECTION AND RESPONSE OF CERTAIN SECURITIZATION TRUSTS TO THE PLAN OF REHABILITATION FOR TRIAD GUARANTY INSURANCE CORPORATION**, a copy of which is attached hereto and thereby served upon you.

DYKEMA GOSSETT PLLC
10 South Wacker Dr., Suite 2300
Chicago, IL 60606
Telephone: (312) 627-2173 or 2147
Todd Gale (6229288)
Dawn N. Williams (6308222)

400 Renaissance Center
Detroit, MI 48243
Telephone: (313) 568-5340
Benjamin W. Jeffers
(Pro Hac Admission To Be Filed)

PROOF OF SERVICE

The undersigned, a non-attorney, hereby certifies under penalty of perjury under the laws of the State of Illinois that, on August 26, 2013 she caused to be served on the person(s) listed above in the manner shown:.

X United States Mail, First Class
By Messenger
By Facsimile

☒ Under penalties as provided by law pursuant to ILL. REV. STAT. CHP 110 Sec 1-109, I certify that the statements set forth herein are true and correct.

Susan Wawrzynowicz

Susan Wawrzynowicz