

# **EXHIBIT B**

Mortgage Guaranty Insurance Corporation



John R. Schroeder  
Vice President - Risk Management

October 1, 2013

Consumer Financial Protection Bureau  
ATTENTION: Kent Markus, Enforcement Director  
1700 G Street NW  
Washington, DC 20552

Re: *CFPB v. MGIC*; File No. 2011-0024-02

Dear Mr. Markus:

This letter constitutes the first report of Mortgage Guaranty Insurance Corporation ("MGIC") pursuant to Section III.D.2 of the *Final Consent Judgment and Order* (the "Consent Order") entered by the Court in the lawsuit entitled *Consumer Financial Protection Bureau v. Mortgage Guaranty Insurance Corporation*, U.S. District Court for the Southern District of Florida, Case No. 1:13-cv-21187.

***Information Required Under Sections III.D.2.a, b, c, e and f of Consent Order***

Enclosed with this letter, and comprising part of the report, is a spreadsheet that lists the information required under Paragraphs a, b, c, e and f of Section III.D.2 of the Consent Order.

***Information Required Under Section III.D.2.d of Consent Order***

With respect to Paragraph d of Section III.D.2 of the Consent Order, I am not aware of any rights currently or previously possessed by MGIC under any Captive Mortgage Reinsurance Arrangement to obtain any funds held within any Captive Trust for any purpose other than a purpose permitted in Section I.D of the Consent Order, with the possible exception of certain unearned premium reserves ("UPR"). As discussed more fully below, these UPR amounts remain the subject of discussion between the MGIC and Consumer Financial Protection Bureau (the "CFPB" or the "Bureau").

On May 1, 2013, MGIC's counsel sent a letter to the Bureau regarding the UPR issue. (A copy of the May 1, 2013 letter is enclosed for your reference.) As indicated in our counsel's letter "We don't believe that the parties considered unearned premium reserves when negotiating the terms of the Consent Order. Although Section I.D. of the Consent Order might be read to require MGIC to relinquish to the CFPB any unearned premium reserves recovered from a captive reinsurance trust account, we assume that the CFPB has no desire to track unearned premium and make appropriate premium refunds in the future." Our counsel also indicated in the letter that "MGIC will recover unearned premium reserves from the reinsurance trust accounts and retain them in accordance with the express terms and conditions of the captive reinsurance agreements,

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unless you notify us within the next 7 days that you believe the Consent Order requires otherwise.”

The CFPB subsequently indicated to MGIC that it might be unable to respond within 7 days, so the parties agreed that MGIC could account for such UPR as amounts due MGIC, but MGIC would refrain from withdrawing such amounts from the applicable reinsurance trust accounts pending resolution of the issue. That agreement (the "UPR Agreement") was confirmed in a letter dated May 3, 2013 from MGIC to the CFPB. (A copy of the May 3, 2013 letter is also enclosed for your reference.) To date, MGIC has yet to receive a response from the CFPB on this issue.

As previously discussed, when reinsurance coverage on loans in a particular annual book ends (whether by expiration of the annual book's term, termination of the annual book, or termination of the entire reinsurance agreement), MGIC is entitled to recover UPR from the reinsurer. UPR is generally recovered by MGIC either through a withdrawal from the reinsurance trust account or by set off against reinsurance premiums otherwise payable to the captive reinsurer.

Since the date of the Consent Order, MGIC has become entitled to recover the following amounts of UPR from the applicable trust accounts for the following reasons:

Captive Reinsurer	Amount of UPR Due MGIC	Event Permitting MGIC to Recover UPR
<b>Redacted</b>	\$6	Term of Annual Book Expired
<b>Redacted</b>	\$220	Annual Book Terminated
<b>Redacted</b>	\$23	Annual Book Terminated
<b>Redacted</b>	\$263	Annual Book Terminated
<b>Redacted</b>	\$229	Annual Book Terminated
<b>Redacted</b>	\$17	Annual Book Terminated

<sup>1/</sup> This reinsurer is organized as a sponsored captive reinsurer under Vermont law. The UPR listed in this row pertains to mortgage insurance risk assumed by **Redacted** as a "Participant" in such captive reinsurer.

<sup>2/</sup> This reinsurer is organized as a sponsored captive reinsurer under Vermont law. The UPR listed in this row pertains to mortgage insurance risk assumed by **Redacted** as a "Participant" in such captive reinsurer.

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MGIC has accounted for all of these UPR amounts as amounts due MGIC, but, pursuant to the UPR Agreement, MGIC has refrained from withdrawing the amounts from the applicable trust accounts, pending further discussions with the CFPB. Because these UPR amounts are relatively small and are considered unearned premium available for refund, we have proposed that MGIC retain these unearned premium amounts.

***Information Required Under Section III.D.2.g of Consent Order***

With respect to Paragraph g of Section III.D.2 of the Order, there were no changes of the type required to be reported under Section III.D.1 of the Order.

***Information Required Under Section III.D.2.h of Consent Order***

With respect to Paragraph h of Section III.D.2 of the Order, enclosed are copies of the signed acknowledgment forms obtained by MGIC in accordance with Section V of the Order.

Please note that some of the information set forth in the enclosed report was retrieved, prepared and/or assembled by other personnel of MGIC. Consequently, I may not have personal knowledge regarding all of the information in this report.

Subject to the foregoing limitations, I hereby certify under penalty of perjury that the information in this report, including the enclosed spreadsheet, is true and correct to the best of my knowledge, information and belief.

Sincerely,  
MORTGAGE GUARANTY INSURANCE CORPORATION

By: John R. Schroeder  
John R. Schroeder  
Vice President - Risk Management

JRS/  
enclosures

cc: Dan Stilwell  
Jay Varon

**MORTGAGE GUARANTY INSURANCE CORPORATION  
TRUST FUND BALANCES  
AS OF AUGUST 31, 2013**

[Provided Pursuant to Section III.D.2.a of Consent Order]

**Redacted**

**Redacted**

**Redacted**

**Redacted**



**Redacted**

**Redacted**

**MORTGAGE GUARANTY INSURANCE CORPORATION  
PAYMENTS, FUNDS, OR DISBURSEMENTS PROJECTED TO BE RECEIVED BY MGIC (1)  
AS OF AUGUST 31, 2013**

**Redacted**

**MORTGAGE GUARANTY INSURANCE CORPORATION  
PAYMENTS, FUNDS, OR DISBURSEMENTS PROJECTED TO BE PAID OR CEDED BY MGIC  
AS OF AUGUST 31, 2013**

[Provided Pursuant to Section III.D.2.f of Consent Order]

**Redacted**

**Redacted**