As filed with the Securities and Exchange Commission on [●], 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
NMI HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	524126	45-4914248
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

2100 Powell Street, 12th Floor

Emeryville, CA 94608

(855) 530-6642

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Glen Corso

EVP General Counsel

2100 Powell Street, 12th Floor

Emeryville, CA 94608

(510) 858-0410

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
David E. Shapiro, Esq.
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51 West 52nd Street
New York, New York 10019
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		***Accelerated Filer***	☐
Non-accelerated filer	x	***(Do not check if a smaller reporting company)***	***Smaller reporting company***	☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Class A Common Stock, par value $0.01 per share	52,308,970 (2)	$12.50	$653,862,125.00	$89,186.79

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act 1933. No exchange or over-the-counter market exists for the registrant's common stock. Shares of the registrant's common stock issued to qualified institutional buyers in connection with its April 2012 private placement are eligible for trading on the FBR PLUS™ System. The last sale of shares of the registrant's common stock that was eligible for FBR PLUS™, of which the registrant is aware, occurred on May 14, 2013 at a price of $12.50.

(2) Includes shares issuable under certain warrants issued by the registrant.

The Registrant hereby amends this Registration Statement on such date as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion. Dated [●], 2013

The information in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

52,308,970 Shares

Class A Common Stock

This prospectus relates to the registration of up to 52,308,970 shares of our Class A common stock (“our common stock”) by the selling stockholders identified in this prospectus. The shares of our common stock registered by this prospectus were acquired by the selling stockholders in connection with our April 2012 private placement or in transactions before or after that time that were exempt from registration. We are registering the offer and sale of the shares of our common stock to satisfy registration rights we have granted to the selling stockholders.

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling stockholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly by the selling stockholders or alternatively through underwriters or broker-dealers or agents. The shares of our common stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Please read “Plan of Distribution.”

There is currently no public trading market, nor has there ever been a public trading market for our common stock. Our common stock currently trades on a proprietary trading platform developed by FBR Capital Markets Inc. called “FBR Plus™,” which provides qualified institutional buyers (“QIBs”) access to trading information for companies which have issued restricted securities in private placement transactions exempt from registration pursuant to Rule 144A of the Securities Act of 1933 (the "Securities Act"). Our securities are not currently eligible for trading on the NASDAQ Global Market ("NASDAQ") or the New York Stock Exchange, because we have less than 400 holders of our common stock. We intend to apply to the Over-the-Counter Bulletin Board (“OTCBB”), through a market maker that is a licensed broker dealer, to allow the listing of our common stock under the symbol “NMIH” upon our becoming a reporting entity under Section 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”). If our application for quotation on the OTCBB is approved, and a public market for our common stock materializes which results in our common stock being held by 400 or more holders, we intend to apply (assuming we meet all other listing requirements) to list our common stock on the NASDAQ under the symbol “NMIH.”

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 and will be subject to reduced public reporting requirements.

See “Risk Factors” beginning on page 10 to read about factors you should consider before buying our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is **[●]**, 2013

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About this Prospectus

Neither we nor the selling stockholders have authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the selling stockholders take any responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the selling stockholders are making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, operating results and prospects may have changed since that date.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our securities or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions as to the offering and the distribution of this prospectus applicable to those jurisdictions.

Market Data

Market data used in this prospectus has been obtained from independent industry sources and publications. We have not independently verified the data obtained from these sources. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

PROSPECTUS SUMMARY

The following is a summary of selected information contained elsewhere in this prospectus. It does not contain all of the information that you should consider before deciding to purchase shares of our common stock. You should read this entire prospectus carefully, especially the "Risk Factors" immediately following this Prospectus Summary, the historical financial statements and the related notes thereto and management's discussion and analysis thereof included elsewhere in this prospectus, before making an investment decision to purchase our common stock.

Unless the context otherwise indicates, when we refer to "we", "our", "us", and "the Company" for purposes of this prospectus, we are referring to NMI Holdings, Inc. ("NMIH") and its consolidated subsidiaries.

Company Overview

NMIH is a Delaware corporation that through our subsidiaries provides private mortgage insurance (which we refer to as "mortgage insurance" or "MI") in the United States. In April 2012, we raised net proceeds of approximately $510 million from a private placement of our common stock and purchased MAC Financial Holding Corporation, a Delaware corporation, ("MAC Financial") and its Wisconsin licensed insurance subsidiaries, which have been renamed National Mortgage Insurance Corporation ("NMIC"), National Mortgage Reinsurance Inc One ("NMRI One") and National Mortgage Reinsurance Inc Two ("NMRI Two"). The proceeds from the private placement were and will be primarily used to capitalize our MI subsidiaries and fund our operating expenses until our MI subsidiaries generate positive cash flows. In January 2013, the Federal National Mortgage Association, commonly known as Fannie Mae, and the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac, approved NMIC as a qualified mortgage insurance provider (collectively "GSE Approval"). We refer to Fannie Mae and Freddie Mac collectively as the "GSEs." With GSE Approval, our customers who originate loans insured by NMIC may sell such loans to the GSEs (as of April 1, 2013 for Freddie Mac and as of June 1, 2013 for Fannie Mae). Our primary insurance subsidiary, NMIC, requires a certificate of authority, or insurance license, in each state or jurisdiction where we issue insurance policies. NMIC applied for a certificate of authority in each of the 50 states plus the District of Columbia ("D.C.") in June 2012. NMIC is currently licensed in 48 states and D.C.

Overview of the Private Mortgage Insurance Industry

The MI industry emerged in the United States in the 1880s and the first laws regulating MI were passed in New York in 1904. The industry grew in response to the real estate boom of the 1920s. Following the Great Depression, the federal government began insuring mortgages through the Federal Housing Administration ("FHA") and the Veterans Administration ("VA"). The modern MI industry was established in the late 1950s to provide a private market alternative to federal government insurance programs, principally the FHA. MI covers losses of the insured institutions should homeowners default on their residential mortgage loans, up to pre-established coverage levels. MI enables consumers, especially first-time homebuyers, to finance homes with less than a 20% down payment, thereby expanding homeownership opportunities. Loans with less than 20% down payments are referred to as "low down payment" mortgages or loans in this prospectus.

Primarily as a result of their governmental mandate to provide liquidity in the secondary mortgage market, the GSEs are the principal purchasers of the mortgages insured by MI companies. The GSEs cannot buy low down payment loans without certain forms of credit enhancement, one of which is mortgage insurance. As a result, the nature of the MI industry in the United States is driven in large part by the requirements and practices of the GSEs. These requirements and practices, as well as those of the federal regulators that oversee the GSEs and lenders, impact the operating results and financial performance of companies in the MI industry.

The Federal Housing Finance Agency (“FHFA”) is the conservator of the GSEs. As their conservator, FHFA has the authority to control and direct the operations of the GSEs. In February 2011, the U.S. Department of the Treasury reported its recommendations regarding options for ending the conservatorship of the GSEs, and while it does not provide any definitive timeline for GSE reform, it does recommend substantially reducing the government's footprint in housing finance. In addition to providing the primary form of credit enhancement on low down payment loans purchased by the GSEs, MI also reduces the regulatory capital that depository institutions are required to hold against low down payment mortgages that they hold as assets.

The MI industry competes with governmental agencies and products designed to eliminate the need for MI. For primary business, we and other mortgage insurers compete directly with federal and state governmental and quasi-governmental agencies that sponsor government-backed mortgage insurance programs, principally the FHA and, to a lesser degree, the VA. During 2010, 2011 and 2012, the FHA's and VA's combined market share was approximately 84%, 77% and 68%, respectively of the total low down payment residential mortgages that were subject to governmental or private mortgage insurance, a substantial increase from an approximately 23% market share in 2007, according to statistics reported by Inside Mortgage Finance. As noted above, the combined market share of the FHA and VA has decreased each year since 2010, a trend that we believe has been positive for the MI industry. In our view, this decrease may have been influenced by increases in the cost of FHA insurance in recent years, the FHA's stricter guidelines, the inability of the borrower to cancel FHA mortgage insurance and the FHA pulling back from the market given its failure to meet its congressionally mandated capital requirements.

Our Strategy and Competitive Strengths

We believe the current environment provides an opportune time for a new mortgage insurer with no exposure to the recent financial crisis to enter the market. By entering the market at this time, we believe that we should be well positioned to profit from conservative underwriting standards, improving loss trends and attractive risk adjusted premium pricing levels.

Our business strategy is to become a leading national MI company with our principal focus on writing insurance on high quality, low down payment residential mortgages in the United States. As part of this strategy, we have near term objectives including:

- ***Obtaining outstanding certificates of authority, or state insurance licenses, and establishing effective rates and policy forms where required.*** As of the date of this prospectus, NMIC is licensed in 48 states and D.C., has effective rates in 47 states and D.C. and effective policy forms in 44 states and D.C. NMIC's application for a certificate of authority is currently pending in Wyoming, while in Florida we withdrew NMIC's application and plan to resubmit a new application in the near term future. We will continue to work to address any issues with both the Wyoming and Florida insurance regulators in order to secure these two remaining licenses as expeditiously as possible. Our objective is to obtain licenses, effective rates and policy forms in all 50 states and D.C.
- ***Evaluating risk in a timely fashion on all insured loans.*** We intend to review every loan we insure through both our delegated and non-delegated channels. Through a program we call "Delegated Assurance Review", we plan to conduct a post-close underwriting review of each mortgage insurance policy issued by our customers under their delegated authority. This differs from other MI companies that typically underwrite a sampling of policies originated through their delegated underwriting channels. By underwriting each policy, we believe we can more effectively manage the risk characteristics in our portfolio and provide a high level of confidence to our lenders that valid claims will be paid. We also expect this process will allow us to provide our customers with timely, value-added feedback on the risk characteristics of their loan originations.

- ***Establishing customer relationships.*** In order to develop a diverse customer base of mortgage originators, we believe we will ultimately need to have a sales force of approximately 60 individuals. Mortgage insurance is a highly competitive industry and therefore we believe establishing and maintaining relationships with many lending institutions is critical to our success.

- ***Attracting and retaining our employee base.*** We believe our Company will be an attractive stable place of employment, given that we are a well-capitalized insurance company that has made significant progress in commencing business in the MI marketplace, allowing us to attract what we believe to be a high-quality talent pool. We have grown from zero employees prior to our capitalization in April 2012 to over 100 employees as of May 31, 2013. We currently expect to have approximately 200 employees by the end of 2013.

- ***Integrating electronically with mortgage lenders, loan servicing systems and leading third party origination systems.*** Many of our customers will require us to have connectivity or be integrated with one or more loan servicing and/or origination systems as a precursor to doing business with them. We have begun the process of integrating with these third party loan servicing and origination systems, and we expect to complete some of these integrations this year and that by mid-2014 we will be substantially integrated with the more significant third party industry systems.

- ***Continuing development of our enterprise technology platform.*** We seek to continue to develop our enterprise technology platform to support our mortgage insurance operations, including underwriting, premium billing, policy servicing, and delinquency and claims management functions. In order to adequately support our mortgage insurance operations, we expect that, when completed and all components are fully integrated, our technology platform will allow us to: (i) obtain applications and supporting documentation from our lenders on an automated basis, thereby enabling lenders to submit insurance applications in an efficient manner and facilitating our risk review, (ii) obtain real-time data on performance of individual insured loans and programs, enabling a transparent and collaborative policy acquisition and underwriting process that should reduce response times, decrease costs and streamline communication with lenders, (iii) provide real-time feedback data for monitoring underwriting guidelines and for communicating to lenders the quality metrics and performance of the loans we insure, (iv) bill and collect premiums electronically and (v) adjust and settle claims.

We intend to execute the above strategy, by taking advantage of the following competitive strengths:

- ***Availability of capital to support growth***. As a newly capitalized mortgage insurer, we do not have exposure to the losses caused by historical underwriting standards (which we believe to have been less than adequate) and declines in home values experienced during the recent financial crisis. We believe our current capital will support approximately $30 billion of insurance in force (“IIF”) while staying within the regulatory guidelines imposed by state insurance departments and the GSEs.

- ***Superior business practices and terms of trade.*** Existing MI companies have rescinded or denied coverage on a significant number of mortgage insurance policies in recent years. We believe this has strained the relationship between a number of the mortgage originators and some existing mortgage insurers, providing an opportunity for a new entrant to more effectively compete with existing providers. We believe our terms of trade offer a unique approach to rescission relief that sets us apart from other MI companies. Under our master policy, after a borrower has timely made 18 consecutive monthly payments on a loan we insure, we have agreed that we will not rescind or cancel coverage of that loan for borrower fraud or underwriting defects. In addition, upon the borrower attaining 18 full and timely consecutive monthly payments, we have agreed to limitations on our ability to initiate an investigation of fraud or misrepresentation by our insureds or any other party involved in the origination of an insured loan, which we collectively refer to in our master policies as a "First Party." We believe the standard approach used by most MI companies is to provide this rescission relief with respect to underwriting defects and investigation of First Party fraud or misrepresentation after 36 months of full and timely

consecutive monthly payments. We believe the terms of our insurance coverage described in our Master Policy Agreement will be favorably received by our customers, allowing us to further displace the market share of current providers. In addition, because we review every loan we insure as described above, we believe we are well aligned with the GSEs' desire that MI providers adopt up-front quality control practices that have the effect of giving insureds assurance of coverage after a borrower has timely made 36 months of loan payments.

- ***Experienced management team***. We have assembled a senior management team with extensive experience developing and operating MI companies. Our Chief Executive Officer, Bradley M. Shuster, was responsible for international operations for PMI Mortgage Insurance Co. ("PMIC"), coordinating both acquisitions in Australia and *de novo* operations in Canada, Europe and Hong Kong. Before leaving PMIC in 2008, Mr. Shuster was responsible for the sale of PMIC's Australian operations to QBE Group for approximately $1.0 billion. In addition to Mr. Shuster, the other members of the Company's executive management team collectively average over 25 years of mortgage or financial services industry experience. See "*Management - Directors and Executive Officers*."

We believe our strategy and competitive strengths will provide for an efficient deployment of our capital and for better overall risk management allowing us to operate profitably across market cycles.

Risk Factors

Investing in our common stock involves substantial risk. The risks described under the heading "Risk Factors" immediately following this summary may cause us to not realize the full benefits of our strengths or may cause us to be unable to successfully execute all or part of our strategy. Some of the more significant challenges include the following:

- We are a recently formed development stage corporation that, prior to receipt of GSE Approval in January 2013, did not engage in any substantive insurance operations. Therefore, our operating history is not comparable to what we expect our future operations will be.
- The success of our business is highly dependent on our ability to utilize technology to conduct business electronically with our customers. Our inability to timely meet the technological demands of our customers or to develop, enhance and maintain our technology platform could result in adverse effects to our business.
- To conduct MI business with many, or potentially all, large, national lenders, we believe NMIC will need to be licensed in all 50 states and D.C., and we may not be able to ultimately obtain licenses in all 50 states.
- Changes in the business practices of the GSEs, including a decision to decrease or discontinue the use of MI, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses. In addition, the implementation of the Dodd-Frank Act and Basel III may negatively impact private mortgage insurers.
- We are outsourcing a significant portion of our MI underwriting on certain loans to third party service providers. Should these service providers fail to adequately perform their underwriting services or place coverage on ineligible loans, we could experience increased losses on loans underwritten by them and our customer relationships could be negatively impacted.

You should carefully consider all of the information included in this prospectus, including matters set forth under the headings "Risk Factors" and "Important Information and Cautionary Statement Regarding Forward Looking Statements," before deciding to invest in our common stock.

Additional Information

NMI Holdings, Inc. is a Delaware corporation incorporated on May 19, 2011 for the purpose of building an MI company, as discussed below. On November 30, 2011, we entered into an agreement with MAC Financial Ltd. to purchase MAC Financial Holding Corporation and its Wisconsin-licensed subsidiaries, which acquisition was completed on April 24, 2012. As consideration for the acquisition, MAC Financial Limited received 250,000 shares of our common stock, a warrant to purchase 678,295 shares of our common stock and $2.5 million in cash consideration (the "MAC Acquisition"). After completion of the MAC Acquisition, MAC Financial Holding Corporation's insurance subsidiaries, Mortgage Assurance Corporation, Mortgage Assurance Reinsurance Inc One and Mortgage Assurance Reinsurance Inc Two, each a Wisconsin corporation, were renamed National Mortgage Insurance Corporation (“NMIC”), National Mortgage Reinsurance Inc One (“NMRI One”) and National Mortgage Reinsurance Inc Two (“NMRI Two”), respectively.

On April 24, 2012, we also completed a private placement of 55,000,000 shares of our common stock for gross proceeds of $550 million. We received net proceeds of approximately $510 million, after the initial purchaser's discount and placement fees and after our offering expenses. Pursuant to the terms of the offering, we were able to access approximately $32 million to cover operating expenses while the remaining proceeds from the offering were placed in investment accounts which could not be utilized by us for operating activities until we received GSE Approval. Upon receipt of GSE Approval on January 15, 2013, the funds in the investment accounts became available for operating activities.

Also on April 24, 2012, as part of the consideration for the line of credit it granted to us to pay for costs associated with our formation and capitalization, including some of the expenses of the private offering described in the preceding paragraph, we issued to FBR Capital Markets LT, Inc. a warrant to purchase up to 313,870 shares of our Class A common stock (the "FBR Warrant"). FBR Capital Markets LT, Inc. subsequently assigned the FBR Warrant to FBR Capital Markets & Co.

Prior to the completion of the MAC Acquisition, our activities were focused on organizational development, capital raising and other start-up related activities. Additionally, for the period from May 19, 2011 through the date of this filing our efforts have been primarily directed toward building the foundation of the Company which would allow us to write mortgage insurance. These efforts included, among other things, attracting an executive management team and other key officers and directors, attracting and hiring staff, building our operating processes, designing and developing our business and technology applications, environment and infrastructure, and securing state licensing and GSE Approval. We commenced writing MI in April 2013 through NMIC.

Our principal executive offices are located at 2100 Powell Street, 12th Floor Emeryville, CA 94608. Our main telephone number is (855) 530-NMIC (6642), and our website is www.nationalmi.com.

The Offering

Common stock offered by the selling stockholders	52,308,970 shares of common stock.
Common stock outstanding	55,637,480 shares of common stock.(1)
Voting Rights	Each share of common stock has one vote.
Use of proceeds	We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders in this offering.
Dividend policy	We have never paid cash dividends to holders of our common stock. We do not expect to declare or pay any cash or other dividends on our common stock in the foreseeable future.
Listing	We intend to apply to have our common stock quoted on the OTCBB under the symbol “NMIH.” If our application is accepted and a public market for our stock materializes which results in our common stock being held by at least 400 holders, we intend to apply to list our common stock on the NASDAQ Global Market under the trading symbol “NMIH.”
Risk factors	Please read the section entitled “Risk Factors” beginning on page 10 for a discussion of some of the factors you should consider before buying our common stock.

(1) Based on 55,637,480 shares of our common stock issued and outstanding as of May 31, 2013, and includes 137,380 shares that were issued upon vesting of restricted stock units issued under the 2012 Stock Incentive Plan. As of May 31, 2013, there were 53 holders of our common stock. Unless otherwise indicated, information contained in this prospectus regarding the number of shares of our common stock outstanding after this offering does not include an aggregate of up to 6,354,785 shares of our common stock comprising:

- 313,870 shares of our common stock issuable upon exercise of the FBR Warrant;
- 678,295 shares of our common stock issuable upon exercise of the MAC Warrant;
- 3,068,579 shares of our common stock issuable upon exercise of outstanding stock options, 658,417 of which are currently exercisable;
- 1,248,650 shares of our common stock issuable upon vesting of restricted stock units; and
- An aggregate of 1,045,391 shares of our common stock reserved for issuance under the 2012 Stock Incentive Plan.

SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth our summary selected historical consolidated financial data. You should read this information in conjunction with “Selected Condensed Historical Financial Information,” “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus. References in this prospectus to "Successor" refer to the Company on or after April 24, 2012 and references to "Predecessor" refer to MAC Financial Holding Corporation prior to April 24, 2012.

The summary historical consolidated financial statements of the Company (Successor entity) are set forth below as of and for the three months ended March 31, 2013 and March 31, 2012, as of and for the year ended December 31, 2012, as of December 31, 2011, for the period May 19, 2011 (date of inception) through December 31, 2011 and for the period May 19, 2011 (date of inception) through March 31, 2013. The summary financial information presented is derived from our audited or unaudited interim consolidated financial statements included elsewhere in this prospectus.

We have included the summary historical consolidated financial statements of our Predecessor entity, MAC Financial Holding Corporation, as of and for the three months ended March 31, 2012, as of and for the year ended December 31, 2011, and for the period from July 6, 2009 (date of inception of Predecessor entity) through March 31, 2012.

We have also included the unaudited pro forma consolidated statement of operations for the year ended December 31, 2012, which combines the Predecessor's consolidated income statement for such period with the Successor's consolidated income statement, which are included elsewhere in this prospectus, giving effect to the MAC Acquisition as if it had occurred on January 1, 2012. Because there was an immaterial level of operations during this pro forma period, totaling approximately $9 thousand, we do not further discuss the pro forma presentation in this prospectus.

We were formed in May 2011. Prior to the completion of the MAC Acquisition on April 24, 2012, our activities were focused on organizational development, capital raising and other start-up related activities. Additionally, for the period from May 19, 2011 through the date of this filing, our efforts were primarily directed toward building the foundation of the Company which would allow us to write mortgage insurance. These efforts included, among other things, building an executive management team and hiring other key officers and directors and staff, building our operating processes, designing and developing our business and technology applications, environment and infrastructure, and securing state licensing and GSE Approval. As of March 31, 2013, we had not written any mortgage insurance.

In April 2012, we raised net proceeds of approximately $510 million in a private placement of our common stock and completed our acquisition of MAC Financial, a Delaware corporation, and its Wisconsin-licensed subsidiaries, including NMIC. The proceeds from the private placement were and will be primarily used to capitalize our MI subsidiaries and fund our operating expenses until our MI subsidiaries generate positive cash flows. We recently commenced issuing mortgage insurance policies in April 2013. Therefore, our results of operation following our receipt of GSE Approval cannot be meaningfully compared to our operations prior thereto.

CONSOLIDATED STATEMENTS OF OPERATIONS

	SUCCESSOR					PRO FORMA	PREDECESSOR		
	NMI Holdings, Inc. (A Development Stage Company)					NMI Holdings, Inc. (A Development Stage Company)	MAC Financial Holding Corporation (A Development Stage Company)		
	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Period May 19, 2011 (inception) to December 31, 2011	For the Period May 19, 2011 (inception) to March 31, 2013	For the Year Ended December 31, 2012	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	For the Period July 6, 2009 (inception) to March 31, 2012
	(unaudited)	(unaudited)			(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(In Thousands, except per share data)					*(In Thousands, except per share data)*	*(In Thousands)*		
Net investment income	$ 410	$ —	$ 6	$ —	$ 416	$ 6	$ —	$ —	$ —
Other revenue	63	—	278	—	341	278	—	2	18
Total Revenues	473	—	284	—	757	284	—	2	18
Payroll and related	6,209	—	11,559	—	17,768	11,559	—	334	2,402
Share-based compensation	3,013	—	6,115	—	9,128	6,115	—	—	—
Professional fees	2,303	361	4,242	1,248	7,793	4,246	3	35	1,976
Other	901	25	5,859	101	6,861	5,866	5	237	1,279
Total Expenses	12,426	386	27,775	1,349	41,550	27,786	8	606	5,657
Net loss	$ (11,953)	$ (386)	$ (27,491)	$ (1,349)	$ (40,793)	$ (27,502)	$ (8)	$ (604)	$ (5,639)
Share Data									
Basic and Diluted loss per share	$ (0.22)	$ (3,860.00)	$ (0.73)	$ (13,490.00)	$ (1.47)	$ (0.73)			
Book value per share	$ 8.66	$ (17,310.00)	$ 8.81	$ (13,490.00)	$ 8.66	$ 8.81			
Weighted average common	55,500,100	100	37,909,936	100	27,668,722	37,909,936			
Shares outstanding	55,500,100	100	55,500,100	100	55,500,100	55,500,100			

CONSOLIDATED BALANCE SHEETS

	SUCCESSOR				PREDECESSOR	
	NMI Holdings, Inc. (A Development Stage Company)				MAC Financial Holding Corporation (A Development Stage Company)	
	March 31, 2013	March 31, 2012	December 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(unaudited)	(unaudited)			(unaudited)	
	(In Thousands)				(In Thousands)	
Cash and cash equivalents	$ 147,402	$ 3	$ 485,855	$ —	$ 17	$ 17
Restricted cash	—	—	40,338	—	—	—
Investment securities	329,267	—	4,864	—	—	—
Accrued investment income	1,134	—	—	—	—	—
Goodwill and other intangible assets	3,634	—	3,634	—	—	—
Software and equipment, net	9,213	—	7,550	—	2,888	2,891
Other assets	588	1,786	526	210	14	19
Total Assets	$ 491,238	$ 1,789	$ 542,767	$ 210	$ 2,919	$ 2,927
Accounts payable and accrued expenses	$ 5,603	$ 3,108	$ 8,708	$ 1,354	$ 1,258	$ 1,227
Purchase fees and purchase consideration payable	—	—	40,338	—	—	—
Warrant liability	4,807	—	4,842	—	—	—
Other liabilities	133	412	133	205	209	240
Total Liabilities	10,543	3,520	54,021	1,559	1,467	1,467
Total Stockholders' Equity (Deficit)	480,695	(1,731)	488,746	(1,349)	1,452	1,460
Total Liabilities and Stockholders' Equity	$ 491,238	$ 1,789	$ 542,767	$ 210	$ 2,919	$ 2,927

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this prospectus, including our consolidated financial statements and the related notes thereto, before deciding to invest in our common stock. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, operating results and cash flow. In such case, the trading price of our common stock could decline and you could lose all or part of your investment.

This registration statement contains forward-looking statements that involve risks and uncertainties. See "Important Information and Cautionary Statement Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements, including any such statements made in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Risk Factors Relating to Our Business Generally

We are a recently formed development stage corporation that, prior to receipt of GSE Approval in January 2013, did not engage in any substantive insurance operations. Therefore, our operating history is not comparable to what we expect our future operations will be.

We are a recently formed development stage corporation that received GSE Approval in January 2013. We did not engage in any substantive operations (including writing MI) prior to receipt of GSE Approval and, therefore, do not have a track record or operating history that will be comparable to our future operations upon which investors may rely. Having no insurance operating history, we are subject to substantial business and financial risks and could suffer significant losses. We are seeking to develop business relationships, develop and implement our technology platform, gain customers, establish operating procedures, continue to hire staff and complete other tasks appropriate for the conduct of our intended business activities. Our success will also be dependent upon our ability to implement the operating procedures we have established, and continue to develop the internal controls (including the timely and successful implementation of information technology systems and programs) to effectively support our business and our regulatory and reporting requirements. In addition to the foregoing, as a new company with no insurance operating history, we do not have all the necessary licenses and authorizations to operate the insurance business described in this prospectus in all of the United States. As of the date of this prospectus, we have obtained authorization to write MI business in 48 states and D.C. Further, industry conditions may change by the time we are able to start operating in a manner that may adversely affect the development of our business, and there can be no assurance that we will be successful in our efforts to develop our business or obtain the necessary licenses and authorizations in a timely manner, if at all.

As a participant in the mortgage lending and MI industry, we rely on e-commerce and other technologies to conduct business with our customers. Our inability to meet the technological demands of customers could adversely impact our business, financial condition and operating results.

As a participant in the mortgage lending and MI industry, we rely on e-commerce and other technologies to provide and expand our products and services. Customers require us to provide certain products and services in a secure manner, electronically via the Internet or electronic data transmission, and we will process a significant amount of our new insurance written and claims processing electronically. Accordingly, we are investing resources in establishing and maintaining electronic connectivity with customers and, more generally, in e-commerce and technological advancements. In order to integrate electronically with mortgage lenders,

we will need to connect our systems to the industry's largest mortgage servicing systems and leading loan origination systems. We have begun the process of integration with these third-party loan servicing and origination systems, but expect the integration process to take a significant amount of time before it is complete. Our inability to make significant progress with these e-commerce connections could negatively impact our ability to attract as customers the larger mortgage lenders who rely on these connections to do business. Many of these customers will require us to have such connectivity in place as a precursor to doing business with them. Our business, financial condition and operating results may be adversely impacted if we do not successfully establish these arrangements or otherwise keep pace with the technological demands of customers.

If we, together with third parties with whom we have contracted, are unable to develop, enhance and maintain our technology platform with respect to the products and services we offer, our business and financial performance could be significantly harmed.

As discussed below in this prospectus, we are developing an enterprise technology platform designed to support our mortgage insurance operations. If our technology platform fails to perform in the manner we expect, our business, financial condition and operating results will be significantly harmed. Further, if we are unable to timely and effectively enhance our platform when problems arise or when necessary to support our current and future business functions, our business would be negatively impacted. As the volume of insurance applications submitted to our system increases, we may experience problems. Until we reach a significant volume of mortgage insurance applications through our policy acquisition system, and even if we reach a significant volume, we cannot be assured that we will not experience additional difficulties. The success of our business will be dependent on our ability to resolve any issues identified with our technology platform during operations and to timely make any necessary improvements. Further, we will need to match or exceed the technological capabilities of our competitors over time. We cannot predict with certainty the cost of such maintenance and improvements, but failure to make such improvements could have an adverse effect on our business, financial condition and operating results.

In addition, we have contracted with a number of third parties in connection with the development and operation of the platform and rely on these third parties to competently perform their obligations in a timely manner. Any failure to maintain acceptable arrangements with these parties, or the failure of any of these third parties to perform and/or deliver in an acceptable manner and on a timely basis, could have an adverse effect on our business, financial condition and operating results.

If we are unable to enhance, augment and maintain our insurance management system (which we refer to as "IMS") we purchased in connection with the MAC Acquisition our business and financial performance could be significantly harmed.

As part the MAC Acquisition, we acquired IMS, which is a major component of our technology platform (which we refer to as "AXIS"). After acquisition of IMS, business analysis and development efforts pursued over the ensuing months revealed that IMS would require significant modifications and enhancements in order to adequately and acceptably interface with our customers, underwrite their mortgage insurance, bill and collect the premiums due to us, run relevant internal and external reports on our current book of business and process and pay our customers' claims in a timely manner. In order to write our first policy, we had to devote considerable time and effort into enhancing the underwriting module of IMS. Given some of the difficulty and significant time required to upgrade the underwriting module to get it to a satisfactory level of efficiency, we are currently evaluating alternative solutions that could more effectively support our policy servicing, billing, delinquency and claims management needs. There is no assurance we will be able to build these capabilities, that our customers will accept any short-term, work around solutions or that we will be able to make any of these system modifications or enhancements in a timely manner. Any significant shortfall in these technology enhancements

or negative variance in the time-line in which the system functionality is delivered could have an adverse impact on our business, financial condition and operating results.

We may not receive, or be able to retain, licenses in all states, which would hamper our ability to issue MI on a nationwide basis.

In addition to GSE Approval, in order to transact MI on a nationwide basis NMIC must receive certificates of authority in each of the 50 states and D.C. As of the date of this prospectus, NMIC has obtained certificates of authority in 48 states and D.C. NMIC has not yet received certificates of authority in Wyoming or Florida. NMIC's application for a certificate of authority is currently pending in Wyoming, while in Florida we withdrew NMIC's application and plan to resubmit a new application in the near term future. There can be no assurance that these efforts will be successful as the insurance regulatory authorities in these states have considerable discretion as to whether to grant us a license. Unless and until they are successful our mortgage insurance business will be confined to those states where we have been issued a certificate of authority and where our forms and rates have been approved. In addition, certain lenders may require that we hold certificates of authority in all, or nearly all, states before they are willing to do business with us, which could also have an adverse effect on the volume of business we are able to write. There are no assurances that we will receive certificates of authority in Wyoming and Florida in a timely manner, if at all.

We may not receive, or be able to retain, rate and form approvals in all states, which would hamper our ability to issue MI on a nationwide basis.

We intend to write MI business in the 50 states and D.C. In addition to needing to obtain certificates of authority in each of these jurisdictions, many of the states require approval of our insurance rates and/or policy forms before we may issue insurance policies in those states. We currently have effective rates in 47 states and D.C. and effective policy forms in 44 states and D.C. Until such time as we receive the additional approvals of rates and policy forms that we need, our ability to provide MI will be geographically limited to those states in which our insurance subsidiaries have obtained certificates of authority as insurance companies and the necessary rate and form approvals. These geographic limitations could have an adverse effect on the volume of business we are able to write. There are no assurances that we will receive rate and form approvals in the remaining states in a timely manner, if at all. If we fail to do so, our business, financial condition and operating results may be adversely affected.

We are outsourcing the underwriting of our mortgage insurance on certain loans to third-party service providers. If these service providers fail to adequately perform their underwriting services or place coverage on ineligible loans, we could experience increased losses on loans underwritten by them and our customer relationships could be negatively impacted.

If our underwriting service providers fail to adequately perform their underwriting services, including mishandling of customer inquiries or an inability to underwrite a sufficient volume of applications per day, we may lose opportunities to place mortgage insurance coverage on particular loans, our reputation may suffer, and customers may choose not to do business with us at all. In addition, if our underwriting service providers place coverage on loans that are ineligible for coverage under our underwriting guidelines, our risk of loss will be increased on those loans or the premiums we charge will be inadequate to the risk presented. We do not have the right under our mortgage insurance policies to cancel coverage of an ineligible loan as a result of an underwriting vendor's inappropriate decision. Further, other than being able to terminate our contracts, we do not have explicit monetary contractual remedies against these service providers in the event we are obligated to pay claims on ineligible loans that vendors improperly agreed to insure on our behalf. If these service providers fail to adequately perform their underwriting services or consistently place coverage on ineligible

loans, we could experience increased losses on loans underwritten by them and our customer relationships could be negatively impacted, which would have an adverse impact on our business, financial condition and operating results.

We currently intend to perform a post-close underwriting review of every loan that has been insured through our delegated mortgage insurance program within the first months of coverage, which will increase our costs of doing business and could negatively impact our ability to compete.

Our delegated underwriting program permits lenders who are approved by us to bind coverage on our behalf, so long as the insurance decision is consistent with applicable eligibility and underwriting criteria. Historically, delegated underwriting of mortgage insurance by lenders has been perceived by both lenders and MI companies as affording mutually beneficial efficiencies to the mortgage underwriting process. Compared to the prevailing delegated programs of our competitors, our delegated program is costlier and less efficient for us and our customers. The terms of coverage that apply to loans insured under our delegated program require the lenders to submit complete loan origination files to us within 60 days of the coverage effective dates. To comply with the loan file delivery requirement, our customers' processes would likely need to be modified, which will require the expenditure of greater resources on their part and could have the effect of driving our customers to choose our competitors' products over ours. In addition, we intend to conduct a post-close underwriting review (with the assistance of third-party service providers) of every loan insured under our delegated program to determine whether such loans meet applicable eligibility and underwriting criteria. While we believe our timely post-close review will afford greater certainty of coverage to our customers, this process could significantly increase our costs of doing business compared to our competitors. For these reasons, the structure of our delegated program could negatively impact our ability to compete, which would have an adverse effect on our business, financial condition and operating results.

Our mortgage insurance master policies contain restrictions on our ability to rescind coverage for fraud and underwriting defects, and if we were to fail to timely discover any such fraud or underwriting defects, our rights of rescission would be significantly limited, and we could suffer increased losses as a result of paying claims on loans with unacceptable risk profiles.

Under our mortgage insurance policies, after a borrower has timely made 18 consecutive monthly payments on a loan we insure, we have agreed that we will not rescind or cancel coverage of that loan for borrower fraud or underwriting defects. In addition, upon the borrower attaining 18 full and timely consecutive monthly payments, we have agreed to limitations on our ability to initiate an investigation of fraud or misrepresentation by our insureds or any other party involved in the origination of an insured loan, which we collectively refer to in our master policies as a "First Party." Although we have processes in place to review every loan we insure, we may not discover fraud and/or underwriting defects prior to a borrower making the 18th payment. If this were to occur, we would be contractually prohibited from exercising our rights of rescission for borrower fraud; our rights to investigate potential First Party fraud or misrepresentation would be curtailed; and we may be obligated to pay claims on certain loans with unacceptable risk profiles or which failed to meet our underwriting guidelines at the time of origination. As a result, we could suffer significant unexpected losses, which could adversely impact our business, financial condition and operating results.

NMIC is required to maintain minimum capital under its agreements with the GSEs and certain states, and if NMIC falls below these capital requirements or exceeds certain risk-to-capital ratios, we could be required to cease writing business in these states and would likely lose our GSE eligibility, either of which would adversely impact our business, financial condition and operating results.

As a condition of GSE Approval, we have agreed with Fannie Mae and Freddie Mac to limit NMIC's risk-to-capital ("RTC") ratio to no greater than 15 to 1 and to maintain total statutory capital of at least $150 million for a three year period ending on January 15, 2016. After that date, we agree to comply with the risk-to-capital ratios that are imposed in the GSEs' then existing eligibility requirements. As part of our state licensing process, NMIC entered into risk-to-capital agreements with the California Insurance Department, the Missouri Department of Insurance, the New York State Department of Financial Services, the Ohio Department of Insurance and the Texas Commissioner of Insurance. These agreements require NMIC to maintain a risk-to-capital ratio not to exceed 20 to 1 until January 15, 2016. If our business grows faster (i.e. our risk-in-force grows faster than expected) or is less profitable than expected (i.e. our revenues do not generate the return we expect), our actual RTC ratios over the short to mid-term could exceed our expected RTC ratios and could begin to approach the limits to which we are subject. If we are unable to raise additional capital or enter into alternative arrangements to reduce our risk-in-force, including through reinsurance, we may exceed the GSE and/or state-imposed capital requirements. If this were to occur, we may lose our GSE eligibility and/or may be required to cease transacting new business in these states, which would substantially impair our business and adversely impact our financial position and operating results.

We have reported net losses for the most recent year, expect to continue to report annual net losses in the near term, and cannot assure you when we will achieve profitability.

For the year ended December 31, 2012, we had a net loss of $27.5 million. We currently expect to continue to report annual net losses, the size of which will depend primarily on the amount of insurance business we can transact and the returns generated from our investment portfolio. We cannot assure you when, or if, we will achieve profitability. Conditions that could delay our profitability include primarily our ability to obtain and maintain certificates of authority from state insurance departments, fully develop and implement our enterprise technology platform, attract and retain a diverse customer base, maintain GSE eligibility, and to a lesser extent, high unemployment rates, low housing values, and unfavorable resolution of ongoing legal proceedings.

Our inability to timely attract and retain the largest mortgage originators as customers could negatively impact our ability to achieve our business goals.

The success of our mortgage insurance business is highly dependent on our ability to attract and retain as customers the largest mortgage originators in the United States. These lenders originate loans through their retail channels, as well as purchase loans from other originators, including the smaller correspondent lenders. As a result of their size and market share, these entities originate a significant majority of low down payment mortgages in the United States and, therefore, influence the size of the MI market. In order to insure low down payment loans originated by the largest originators, we must first obtain their respective approvals as an authorized MI provider and achieve connectivity with their mortgage origination systems. The process of obtaining such approvals and integrating our systems is time-consuming and requires the dedication and coordination of significant resources by us and the lenders. While we have made significant progress in engaging these lenders as customers, there is no assurance we will receive approvals from these lenders to do MI business in this channel in a timely manner or at all. If we cannot timely obtain such approvals, or fail to obtain and retain one or more approvals, our business, financial condition and operating results could be adversely impacted.

If we ultimately gain these entities as customers, we cannot be certain that any loss of business from a single lender would be replaced from other new or existing lending customers in the industry. Such lending customers may decide to write business only with certain mortgage insurers based on their views with respect to an insurer's pricing, underwriting guidelines, loss mitigation practices, financial strength or other factors. Our customers may choose to diversify the mortgage insurers with which they do business, which could negatively affect our level of new insurance written and our market share. The loss of business from a significant customer could have an adverse effect on the amount of new business we are able to write, and consequently, our financial condition and operating results.

The mortgage market is dominated by the largest mortgage originators, whose business, once they become customers, will be critical to our success. If these lenders experience disruptions to their ability to originate mortgage loans, our business and financial performance could suffer.

Maintaining business relationships and volumes with the largest mortgage originators, once they become customers, will be critical to the success of our business. The mortgage origination market is dominated by the largest mortgage originators, and the economic downturn and challenging market conditions of the recent past have adversely affected the financial condition of a number of them. If the U.S. economy fails to fully recover or re-enters a recessionary period, these lenders could again become subject to serious financial constraints that may jeopardize the viability of their business plans or their access to additional capital, forcing them to consider alternatives such as bankruptcy or consolidation with others in the industry. If this were to happen to any of these largest loan originators, the overall health of the U.S. mortgage origination market would be negatively impacted. The loss of business from a significant customer could have an adverse effect on the amount of new business we are able to write, and consequently, our financial condition and operating results.

There can be no assurance that the GSEs will continue to treat us as a qualified mortgage insurer in the future.

Fannie Mae and Freddie Mac have imposed certain capitalization, operational and reporting conditions in connection with their recent approvals of NMIC as a qualified mortgage insurer. Some of these conditions remain in effect for a three-year period from the date of GSE Approval, while others do not expressly expire. Even though we have received GSE Approval to be a qualified mortgage insurer, there can be no assurance that the GSEs will continue to treat us as a qualified mortgage insurer in the future or, alternatively, they could, in their own discretion, require additional limitations on certain of our activities and practices in order to remain qualified. Such additional limitations could limit our operating flexibility and the areas in which we may write new business. The GSEs, as major purchasers of conventional mortgage loans in the United States, will likely be the primary beneficiaries of our MI coverage. If, in the future, either or both of the GSEs were to cease to consider us a qualified mortgage insurer and, therefore, cease accepting our MI products, our business, financial condition and operating results would be adversely impacted.

Under the terms of the GSE Approval, either or both of the GSEs could require us to redomicile from Wisconsin to another state, which, if required, could have an adverse impact on our business, financial condition and operating results.

Under the terms of Fannie Mae's and Freddie Mac's respective approvals of NMIC as a qualified mortgage insurer, each GSE has the right to require NMIC to redomicile to another state approved by such GSE. If either or both of the GSEs were to require that NMIC redomicile to another state, the process to redomicile would likely be time consuming and could strain Company resources. Moreover, redomicile is subject to approval by both current and proposed state insurance regulators, a process which would place further strain on Company resources. NMIC's primary insurance regulator is currently the Wisconsin Office of

Commissioner of Insurance ("Wisconsin OCI" or "WOCI"). If NMIC were required to redomicile to another state of the GSEs' choosing, NMIC's primary insurance regulator would change and become the insurance regulator in the new state of domicile. If this were to occur, there is no assurance that the regulations of the state of domicile will be similar to the regulations of the Wisconsin OCI or that NMIC would develop a favorable relationship with the new regulator. A requirement to redomicile could slow or prevent the successful execution of our plan of operations, which could adversely impact our business, financial condition and operating results.

We expect to face intense competition for business in our industry from existing MI providers and potentially from new entrants. If we are unable to compete effectively, we may not be able to gain market share and our business may be adversely affected.

The MI industry is highly competitive. We intend to compete with other private mortgage insurers based on our financial strength, underwriting guidelines, clear coverage terms, customer relationships, name recognition, reputation, strength of management teams and field organizations, comprehensiveness of databases covering insured loans, effective use of technology and innovation in the delivery and servicing of insurance products and pricing. However, the existing MI companies, many of which have larger operations than us and/or are part of larger diversified companies, have established relationships and significantly greater capital, infrastructure, personnel and other resources than we are anticipated to have during our initial years of operation. If our information technology systems are inferior to our competitors, existing and potential customers may choose our competitors' products over ours. If we are unable to compete effectively against our competitors and attract our target customers, our revenue may be adversely impacted and we may not be able to gain market share. In addition, we believe there is a substantial likelihood that one or more additional companies will enter the industry and provide products similar to those that we intend to provide. Increased competition could result in fewer submissions of policy applications to us and therefore result in premiums written being lower than expected, which could adversely impact our growth and profitability.

Our underwriting and risk management policies and practices may not anticipate all risks and/or the magnitude of potential for loss as the result of unforeseen risks.

We have established underwriting and risk management policies and practices that seek to mitigate our exposure to borrower default risk in our insured portfolio by anticipating future risks and the magnitude of those risks. However, the losses we incur will be uncertain and will depend largely on general economic conditions, including rates of unemployment and home prices. Given the uncertainties caused by the slow pace of economic recovery and instability in the housing and mortgage markets and, to the extent that a risk is unforeseen or is underestimated in terms of magnitude of loss, these policies and practices may not completely insulate us from the effects of those risks. If our risk management policies and practices do not correctly anticipate risk or the potential for loss we may underwrite business for which we have not charged premium commensurate with the risk or we may establish our loss reserves at a rate that does not accurately approximate our actual ultimate loss payments. Either one of these could result in severe adverse material results.

Our primary insurance in force may be concentrated in specific geographic regions and could make our business highly susceptible to downturns in local economies, which could be detrimental to our financial condition.

We will seek to diversify our insured portfolio geographically; however, the availability of business might lead to concentrations in specific regions in the United States, which could make our business highly susceptible to economic downturns in these regions. A deterioration in local or national economic conditions in the mortgage market and other economic conditions, including home prices, levels of unemployment and

interest rates or an increase in default rates in specific geographical areas or generally could have a material adverse effect on our operating results and financial position.

Actual premiums and investment earnings may not be sufficient to cover loss payments and our operating costs.

We set premiums at the time a policy is issued based on our expectations regarding likely performance over the term of the policy. Our premiums are subject to approval by state regulatory agencies, which can delay or limit our ability to increase our premiums. Generally, we will not be able to cancel the MI coverage or adjust renewal premiums during the life of an MI policy. As a result, higher than anticipated claims generally will not be able to be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. While we believe our initial capital, premiums and investment earnings will provide a pool of resources sufficient to cover expected loss payments and have made estimates regarding loss payments and potential claims, the ultimate number and magnitude of claims we experience cannot be predicted with certainty and the actual premiums and investment earnings may not be sufficient to cover losses and/or our operating costs. An increase in the number or size of claims, compared to what we anticipate, could adversely affect our operating results or financial condition. We may not be able to achieve the results that we expect, and there can be no assurance that losses will not exceed our total resources.

Adverse investment performance may affect our financial results and ability to conduct business.

Our investment portfolio consists primarily of highly rated debt obligations. Our investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. Changing and unprecedented market conditions could materially impact the future valuation of securities in our investment portfolio, which may cause us to impair, in the future, some portion of those securities. Volatility or illiquidity in the markets in which we hold positions may cause certain other-than-temporary impairments within our portfolio, which could have a significant adverse effect on our liquidity, financial condition and operating results.

Income from our investment portfolio is one of our primary sources of cash flow to support our operations and claim payments. If we improperly structure our investments to meet those future liabilities or have unexpected losses, including losses resulting from the forced liquidation of investments before their maturity we may be unable to meet those obligations. NMIC's investments and investment policies are subject to state insurance laws, which results in our portfolio being predominantly limited to highly rated fixed income securities. Interest rates on our fixed income securities are near historical lows. If interest rates rise above the rates on our fixed income securities, the market value of our investment portfolio would decrease. Any significant decrease in the value of our investment portfolio would adversely impact our financial condition.

In addition, compared to historical averages, interest rates and investment yields on highly rated investments have generally declined, which has the effect of limiting the investment income we can generate. We depend on our investments as a source of revenue, and a prolonged period of low investment yields would have an adverse impact on our revenues and could potentially adversely affect our operating results.

We may be forced to change our investments or investment policies depending upon regulatory, economic and market conditions, and our existing or anticipated financial condition and operating requirements, including the tax position, of our business. Our investment objectives may not be achieved. Although our portfolio consists mostly of highly-rated investments and complies with applicable regulatory requirements, the success of our investment activity is affected by general economic conditions, which may adversely affect the markets for credit and interest-rate-sensitive securities, including the extent and timing of investor

participation in these markets, the level and volatility of interest rates and, consequently, the value of fixed-income securities.

Estimating future losses and the timing of future losses is inherently uncertain and requires significant judgment, and as a result, our loss estimates may vary widely and are dependent on a number of factors.

Estimating future losses and the timing of future losses is inherently uncertain and requires significant judgment. Our expectations regarding future losses may change significantly over time. Our future losses and ability to meet applicable capital adequacy requirements could be affected by a variety of factors. Such factors include, among others:

- current and future economic conditions, including continued slow economic recovery from the most recent recession or the potential of the U.S. economy to reenter a recessionary period, borrower access to credit, levels of unemployment, interest rates and home prices;
- the level of defaults, the claim rates on loans in default and the claim severity within NMIC's mortgage insurance portfolio;
- potentially negative economic changes in geographic regions where our insurance in force is more concentrated;
- the rate at which our MI portfolio remains in force (persistency rate);
- future levels of new insurance written (and the profitability of such business), which will impact future premiums written and earned and future losses; and
- the performance of our investment portfolio and the extent to which issuers of the fixed-income securities that we own default on principal and interest payments or the extent to which we are required to impair portions of the portfolio as a result of deteriorating capital markets.

Many of these factors are outside of our control and difficult to predict. In addition, some of these factors are subjective and not subject to specific quantitative standards. Due to the inherent uncertainty and significant judgment involved in the numerous assumptions required in order to estimate our losses, our loss estimates may vary widely. If we incorrectly estimate the factors that drive our losses, our business, financial condition and operating results could be adversely impacted.

We will establish loss reserves when we are notified that a loan we insure is in default for at least 60 days, based on management's estimate of claim rates and claim sizes, which will be subject to uncertainties and will be based on assumptions about certain estimation parameters that may be volatile. As a result, our actual ultimate claim payments may materially exceed the amount of our loss reserves.

We are a new company and have only recently commenced transacting mortgage insurance. We do not anticipate a material level of losses (relative to written premiums or stockholders' equity) in the first few years of our operations. Our practice, consistent with United States generally accepted accounting principles (“GAAP”) for the MI industry, will be to establish loss reserves only for loans at least 60 days in default. We will also establish reserves for estimated losses incurred on loans that have been in default for at least 60 days that have not yet been reported to us by the servicers (this is often referred to as incurred but not reported or “IBNR”).

The establishment of loss and IBNR reserves is subject to inherent uncertainty and will require significant judgment by management. We plan to establish loss reserves using our best estimates of claim

rates, *i.e.*, the percent of loan defaults that ultimately result in claim payments, and claim amounts, *i.e.*, the dollar amounts required to settle claims, to estimate the ultimate losses on loans reported to us as being at least 60 days in default as of the end of each reporting period. We will estimate IBNR by analyzing historical lags in default reporting to determine a specific number of IBNR claims in each reporting period. Our estimates of claim rates and claim sizes will be strongly influenced by prevailing economic conditions, for example current rates or trends in unemployment, housing price appreciation and/or interest rates, and our best judgments as to the future values or trends of these macroeconomic factors. If prevailing economic conditions deteriorate suddenly and/or unexpectedly, our estimates of loss reserves could be materially understated, which may adversely impact our financial condition and operating results. Because loss and IBNR reserves are based on estimates and judgments, there can be no assurance that even in a stable economic environment, actual claims paid by us will not be substantially different than our loss and IBNR reserves for such claims. Our business, operating results and financial condition will be adversely impacted if, and to the extent, our actual losses are greater than our loss and IBNR reserves.

We may be required to establish a premium deficiency reserve if the net present value of our premiums and reserves is less than the net present value of our loss payments and expenses

In addition to establishing loss reserves for loans in default, under GAAP, we are required to establish a premium deficiency reserve, or PDR, for our mortgage insurance products if the amount by which the net present value of expected future losses for a particular product and the expenses for such product exceeds the net present value of expected future premiums and existing reserves for such product. We evaluate whether a premium deficiency exists at the end of each fiscal quarter. Our evaluation of premium deficiency is based on our best estimates of future losses, expenses and premiums. This evaluation depends upon many significant assumptions, including assumptions regarding future macroeconomic conditions, and therefore, is inherently uncertain and may prove to be inaccurate. There can be no assurance that premium deficiency reserves will not be required in future periods after we commence writing insurance business. If this were to occur, our business, financial condition and operating results would be adversely impacted.

As a condition of obtaining approval from Freddie Mac to be a qualified mortgage insurer, we are required to obtain an insurance financial rating by July 31, 2015, and if we fail to obtain a rating by the deadline, we may lose our Freddie Mac approval status.

As a condition of our approval from Freddie Mac to be a qualified mortgage insurer, we are required to obtain a rating from a Nationally Recognized Statistical Rating Organization by July 31, 2015. While we have commenced the process of obtaining such a rating, we are still in the exploratory phase and have not yet engaged any particular rating agency to obtain a rating. If we fail to obtain a rating by July 31, 2015, we may lose our Freddie Mac approval status, which would adversely affect our business, financial condition and operating results.

If we are unsuccessful in our efforts to attract, train and retain qualified personnel, or to retain those personnel we have already recruited, our business may be adversely affected.

We believe that our growth and future success will depend in large part on the services and skills of our management team and our ability to motivate and retain these individuals and other key personnel, including underwriters and support staff. We intend to pay competitive salaries, bonuses and equity-based rewards in order to attract and retain such personnel, but there can be no assurance that we will be successful in such endeavors. The loss of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition or operating results.

The mix of business we write affects our revenue stream and the likelihood of losses occurring.

Even when housing values are stable or rising, mortgages with certain characteristics have higher probabilities of claims. These characteristics include loans with loan-to-value ratios over 95% (or in certain markets that have experienced declining housing values, over 90%), FICO credit scores, with lower scores tending to have higher probabilities of claims, or higher total debt-to-income ratios, as well as loans having combinations of these higher risk factors and thus have layered risk. In general, we charge higher premiums for loans with higher risk characteristics. There is, however, no guarantee that our premiums will compensate us for the losses we incur on loans with higher risk characteristics. From time to time, in response to market conditions, we may change the types of loans that we insure and the guidelines under which we insure them, and in doing so, the concentration of insured loans with higher risk characteristics in our portfolio may increase. In addition, we may make exceptions to our underwriting guidelines on a loan-by-loan basis and for certain customer programs. We expect any exceptions to be very limited and on a case-by-case basis. Even though underwriting that falls outside of our guidelines would be on a case-by-case basis, we could incur higher than expected claims and claim payments on this business, which could negatively impact our revenues and operating results.

We may not be able to effectively manage our growth.

Our future operating results depend to a large extent on our ability to successfully manage our growth. Our growth has placed, and it may continue to place, significant demands on our operations and management. Whether through additional acquisitions or organic growth, our current plan is dependent upon our ability to:

- continue to implement and improve our operational, credit, financial, management and other internal risk controls and processes and our reporting systems and procedures in order to manage a growing number of client relationships;
- scale our technology platform; and
- attract and retain management talent.

We may not successfully implement improvements to, or integrate, our management information and control systems, procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in loan volume in various markets and the infrastructure that comes with new customers. If we are unable to manage future expansion in our operations, we may experience compliance and operational problems, be required to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could have an adverse effect on our business, financial condition or operating results.

We rely on our systems and employees, and any errors or fraud could materially and adversely affect us.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical record-keeping errors and transactional errors. Our business is dependent on our employees as well as third parties to process a large number of increasingly complex transactions. We could be materially and adversely affected if one of our employees causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business also could be sources of operational risk to us, including

breakdowns or failures of such parties' own systems or employees. Any of these occurrences could result in our diminished ability to operate our business, potential liability to customers, reputational damage and regulatory intervention, which could result in a material adverse effect on our financial position and operating results.

We are dependent on our information technology and telecommunications systems and third-party servicer providers, and termination of third-party contracts, systems failures, interruptions, or breaches of security could have a material adverse effect on us.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. We outsource many of our major information technology functions, including for the development and operation of our enterprise technology platform, data center hosting and management, email and collaboration, and human resource systems. The failure of any of these third parties to perform and/or deliver on a timely basis, or the failure of these systems, either individually or collectively, or the termination of a third-party software license or service agreement on which any of our systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third parties, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have an adverse effect on our business, financial condition and operating results.

The security of our information technology may be compromised and confidential information could be inappropriately disclosed.

As part of our business, our computer systems process and retain large amounts of personal information of the borrowers whose mortgages we insure. The security of our computer systems and networks, and those functions that we may outsource, may be subject to cyber threats that could result in failures, unauthorized access or disruptions in our business. Additionally, our employees and vendors may use portable computers or mobile devices which can be stolen, lost or damaged. Despite our efforts to ensure the integrity of our systems and information, it is possible that we may not be able to anticipate or to implement effective preventive measures against all cyber threats, particularly because the techniques used change frequently or are not recognized until launched, and because security attacks can originate from a wide variety of sources. Those parties may also attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our customers. We maintain technology errors and omissions coverage to limit our exposure in the event an incident occurs. This insurance provides coverage for (i) claims related to, among other things, unauthorized network or computer access, unintentional disclosure or misuse of personally identifiable information in our possession, unintentional failure to disclose a breach and (ii) certain costs related to privacy notification, crisis management and business interruption. While we maintain such coverage, any compromise of the security of our information technology systems that results in the loss of personally identifiable information may result in loss of customer business, would be costly and time-consuming, could expose us to liability for damages, harm our reputation, subject us to regulatory scrutiny or expose us to civil litigation, any of which could have an adverse effect on our business, financial condition and operating results. Further, our insurance coverage may be inadequate to cover any claims or costs associated with an incident that may occur in the future.

If servicers fail to adhere to appropriate servicing standards or experience disruptions to their businesses, our losses could unexpectedly increase.

We depend on reliable, consistent third-party servicing of the loans that we insure. Among other things, our mortgage insurance policies require our insureds and their servicers to timely submit premium and monthly insurance-in-force and default reports and utilize commercially reasonable efforts to limit and mitigate loss when a loan is in default. If these servicers fail to adhere to such servicing standards and fail to limit and mitigate loss when appropriate, our losses may unexpectedly increase. In addition, if one or more servicers were to experience adverse effects to its business, such servicers could experience delays in their reporting and premium payment requirements. Without reliable, consistent third-party servicing, our insurance subsidiaries may be unable to correctly record new loans as they are underwritten, receive and process payments on insured loans and/or properly recognize and establish loss reserves on loans when a default exists or occurs but is not reported to us. Significant failures by large servicers or disruptions in the servicing of mortgage loans covered by our insurance policies would adversely impact our business, financial condition and operating results.

The occurrence of natural or man-made disasters or a pandemic could adversely affect our business, financial condition and operating results.

We could be exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, floods and tornadoes, and man-made disasters, including acts of terrorism, military actions and pandemics. For example, a natural or man-made disaster or a pandemic could lead to unexpected changes in persistency rates as policyholders and contract holders who are directly or indirectly affected by the disaster may be unable to meet their contractual obligations, such as payment of premiums on our insurance policies, interest payments due on our invested assets, and mortgage payments on loans insured by our MI policies. The continued threat of terrorism may cause significant volatility in global financial markets, and a natural or man-made disaster or a pandemic could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business and increased claims from those areas, as well as an adverse effect on home prices in those areas, which could result in increased loss experience in our business. Disasters or a pandemic also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations. In addition, a disaster or a pandemic could adversely affect the value of the assets in our investment portfolio if it affects companies' ability to pay us principal or interest on their securities.

Our holding company structure and certain regulatory and other constraints, including adverse business performance, could affect our ability to satisfy our obligations and potentially require us to raise more capital.

We serve as the holding company for our insurance subsidiaries, which are mono-line insurance companies restricted to writing residential MI business only, and we do not have any significant operations of our own. As a result, our principal sources of funds will be income from our investment portfolio, dividends and other distributions from our insurance subsidiaries, including permitted payments under our tax and expense-sharing arrangements, and funds that may be raised from time-to-time in the capital markets. Our dividend income is limited to upstream dividend payments from our mono-line insurance subsidiaries, which dividends are restricted by agreements with the GSEs and various state insurance departments and by Wisconsin law. Under agreements with the GSEs and various state insurance departments, we are not permitted to extract dividends from our insurance subsidiaries until December 31, 2015. In general, dividends in excess of prescribed limits are deemed “extraordinary” and require approval of the Wisconsin OCI. For a further discussion of state insurance regulatory dividend limitations see “*State Insurance Regulations*.” As a result of these dividend limitations, we will not receive dividend income from our subsidiaries for several years. In addition, the

expense-sharing arrangements between us and our insurance subsidiaries, as amended, have been approved by the Wisconsin OCI, but such approval may be revoked at any time. If this were to occur, payments to us could be curtailed or limited which would adversely impact our business and operating results.

Our principal liquidity demands include funds for: (i) the payment of certain corporate operating expenses; (ii) capital support for our MI subsidiaries; and (iii) potential payments to the Internal Revenue Service ("IRS") and local taxing and licensing authorities. Under the terms of the GSE Approvals, we are required to make additional capital contributions to NMIC in order to support a minimum surplus of $150.0 million and maintain a risk-to-capital ratio under 15 to 1 through December 31, 2015. We could be required to provide additional capital support for NMIC and our other mortgage insurance subsidiaries if additional capital is required pursuant to insurance laws and regulations or by the GSEs. If we were unable to meet our obligations, our insurance subsidiaries could lose GSE Approval and/or be required to cease writing business in one or more states, which would adversely impact our business, financial condition and operating results.

Our future capital requirements depend on many factors, including our ability to successfully write new business and establish premium rates at levels sufficient to cover losses, expenses and allow us to achieve profitability. To the extent that the funds generated by our ongoing operations and initial capitalization are insufficient to fund future operating requirements or to achieve a return on capital attractive to investors, we may need to raise additional funds, including through equity or debt financings or reinsurance, or curtail our growth. We cannot be sure that we will be able to raise equity or debt financing on terms favorable to us and our stockholders and in the amounts that we require, or at all. If we cannot obtain adequate capital, our business, financial condition and operating results could be adversely affected.

We, as well as certain of our officers, are party to a lawsuit, which if determined adverse to us and our officers could have an adverse effect on our financial condition and operating results.

We, as well as certain of our officers, including our Chief Executive Officer and Chief Financial Officer, are defendants in a lawsuit titled: **Germaine L. Marks, as Receiver, et al v. NMI Holdings, Inc. et al,** filed on August 8, 2012 in California Superior Court, Alameda County. The lawsuit alleges breach of fiduciary duty, breach of loyalty, aiding and abetting breach of fiduciary duty and loyalty, misappropriation of trade secrets, conversion, breach of proprietary information agreement, breach of separation agreement, and intentional interference with contractual relations, unfair competition and conspiracy. The lawsuit seeks injunctive relief as well as unspecified monetary damages. We and the individual defendants believe these claims are without merit and have filed an answer denying all allegations. There is no assurance that we and the individual defendants will prevail in the lawsuit. If the lawsuit is determined adversely to us the court could grant injunctive relief to the plaintiffs preventing us from obtaining the remaining state licenses needed to write mortgage insurance and/or subject us to significant monetary damages. In addition, if the lawsuit is determined adversely to any of our officers who are individual defendants in the lawsuit, we would likely be required to remove and replace those officers under the terms of agreements NMIC and NMIH entered into with each of the Alabama Department of Insurance, Arizona Department of Insurance, the Texas Commissioner of Insurance and the New York State Department of Financial Services, as a condition of NMIC obtaining certificates of authority in those states, as well as under an agreement with the Wisconsin OCI. If we were required to replace such officers, including our Chief Executive Officer and Chief Financial Officer, our business and reputation could be significantly impaired, which could result in an adverse effect on our financial position and operating results.

Risk Factors Relating to the Mortgage Insurance Industry and its Regulation

The implementation of the Basel III Capital Accord may affect the use of MI by and, our ability to conduct business with, certain banks.

In 1988, the Basel Committee on Banking Supervision developed the Basel Capital Accord ("Basel I"), which set out international benchmarks for assessing banks' capital adequacy requirements. In June 2005, the Basel Committee issued an update to Basel I (as revised in November 2005, "Basel II"), which, among other factors, governs the capital treatment of MI purchased by domestic and international banks in respect of their origination and securitization activities. In November 2010, the United States agreed to a new capital framework known as Basel III. This new capital framework will replace the Basel II capital rules, which have not yet been implemented for U.S. depository institutions or holding companies. The Basel III framework will apply to the 10 to 12 largest U.S. banking organizations, as well as banking companies that have significant international operations. It may also be imposed on non-banking financial companies that are determined to present systemic risks to the U.S. financial system. The Basel III framework refines the Basel II risk-based structure by requiring the use of highly stressed scenarios in determining the appropriate levels of risk undertaken by banks, and it will also increase the required minimum capital ratios. The Basel III framework restricts the instruments that can count toward meeting the capital requirements, placing greater emphasis on common equity and retained earnings. Finally, Basel III will impose a new minimum liquidity standard on banking organizations.

The Basel III regime was expected to be phased in beginning in 2013. However, implementing regulations have not yet been finalized by the agencies, and until these regulations are finalized the exact contours of the new capital requirements cannot be determined. It is possible that some of the Basel III elements will be required of small banking organizations, and it is also possible that the implementation dates will be modified to reflect current economic conditions. While these changes are significant, the capital rules will continue to risk-weight assets based on internal models that use inputs such as the probability of default, and the bank's expected loss given a default. The current draft of the regulations does not require that MI be factored into these internal models. Therefore, mortgage lenders that currently achieve capital relief through the use of MI on low down payment mortgages that the banks retain in their loan portfolios may not be able to achieve that going forward. The MI industry is making efforts to reverse the decision of the banking regulators regarding non-recognition of MI as credit-risk mitigation in the draft regulations, but there is no assurance that such efforts will be successful. In addition, most low down payment mortgages originated today are either sold to the GSEs, with MI, or insured by FHA or guaranteed by the VA. (Basel III does not apply to the GSEs.) A small percentage of low down payment mortgages are retained by banks for their own loan portfolios. Thus we cannot predict how Basel III may affect the opportunities for growth of the MI industry. If Basel III is implemented in a manner that does not provide sufficiently favorable treatment to the use of MI, our business could be negatively impacted.

Implementation of the Dodd-Frank Act could negatively impact private mortgage insurers and the amount of insurance they can write, including if the definition of Qualified Residential Mortgage ("QRM") results in a reduction of the number of low down payment loans available to be insured.

The Dodd-Frank Act, enacted by Congress in July 2010, expands federal oversight of consumer financial products and services, including mortgage loans. The Dodd-Frank Act also authorized the formation of the Federal Insurance Office, charging it with, among other things, monitoring all aspects of the insurance industry (excluding certain insurance lines other than MI), including the identification of gaps in regulation of insurers that could contribute to financial crisis. As discussed below in *Management's Discussion and Analysis of Financial Condition and Results of Operation-Regulation-Qualified Residential Mortgage Rule*, the Dodd-

Frank Act contains a risk-retention requirement on securitized mortgage loans that do not meet the definition of a QRM. In March 2011, federal regulators issued the proposed risk-retention rule that includes a definition of QRM which contains many requirements, including a maximum loan-to-value ratio (or, "LTV") of 80%, and does not give consideration to mortgage insurance in computing LTV. If the final QRM rule does not give consideration to MI in computing LTV, the attractiveness of MI to originators and securitizers will be reduced.

The regulators requested public comments regarding an alternative QRM definition, which would allow loans with 90% LTVs, higher debt-to-income ratios than allowed under the proposed QRM definition, and the consideration of MI in determining whether the LTV requirement is met. The public comment period for the proposed rule expired on August 1, 2011. Under the proposed rule, because of the capital support provided by the U.S. government, the GSEs satisfy the Dodd-Frank Act risk-retention requirements while they are in conservatorship. Changes in final regulations regarding treatment of GSE guaranteed mortgage loans, or changes in the conservatorship or capital support provided to the GSEs by the U.S. government, could impact the manner in which the risk-retention rules apply to GSE securitizations and our business. Depending on, among other things, (i) the final definition of QRM and its requirements for LTV, seller contribution and debt-to-income ratio and (ii) to what extent, if any, the use of MI would allow for a higher LTV in the definition of QRM, the number of mortgage loans that are QRMs may be limited. If, in the future, the GSEs become subject to the risk-retention requirements or lenders do not choose MI for non-QRM loans, the MI industry, as well as the amount of new insurance that we may write, may be adversely affected.

Our business prospects and operating results could be adversely impacted if, and to the extent that, the Consumer Financial Protection Bureau's ("CFPB") final rule defining a qualified mortgage ("QM") reduces the size of the origination market.

The Dodd-Frank Act established the CFPB to regulate the offering and provision of consumer financial products and services under federal law, including residential mortgages. As discussed below in "*Management's Discussion and Analysis of Financial Condition and Results of Operation-Regulation-Qualified Mortgage Rule*," the Dodd-Frank Act authorized the CFPB to issue regulations governing a loan originator's determination that, at the time a loan is originated, the consumer has a reasonable ability to repay the loan. The Dodd-Frank Act provides a statutory presumption that a borrower will have the ability to repay a loan if the loan has the characteristics that meet the definition of QM. One of the characteristics of a lawful QM transaction is that the "points and fees" payable in connection with the transaction should not exceed 3% of the total loan amount. The CFPB issued the final QM rule on January 10, 2013 and an amendment to the QM rule on May 29, 2013. The QM rule is scheduled to become effective for residential mortgage loan applications received on or after January 10, 2014. We expect that most lenders will be reluctant to make loans that do not qualify as QMs because they will not be entitled to the presumption against civil liability under the Dodd-Frank Act. As a result, we believe QM regulations will have a direct impact on establishing a subset of borrowers who can meet the regulatory standards and will have a direct effect on the size of the residential mortgage market in any given year once the regulations become effective. We expect that the majority of our new insurance written will be on loans that will meet the QM definition, and therefore do not believe such limitations would materially affect our business. However, it is difficult to predict with any certainty how lenders' origination practices will change as a result of the QM rule and whether any such changes would have a negative impact on the MI industry. Our business prospects and operating results could be adversely impacted if, and to the extent that, the QM regulations reduce the size of the origination market.

In addition, there are certain aspects of the QM regulations that could have an adverse impact on mortgage insurers. Under the QM regulations, if the lender requires the borrower to purchase mortgage insurance, then the MI premiums are included in monthly mortgage costs in determining the borrower's ability

to repay the loan. The demand for MI may decrease if, and to the extent that, monthly MI premiums make it less likely that a loan will qualify for QM status, especially if MI alternatives (discussed below in "-*The amount of insurance we may be able to write could be adversely affected if lenders and investors select alternatives to MI.*") are relatively less expensive than MI.

In addition, under the QM regulations, mortgage insurance premiums that are payable at or prior to consummation of the loan are includible in points and fees unless, and to the extent that, such up-front premiums ("UFP") are (i) less than or equal to the UFP charged by the FHA, and (ii) are automatically refundable on a *pro rata* basis upon satisfaction of the loan. (The FHA currently charges UFP of 1.75% on all residential mortgage loans, but it has the authority to change its UFP from time to time.) The QM rule includes a limitation on points and fees in excess of 3% of the total loan amount. As inclusion of MI premiums towards the 3% cap will reduce the capacity for other points and fees in covered transactions, mortgage originators may be less likely to purchase single premium MI products to the extent that the associated premiums are deemed to be points and fees. As a result, we believe that the QM rule may increase demand for monthly and annual MI products relative to single premium products, which may have an adverse impact on our business, financial condition and operating results to the extent that profitability of single premium products exceeds that of monthly and annual MI products.

Changes in the business practices of the GSEs, including a decision to decrease or discontinue the use of MI, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses.

We currently expect that virtually all of our insurance written will be on loans sold to Fannie Mae and Freddie Mac. As discussed below, the requirements and practices of the GSEs impact the operating results and financial performance of companies in the MI industry. Changes in the charters or business practices of Freddie Mac or Fannie Mae could reduce the number of mortgages they purchase that are insured by us and consequently diminish our franchise value. For example, the Federal Housing Finance Agency ("FHFA"), which was appointed as the conservator of the GSEs in September 2008, has indicated that its 2013 strategic plan for the GSEs includes a target of $30 billion of unpaid principal balance in risk-sharing transactions for both Fannie Mae and Freddie Mac, which may include MI. While we generally believe the FHFA's 2013 strategy will have the beneficial impact of increasing opportunities for private mortgage insurers, we do not yet have any data, including credit quality or historical performance, regarding the loans with respect to which the GSEs will attempt to enter into risk-sharing transactions. It is difficult to predict with any certainty whether the GSEs will choose to place a significant percentage of the contemplated risk-sharing transactions with MI companies, and if so, whether we will be presented with such opportunities.

The appointment of the FHFA as conservator, the increasing role that the federal government has assumed in the residential mortgage market, our industry's capacity to write a sufficient volume of insurance to meet the needs of the GSEs or other factors may increase the likelihood that the business practices of the GSEs change in ways that may have an adverse effect on us. These factors also increase the likelihood that the charters of the GSEs are changed by new federal legislation. Such changes may allow the GSEs to reduce or eliminate the level of MI coverage that they use as credit enhancement, which could have an adverse effect on our revenue, operating results or financial condition. In February 2011, the U.S. Department of the Treasury reported its recommendations regarding options for ending the conservatorship of the GSEs, and while it does not provide any definitive timeline for GSE reform, it does recommend substantially reducing the government's footprint in housing finance.

Since 2011, there have been numerous legislative proposals, including in the current Congressional session, that are intended to wind down the GSEs in a piecemeal fashion. Among other changes, these bills, if ultimately enacted, would gradually reduce the GSE maximum portfolio size, prohibit the GSEs from engaging in any new activities or businesses and repeal the GSE affordable housing goals. In addition, there were several comprehensive housing finance reform proposals introduced in Congress. Each of these proposals has been designed to eliminate the GSEs, while most of them would also replace the GSEs with a new mortgage financing system. The proposals vary greatly with regard to the government's role in the housing market, and more specifically, with regard to the existence of an explicit or implicit government guarantee. Most of the proposals would maintain the current role of MI, while some of the proposals would provide for deeper MI coverage. It is difficult to predict whether any of these proposals will become law or the impact any future legislation will have on our business and prospects.

As a result of the matters referred to above, it is uncertain what role the GSEs, FHFA and private capital, including MI, will play in the domestic residential housing finance system in the future or the impact of any such changes on our business. In addition, the timing of the impact on our business is uncertain. Any changes to the charters or statutory authorities of the GSEs would require Congressional action to implement and it is difficult to estimate when Congressional action would be final and how long any associated phase-in period may last.

Our insurance subsidiary is subject to state insurance department capital adequacy requirements, which if breached, could result in NMIC being required to cease writing new business or lose GSE eligibility.

NMIC's principal regulator is the Wisconsin OCI. Under applicable Wisconsin law, as well as that of 15 other states, a mortgage insurer must maintain a minimum amount of statutory capital relative to the risk-in-force (Risk to Capital or “RTC”) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the “RTC requirement.” While formulations of minimum capital may vary in each jurisdiction that has such a requirement, the most common measure applied allows for a maximum permitted RTC ratio of 25 to 1. Wisconsin and certain other states, including California and Illinois, apply a substantially similar requirement referred to as minimum policyholders position. Accordingly, if we fail to meet the capital adequacy requirements in one or more states, we could be required to suspend writing business in some or all of the states in which we do business.

The U.S. MI industry is subject to regulatory risk and has been subject to increased scrutiny by insurance and other regulatory authorities.

The U.S. MI industry and our insurance subsidiaries are and will be subject to substantial federal and state regulation, which has increased in recent years as a result of the deterioration of the housing and mortgage markets in the United States. Increased federal or state regulatory scrutiny could lead to new legal precedents, new regulations or new practices, or regulatory actions or investigations, which could adversely affect our financial condition and operating results. In addition, given the recent significant losses incurred by many insurers in the mortgage and financial guaranty industries, our insurance subsidiaries may be subject to heightened scrutiny by insurance regulators. State insurance regulatory authorities could take actions, including making changes to capital requirements, that could have a material adverse effect on us. Further, failure to comply with the various federal and state regulations promulgated by federal consumer protection authorities and state insurance regulatory authorities could lead to enforcement or disciplinary action, including the imposition of penalties and the revocation of our authorization to operate. See “*Regulation.*”

The NAIC has formed a working group to explore, among other things, whether the risk-to-capital requirements applicable to mortgage insurers should be overhauled. We, along with other MI companies are

working with the Mortgage Guaranty Insurance Working Group of the Financial Condition (E) Committee of the NAIC (the "Working Group"). The Working Group will determine and make a recommendation to the Financial Condition (E) committee of the NAIC as to what changes, if any, the Working Group believes are necessary to the solvency regulation of MI companies, including changes to the Mortgage Guaranty Insurers Model Act (Model #630). The Working Group is in the early stages of discussion and the ultimate outcome of these discussions and any potential actions taken by the NAIC cannot be predicted at this time. If the Working Group proposes that the NAIC adopt more stringent capital requirements, this could ultimately lead to NMIC being obligated to hold more capital for its insured business, which would reduce our profitability compared to the profitability we expect under the existing capital requirements.

A downturn in the U.S. economy or a decline in the value of borrowers' homes from their value at the time their loans close may result in more homeowners defaulting and could increase our losses.

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as increasing unemployment and whether the home of a borrower who defaults on his or her mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. In general, favorable economic conditions reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. Deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values, which in turn can decrease the willingness of borrowers with sufficient resources to make mortgage payments to do so when the mortgage balance exceeds the value of the home. Housing values may decline even absent deterioration in economic conditions due to declines in demand for homes, which in turn may result from changes in buyers' perceptions of the potential for future appreciation, restrictions on mortgage credit due to more stringent underwriting standards, liquidity issues affecting lenders or other factors, such as the phase-out of the mortgage interest deduction. The residential mortgage market in the United States has for some time experienced a variety of worsening economic conditions and housing values have only recently begun to stabilize. If our loss projections are inaccurate, our loss payments could materially exceed our recorded loss reserves resulting in an adverse effect on our financial position and operating results. Also, if unemployment rates and price declines exceed our forecasts our underwriting standards may prove inadequate to shield us from materially increased losses.

If interest rates decline, house prices appreciate or mortgage insurance cancellation requirements change, the length of time that our policies remain in force could decline and result in a decrease in our actual versus projected revenue.

In each year, most of our premiums will be from insurance that has been written in prior years. As a result, the length of time insurance remains in force, which is also generally referred to as persistency, is a significant determinant of our revenues. The factors affecting the length of time our insurance remains in force include:

- the level of current mortgage interest rates compared to the mortgage rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings (i.e., lower current interest rates make it more attractive for borrowers to refinance and receive a lower interest rate); and
- mortgage insurance cancellation policies of mortgage investors along with the current value of the homes underlying the mortgages in the insurance in force.

Current mortgage interest rates are at or near historic lows. Future premiums on our insurance in force represent a material portion of our claims paying resources. We are unsure what the impact on our revenues will be as mortgages are refinanced, because the number of policies we write for replacement mortgages may be more or less than the terminated policies associated with the refinanced mortgages. Our revenues might be negatively impacted if there is a higher than expected level of refinance activity on loans we insure in the future.

The amount of insurance we may be able to write could be adversely affected if lenders and investors select alternatives to MI.

If lenders and investors select alternatives to MI, our business could be adversely affected. These alternatives to MI include, but are not limited to:

- lenders using government MI programs, including those of the FHA and the VA;
- state-supported mortgage insurance funds in several states, including California and New York;
- lenders and other investors holding mortgages in portfolio and self-insuring;
- investors using credit enhancements other than MI, using other credit enhancements in conjunction with reduced levels of MI coverage, or accepting credit risk without credit enhancement;
- lenders originating mortgages using “piggy-back” structures to avoid MI, such as a first mortgage with an 80% LTV and a second mortgage with a 10%, 15% or 20% LTV (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% LTV that has MI; and
- if borrowers pay cash versus securing mortgage financing, which has occurred with greater frequency in recent years.

Any of these alternatives to MI could reduce or eliminate the need for our product, could cause us to lose business and/or could limit our ability to attract the business that we would prefer to underwrite. The degree to which lenders or borrowers may select these alternatives now, or in the future, is difficult to predict. As one or more of the alternatives described above, or new alternatives that enter the market, are chosen over MI, our revenues could be adversely impacted. The loss of business in general or the specific loss of more profitable business could have a material adverse effect on our financial position and operating results.

If the volume of low down payment home mortgage originations declines, the amount of insurance that we may be able to write could decline, which would reduce our revenues.

Our revenues, in part, depend on the volume of low down payment home mortgage originations and may be negatively affected if the volume declines. The factors that affect the volume of low down payment mortgage originations include, among other things:

- restrictions on mortgage credit due to more stringent underwriting standards and liquidity issues affecting lenders;
- the level of home mortgage interest rates;
- the health of the real estate industry and the national economy as well as the conditions in regional and local economies;
- housing affordability;

- population trends, including the rate of household formation;
- the rate of home price appreciation, which in times of heavy refinancing can affect whether refinance loans have LTVs that require MI; and
- U.S. government housing policy encouraging loans to first-time homebuyers.

A decline in the volume of low down payment home mortgage originations could decrease demand for MI, decrease our new insurance written and therefore reduce our revenues and have an adverse effect on our operating results.

The U.S. MI industry is, and as a participant we will be, subject to litigation risk generally.

The MI industry faces litigation risk in the ordinary course of operations, including the risk of class action lawsuits and administrative enforcement by federal agencies. Litigation relating to capital markets transactions and securities-related matters in general has increased and is expected to continue to increase as a result of the recent financial crisis. Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. Mortgage insurers have been involved in litigation alleging violations of the Real Estate Settlement Procedures Act of 1974 (“RESPA”) and the Fair Credit Reporting Act (“FCRA”). RESPA generally precludes mortgage insurers from paying referral fees to mortgage lenders for the referral of MI business. This limitation also can prohibit providing services or products to mortgage lenders free of charge, charging fees for services that are lower than their reasonable or fair market value, and paying fees for services that mortgage lenders provide that are higher than their reasonable or fair market value, in exchange for the referral of MI business services. Violations of the referral fee limitations of RESPA may be enforced by the federal CFPB, as well as by private litigants in class actions. In the past, a number of lawsuits have challenged the actions of private mortgage insurers under RESPA, alleging that the insurers have violated the referral fee prohibition by entering into captive reinsurance arrangements or providing products or services to mortgage lenders at improperly reduced prices in return for the referral of MI. In addition to these private lawsuits, other MI companies have received Civil Investigative Demands (“CID”) from the CFPB as part of its investigation to determine whether mortgage lenders and mortgage insurance providers engaged in acts or practices in connection with their captive mortgage insurance arrangements in violation of the RESPA, the Consumer Financial Protection Act and the Dodd-Frank Act. We are not currently subject to RESPA-related inquiries by the CFPB or other regulators or litigation, and we do not currently have any captive reinsurance arrangements. However, should we become a party to such an inquiry or action, the ultimate outcome is difficult to predict and it is possible that any outcome could be negative to us specifically or the industry in general and such a negative outcome could have an adverse effect on our business, financial position and operating results.

Risks Related to This Offering and Our Common Stock

There is currently no public market for our common stock, which could result in future stockholders in this offering being unable to liquidate their investments. An active, liquid market for our common stock may not develop or be sustained, which would materially and adversely affect the market price of our common stock.

There is no established public market for our common stock. We will seek to have our common stock quoted on the OTCBB prior to or shortly following the filing of this prospectus. If our application is accepted and a public market for our common stock materializes which results in our common stock being held by 400 or more holders (and we meet all other listing requirements then in effect), we subsequently intend to list our common stock on the NASDAQ Global Market ("NASDAQ"). Even if our stock does become quoted on the OTCBB and/or we do begin trading our common stock on the NASDAQ, an active, liquid trading market for

our common stock may not develop or be sustained, which likely would materially and adversely affect the market price of our common stock. Stockholders also may not be able to sell their shares of our common stock at the volume, prices and times desired.

Failure to list certain of our shares for trading on the New York Stock Exchange or the NASDAQ within the time periods set forth in a Registration Rights Agreement to which we are a party could result in the removal of certain of our directors, which could in turn disrupt the continuity of our operations and adversely affect our business.

Concurrently with the consummation of our April 2012 private placement, we entered into a Registration Rights Agreement for the benefit of our stockholders with respect to our common stock sold in the private placement. Under the terms of the Registration Rights Agreement, we are required to use commercially reasonable efforts to list the registrable shares for trading on the New York Stock Exchange or the NASDAQ. If the registrable shares have not been listed for trading on the New York Stock Exchange or the NASDAQ on the date that is the earlier of six months after the filing of the registration statement of which this prospectus is a part or 12 months after the date of GSE Approval, the Registration Rights Agreement and our bylaws will require us to call a special meeting of our stockholders for the purpose of considering and voting on the removal of our directors then in office and electing the successors of any directors so removed. The removal of our directors at such a special meeting could have an adverse effect on our business, including disrupting the continuity of our operations.

We may not be accepted for quotation on the OTCBB or for listing or inclusion on the NASDAQ.

Following the effectiveness of this registration statement of which this prospectus forms a part, we will seek to have our common stock quoted on the OTCBB. There is no assurance that our application will be approved, however, as an application for quotation on the OTCBB must be submitted by one or more market makers who (i) are approved by the Financial Industry Regulatory Authority (“FINRA”); (ii) who agree to sponsor the security and (iii) who demonstrate compliance with SEC Rule 15(c)2-11 before initiating a quote in the security on the OTCBB. In order for a security to be eligible for quotation by a market maker on the OTCBB, the security must be registered with the SEC and the company must be current in its required filings with the SEC. There are no listing requirements for the OTCBB and accordingly no financial or minimum bid price requirement.

If our application is accepted and a public market for our common stock materializes which results in our common stock being held by 400 or more holders (and we meet all other listing requirements then in effect), we will then apply to list our common stock on the NASDAQ (including seeking to cure in our listing any deficiencies cited by such exchange or market), and thereafter maintain the listing on such exchange or market. Each exchange and market has initial listing criteria, including criteria related to minimum bid price, public float, market makers, minimum numbers of round lot holders and board independence requirements that we can give no assurance we will meet. Our inability to list or include our common stock on the NASDAQ could affect the ability of our stockholders to sell their shares of our common stock subsequent to the declaration of the effectiveness of the registration statement of which this prospectus forms a part and, consequently, could adversely affect the value of such shares. In such case, our stockholders would find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock. In addition, we would have more difficulty attracting the attention of market analysts to cover us in their research. In order for us to meet the requirements to list on the NASDAQ, we believe we will need a minimum of 400 stockholders. We currently do not have 400 stockholders, but we expect to achieve this number of stockholders by first listing our stock on the OTCBB which we expect will allow us to gain the number of public stockholders to comply with the NASDAQ listing requirements. While we expect that we will be successful in this plan, there can be no

assurance that we will achieve the number of stockholders necessary to list on the NASDAQ. If we are unsuccessful, holders of shares of our common stock may not be able to sell their shares of our common stock at or near their original acquisition price, or at any price.

We can give no assurances as to the development of liquidity or any trading market for our common stock. Holders of shares of our common stock may not be able to resell their shares of our common stock at or near their original acquisition price, or at any price.

We do not anticipate paying any dividends on our common stock in the near future, and payment of any declared dividends may be delayed.

As a condition of GSE Approval, the GSEs have prohibited NMIC from paying a dividend to us before December 31, 2015. NMIC has also agreed with various state insurance regulators to similar three year restrictions on the payment of dividends. After the expiration of the three year period, we must obtain prior approval from the GSEs for the payment of any dividend by NMIC and we will have to obtain permission from our state of domicile regulator, the Wisconsin OCI or any successor domestic regulator, for the payment of any extraordinary dividend. Without the payment of dividends from NMIC to us, it may be difficult for us to pay dividends to stockholders. We do not expect to pay dividends in the near future. In our early years we intend to retain earnings to expand our business. Any declaration and payment of dividends by our board of directors will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements and other factors that our board of directors deems relevant. In addition, we may enter into credit agreements or other debt arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock.

The price per share of our common stock may not accurately reflect its actual value.

The price of our common stock may not accurately reflect the value of our common stock and may not be realized upon any subsequent disposition of the shares of our common stock. There is currently no public trading market for our common stock or prevailing public market price by which our common stock trades. In addition, our lack of operating history makes it difficult to value our common stock.

The market price of our common stock could decline due to the large number of outstanding shares of our common stock eligible for future sale.

As of the date of this prospectus, we had 55,637,480 shares of our common stock issued and outstanding. Of the outstanding shares of our common stock, the shares held by a person (or persons whose shares are aggregated) who is not deemed to be an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 of the Securities Act may be eligible for resale in the public market under Rule 144 under the Securities Act subject to applicable restrictions under Rule 144. Shares purchased by “affiliates” (as that term is defined in Rule 144 under the Securities Act) only may be sold in compliance with the limitations described in the section entitled “*Shares Eligible for Future Sale*.” Sales of substantial amounts of our common stock in the public market following this offering or in future offerings, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future, at a time and place that we deem appropriate.

In addition, we intend to file a registration statement on Form S-8 under the Securities Act to register an aggregate of approximately 5.5 million shares of our common stock for issuance under our 2012 Stock Incentive Plan. Any shares issued in connection with acquisitions, the exercise of stock options or otherwise

would dilute the percentage ownership held by investors who purchase our shares. See "*Shares Eligible for Future Sale*."

Future issuances of shares of our common stock may depress our share price and might dilute the book value of our common stock and reduce your influence over matters on which stockholders vote.

Our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares that may be issued to satisfy our obligations under our incentive plans, and securities and instruments that are convertible into our common stock. Such stock issuances could be made at a price that reflects a discount or a premium from the then-current trading price of our common stock and might dilute the book value of our common stock or result in a decrease in the per share price of our common stock.

The availability to certain stockholders of the Participation Right (described in "*Description of Capital Stock-Common Stock-Preemptive or Other Rights*") may reduce or eliminate the risk of dilution to those stockholders, but we cannot guarantee that additional offerings of our common stock will be at a price or on terms attractive to our existing stockholders such that those stockholders will want or have the capital available to them to exercise their Participation Right. In addition, issuances of common stock, or preferred stock containing voting rights, would reduce your influence over matters on which our stockholders vote.

Sales of substantial amounts of our common stock in the public market following this offering or in future offerings, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future, at a time and place that we deem appropriate.

Future issuance of debt or preferred stock, which would rank senior to our common stock upon our liquidation, may adversely affect the market value of our common stock.

In the future, we may attempt to increase our capital resources by issuing debt, including bank debt, commercial paper, medium-term notes, senior or subordinated notes or classes of shares of preferred stock. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that would limit amounts available for distribution to holders of shares of our common stock. Accordingly, upon our liquidation, holders of our debt securities and preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of shares of our common stock. In addition, if we incur debt in the future, our future interest cost could increase and adversely affect our liquidity, cash flow and operating results.

Our decision to issue debt or preferred stock will depend on market conditions and other factors, some of which will be beyond our control. We cannot predict or estimate the amount, timing or nature of such future issuances. Holders of our common stock bear the risk of such future issuances of debt or preferred stock reducing the market value of our common stock.

The market price of our common stock may be volatile, which could cause the value of an investment in our common stock to decline.

Once our common stock becomes publicly traded and an active trading market develops, the market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, which may make it difficult for stockholders to sell their shares of our common stock at the volume, prices and times desired. There are many factors that will impact the market price of our common stock, including, without limitation:

- general market conditions, including price levels and volume and changes in interest rates;
- national, regional and local economic or business conditions;
- the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;
- our actual or projected financial condition, liquidity, operating results, cash flows and capital levels;
- changes in, or failure to meet, our publicly disclosed expectations as to our future financial and operating performance;
- publication of research reports about us, our competitors or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- market valuations, as well as the financial and operating performance and prospects, of similar companies;
- future issuances or sales, or anticipated issuances or sales, of our common stock or other securities convertible into or exchangeable or exercisable for our common stock;
- expenses incurred in connection with changes in our stock price, such as changes in the value of the warrant liability;
- the potential failure to establish and maintain effective internal controls over financial reporting; and
- additions or departures of key personnel.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect the trading price of our common stock. In the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources and harm our business or operating results.

We will incur increased costs as a result of being a public company.

Following the effectiveness of this registration statement, we will be a company with securities registered under The Securities Act and as such, we will need to comply with new laws, regulations and requirements, certain corporate governance provisions of The Sarbanes-Oxley Act of 2002 (“SOX”), related regulations of the SEC, and, if we are accepted for listing, the requirements of the NASDAQ or other stock exchanges, with all of which we would not be required to comply as a private company with no registered securities. Complying with these statutes, regulations and requirements will occupy a significant amount of time from our board of directors and management and will significantly increase our costs and expenses. We will need to, among other things:

- institute a more comprehensive compliance function within legal, finance, accounting, operations and internal audit;
- maintain a board of directors comprised of a majority of “independent directors” and recruit new directors as necessary;

- design, establish, evaluate and maintain a system of internal controls over financial reporting in compliance with the requirements of Section 404 of SOX and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;
- comply with rules promulgated by the OTCBB or the NASDAQ or other stock exchange on which we may list our common stock;
- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- establish new internal policies, such as those relating to disclosure controls and procedures as well as controls to prevent insider trading;
- incur increased costs for professional services for independent auditors and attorney fees (annual compliance and additional fees), as well as public relations and information technology;
- enhance insurance coverage for Directors and Officers (“D&O”) and Errors and Omission (“E&O”) policies;
- involve and retain to a greater degree outside counsel and accountants in the foregoing activities; and
- establish an investor relations function.

The SEC rules will require that our Chief Executive Officer and Chief Financial Officer periodically certify the existence and effectiveness of our internal controls over financial reporting. We believe that, beginning with the fiscal year ending December 31, 2014, or such earlier time as we are no longer an “emerging growth company” or "EGC" as defined in the Jumpstart Our Business Startups Act (“JOBS Act”), our independent registered public accounting firm will be required to attest to our assessment of our internal controls over financial reporting. We believe that there is a substantial possibility that our ability to take advantage of any of the JOBS Act elections will cease at year end 2014, depending in large part on the market value of our equity at that time, as we believe that we will no longer meet all of the requirements to be considered an EGC at that point. This process will require significant documentation of policies, procedures and systems, review of that documentation by our internal auditing staff and our outside auditors and testing of our internal controls over financial reporting by our internal auditing and accounting staff and our outside independent registered public accounting firm. This process will involve considerable time and expense, may strain our internal resources and have an adverse impact on our operating costs. We may experience higher than anticipated operating expenses and outside auditor fees during the implementation of these changes and thereafter.

During the course of our testing, we may identify deficiencies that would have to be remediated to satisfy the SEC rules for certification of our internal controls over financial reporting. As a consequence, we may have to disclose in periodic reports we file with the SEC material weaknesses in our system of internal controls. In addition, those deficiencies may need to be reported to regulators in our state of domicile, the National Association of Insurance Commissioners ("NAIC") and various state regulators in compliance with the Model Audit Rule (“MAR”) promulgated by the NAIC. The existence of a material weakness would preclude management from concluding that our internal controls over financial reporting are effective and would preclude our independent auditors from issuing an unqualified opinion that our internal controls over financial reporting are effective. In addition, disclosures of this type in our SEC reports, as well as our statutory reports, could cause investors and/or regulators to lose confidence in our financial reporting and may negatively affect the trading price of our common stock. Moreover, effective internal controls are necessary to produce reliable financial reports and to prevent fraud. If we have deficiencies in our disclosure controls and procedures or internal controls over financial reporting, it may negatively impact our business, operating results and reputation.

We are an emerging growth company and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors. In addition, our election not to opt out of the JOBS Act extended accounting transition period may make our financial statements less easily comparable to the financial statements of other companies.

As a company that had gross revenues of less than $1 billion during its last fiscal year, we are an EGC. Since we are not required, among other things, to (i) file reports under Section 13 of the Exchange Act, (ii) comply with certain provisions of Sarbanes-Oxley and the Dodd-Frank Act and certain provisions and reporting requirements of or under the Securities Act and the Exchange Act or (iii) comply with new or revised financial accounting standards as long as we are an EGC, the JOBS Act has the effect of reducing the amount of information that we are required to provide for the foreseeable future. These reduced disclosure requirements may make our common stock less attractive to investors.

Further, as an EGC, the Company need not present more than two years of audited financial statements in order for a registration statement with respect to an initial public offering of its common equity securities to be effective, and in any other registration statement that it files with the SEC, it need not present selected financial data prescribed by the SEC in its regulations for any period prior to the earliest audited period presented in connection with its initial public offering. To the extent that other companies do not, or cannot, take advantage of the benefits under the JOBS Act, this distinction may make our common stock less attractive to investors. Our election not to opt out of the JOBS Act extended accounting transition period may make our financial statements less easily comparable to the financial statements of other companies.

We are not currently a reporting issuer and may not become one which results in reduced disclosure to investors.

We do not intend to file a Form 8-A promptly after this registration statement becomes effective. We are not currently a reporting issuer and upon this registration statement becoming effective we will be required to comply only with the limited reporting obligations pursuant to Section 15(d) of the Exchange Act. Until we register our common stock under Section 12 of the Exchange Act, which would occur not later than such time as we list our common stock on the NASDAQ or another national securities exchange, we will not be required to comply with the proxy requirements of Section 14 of the Exchange Act and our directors, officers and 10% stockholders will not be required to report their beneficial ownership of securities to the SEC pursuant to Section 16 of the Exchange Act. These reduced disclosure requirements may make our common stock less attractive to investors.

Provisions contained in our organizational documents, as well as provisions of Delaware law, could delay or prevent a change of control of us, which could adversely affect the price of shares of our common stock.

Our bylaws and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions that:

- provide that special meetings of our stockholders generally can only be called by the chairman of the board of directors or the president or by resolution of the board of directors;
- provide our board of directors the ability to issue undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may grant preferred holders super voting, special approval, dividend or other rights or preferences superior to the rights of the holder of common stock;

- provide our board of directors the ability to issue common stock and warrants within the amount of authorized capital;
- provide that, subject to the rights of the holders of any series of preferred stock with respect to such series of preferred stock, any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of our stockholders and may not be effected by any consent in writing by such stockholders;
- provide that stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at our annual meeting of stockholders, generally must provide timely advance notice of their intent in writing and certain other information not less than 90 days nor more than 120 days prior to the meeting; and
- eliminate the ability of stockholders to act by consent in lieu of a meeting.

These provisions, alone or together, could delay hostile takeovers and changes of control of our company or changes in our management.

As a Delaware corporation, we are also subject to anti-takeover provisions of Delaware law. The Delaware General Corporation Law (the “DGCL”) provides that stockholders are not entitled the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting in the election of directors.

In addition, we are subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a public Delaware corporation from engaging in a business combination (as defined in such section) with an “interested stockholder” (defined generally as any person who beneficially owns 15% or more of the outstanding voting stock of such corporation or any person affiliated with such person) for a period of three years following the time that such stockholder became an interested stockholder, unless (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

In addition, Wisconsin's insurance regulations generally provide that no person may acquire control of us unless the transaction in which control is acquired has been approved by the Wisconsin OCI. The regulations provide for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities. In addition, the insurance regulations of other states in which NMIC and/or NMRI One are licensed insurers require notification to the state's insurance department a specified time before a person acquires control of us. If regulators in these states disapprove the change of control, our licenses to conduct business in the disapproving states could be terminated.

Any provision of our certificate of incorporation or bylaws or Delaware law or under the Wisconsin insurance regulation that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of common stock, and could also affect the price

that some investors are willing to pay for shares of our common stock. See "*Description of Capital Stock-Certain Anti-Takeover Effects of Provisions of Our Bylaws and Delaware Law*."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “believes,” “can,” “could,” “may,” “predicts,” “potential,” “should,” “will,” “estimate,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “intends” and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors more fully described under the caption “*Risk Factors*”, "*Management's Discussion and Analysis of Financial Condition and Results of Operations"* and elsewhere in this prospectus, including the exhibits hereto.

Any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. The inclusion of this forward-looking information should not be regarded as a representation by us, the selling stockholders, any underwriters or any other person that the future plans, estimates or expectations contemplated by us will be achieved. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy and financial needs. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements including, but not limited to, statements regarding:

- our status as a recently organized corporation and lack of operating history;
- receipt of certificates of authority to act as a mortgage insurer in Florida and Wyoming and approvals of our insurance rates and policy forms, in each case where required, in states in which we will do business;
- retention of our existing certificates of authority in states where we have obtained them and our ability to remain a mortgage insurer in good standing in those states;
- our ability to remain a qualified mortgage insurer under the requirements imposed by the GSEs;
- actions of existing competitors and potential market entry by new competitors;
- changes to laws and regulations, including changes that could affect the residential mortgage industry generally or MI in particular;
- changes in general economic, market and political conditions and policies, interest rates, inflation and investment results or other conditions that affect the housing market or the markets for home mortgages or MI;
- changes in the regulatory environment;
- our ability to implement our business strategy, including our ability to attract customers, implement successfully and on a timely basis, complex infrastructure, systems, procedures, and internal controls to support our business and regulatory and reporting requirements of the insurance industry;
- failure of risk management or investment strategy;
- claims exceeding our reserves or amounts we had expected to experience;
- failure to achieve the results shown in the financial projections;

- failure to develop, maintain and improve necessary information technology systems or the failure of technology providers to perform;
- ability to recruit, train and retain key personnel; and
- emergence of claim and coverage issues.

All forward-looking statements are necessarily only estimates of future results, and actual results may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements which should be read in conjunction with the other cautionary statements that are included elsewhere in this prospectus. In particular, you should consider the numerous risks described in the “Risk Factors” and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this prospectus. Further, any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. You should, however, review the risk factors we describe in the reports we will file from time to time with the SEC after the date of this prospectus. See “*Where You Can Find More Information.*”

USE OF PROCEEDS

We will not receive any proceeds from the registration of any of our outstanding shares of common stock by our selling stockholders.

DIVIDEND POLICY

We do not expect to pay dividends in the near future, but we may commence paying dividends at a later date. In our early years we intend to retain earnings to expand our business. Any declaration and payment of dividends by our board of directors will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements and other factors that our board of directors deems relevant. In addition, we may enter into credit agreements or other debt arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock.

NMIC's ability to pay dividends to NMIH is limited by state insurance laws of the State of Wisconsin, which provide that NMIC may pay out "extraordinary dividends" only if not disapproved by the Wisconsin Commissioner of Insurance. For a further discussion of state insurance regulatory dividend limitations see "*Regulation - State Insurance Regulation."* Additionally, minimum capital requirements may limit the amount of dividends that NMIC may pay.

As of the date of this prospectus, no dividends on our common stock have been declared or paid. Additionally, NMIC has entered into commitments with the Arizona Department of Insurance, the California Insurance Department, the Missouri Department of Insurance, the New York State Department of Financial Services, the Ohio Department of Insurance, and the Texas Commissioner of Insurance not to pay or declare any dividends for the three-year period ending January 15, 2016. NMIC is currently licensed in 48 states and D.C. NMIC may enter into similar commitments with other state insurance departments. Some of these other states may restrict the Company's ability to pay stockholder dividends.

In addition to state dividend limitations, NMIC is restricted from paying any dividends to affiliates or to any holding company until December 31, 2015 by separate agreements with Fannie Mae and Freddie Mac.

OUR HISTORY AND CORPORATE STRUCTURE

Our History

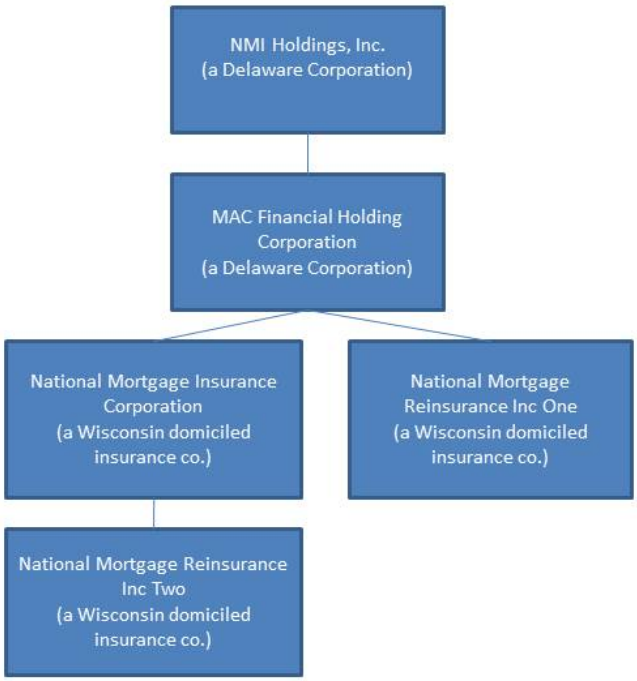
NMI Holdings, Inc. ("NMIH") is a Delaware corporation incorporated on May 19, 2011 for the purpose of building an MI company. To facilitate our time to market, on November 30, 2011, we entered into an agreement with MAC Financial Ltd. to purchase MAC Financial Holding Corporation and its Wisconsin-licensed insurance subsidiaries, which acquisition was completed on April 24, 2012. As consideration for the acquisition, MAC Financial Limited received 250,000 shares of our common stock, a warrant to purchase 678,295 shares of our common stock and approximately $2.5 million in cash consideration. After completion of the acquisition, MAC Financial Holding Corporation's Insurance subsidiaries, Mortgage Assurance Corporation, Mortgage Assurance Reinsurance One Inc and Mortgage Assurance Reinsurance Two Inc, each a Wisconsin corporation, were renamed National Mortgage Insurance Corporation (“NMIC”), National Mortgage Reinsurance Inc One (“NMRI One”) and National Mortgage Reinsurance Inc Two (“NMRI Two”) respectively.

On April 24, 2012, we also completed a private placement of 55,000,000 shares of our common stock for gross proceeds of $550 million. We received net proceeds of approximately $510 million, after the initial purchaser's discount and placement fees and after our offering expenses. Pursuant to the terms of the offering, we were able to access approximately $32 million to cover operating expenses while the remaining proceeds from the offering were placed in an investment account and the funds could not be accessed by us until we received GSE Approval. Upon receipt of GSE Approval on January 15, 2013 as described below, the funds in the investment account were released to us.

Prior to the completion of the MAC Acquisition on April 24, 2012, our activities were focused on organizational development, capital raising and other start-up related activities. Additionally, for the period from May 19, 2011 through the date of this filing our efforts have been primarily directed toward building the foundation of the Company which would allow us to write mortgage insurance. These efforts included, among other things, attracting an executive management team and other key officers and directors, attracting and hiring staff, building our operating processes, designing and developing our business and technology applications, environment and infrastructure, and securing state licensing and GSE Approval. On January 15, 2013, we received GSE Approval. With our GSE Approval, our customers who originate loans insured by NMIC may sell such loans to the GSEs (as of April 1, 2013 for Freddie Mac and as of June 1, 2013 for Fannie Mae). NMIC applied for a certificate of authority in each of the 50 states and D.C. in June 2012 and is currently licensed in 48 states and D.C. We commenced writing MI in April 2013 through NMIC.

Corporate Structure

The following diagram summarizes our corporate structure. Each of our subsidiaries is directly or indirectly wholly-owned by us:



No Current Market for Registrant's Common Equity

There is currently no public market, nor has there ever been a public market, for our common stock. Our stock currently trades on a proprietary trading platform developed by FBR Capital Markets Inc. called the FBR Plus™ System, which provides qualified institutional buyers ("QIBs") access to trading information for companies which have issued restricted securities in private placement transactions exempt from registration pursuant to Rule 144A of the Securities Act. Our securities are not currently eligible for trading on the NASDAQ or New York Stock Exchange because we have less than 400 holders of our common stock. There are currently 53 holders of our common stock. We intend to apply to the OTCBB, through a market maker that is a licensed broker dealer, to allow the listing of our common stock under the symbol "NMIH" upon our becoming a reporting entity under Section 15(d) of the Exchange Act. If our application for quotation on the OTCBB is approved, and a public market for our common stock materializes which results in our common stock being held by 400 or more holders, we intend to apply (assuming we meet all other listing requirements) to list our common stock on the NASDAQ under the symbol "NMIH."

SELECTED CONDENSED HISTORICAL FINANCIAL INFORMATION

The following tables set forth our selected condensed historical financial statements of operations. You should read this information in conjunction with “Summary Selected Historical Consolidated Financial Data,” “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus. References in this prospectus to "Successor" refer to the Company on or after April 24, 2012 and references to "Predecessor" refer to MAC Financial Holding Corporation prior to April 24, 2012.

The summary historical consolidated statements of operations of the Company (Successor entity) are set forth below as of and for the three months ended March 31, 2013 and March 31, 2012, as of and for the year ended December 31, 2012, for the period May 19, 2011 (date of inception) through December 31, 2011 and for the period May 19, 2011 (date of inception) through March 31, 2013. The summary financial information presented is derived from our audited or unaudited interim consolidated financial statements included elsewhere in this prospectus.

We have included the summary historical consolidated statements of operations of our Predecessor entity as of and for the three months ended March 31, 2012, as of and for the year ended December 31, 2011, and for the period from July 6, 2009 (date of inception of Predecessor entity) through March 31, 2012.

We have also included the unaudited pro forma consolidated statement of operations for the year ended December 31, 2012, which combines the Predecessor's consolidated income statement for such period with the Successor's consolidated income statement, which are included elsewhere in this prospectus, giving effect to the MAC Acquisition as if it had occurred on January 1, 2012. Because there was an immaterial level of operations during this pro forma period, totaling approximately $9 thousand, we do not further discuss the pro forma presentation in this prospectus.

NMIH was formed in May 2011. Prior to the completion of the MAC Acquisition on April 24, 2012, our activities were focused on organizational development, capital raising and other start-up related activities. Additionally, for the period from May 19, 2011 through the date of this filing, our efforts were primarily directed toward building the foundation of the Company which would allow us to write mortgage insurance. These efforts included, among other things, building an executive management team and hiring other key officers and directors and staff, building our operating processes, designing and developing our business and technology applications, environment and infrastructure, and securing state licensing and GSE Approval. As of March 31, 2013, we had not written any mortgage insurance.

In April 2012, NMIH raised net proceeds of approximately $510 million in a private placement of our common stock and completed our acquisition of MAC Financial, a Delaware corporation, and its Wisconsin-licensed subsidiaries, including NMIC. The proceeds from the private placement were and will be primarily used to capitalize our MI subsidiaries and fund our operating expenses until our MI subsidiaries generate positive cash flows. NMIC recently commenced issuing mortgage insurance policies in April 2013. Therefore, our results of operation following our receipt of GSE Approval cannot be meaningfully compared to our operations prior thereto.

CONSOLIDATED STATEMENTS OF OPERATIONS

	SUCCESSOR					PRO FORMA	PREDECESSOR		
	NMI Holdings, Inc. (A Development Stage Company)					NMI Holdings, Inc. (A Development Stage Company)	MAC Financial Holding Corporation (A Development Stage Company)		
	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Period May 19, 2011 (inception) to December 31, 2011	For the Period May 19, 2011 (inception) to March 31, 2013	For the Year Ended December 31, 2012	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	For the Period July 6, 2009 (inception) to March 31, 2012
	(unaudited)	(unaudited)			(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(In Thousands, except per share data)					*(In Thousands, except per share data)*	*(In Thousands)*		
Net investment income	$ 410	$ —	$ 6	$ —	$ 416	$ 6	$ —	$ —	$ —
Other revenue	63	—	278	—	341	278	—	2	18
Total Revenues	473	—	284	—	757	284	—	2	18
Payroll and related	6,209	—	11,559	—	17,768	11,559	—	334	2,402
Share-based compensation	3,013	—	6,115	—	9,128	6,115	—	—	—
Professional fees	2,303	361	4,242	1,248	7,793	4,246	3	35	1,976
Other	901	25	5,859	101	6,861	5,866	5	237	1,279
Total Expenses	12,426	386	27,775	1,349	41,550	27,786	8	606	5,657
Net loss	$ (11,953)	$ (386)	$ (27,491)	$ (1,349)	$ (40,793)	$ (27,502)	$ (8)	$ (604)	$ (5,639)
Share Data									
Basic and diluted loss per share	$ (0.22)	$ (3,860.00)	$ (0.73)	$ (13,490.00)	$ (1.47)	$ (0.73)			
Book value per share	$ 8.66	$ (17,310.00)	$ 8.81	$ (13,490.00)	$ 8.66	$ 8.81			
Weighted average common	55,500,100	100	37,909,936	100	27,668,722	37,909,936			
Shares outstanding	55,500,100	100	55,500,100	100	55,500,100	55,500,100			

CONSOLIDATED BALANCE SHEETS

	SUCCESSOR				PREDECESSOR	
	NMI Holdings, Inc. (A Development Stage Company)				MAC Financial Holding Corporation (A Development Stage Company)	
	March 31, 2013	March 31, 2012	December 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(unaudited)	(unaudited)			(unaudited)	
	(In Thousands)				(In Thousands)	
Cash and cash equivalents	$ 147,402	$ 3	$ 485,855	$ —	$ 17	$ 17
Restricted cash	—	—	40,338	—	—	—
Investment securities	329,267	—	4,864	—	—	—
Software and equipment, net	9,213	—	7,550	—	2,888	2,891
Other assets	5,356	1,786	4,160	210	14	19
Total Assets	$ 491,238	$ 1,789	$ 542,767	$ 210	$ 2,919	$ 2,927
Accounts payable and accrued expenses	$ 5,603	$ 3,108	$ 8,708	$ 1,354	$ 1,258	$ 1,227
Purchase fees and purchase consideration payable	—	—	40,338	—	—	—
Warrant liability	4,807	—	4,842	—	—	—
Other liabilities	133	412	133	205	209	240
Total Liabilities	10,543	3,520	54,021	1,559	1,467	1,467
Total Stockholders' Equity (Deficit)	480,695	(1,731)	488,746	(1,349)	1,452	1,460
Total Liabilities and Stockholders' Equity	$ 491,238	$ 1,789	$ 542,767	$ 210	$ 2,919	$ 2,927

CONDENSED STATEMENTS OF CASH FLOWS

	SUCCESSOR					PREDECESSOR		
	NMI Holdings, Inc. (A Development Stage Company)					MAC Financial Holding Corporation (A Development Stage Company)		
	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Period May 19, 2011 (inception) to December 31, 2011	For the Period May 19, 2011 (inception) to March 31, 2013	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	For the Period July 6, 2009 (inception) to March 31, 2012
	(unaudited)	(unaudited)			(unaudited)	(unaudited)		(unaudited)
	(In Thousands)					(In Thousands)		
Net Cash Used in Operating Activities	$ (13,244)	$ (207)	$ (14,595)	$ (206)	$ (28,045)	$ 31	$ (490)	$ (4,362)
Net Cash Used in Investing Activities	(325,209)	—	(9,809)	—	(335,018)	—	(90)	(2,920)
Net Cash Provided by Financing Activities	—	210	510,259	206	510,465	(31)	437	7,299
Net (Decrease) Increase in Cash and Cash Equivalents	(338,453)	3	485,855	—	147,402	—	(143)	17
Cash and Cash Equivalents, beginning of period	485,855	—	—	—	—	17	160	—
Cash and Cash Equivalents, end of period	$ 147,402	$ 3	$ 485,855	$ —	$ 147,402	$ 17	$ 17	$ 17

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Historical Consolidated Financial Data," and our financial statements and related notes thereto included elsewhere in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors." We are not undertaking any obligation to update any forward-looking statements or other statements we may make in the following discussion or elsewhere in this document even though these statements may be affected by events or circumstances occurring after the forward-looking statements or other statements were made. Therefore no reader of this document should rely on these statements being current as of any time other than the time at which this document is declared effective by the U.S. Securities and Exchange Commission.

Readers are cautioned that meaningful comparability of current period financial information to prior periods is limited. Prior to the completion of the MAC Acquisition on April 24, 2012, we had no sales, underwriting or servicing operations and our activities were limited to fund raising through the private placement of our securities, acquisition due diligence, recruitment of talent, development of our business plan and corporate organization matters. Additionally, the comparability of data prior to the date of the MAC Acquisition is limited because, in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations, the assets acquired and liabilities assumed were recorded at fair value at their respective dates of acquisition and do not have a significant resemblance to the assets and liabilities of the Predecessor insurance subsidiaries. Moreover, we raised a considerable amount of cash during the settlement of these acquisitions, we paid off borrowings, and we contributed significant capital to each insurance subsidiary we acquired. All of these actions materially changed the balance sheet composition, liquidity, and capital structure of the acquired entity. We believe that the impact of these acquisitions to our financial condition and operating results is, and will continue to be, significant.

Overview

NMI Holdings, Inc. ("NMIH") was formed in May 2011. Following our formation, we focused our efforts on organizational development, capital raising and other start-up related activities. In November 2011, we entered into a definitive agreement to acquire MAC Financial Holding Corporation and its Wisconsin licensed insurance subsidiaries, Mortgage Assurance Corporation, Mortgage Assurance Reinsurance Inc One and Mortgage Assurance Reinsurance Inc Two, each a Wisconsin corporation, which were renamed National Mortgage Insurance Corporation ("NMIC"), National Mortgage Reinsurance Inc One ("NMRI One") and National Mortgage Reinsurance Inc Two ("NMRI Two"), respectively. In April 2012, we raised net proceeds of approximately $510 million in a private placement of our common stock and completed the acquisition of MAC Financial and its insurance subsidiaries. The proceeds from the private placement were and will be primarily used to capitalize our insurance subsidiaries and fund our operating expenses until our insurance subsidiaries generate positive cash flows.

Through our primary mortgage insurance subsidiary, NMIC, a mono-line MI company, and its affiliated reinsurance companies, NMRI One and NMRI Two, we provide residential MI in the United States. Mortgage insurance provides loss protection to mortgage lenders and investors in the event of borrower default on low down payment residential mortgage loans. By protecting lenders and investors from credit losses, we help

facilitate the availability of mortgages to prospective, primarily first-time, U.S. home buyers, thus promoting homeownership and helping to revitalize our residential communities.

Our business strategy is primarily focused on commencing and growing our MI business by writing high-quality mortgage insurance in the United States. Since the Company's inception, our efforts to build our MI business have included, among other things, building an executive management team and hiring other key officers and directors and staff, building our operating processes, designing and developing our business and technology applications, environment and infrastructure, and securing state licensing and GSE approval. In January 2013, Freddie Mac and Fannie Mae each approved NMIC as a qualified MI provider ("GSE Approval"), and in April 2013, NMIC began writing its first mortgage insurance policies. NMIC works to differentiate itself primarily on prompt and predictable underwriting, thereby aiming to provide lenders with a higher degree of confidence of coverage that such lenders are seeking. As a newly capitalized mortgage insurer, we have the ability to write new business without the burden of risky legacy exposures. Our financial results to date have been primarily driven by expenditures related to our business development activities, and to a lesser extent, by our investment activities. Through March 31, 2013 we had not written any MI.

We discuss the following in turn below:

- the significant conditions and factors that have affected our operating results, including the costs associated with the key start-up activities in which we are engaged and development of our investment portfolio;
- the factors we expect will impact our future results as our mortgage insurance business continues to grow, and certain issues impacting our holding company, NMIH;
- our sources and uses of liquidity and capital resources;
- our operating results, which were primarily driven by our start up activities;
- disclosures related to market risk exposures and off-balance sheet and other contractual arrangements; and
- critical accounting policies that require management to exercise significant judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Factors Affecting Our Operating Results

Operating Expenses from Development Stage Activities

Our expenses for the three months ended March 31, 2013 and March 31, 2012, for the year ended December 31, 2012, and for the period from May 19, 2011 (inception) to March 31, 2013 were $12.4 million, $386 thousand, $27.8 million and $41.6 million, respectively, and consist largely of expenses associated with development stage activities, including payroll and related expenses, share-based compensation and professional fees. The costs that we have incurred to date do not represent the full operations of an operating MI company. We anticipate that, as our insurance writings grow and our sale activities increase, our underwriting expenses in future periods will be considerably higher than in the periods presented to date.

Although we expect our year-over-year expenses to increase significantly as we grow our business, we ultimately expect that the majority of our operating expenses will be relatively fixed in the long term. As our business matures and we deploy the majority of our capital, we are targeting our expense ratio (expenses to premiums written) to fall into a range of 20% to 25%. In our initial periods of operation, our expense ratio is expected to be significantly higher than this range given the low levels of premium written compared to our "fixed" costs customary to operating a mortgage insurance company.

We discuss below the significant development stage activities that have driven our results to date.

Start-up Operations

Since the closing of our private placement, we engaged in the following activities, which culminated in writing mortgage insurance business in April 2013:

- we obtained certificates of authority for NMIC from state insurance regulators to write mortgage insurance in 48 states and the District of Columbia ("D.C.");
- in January 2013, NMIC obtained approvals from the GSEs as a qualified mortgage insurer;
- we made substantial progress in the design, development and implementation of our information technology platform;
- we established customer relationships with mortgage originators; and
- we have attracted and retained our employee base and support systems.

State Licensing

To conduct MI business with many, or potentially all, large, national lenders, we believe NMIC will need to be licensed in all 50 states and D.C. NMIC applied for a certificate of authority in each of the 50 states and D.C. in June 2012. As of the date of this prospectus, NMIC has obtained certificates of authority in 48 states and D.C. NMIC has not yet received certificates of authority in Wyoming or Florida. NMIC's application for a certificate of authority is currently pending in Wyoming, while in Florida we withdrew NMIC's application and plan to resubmit a new application in the near term future. We are addressing, and will continue to address, any issues with both the Wyoming and Florida insurance regulators in order to secure these two remaining licenses as expeditiously as possible. Many states require approval of NMIC's insurance rates and/or policy forms before it may issue insurance policies in such states. NMIC currently has effective rates in 47 states and D.C. and effective policy forms in 44 states and D.C.

As conditions of obtaining licenses in Alabama, Arizona, California, Missouri, New York, Ohio and Texas, NMIC entered into agreements with the Alabama Department of Insurance ("ALDOI"), Arizona Department of Insurance (“AZDOI”), the California Insurance Department (“CADOI”), the Missouri Department of Insurance (“MODOI”), the New York State Department of Financial Services (“NYDOI”), the Ohio Department of Insurance ("OHDOI") and the Texas Commissioner of Insurance (“TXDOI”). The agreements with the CADOI, MODOI, NYDOI, OHDOI and TXDOI, provide, among other things, that:

- NMIC (i) refrain from paying any dividends; (ii) retain all profits; and (iii) maintain a risk-to-capital ratio not to exceed 20 to 1, for three years from the date of GSE Approval (i.e., until January 15, 2016); and

- certain start-up compensation expenses and equity compensation in the form of stock options and restricted stock units shall not be allocated to or assumed as a cost or expense by NMIC.

In its agreement with the NYDOI, NMIC is required to obtain the NYDOI's prior written approval to significantly deviate from the plan of operations and financial projections that were submitted to the NYDOI in connection with NMIC's license application. In addition, if the lawsuit with PMIC is determined adversely to any of our officers who are named as defendants in the lawsuit, we may be required to remove and replace those officers under the terms of the agreements with the ALDOI, AZDOI, NYDOI and TXDOI, as a condition of NMIC obtaining certificates of authority in those states, as well as under an agreement with the Wisconsin OCI. In connection with NMIC's license applications in California, Missouri and New York, NMIH entered into agreements with the CADOI, MODOI and NYDOI requiring NMIH to contribute capital to NMIC as necessary to maintain NMIC's risk-to-capital ratio at or below 20 to 1 for three years from the date of GSE Approval. NMRI One is also a party to the agreement with the CADOI and OHDOI. Additionally, and as part of the approval process with the GSEs, we are required for the first three years of operations (expiring December 31, 2015) to maintain our risk-to-capital ratio at no greater than 15 to 1. For further discussion of the GSE Approvals, see "*GSE Approvals"*, below.

Capital Position

In addition to the requirement that NMIC adhere to the above minimum capital requirements, as discussed in "*Regulation - State Insurance Regulation"* below, in 16 states, NMIC is also subject to regulatory minimum capital requirements based on its insured risk-in-force. While formulations of this minimum capital may vary in each jurisdiction, the most common measure allows for a maximum permitted risk-to-capital ratio of 25 to 1. As a new entrant to the MI business, our insurance writings to date have been minimal compared to the volume of insurance we expect to write as our business grows in the near future. As of May 31, 2013, NMIC's risk-in-force was approximately $150 thousand. Based on NMIC's reported statutory capital of $205 million at March 31, 2013, NMIC is currently significantly below the contractual and regulatory maximum risk-to-capital thresholds. As our insurance writings grow and our risk-in-force increases, our risk-to-capital ratio will increase and NMIC's risk-to-capital metrics will become more important to an evaluation of its compliance with all of the capital requirements to which it is subject. State insurance regulators and the GSEs are currently examining their respective risk-to-capital ratio requirements to determine whether in light of the recent financial crisis, changes are needed to more accurately assess mortgage insurers' ability to withstand stressful economic conditions. As a result of these stakeholders' ongoing assessments, the capital metrics under which they assess and measure our financial strength may change in the future.

GSE Approvals

As described below in "*Business - Overview of the Private Mortgage Insurance Industry - GSEs"*, the GSEs are the major purchasers of the mortgages underlying new insurance written by mortgage insurers. The GSEs' federal charters generally prohibit them from purchasing low down payment loans without certain forms of credit enhancement, one of which is MI from an entity that they determine to be a qualified mortgage insurer. Consequently, in addition to securing certificates of authority, the ability to successfully commence mortgage insurance operations in the U.S. is largely dependent on obtaining approvals from Fannie Mae and Freddie Mac as a qualified MI provider. Following the Company's private placement in April 2012, NMIC's key focus was to secure approvals from the GSEs. In January 2013, Fannie Mae and Freddie Mac each approved NMIC as a qualified mortgage insurer ("GSE Approval"). We expect that the majority of insurance we will write will be for loans sold to the GSEs. With the GSE Approval, our customers who originate loans insured by NMIC may sell such loans to the GSEs (as of April 1, 2013 for Freddie Mac and as of June 1, 2013 for Fannie Mae).

In March 2013, the FHFA announced its 2013 performance goals as part of its Strategic Plan for Fiscal 2013 - 2017 for the GSEs, which includes the goal of contracting the GSEs' dominant presence in the marketplace while simplifying and shrinking certain lines of business. With respect to single family mortgages, the FHFA has set a target of $30 billion of unpaid principal balance in credit-risk sharing transactions in 2013 for both Fannie Mae and Freddie Mac. The FHFA has specified that each GSE must conduct multiple types of risk-sharing transactions to meet this target, which includes expanded MI, credit-linked securities, senior/subordinated securities and other structures. As a new business opportunity for MI companies, we generally believe the FHFA's 2013 strategy for the GSEs will have a beneficial impact on our industry.

As a GSE-qualified MI provider, NMIC is subject to continuing eligibility requirements imposed by the GSEs in both their January 2013 conditional approvals of NMIC, as well as their respective comprehensive mortgage insurer eligibility requirements. For a discussion of the capitalization, operational and reporting conditions to which NMIC is subject in connection with the GSE Approval and the GSEs' eligibility requirements, see *"Regulation - U.S. Mortgage Insurance Laws - GSE Qualified Mortgage Insurer Requirements"*, below.

Development of our IT Platform

As discussed below in *"Business - Information Technology Systems"*, the success of our business is highly dependent on our ability to use technology to electronically conduct business with our customers. Accordingly, we have invested and will continue to invest resources in establishing and maintaining electronic connectivity with customers and, more generally, in e-commerce and technological advancements. In order to integrate electronically with mortgage lenders, we will need to connect our systems to the industry's largest mortgage servicing systems and leading loan origination systems and directly to those lenders that maintain their own proprietary technology. We have begun the process of integrating with these third party loan servicing and origination systems, and we expect to complete some of these integrations this year and that by mid-2014 we will be substantially integrated with the more significant third party industry systems. We are also working to leverage our business-to-business technology to integrate directly with those lenders that maintain their own proprietary origination and servicing system technologies, recognizing that the time-lines for these integrations are heavily dependent upon the lenders' internal technology resource time-lines and availability. Many of these customers will require us to have such connectivity in place as a precursor to doing business with them.

In addition, we have invested and will continue to invest significant resources to develop our enterprise technology platform to support our MI operations, including underwriting, premium billing, policy servicing, and delinquency and claims management functions. The success of our business will be dependent on our ability to resolve any issues identified with our technology platform during development and testing and to timely make any necessary improvements. In April 2013, we commenced issuing mortgage insurance commitments with a small number of test lenders, on a pilot basis. Until we reach a significant volume of mortgage insurance applications through our policy acquisition system, we cannot be assured that we will not experience difficulties.

A significant component of our technology platform (which we refer to as "AXIS") is an insurance management system (which we refer to as "IMS") we purchased in connection with the MAC Acquisition in April 2012. After we acquired IMS, we conducted operating and business analysis and evaluated development efforts, in the pursuit of designing a system that would meet our business requirements. Over the ensuing months, we have made a determination that the modules of IMS that support policy servicing, billing, and delinquency and claims management cannot effectively support our business needs. We made the decision during the second quarter of 2013 to evaluate the development of new systems to support these business

functions, which may increase our costs and will require us to provide these services to our customers during the initial period of our business operations using limited IMS capabilities and interim system and manual solutions, in the absence of a fully integrated solution. As a result of the above system review, we have begun an analysis to determine whether to accelerate the useful life of these components of IMS. Accelerating the useful life of these components would have the effect of shortening the amortization period, causing us to record the same amount of amortization expense over a shorter period of time. We will record any change, if necessary, in useful life once the analysis is complete.

Development of our Customer Base

Our sales strategy is focused on attracting as customers those mortgage originators that fall into two distinct categories of national and regional lenders, which we refer to as "National Accounts" and "Regional Accounts". We consider National Accounts to be the 35 largest residential mortgage originators as defined by volume of originations. The Regional Accounts originate mortgage loans on a local or regional level throughout the country. Before we can begin insuring loans originated by these lenders, they must agree to use NMIC as a mortgage insurance provider. Following an approval by the lender, NMIC would issue its master policy to the lender, setting forth the terms and conditions of our MI coverage. To date, we have made substantial progress within each of the segments and expect our customer base to grow significantly by 2014.

Employees

We believe that our growth and future success will depend in large part on the services and skills of our management team and our ability to motivate and retain these individuals and other key personnel. As of March 31, 2013, we had significantly developed our employee base to support our regional and national sales teams, policy acquisition and servicing, IT, and all other back-office functions. Based upon our business plan, we anticipate hiring a substantial number of additional employees during 2013. Management estimates that we will require approximately 200 total full-time employees by the end of 2013.

New Business Writings

NMIC commenced, on a limited test basis, writing insurance business on April 1, 2013. As of May 31, 2013, we have approximately $150 thousand in risk-in-force. We expect that NMIC's insurance-in-force and risk-in-force will increase over the coming months as our operations continue to mature and we complete the initial test phase of our insurance writing.

Development of our Investment Portfolio

Our net investment income for the quarter-ended March 31, 2013 was approximately $410,000 compared to $0 for the quarter ended March 31, 2012 and approximately $6 thousand for the year ended December 31, 2012 and approximately $416,000 for the period from May 19, 2011 (inception) to March 31, 2013. During the first quarter of 2013, we began investing our cash holdings in fixed income securities which provide a higher yield. The principal factors affecting our investment income include the size of our portfolio and its yield. As measured by amortized cost (which excludes changes in fair market value, such as those resulting from changes in interest rates), the size of our investment portfolio is mainly a function of our initial capital raised, cash generated from (or used in) operations, such as net premiums received, investment earnings, net claim payments and expenses. In the next quarter we plan to invest in additional fixed income securities, which will cause our net investment income to increase over prior quarters.

Factors Expected to Affect Results as our Mortgage Insurance Operations Grow

We expect that as our insurance business develops, our results of operations will be affected by the following factors.

Premiums Written and Earned

In our industry, a "book" is a group of loans that an MI company insures in a particular period, normally a calendar year. We set premiums at the time a policy is issued based on our expectations regarding likely performance over the term of coverage.

Premiums written and earned in a year are generally influenced by:

- new insurance written, which is the aggregate principal amount of the mortgages that are insured during a period. Many factors affect new insurance written, including, among others, the volume of low down payment home mortgage originations and the competition to provide credit enhancement on those mortgages, which includes competition from the FHA, other mortgage insurers, lenders or other investors holding mortgages in their portfolios without insurance, piggy-back loans and GSE programs that may reduce or eliminate the demand for MI and other alternatives to MI;
- cancellations, which reduce insurance-in-force. Cancellations due to refinancings are affected by the level of current mortgage interest rates compared to the mortgage rates on our insurance in force. Refinancings are also affected by current home values compared to values when the loans became insured and the terms on which mortgage credit is available. Cancellations also include rescissions, which require us to return any premiums received related to the rescinded policy, and policies canceled due to claim payment, which require us to return any premium received subsequent to the date the insured mortgage defaults. Finally, cancellations are affected by home price appreciation, which may give homeowners the right to cancel the MI on their loans;
- premium rates, which are based on the risk characteristics of the loans insured, the percentage of coverage on the loans, competition from other mortgage insurers, and general industry conditions; and
- premiums ceded under reinsurance agreements.

Losses Incurred

Losses incurred are the current expense that is booked within a particular period to reflect actual and estimated loss payments that we believe will ultimately be made as a result of insured loans that are in default. As explained under "*Critical Accounting Policies*," we do not recognize an estimate of loss expense for loans that are not in default. Losses incurred are generally affected by:

- the state of the economy, including unemployment and housing values, each of which affects the likelihood that borrowers may default on their loans and have the ability to cure such defaults;
- the product mix of insurance-in-force, with loans having higher risk characteristics generally resulting in higher defaults and claims;
- the size of loans insured, with higher average loan amounts tending to increase losses incurred;
- the loan-to-value ratio, with higher average loan-to-value ratios tending to increase losses incurred;

- the percentage of coverage on insured loans, with deeper average coverage tending to increase incurred losses;
- changes in housing values, which affect our ability to mitigate our losses through sales of properties with loans in default as well as borrower willingness to continue to make mortgage payments when the value of the home is below or perceived to be below the mortgage balance;
- higher debt-to-income ratios, which tend to increase incurred losses;
- the rate at which we rescind policies. Because of tighter underwriting standards generally in the mortgage lending industry, we expect that our level of rescission activity, as well as that of the MI industry in general, will be lower than recent rescission activity experienced by the MI industry; and
- the distribution of claims over the life of a book. Historically, the first two to three years after loans are originated are a period of relatively low claims, with claims increasing substantially for several years subsequent and then declining. Factors, such as persistency of the book, the condition of the economy, including unemployment and housing prices, and others, can affect this pattern. See "*Mortgage Insurance Earnings and Cash Flow Cycle.*"

We expect that losses incurred for the first two to three years of our operations will be relatively low for the following two reasons:

- as stated under "*Losses Incurred*," the typical distribution of claims over the life of a book results in fewer defaults during the first two to three years after loans are originated, usually peaking in years three through six and declining thereafter; and
- we expect that the frequency of claims on our initial books of business should be between 3% and 4% of mortgages insured over the life of the book. For claims that we may receive, we expect the severity of the loss to be between 85% and 95% of the coverage amount. Based on these expectations, we believe that the loss ratio over the life of each book will be between 20% and 25% of earned premiums. Because we expect the losses on insured mortgages to develop over time, we believe that the reported loss ratio in our first 2-3 years of operation will be less than 10% of earned premiums.

Qualified Residential Mortgage Rule

The Dodd-Frank Act which was enacted by Congress in July 2010 requires a securitizer to retain at least 5% of the risk associated with securitized mortgage loans. In some cases the retained risk may be allocated between the securitizer and the mortgage originator. This risk retention requirement does not apply to mortgage loans that are Qualified Residential Mortgages ("QRMs") or that are insured by the FHA or another federal agency. In March 2011, federal regulators requested public comments on a proposed risk retention rule that includes a definition of QRM. The proposed definition of QRM contains many underwriting requirements, including a maximum loan-to-value ratio (or "LTV") of 80% on a home purchase transaction, a prohibition on seller contributions toward a borrower's down payment or closing costs, and certain limits on a borrower's debt-to-income ratio. Under the proposed rules, the LTV is to be calculated without consideration of mortgage insurance.

The regulators also requested public comments regarding an alternative QRM definition, which would allow loans with a maximum LTV of 90% and higher debt-to-income ratios than allowed under the proposed QRM definition, and which may also consider mortgage insurance in determining whether the LTV requirement

is met. The regulators also requested that the public comments include information that may be used to assess whether the existence of mortgage insurance reduces the risk of default.

Under the proposed rule, because of the capital support provided by the U.S. Government, the GSEs satisfy the Dodd-Frank risk-retention requirements while they are in conservatorship. Therefore, under the proposed rule, lenders that originate loans that are sold to the GSEs while they are in conservatorship would not be required to retain risk associated with those loans. The public comment period for the proposed rule expired on August 1, 2011. The MI industry trade group, the Mortgage Insurance Companies of America, or "MICA", as well as other individual MI companies, submitted comments that, among other things, urged regulators to consider a higher LTV for QRMs and recognition of MI for purposes of determining LTV. The impact of the QRM rule on the MI industry depends on, among other things, (i) the final definition of QRM and its requirements for LTV, seller contributions and debt-to-income ratio, (ii) to what extent, if any, the presence of mortgage insurance would allow for a higher LTV in the definition of QRM, and (iii) whether lenders choose mortgage insurance for non-QRM loans.

Qualified Mortgage Rule

Another regulation required by the Dodd-Frank Act is the Qualified Mortgage (“QM”) regulation that governs the obligation of lenders to determine the borrower's ability to pay when originating a mortgage loan. The Consumer Financial Protection Bureau (“CFPB”) issued final regulations on January 10, 2013 and an amendment on May 29, 2013 implementing detailed requirements on how lenders shall establish a borrower's ability to repay a mortgage loan. The QM rule, which becomes effective on January 10, 2014, prohibits loans with certain features, such as negative amortization, points and fees in excess of 3% of the loan amount, and terms exceeding 30 years, from being considered QMs. The rule also establishes general underwriting criteria for QMs including that a borrower must have a total debt-to-income ratio of less than or equal to 43%. Loans that are QM benefit from a statutory presumption from civil liability under the Dodd-Frank Act. Because of the presumption, we anticipate that most loans originated after the QM rules go into effect will be QMs.

The rule also provides a temporary category of QMs that have more flexible underwriting requirements so long as they satisfy the general product feature requirements of QMs and so long as they meet the underwriting requirements of the GSEs or those of the U.S. Department of Housing and Urban Development, Department of Veterans Affairs or Rural Housing Service (collectively, “Other Federal Agencies”). The temporary category of QMs that meet the underwriting requirements of the GSEs or the Other Federal Agencies will phase out when the GSEs or the Other Federal Agencies issue their own qualified mortgage rules, if the GSEs' conservatorship ends, and in any case after seven years. We expect that most lenders will be reluctant to make loans that do not qualify as QMs because they will not be entitled to the presumptions about compliance with the ability-to-pay requirements.

The QM regulations may impact the mortgage insurance industry in several ways. First, the QM regulations will have a direct impact on establishing a subset of borrowers who can meet the regulatory standards and will have a direct effect on the size of the mortgage market in any given year, once the regulations become effective. Second, under the QM regulations, if the lender requires the borrower to purchase MI, then the MI premiums are included in monthly mortgage costs in determining the borrower's ability to repay the loan. The demand for MI may decrease if, and to the extent that, monthly MI premiums make it less likely that a loan will qualify for QM status, especially if MI alternatives, such as piggy-back loans, are relatively less expensive.

Third, under the QM regulations, mortgage insurance premiums that are payable at or prior to consummation of the loan are includible in points and fees unless, and to the extent that, such up-front premiums

("UFP") are (i) less than or equal to the UFP charged by the FHA, and (ii) are refundable on a *pro rata* basis upon satisfaction of the loan. (The FHA currently charges UFP of 1.75% on all residential mortgage loans, but it has the authority to change its UFP from time to time.) As inclusion of MI premiums towards the 3% cap will reduce the capacity for other points and fees in covered transactions, mortgage originators may be less likely to purchase single premium MI products to the extent that the associated premiums are deemed to be points and fees. As a result, we believe that the QM rule may increase demand for monthly and annual MI products relative to single premium products.

GSE Reform

The FHFA is the conservator of the GSEs and has the authority to control and direct their operations. The increased role that the federal government has assumed in the residential mortgage market through the GSE conservatorship may increase the likelihood that the business practices of the GSEs change in ways that affect the MI industry. In addition, these factors may increase the likelihood that the charters of the GSEs are changed by new federal legislation. The Dodd-Frank Act required the U.S. Department of the Treasury to report its recommendations regarding options for ending the conservatorship of the GSEs. This report was released in February 2011 and while it does not provide any definitive timeline for GSE reform, it does recommend using a combination of federal housing policy changes to wind down the GSEs, shrink the government's footprint in housing finance, and help bring private capital back to the mortgage market. In 2012, Members of Congress introduced several bills intended to scale back the GSEs, however, no legislation has been enacted to date. Based on recent improvements in the housing market, Fannie Mae has reported two consecutive quarters of profit, and recently reported that based on net worth of $62.4 billion at March 31, 2013, the company's dividend obligation to Treasury will be $59.4 billion by June 30, 2013.

Competition with FHA

The FHA substantially increased its share of the total combined private and governmental mortgage insurance market beginning in 2008, and beginning in 2011, that market share began to gradually decline. We believe that the FHA's market share increased, in part, because private mortgage insurers tightened their underwriting guidelines (which led to increased utilization of the FHA's programs) and because of increases in the amount of loan level delivery fees that the GSEs assess on loans (which result in higher costs to borrowers). In addition, federal legislation and programs provided the FHA with greater flexibility in establishing new products and increased the FHA's competitive position against private mortgage insurers. We believe that the FHA's current premium pricing, when compared to our current premium pricing (and considering the effects of GSE pricing changes), allows us to be competitive with the FHA. We cannot predict, however, the FHA's share of new insurance written in the future due to, among other factors, different loan eligibility terms between the FHA and the GSEs; future increases in guarantee fees charged by the GSEs; changes to the FHA's annual premiums; and the total profitability that may be realized by mortgage lenders from securitizing loans through Ginnie Mae when compared to securitizing loans through Fannie Mae or Freddie Mac.

As a result of the foregoing, it is uncertain what role the GSEs, FHA and private capital, including MI, will play in the domestic residential housing finance system in the future or the impact of any such changes on our business. In addition, the timing of the impact on our business is uncertain. Most meaningful changes would require Congressional action to implement, and it is difficult to estimate when Congress would take action, and if it did, how long it would take for such action to be final and how long any associated phase-in period may last. Considering the recent financial turnaround or the perceived turnaround of the GSEs, the timing of any of these changes becomes more difficult to assess.

Mortgage Insurance Earnings and Cash Flow Cycle

In general, the majority of any underwriting profit (*i.e.*, the premium revenue minus losses) that a book generates occurs in the early years of the book, with the largest portion of the underwriting profit for that book realized in the first year. The earnings we record and the cash flow we receive varies based on the type of MI product and premium plan our customers select. As discussed in "*Business - Mortgage Insurance - Primary Mortgage Insurance"*, below, we offer monthly, annual and single premium payment plans. We currently expect that the majority of lenders who purchase MI from us will select one of our monthly premium plans.

Factors that Impact Holding Company Operations

NMIH serves as the holding company for our insurance subsidiaries and do not have any significant operations of our own. Our principal liquidity demands include funds for: (i) the payment of certain corporate expenses; (ii) capital support for our mortgage insurance subsidiaries; (iii) potential payments to IRS; and (iv) the payment of dividends, if any, on our common stock.

Our future capital requirements depend on many factors, including our ability to successfully write new business and establish premium rates at levels sufficient to cover losses. To the extent that the funds generated by our ongoing operations and initial capitalization are insufficient to fund future operating requirements, we may need to raise additional funds through financings or curtail our growth and reduce our assets.

In order to support a minimum surplus of $150 million and maintain a risk-to-capital ratio under 15 to 1 through December 31, 2015 at NMIC, we may be required to make additional capital contributions to NMIC. We could be required to provide additional capital support for NMIC and our other mortgage insurance subsidiaries if additional capital is required pursuant to insurance laws and regulations, by the GSEs or the rating agencies. As of March 31, 2013, NMIC's surplus was approximately $205 million. As of May 31, 2013 we have approximately $150 thousand in risk-in-force.

Dividends from NMIC and permitted payments under our tax- and expense-sharing arrangements with our subsidiaries are our principal sources of cash. The expense-sharing arrangements between us and our insurance subsidiaries, as amended, have been approved by applicable state insurance departments, but such approval may be changed or revoked at any time. NMIC's ability to pay dividends to us is subject to various conditions imposed by the GSEs and by insurance regulations requiring insurance department approval. In general, dividends in excess of prescribed limits are deemed “extraordinary” and require insurance regulatory approval. Additionally, under agreements with the GSE's and various state insurance departments, we are not permitted to extract dividends from our insurance subsidiaries until December 31, 2015.

Liquidity and Capital Resources

As a holding company, we expect that our principal sources of liquidity over time will be dividends, expense reimbursements from our insurance subsidiaries and income generated by our investment portfolio. However, the issuances of dividends by our insurance subsidiaries are subject to regulatory approval and are further limited by the GSE Approvals. See “*Dividend Policy”* and “*GSE Approvals”*. We expect primary cash uses will be to fund holding company operating expenses, investment expenses and other costs of our business.

Our MI companies' principal sources of liquidity will be premiums that we receive from policies and income generated by our investment portfolio. Our MI companies' primary liquidity needs include the payment

of claims on our MI policies, operating expenses, investment expenses and other costs of our business. See "*Factors Affecting Our Results*".

As part of our initial capitalization, we raised net proceeds of $510 million. We contributed $210 million to NMIC, whereupon NMIC contributed $10 million to its wholly-owned subsidiary, NMRI Two. In addition, we contributed $10 million to NMRI One.

We expect that cash and investments and projected cash flows from operations will provide us with sufficient liquidity to fund our anticipated growth by providing capital to increase our insurance company surplus as well as for payment of operating expenses through 2015, at which point we currently expect to raise additional capital. We expect that as our insurance-in-force grows, the premium revenue we receive will increase. However, if our risk in force or our expenses materially exceed our expectations or our risk-to-capital ratio is expected to exceed 15 to 1, we may have to raise additional capital sooner to support our growth. In addition, we may raise additional capital to leverage our fixed expenses in order to achieve a return on capital attractive to investors. We may choose to generate additional liquidity through the issuance of a combination of debt or equity securities, as well as financing through borrowing.

Taxes

We are a U.S. taxpayer and are subject to a statutory U.S. federal corporate income tax rate of approximately 35%. Our holding company files a consolidated U.S. federal income tax return on behalf of itself and its subsidiaries. As we deploy our capital, we plan to invest a portion of our investment portfolio in tax-exempt municipal securities, which investment may have the effect of lowering our effective tax rate below 35%. The effective income tax (benefit) rate on our pre-tax loss was 0% for the three-months ended March 31, 2013 and for the year ended December 31, 2012. During those periods, the benefit from income taxes was eliminated or reduced by the recognition of a valuation allowance. Reconciliation of the federal statutory income tax (benefit) rate to the effective income tax (benefit) rate is as follows:

	For the Three Months Ended March 31, 2013	For the Year Ended December 31, 2012
Federal statutory income tax rate	35.00 %	35.00 %
Loss on Impairment	—	(1.48)
Prior Year Adjustment	—	1.66
Other	(1.00)	(1.00)
Valuation Allowance	(34.00)	(28.00)
Purchase Accounting Adjustment	—	(6.18)
Effective income tax rate	— %	— %

Under current guidance, when evaluating a tax position for recognition and measurement, an entity shall presume that the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. The interpretation adopts a benefit recognition model with a two-step approach, a more-likely-than-not threshold for recognition and derecognition, and a measurement attribute that is the greatest amount of benefit that is cumulatively greater than 50% likely of being realized. As of December 31, 2012, we had no reserve for unrecognized tax benefits and there was no change during the quarter. We have capitalized all deductible start-up costs and have taken no material uncertain positions in our tax return which would require measurement and recognition under the guidance.

Section 382 imposes annual limitations on a corporation's ability to utilize its net operating losses ("NOLs") if it experiences an “ownership change.” As a result of the MAC Acquisition, $7.3 million of NOLs are subject to annual limitations of $277 thousand. Net unrealized built-in gains could increase the annual Section 382 limitation. Any unused annual limitation may be carried forward up to 20 years. The NOLs will expire in years 2029 through 2031.

As the Company has limited underwriting operations and premium generation and therefore has no history to provide a basis for reliable future income projections, a valuation allowance of $11.4 million and $8.2 million was recorded at March 31, 2013 and December 31, 2012, respectively, to reflect the amount of the deferred taxes that may not be realized.

Following is a reconciliation of the Company's net deferred income tax liability as of March 31, 2013 and December 31, 2012:

		March 31, 2013		
		Gross		Tax Effected
Deferred tax asset:		*(In Thousands)*		
Capitalized start-up costs	$	31,209	$	10,611
Net operating loss carry forwards		7,307		2,484
Total gross deferred tax assets		38,516		13,095
Less: valuation allowance		(33,516)		(11,395)
Total deferred tax assets		5,000		1,700
Deferred tax liability:				
Capitalized Software		(5,000)		(1,700)
Intangible Assets		(390)		(133)
Total deferred tax liabilities		(5,390)		(1,833)
Net deferred income tax liability	$	(390)	$	(133)

		December 31, 2012		
		Gross		Tax Effected
Deferred tax asset:				*(In Thousands)*
Capitalized start-up costs	$	21,796	$	7,411
Net operating loss carry forwards		7,307		2,484
Total gross deferred tax assets		29,103		9,895
Less: valuation allowance		(24,103)		(8,195)
Total deferred tax assets		5,000		1,700
Deferred tax liability:				
Capitalized Software		(5,000)		(1,700)
Intangible Assets		(390)		(133)
Total deferred tax liabilities		(5,390)		(1,833)
Net deferred income tax liability	$	(390)	$	(133)

The net deferred tax liability of $132.6 thousand as of March 31, 2013 is due to the acquisition of indefinite-lived intangibles in the MAC Acquisition for which a benefit has been reflected in the acquired net operating loss carry forwards. The deferred tax liability recorded in connection with the MAC Acquisition effectively increased goodwill that resulted from the transaction.

Our financial statements reflect a valuation allowance with respect to our gross deferred tax assets less capitalized software. If the valuation reserve is reduced at some future date, we would recognize an income tax benefit for accounting purposes in the period in which the reserve is reduced.

Results of Operations

CONSOLIDATED STATEMENTS OF OPERATIONS

	SUCCESSOR					PRO FORMA	PREDECESSOR		
	NMI Holdings, Inc. (A Development Stage Company)					NMI Holdings, Inc. (A Development Stage Company)	MAC Financial Holding Corporation (A Development Stage Company)		
	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Period May 19, 2011 (inception) to December 31, 2011	For the Period May 19, 2011 (inception) to March 31, 2013	For the Year Ended December 31, 2012	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	For the Period July 6, 2009 (inception) to March 31, 2012
	(unaudited)	(unaudited)			(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(In Thousands, except per share data)					*(In Thousands, except per share data)*	*(In Thousands)*		
Net investment income	$ 410	$ —	$ 6	$ —	$ 416	$ 6	$ —	$ —	$ —
Other revenue	63	—	278	—	341	278	—	2	18
Total Revenues	473	—	284	—	757	284	—	2	18
Payroll and related	6,209	—	11,559	—	17,768	11,559	—	334	2,402
Share-based compensation	3,013	—	6,115	—	9,128	6,115	—	—	—
Professional fees	2,303	361	4,242	1,248	7,793	4,246	3	35	1,976
Other	901	25	5,859	101	6,861	5,866	5	237	1,279
Total Expenses	12,426	386	27,775	1,349	41,550	27,786	8	606	5,657
Net loss	$ (11,953)	$ (386)	$ (27,491)	$ (1,349)	$ (40,793)	$ (27,502)	$ (8)	$ (604)	$ (5,639)
Share Data									
Basic and Diluted loss per share	$ (0.22)	$ (3,860.00)	$ (0.73)	$ (13,490.00)	$ (1.47)	$ (0.73)			
Book value per share	$ 8.66	$ (17,310.00)	$ 8.81	$ (13,490.00)	$ 8.66	$ 8.81			
Weighted average common	55,500,100	100	37,909,936	100	27,668,722	37,909,936			
Shares outstanding	55,500,100	100	55,500,100	100	55,500,100	55,500,100			

CONSOLIDATED BALANCE SHEETS

	SUCCESSOR				PREDECESSOR	
	NMI Holdings, Inc. (A Development Stage Company)				MAC Financial Holding Corporation (A Development Stage Company)	
	March 31, 2013	March 31, 2012	December 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(unaudited)	(unaudited)			(unaudited)	
			(In Thousands)			*(In Thousands)*
Cash and cash equivalents	$ 147,402	$ 3	$ 485,855	$ —	$ 17	$ 17
Restricted cash	—	—	40,338	—	—	—
Investment securities	329,267	—	4,864	—	—	—
Accrued investment income	1,134	—	—	—	—	—
Goodwill and other intangible assets	3,634	—	3,634	—	—	—
Software and equipment, net	9,213	—	7,550	—	2,888	2,891
Other assets	588	1,786	526	210	14	19
Total Assets	$ 491,238	$ 1,789	$ 542,767	$ 210	$ 2,919	$ 2,927
Accounts payable and accrued expenses	$ 5,603	$ 3,108	$ 8,708	$ 1,354	$ 1,258	$ 1,227
Purchase fees and purchase consideration payable	—	—	40,338	—	—	—
Warrant liability	4,807	—	4,842	—	—	—
Other liabilities	133	412	133	205	209	240
Total Liabilities	10,543	3,520	54,021	1,559	1,467	1,467
Total Stockholders' Equity (Deficit)	480,695	(1,731)	488,746	(1,349)	1,452	1,460
Total Liabilities and Stockholders' Equity	$ 491,238	$ 1,789	$ 542,767	$ 210	$ 2,919	$ 2,927

Prior to the completion of the MAC Acquisition, our activities were focused on organizational development, capital raising and other start-up related activities. Additionally, for the period from May 19, 2011 through the date of this filing, our efforts were primarily directed toward building the foundation of the Company which would allow us to write MI. These efforts included, among other things, attracting an executive management team and other key officers and directors, attracting and hiring staff, building our operating processes, designing and developing our business and technology applications, environment and infrastructure, and securing state licensing and GSE Approval. As of March 31, 2013 we had not written any mortgage insurance.

We have funded our operations primarily through funds raised through our private placement offering in which we received net proceeds of approximately $510 million.

We are a development stage company and we have not yet generated any premium revenue. We have incurred significant net losses since our inception. Our net loss was $12.0 million and $27.5 million for the three month period ended March 31, 2013 and the year ended December 31, 2012, respectively, compared to a net loss of $0.4 million and $1.3 million for the three month period ending March 31, 2012 and the period ended December 31, 2011, respectively. The primary drivers of the increased net loss between periods were the hiring of management and staff personnel for sales, underwriting and risk operations, information technology, finance and accounting and legal departments and external and professional costs incurred in conjunction with our state licensing and GSE Approval processes. Additionally we entered into a two-year lease in July 2012 for our principal location of operations. These expenses were slightly offset by increased investment income during the quarter ending March 31, 2013, as we began investing our cash following GSE Approval in mid-January 2013.

Employee compensation represents the majority of our operating expense, which includes both cash and share-based compensation. As part of our compensation plan, certain employees were granted stock options and restricted stock units. This stock compensation plan was not in place during 2011. As a result, our share-based compensation expense, was approximately $3.0 million for the three months ended March 31, 2013, $6.1 million for the year-ended December 31, 2012 and $0 for the period ended December 31, 2011. We account for our stock options and restricted stock units under ASC No. 718, *Compensation - Stock Compensation* (“ASC 718”), which requires all compensation expense from share-based payments to be measured and recognized in the financial statements at their grant date fair values.

Our total assets, comprised largely of cash and investments, were $491.2 million and $542.8 million as of March 31, 2013 and December 31, 2012, respectively, compared to total assets of $1.8 million and $0.2 million as of March 31, 2012 and December 31, 2011, respectively. The primary driver of the increase was the capital raise in April 2012. Additionally, we retained approximately $40 million of purchase fees and purchase consideration (related to our private placement and MAC Acquisition) as restricted cash and an off-setting liability until GSE Approval in January 2013, at which time we released the respective funds to FBR and MAC Financial Ltd.

Prior to GSE Approval, we held most of our assets in cash, and our investments consisted of U.S. Treasury Notes, which were purchased for the sole purpose of complying with certain state licensing requests. These states required NMIC to place various amounts on deposit with the states as a prerequisite for obtaining a certificate of authority in those states. Other mortgage guaranty insurers also have placed similar deposits. As of March 31, 2013 and December 31, 2012 we had placed on deposit $6.5 million and $4.9 million, respectively, in U.S Treasury Notes, classified as short-term investments.

Our accounts payable and accrued expenses were $5.6 million as of March 31, 2013, $8.7 million at December 31, 2012, $3.1 million at March 31, 2012 and $1.4 million at December 31, 2011. The balance at March 31, 2013 and December 31, 2012 was comprised mostly of accrued bonuses and accrued expenses

incurred in the normal course of business compared to the March 31, 2012 and December 31, 2011 balances which consisted of only accrued vendor payments related to start-up costs.

Investment Operations

Upon GSE Approval, we began investing the investment portfolio according to our investment guidelines.

The sectors of our investment portfolio, including cash and cash equivalents, at March 31, 2013 appear in the table below:

		Percentage of Portfolio's Fair Value
1.	Corporate	49%
2.	Money Market Funds	28
3.	Asset Backed	11
4.	U.S. Treasuries	6
5.	U.S. Sponsored Agency	5
6.	Tax-Exempt Municipals	1
		100%

The ratings of our investment portfolio at March 31, 2013 are:

Investment Portfolio Ratings

	March 31, 2013
AAA	25%
AA	18
A	57
BBB	—
Investment grade	100%
Below investment grade	—
Total	100%

The amortized cost, gross unrealized gains and losses and fair value of the investment portfolio at March 31, 2013, December 31, 2012 and 2011 are shown below.

March 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses (1)	Fair Value
		(In thousands)		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 44,101	$ 119	$ (8)	$ 44,212
Obligations of U.S. states and political subdivisions	7,023	—	(7)	7,016
Corporate debt securities	219,124	844	(48)	219,920
Asset-backed securities	52,756	117	(128)	52,745
Total fixed-income securities	323,004	1,080	(191)	323,893
Short-term investments	5,375	—	—	5,375
Total investment portfolio	$ 328,379	$ 1,080	$ (191)	$ 329,268

December 31, 2012	Amortized Cost	Unrealized Gains	Unrealized Losses (1)	Fair Value
		(In thousands)		
Short-term investments	$ 4,863	$ 1	$ —	$ 4,864
Total investment portfolio	$ 4,863	$ 1	$ —	$ 4,864

There were no investment holdings as of March 31, 2012 or December 31, 2011.

(1) There were no other-than-temporary impairment losses recorded in other comprehensive income at December 31, 2012 and 2011 or at March 31, 2013 and 2012.

March 31, 2013	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	$ 5,375	$ 5,375
Due after one year through five years	187,953	188,574
Due after five years through ten years	67,568	67,811
Due after ten years	14,727	14,763
Asset-backed securities	52,756	52,745
Total at March 31, 2013	$ 328,379	$ 329,268

December 31, 2012	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	$ 4,863	$ 4,864
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	—	—
Asset-backed securities	—	—
Total at December 31, 2012	$ 4,863	$ 4,864

At March 31, 2013, the investment portfolio had gross unrealized losses of $191 thousand. For those securities in an unrealized loss position, the length of time the securities were in such a position, as measured by their month-end fair values, is as follows:

March 31, 2013	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 44,212	$ (8)	$ —	$ —	$ 44,212	$ (8)
Obligations of U.S. states and political subdivisions	7,016	(7)	—	—	7,016	(7)
Corporate debt securities	219,920	(48)	—	—	219,920	(48)
Asset-backed securities	52,745	(128)	—	—	52,745	(128)
Total fixed-income securities	323,893	(191)	—	—	323,893	(191)
Short-term investments	5,375	—	—	—	5,375	—
Total investment portfolio	$ 329,268	$ (191)	$ —	$ —	$ 329,268	$ (191)

At December 31, 2012 the investment portfolio had no unrealized losses and there were no investment holdings as of March 31, 2012 or December 31, 2011

Net investment income is comprised of the following:

	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Period May 19, 2011 (inception) to December 31, 2011
	(In thousands)			
Fixed maturities	$ 566	$ —	$ 2	$ —
Cash equivalents	—	—	4	—
Other	1	—	—	—
Investment income	567	—	6	—
Investment expenses	157	—	—	—
Net investment income	$ 410	$ —	$ 6	$ —

Fair Value Measurements

Fair value measurements for items measured at fair value included the following as of March 31, 2013 and 2012 and December 31, 2012:

March 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
		(In thousands)		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 49,587	$ —	$ —	$ 49,587
Obligations of U.S. states and political subdivisions	—	7,016	—	7,016
Corporate debt securities	—	219,920	—	219,920
Asset-backed securities	—	52,745	—	52,745
Cash and cash equivalents	147,402	—	—	147,402
Total assets	196,989	279,681	—	476,670
Warrant liability	—	—	4,807	4,807
Total liabilities	$ —	$ —	$ 4,807	$ 4,807

March 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
		(In thousands)		
Cash and cash equivalents	$ 3	$ —	$ —	$ 3
Total assets	3	—	—	3
Total liabilities	$ —	$ —	$ —	$ —

December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
		(In thousands)		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 4,864	$ —	$ —	$ 4,864
Cash and cash equivalents	526,194	—	—	526,194
Total assets	$ 531,058	$ —	$ —	$ 531,058
Warrant liabilities	—	—	4,842	4,842
Total liabilities	$ —	$ —	$ 4,842	$ 4,842

There were no transfers of securities between Level 1 and Level 2 during 2013 or 2012.

For assets and liabilities measured at fair value using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances for the period ended March 31, 2013 and the years ended December 31, 2012 and 2011 is as follows:

	Warrant Liability
	(In Thousands)
Balance at December 31, 2012	$ 4,842
Change in fair value of warrant liability included in earnings	(35)
Balance at March 31, 2013	$ 4,807

	Warrant Liability
	(In thousands)
Balance at December 31, 2011	$ —
Initial fair value of warrant liability	5,120
Change in fair value of warrant liability included in earnings	(278)
Balance at December 31, 2012	$ 4,842

There were no assets or liabilities measured at fair value using significant unobservable inputs as of March 31, 2012 or as of December 31, 2011.

Share-based Compensation

The 2012 Stock Incentive Plan (the "Plan") was approved by the Board of Directors (the "Board") on April 16, 2012, and authorized 5.5 million shares be reserved for issuance under the Plan with 3.85 million shares available for stock options and 1.65 million shares available for restricted stock unit grants. Options granted under the Plan are Non-Qualified Stock Options and may be granted to employees, directors and other key persons of the Company. The exercise price per share for the common stock covered by this Plan shall be determined by the Board at the time of grant, but shall not be less than the fair market value on the date of the grant. The term of the stock option grants will be fixed by the Board, but no stock option shall be exercisable more than 10 years after the date the stock option is granted. The vesting period of the stock option grants will also be fixed by the Board at the time of grant and generally are for a three year period.

A summary of option activity in the plan during 2013 to date and 2012 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value per Share
Options balance at December 31, 2012	2,546,750	$ 10.00	$ 3.86
Options granted	513,827	11.75	4.56
Less: options forfeited	(10,000)	10.00	3.84
Options balance at March 31, 2013	3,050,577	$ 10.27	$ 3.98

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value per Share
Options balance at December 31, 2011	—	$ —	$ —
Options granted	2,829,250	10.00	3.87
Less: options forfeited	(282,500)	10.00	3.88
Options balance at December 31, 2012	2,546,750	$ 10.00	$ 3.86

There were no exercises and no options were exercisable as of March 31, 2013 nor December 31, 2012.

The remaining weighted average contractual life of options outstanding as of December 31, 2012 was 9.4 years. As of December 31, 2012, there was approximately $6.4 million of total unrecognized compensation cost related to non-vested stock options.

The estimated grant date fair values of the stock options granted during 2012 were calculated using Black-Scholes valuation model based on the following weighted-average assumptions:

- Expected Life - 6 years
- Risk free interest rate - 1.03%
- Dividend yield - 0.00%
- Expected stock price volatility - 39.00%
- Projected forfeiture rates - 1.00%

See "*Critical Accounting Policies - Share-Based Compensation*."

Restricted Stock Units

A summary of restricted stock unit activity in the Plan during 2013 to date and 2012 is as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Restricted stock units balance at December 31, 2012	1,429,260	$ 7.35
Restricted stock units granted	82,000	11.75
Less: restricted stock units forfeited	—	—
Restricted stock units balance at March 31, 2013	1,511,260	$ 7.59

	Shares	Weighted Average Grant Date Fair Value per Share
Restricted stock units balance at December 31, 2011	—	$ —
Restricted stock units granted	1,666,760	7.35
Less: restricted stock units forfeited	(237,500)	7.35
Restricted stock units balance at December 31, 2012	1,429,260	$ 7.35

At December 31, 2012, the 1.4 million shares of restricted stock units outstanding consisted of 1.2 million shares that are subject to both a market and service condition and 0.2 million shares that are subject only to service conditions. The restricted stock units subject to both a market and service condition vest in one-third increments upon the achievement of certain market price goals and continued service. All other restricted stock units vest in one-half increments on the second and third anniversary date following the grant date and continued service. The fair value of restricted stock units subject to market and service conditions is determined based on a Monte Carlo Simulation model at the date of grant. The fair value of restricted stock units subject only to service conditions are valued at the Company's stock price on the date of grant less the present value of anticipated dividends.

Predecessor Entity

MAC Financial Holding Corporation, a wholly-owned subsidiary of MAC Financial Ltd., was formed along with its wholly-owned insurance subsidiaries, Mortgage Assurance Corporation, Mortgage Assurance Reinsurance Inc One and Mortgage Assurance Reinsurance Two, (collectively "MAC"), with the intent of offering mortgage insurance to lenders throughout the United States and to the GSEs. MAC was incorporated and licensed without the usual requisite minimum capital and surplus in order to facilitate the lengthy review for qualified insurer status with both Fannie Mae and Freddie Mac.

MAC's net loss was $8 thousand, $604 thousand, and $5.6 million for the three month period ended March 31, 2012, the year ended December 31, 2011, and the period from July 6, 2009 (inception) to March 31, 2012, respectively. The net loss of $5.6 million for the period from inception to March 31, 2012 consisted

largely of payroll and related expenses, Information Technology ("IT") and professional fees associated with development stage activities primarily focused on developing IMS and capital raising efforts. For the year-ended 2010, MAC had a working capital deficiency which raised substantial doubt about its ability to continue as a going-concern. The net loss of $604 thousand for the year ended December 31, 2011 reflects a significant wind-down of development stage activities and IT development efforts, including the termination of all employees, as MAC focused on conserving capital. On November 30, 2011, the Company entered into an agreement with MAC Financial Ltd. to purchase MAC Financial Holding Corporation and its subsidiaries. MAC's results for the three months ended March 31, 2012 reflect the costs associated with maintaining the entity and its subsidiaries in a minimal capacity until MAC's acquisition could be completed and is not comparative with prior periods.

Quantitative and Qualitative Disclosures about Market Risk

We own and manage a large portfolio of various holdings, types and maturities as a result of (i) our initial capitalization pursuant to which we were required to hold our proceeds in an investment account until we obtained GSE Approval, and (ii) ongoing operations in which claim payments are back-loaded relative to premium revenue. Investment income is one of our primary sources of cash flow supporting operations and claim payments. The assets within the investment portfolio are exposed to the same factors that affect overall financial market performance. While our portfolio is exposed to factors affecting markets worldwide, because the company insures loans only in the United States, it is most sensitive to fluctuations in the drivers of U.S. markets.

We manage market risk via a defined investment policy implemented by our Treasury function with oversight from the Risk Committee. Important drivers of our market risk exposure monitored and managed by us include but are not limited to:

- *Changes to the level of interest rates*. Increasing interest rates may reduce the value of certain fixed-rate bonds held in the investment portfolio. Higher rates may cause variable rate assets to generate additional income. Decreasing rates will have the reverse impact. Significant changes in interest rates can also affect persistency and claim rates to the extent that the investment portfolio must be restructured to better align it with future liabilities and claim payments. Such restructuring may cause investments to be liquidated when market conditions are adverse.

- *Changes to the term structure of interest rates*. Rising or falling rates typically change by different amounts along the yield curve. These changes may have unforeseen impacts on the value of certain assets.

- *Market volatility/changes in the real or perceived credit quality of investments*. Deterioration in the quality of investments, identified through changes to our own or third party (e.g., rating agency) assessments, will reduce the value and potentially the liquidity of investments.

- *Concentration Risk*. If the investment portfolio is highly concentrated in one asset, or in multiple assets whose values are highly correlated, the value of the total portfolio may be greatly affected by the change in value of just one asset or a group of highly correlated assets.

- *Prepayment Risk*. Bonds may have call provisions that permit debtors to repay prior to maturity when it is to their advantage. This typically occurs when rates fall below the interest rate of the debt.

Market risk will be measured using reporting by investment type and concentration. Market risk will be measured via segmentation by asset type and maturity, and an interest rate sensitivity analysis will be completed. Market risks inherent in the business that are not fully captured by the quantitative analysis will be highlighted. In addition, material market risk changes that occur from the last reporting period to the current will be discussed. Changes to how risks are managed will also be identified and described.

We did not have any market risk at December 31, 2012. The only investments held were short-term securities. At March 31, 2013, the duration of our fixed income portfolio, including cash and cash equivalents, was 2.76 years, which means that an instantaneous parallel shift (movement up or down) in the yield curve of 100 basis points would result in a change of 2.76% in fair value of our fixed income portfolio. Excluding cash, our fixed income portfolio duration was 3.70 years, which means that an instantaneous parallel shift (movement up or down) in the yield curve of 100 basis points would result in a change of 3.70% in fair value of our fixed income portfolio.

Off-Balance Sheet Arrangements and Contractual Obligations

We had no off-balance sheet arrangements at December 31, 2012. Contractual obligations at December 31, 2012 are summarized in the table that follows.

NMI Holdings, Inc. Contractual Obligations

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligation	$ —	$ —	$ —	$ —	$ —
Long-Term Debt Obligation	—	—	—	—	—
Capital Lease Obligation	—	—	—	—	—
Operating Lease Obligations	1,042,784	631,016	411,768	—	—
Purchase Obligations	2,378,280	1,434,663	943,617	—	—
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP	—	—	—	—	—

Geographic Dispersion

Assuming we are able to obtain all of the necessary licenses and approvals, we plan on writing business in all 50 states and D.C. We intend to build a geographically diverse portfolio without geographic concentrations that might expose the company to undue risk. Risk will be managed by establishing targets and limits for new origination mix and/or portfolio limits. Therefore, aside from the impact of market restrictions (discussed below), we desire that our insurance origination mix by state to be consistent with the overall distribution of mortgage insurance originations.

On an ongoing and recurring basis, we plan to evaluate changing market conditions to determine if it is appropriate to establish, tighten, loosen or eliminate lending restrictions established by geographic area. The evaluation is expected to include factors including historical performance and the historical performance of other market participants, forward-looking projections for key risk drivers, estimated impact on loss performance, and existing portfolio concentrations. Consistent with our governance processes, the geographic concentrations will be monitored on an ongoing basis and changes to market restrictions will be reviewed and approved.

Critical Accounting Policies

We use accounting principles and methods that conform to generally accepted accounting principles in the United States ("GAAP"). Where GAAP specifically excludes mortgage insurance we follow general industry practices. We are required to apply significant judgment and make material estimates in the preparation of our financial statements and with regard to various accounting, reporting and disclosure matters. Assumptions and estimates are required to apply these principles where actual measurement is not possible or practical. These critical accounting policies and estimates are summarized below.

Reserve for Losses and Loss Adjustment Expenses

We are a new company and have only recently commenced transacting mortgage insurance. We do not anticipate a material level of losses (relative to written premiums or stockholder equity) in the first few years of our operations. Our practice will be to establish loss reserves only for loans in default. We do not consider a loan to be in default for loss reserve purposes until we receive notice from the servicer that a borrower has failed to make two (2) regularly scheduled payments and is at least 60 days in default. Default is defined in NMIC's mortgage insurance policies as the failure by a borrower to pay when due an amount equal to the scheduled mortgage payment due under the terms of a loan or the failure by a borrower to pay all amounts due under a loan after the exercise of the due on sale clause of such loan. In addition to reserves on reported defaults, we establish reserves for estimated losses incurred on loans that have been in default for at least 60 days that have not yet been reported to us by the servicers (this is often referred to as “incurred but not reported” or “IBNR”).

Consistent with industry accounting practices, for purposes of establishing loss reserves, we consider our MI policies to be short-duration contracts and, as such, we will adhere to the general loss reserving principles contained in ASC Topic 944, *Financial Services - Insurance* ("ASC 944"), even though that standard expressly excludes mortgage insurance from its guidance. Like other mortgage insurers, however, we will not establish loss reserves for anticipated future claims on insured loans that are not currently in default.

The establishment of loss and IBNR reserves is subject to inherent uncertainty and will require significant judgment by management. We will establish loss reserves using our best estimates of claim rates, *i.e.*, the percent of loan defaults that ultimately result in claim payments, and claim amounts, *i.e.*, the dollar amounts required to settle claims, to estimate the ultimate losses on loans reported to us as being at least 60 days in default as of the end of each reporting period. We will estimate IBNR by analyzing historical lags in default reporting to determine a specific number of IBNR claims in each reporting period. Our actuary will utilize internal and external data to estimate lags in notice of default reporting. We believe that given recent tightening of GSE guidelines lag times have decreased. Additionally, our estimates of claim rates and claim sizes will be strongly influenced by prevailing economic conditions, for example current rates or trends in unemployment, house price appreciation and/or interest rates, and our best judgment as to the future values or trends of these macroeconomic factors. If prevailing economic conditions deteriorate suddenly and/or unexpectedly, our estimates of loss reserves could be materially understated, which may adversely impact our

financial condition and operating results. Because loss and IBNR reserves are based on estimates and judgments, there can be no assurance that even in a stable economic environment, actual claims paid by us will not be substantially different than our loss and IBNR reserves for such claims.

Changes in loss reserves can materially affect our consolidated net income or loss. It is possible that even a relatively small change in estimated claim rate or a relatively small percentage change in estimated claim amount could have a significant impact on reserves and, correspondingly, on operating results. The loss reserving process is complex and subjective and, therefore, our ultimate liabilities may vary significantly from our estimates.

Fair Value Measurements

The following describes the valuation techniques used by us to determine the fair value of financial instruments held as of March 31, 2013 and December 31, 2012:

We established a fair value hierarchy by prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date for identical assets or liabilities;

- Level 2 - Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities; and

- Level 3 - Unobservable inputs that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level of market activity used to determine the fair value hierarchy is based on the availability of observable inputs market participants would use to price an asset or a liability, including market value price observations.

Assets classified as Level 1 and Level 2

To determine the fair value of securities available-for-sale in Level 1 and Level 2 of the fair value hierarchy, independent pricing sources have been utilized. One price is provided per security based on observable market data. To ensure securities are appropriately classified in the fair value hierarchy, we review the pricing techniques and methodologies of the independent pricing sources and believe that their policies adequately consider market activity, either based on specific transactions for the issue valued or based on modeling of securities with similar credit quality, duration, yield and structure that were recently traded. A variety of inputs are utilized by the independent pricing sources including benchmark yields, reported trades, non-binding broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including data published in market research publications. Inputs may be weighted differently for any security, and not all inputs are used for each security evaluation. Market indicators, industry and economic events are also considered. This information is evaluated using a multidimensional pricing model. Quality controls are performed by the independent pricing sources

throughout this process, which include reviewing tolerance reports, trading information and data changes, and directional moves compared to market moves. This model combines all inputs to arrive at a value assigned to each security. We have not made any adjustments to the prices obtained from the independent pricing sources. We do however perform quality checks and review of the prices received.

Assets classified as Level 3

The warrants held by FBR and MAC Financial Ltd. are valued using a Black-Scholes option- pricing model. Variables in the model include the risk-free rate of return, dividend yield, expected life and expected volatility of the Company's stock price. Any potential value associated with pricing protection features are assessed using internal models and management estimation.

ASC 825, *Disclosures about Fair Value of Financial Instruments*, requires all entities to disclose the fair value of their financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value.

Investment Portfolio

We classify our entire investment portfolio as available-for-sale and report it at fair value. The related unrealized gains or losses, after considering the related tax expense or benefit, are reported as a component of accumulated other comprehensive income in stockholders' equity. We expect to hold short-term investments with maturities of greater than three and less than 12 months when purchased and will be carried at fair value and to determine any realized gains and losses on sales of investments on a specific-identification basis. We expect that our investment income will consist primarily of interest and dividends. We plan to recognize interest income on an accrual basis and dividend income on preferred stock investments on the date of declaration. Net investment income would represent interest and dividend income, net of investment expenses.

The guidance regarding the recognition and presentation of other-than-temporary impairment, or OTTI, requires that an OTTI of a debt security be separated into two components when there are credit-related losses associated with the impaired debt security for which we assert that we do not have the intent to sell the security, and it is more likely than not that we will not be required to sell the security before recovery of our cost basis. Under this guidance the amount of the OTTI related to a credit loss is recognized in earnings, and the amount of the OTTI related to other factors (such as changes in interest rates or market conditions) is recorded as a component of other comprehensive income (loss). In instances where no credit loss exists but it is more likely than not that we would have to sell the debt security prior to the anticipated recovery, the decline in fair value below amortized cost is recognized as an OTTI in earnings. In periods after recognition of an OTTI on debt securities, we plan to account for such securities as if they had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. For debt securities for which OTTI are recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected would be accreted or amortized into net investment income.

Each fiscal quarter we expect to perform reviews of our investments in order to determine whether declines in fair value below amortized cost are considered other-than-temporary in accordance with applicable guidance. In evaluating whether a decline in fair value is other-than-temporary, we may consider several factors including, but not limited to:

- our intent to sell the security and whether it is more likely than not that we would be required to sell the security before recovery;
- extent and duration of the decline;

- failure of the issuer to make scheduled interest or principal payments;
- change in rating below investment grade; and
- adverse conditions specifically related to the security, an industry, or a geographic area.

Under the current guidance, a debt security impairment is deemed other-than-temporary if either it is intended that the security be sold or it is more likely than not that we would be required to sell the security before recovery or we do not expect to collect cash flows sufficient to recover the amortized cost basis of the security.

Deferred Policy Acquisition Costs

Costs directly associated with the successful acquisition of mortgage insurance policies, consisting of employee compensation and other policy issuance and underwriting expenses, are initially deferred and reported as deferred insurance policy acquisition costs. Deferred insurance policy acquisition costs arising from each book of business are charged against revenue in the same proportion that the underwriting profit for the period of the charge bears to the total underwriting profit over the life of the policies. The underwriting profit and the life of the policies are estimated and are reviewed quarterly and updated when necessary to reflect actual experience and any changes to key variables such as persistency or loss development. Because our insurance premiums are earned over time, changes in persistency result in deferred insurance policy acquisition costs being amortized against revenue over a comparable period of time.

If a premium deficiency exists, we reduce the related deferred insurance policy acquisition costs by the amount of the deficiency or to zero through a charge to current period earnings. If the deficiency is more than the deferred insurance policy acquisition costs balance, we then establish a premium deficiency reserve equal to the excess, by means of a charge to current period earnings.

Premium Deficiency Reserve

After our loss reserves are established, we will perform a premium deficiency calculation each fiscal quarter using best estimate assumptions as of the testing date. Per ASC 944, a premium deficiency reserve shall be recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums. The calculation of premium deficiency reserves requires the use of significant judgment and estimates to determine the present value of future premium and present value of expected losses and expenses on our business. The present value of future premium relies on, among other things, assumptions about persistency and repayment patterns on underlying loans. The present value of expected losses and expenses depends on assumptions relating to severity of claims and claim rates on current defaults, and expected defaults in future periods. These assumptions also include an estimate of expected rescission activity. Assumptions used in calculating the deficiency reserves can be affected by volatility in the current housing and mortgage lending industries. To the extent premium patterns and actual loss experience differ from the assumptions used in calculating the premium deficiency reserves, the differences between the actual results and our estimate will affect future period earnings. In considering the potential sensitivity of the factors underlying our best estimate of premium deficiency reserves, it is possible that even a relatively small change in estimated claim rate or a relatively small percentage change in estimated claim amount could have a significant impact on the premium deficiency reserve, should one be needed, and, correspondingly, on our operating results.

Income Taxes

We account for income taxes using the liability method in accordance with ASC Topic 740, *Income Taxes*. The liability method measures the expected future tax effects of temporary differences at the enacted tax rates applicable for the period in which the deferred asset or liability is expected to be realized or settled. Temporary differences are differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements that would result in future increases or decreases in taxes owed on a cash basis compared to amounts already recognized as tax expense in the consolidated statement of operations. We evaluate the need for a valuation allowance against deferred tax assets on a quarterly basis. In the course of our review, we assess all available evidence, both positive and negative, including future sources of income, tax planning strategies, future contractual cash flows and reversing temporary differences. Additional valuation allowance benefits or charges could be recognized in the future due to changes in management's expectations regarding the realization of tax benefits.

Warrants

In conjunction with the MAC Acquisition and funding of our start-up costs, we issued warrants. We account for these warrants to purchase common shares of the Company in accordance with ASC 470-20, *Debt with Conversion and Other Options* and ASC 815-40, *Derivatives and Hedging - Contracts in Entity's Own Equity.* These warrants may be settled by us using the physical settlement method or through cash-less-exercises in which shares subject to the warrants are reduced in lieu of cash payment of the exercise price. The exercise price and the number of warrants are subject to anti-dilution provisions whereby the existing exercise price is adjusted downward and the number of warrants increased for events that may not be dilutive and the adjustment may be in excess of any dilution suffered. As a result, the warrants are classified as a liability. We are required to revalue the warrants at the end of each reporting period and any change in fair value is reported in the statements of operations in the period in which the change occurred. The fair value of the warrants are valued using a Black-Scholes option-pricing model. Variables in the model include the risk-free rate of return, dividend yield, expected life and expected volatility of the Company's stock price.

Share-Based Compensation

The Company adopted ASC 718, *Compensation - Stock Compensation* (“ASC 718”). ASC 718 addresses accounting for share-based awards and recognizes compensation expense, measured using grant date fair value, over the requisite service or performance period of the award. Share-based payments include restricted stock and stock option grants under the 2012 Stock Incentive Plan. The fair value of stock option grants issued are determined based on an option pricing model which takes into account various assumptions that are subjective. Key assumptions used in the stock option valuation include the expected term of the equity award taking into account the contractual term of the award, the effects of expected exercise and post-vesting termination behavior, expected volatility, expected dividends and the risk-free interest rate for the expected term of the award. Restricted stock grants to employees contain a market and service condition. The fair value of restricted stock grants to employees is determined based on a Monte Carlo Simulation model at the date of grant. Restricted grants to non-employee directors are valued at the Company's stock price on the date of grant less the present value of anticipated dividends. Expense is recognized over the required service period, which is generally a three-year vesting period for the options (vesting in one-third increments per year).

The estimated grant date fair values of the stock options granted during 2012 were calculated using Black-Scholes valuation model based on the following weighted-average assumptions:

- Expected Life - 6 years

- Risk free interest rate - 1.03%
- Dividend yield - 0.00%
- Expected stock price volatility - 39.00%
- Projected forfeiture rate - 1.00%

Expected Stock Price Volatility - is a measure of the amount by which a price has fluctuated or is expected to fluctuate. At the time of grant, the Company's common shares trading history was less than six months which was not sufficient to calculate an expected volatility representative of the volatility over the expected lives of the options. As a substitute for such estimate, the Company used historical volatilities of a set of comparable companies in the industry in which the Company operates.

Risk Free Interest Rate - is the U.S. Treasury rate for the date of the grant having a term approximating the expected life of the option.

Expected Life - is the period of time over which the options granted are expected to remain outstanding giving consideration to vesting schedules, historical exercise and forfeiture patterns. The Company uses the simplified method outlined in SEC Staff Accounting Bulletin No. 107 to estimate expected lives for options granted during the period as historical exercise data is not available and the options meet the requirements set out in the Bulletin. Options granted have a maximum term of ten years.

Projected Forfeiture Rate - is the estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested. An increase in the forfeiture rate will decrease compensation expense.

Dividend Yield - is calculated by dividing the expected annual dividend by the stock price of the Company at the valuation date.

Restricted Stock Units

The estimated grant date fair values of the restricted stock units granted in 2012 that are subject to both a market and service condition were calculated using a Monte Carlo Simulation model based on the average outcome of 150 thousand simulations using the following assumptions:

- Expected Life - 5 years
- Risk free interest rate - 0.86%
- Dividend yield - 0.00%
- Expected stock price volatility - 39.00%
- Projected forfeiture rate - 1.00%

BUSINESS

While we intend to operate our business as described in this prospectus, we are a new company without a significant operating history. As a result of our experience, changes in market conditions and other factors, we may alter certain of our business methods, such as the amount and types of mortgage insurance we underwrite.

General

NMIH is a Delaware corporation that through its subsidiaries provides MI in the United States. In April 2012, we raised net proceeds of approximately $510 million from a private placement of our common stock and also purchased MAC Financial, a Delaware corporation, and its Wisconsin licensed insurance subsidiaries, including Mortgage Assurance Corporation, which we later renamed National Mortgage Insurance Corporation, or "NMIC." The proceeds from the private placement have been and will be primarily used to capitalize our MI subsidiaries and fund our operating expenses until our MI subsidiaries generate positive cash flows.

In January 2013, Fannie Mae and Freddie Mac approved NMIC as a qualified MI provider on loans purchased by the GSEs. With our GSE Approval, our customers who originate loans insured by NMIC may sell such loans to the GSEs (as of April 1, 2013 for Freddie Mac and as of June 1, 2013 for Fannie Mae). Our primary insurance subsidiary, NMIC, requires a certificate of authority, or insurance license, in each state or jurisdiction where we issue insurance policies. We applied for a certificate of authority in each of the 50 states plus the District of Columbia in June 2012. We are currently licensed in 48 states and D.C.

Our principal office is located at 2100 Powell Street, 12th floor, Emeryville, CA 94608. Our main telephone number is (855) 530-NMIC (6642), and our website is www.nationalmi.com.

Our Strategy and Competitive Strengths

We believe the current environment provides an opportune time for a new mortgage insurer with no exposure to the recent financial crisis to enter the market. By entering the market at this time, we believe that we should be well positioned to profit from conservative underwriting standards, improving loss trends and attractive risk adjusted premium pricing levels.

Our business strategy is to become a leading national MI company with our principal focus on writing insurance on high quality, low down payment residential mortgages in the United States. As part of this strategy, our near term objectives include:

- ***Obtaining outstanding certificates of authority, or state insurance licenses and establishing effective rates and policy forms where required.*** As of the date of this prospectus, we are licensed in 48 states and D.C., have effective rates in 47 states and D.C. and effective policy forms in 44 states and D.C. NMIC's application for a certificate of authority is currently pending in Wyoming, while in Florida we withdrew NMIC's application and plan to resubmit a new application in the near term future. We will continue to work to address, any issues with both the Wyoming and Florida insurance regulators in order to secure these two remaining licenses as expeditiously as possible. Our objective is to obtain licenses, effective rates and policy forms in all 50 states and D.C.
- ***Evaluating risk in a timely fashion on all insured loans.*** We intend to review every loan we insure through both our delegated and non-delegated channels. Through a program we call "Delegated Assurance Review", we plan to conduct a post-close underwriting review of each mortgage insurance

policy issued by our customers under their delegated authority. This differs from other MI companies that typically underwrite a sampling of policies originated through their delegated underwriting channels. By underwriting each policy, we believe we can more effectively manage the risk characteristics in our portfolio and provide a high level of confidence to our lenders that valid claims will be paid. We also expect this process will allow us to provide our customers with timely, value-added feedback on the risk characteristics of their loan originations.

- ***Establishing customer relationships.*** In order to develop a diverse customer base of mortgage originators, we believe we will ultimately need to have a sales force of approximately 60 individuals. Mortgage insurance is a highly competitive industry and therefore establishing and maintaining relationships with many lending institutions is critical to our success.
- ***Attracting and retaining our employee base.*** We believe our Company will be an attractive stable place of employment, given that we are a well-capitalized insurance company that has made significant progress in commencing business in the MI marketplace, allowing us to attract what we believe to be a high-quality talent pool. We have grown from zero employees prior to our capitalization in April 2012 to over 100 employees as of May 31, 2013. We currently expect to have approximately 200 employees by the end of 2013.
- ***Integrating our systems with mortgage lenders, loan servicing systems and leading third-party origination systems.*** Many of our customers will require us to have connectivity or be integrated with one or more loan servicing and/or origination systems as a precursor to doing business with them. We have begun the process of integrating with these third party loan servicing and origination systems, and we expect to complete some of these integrations this year and that by mid-2014 we will be substantially integrated with the more significant third party industry systems.
- ***Continuing development of our enterprise technology platform.*** We seek to continue to develop our enterprise technology platform to support our mortgage insurance operations, including underwriting, premium billing, policy servicing and delinquency and claims management functions. In order to adequately support our mortgage insurance operations, we expect that, when completed and all components are fully integrated, our technology platform will allow us to: (i) obtain applications and supporting documentation from our lenders on an automated basis, thereby enabling lenders to submit insurance applications in an efficient manner and facilitating our risk review, (ii) obtain real-time data on performance of individual insured loans and programs, enabling a transparent and collaborative policy acquisition and underwriting process that should reduce response times, decrease costs and streamline communication with lenders, (iii) provide real-time feedback data for monitoring underwriting guidelines and for communicating to lenders the quality metrics and performance of the loans we insure, (iv) bill and collect premiums electronically and (v) adjust and settle claims.

We intend to execute the above strategy, by taking advantage of the following competitive strengths:

- ***Availability of capital to support growth***. As a newly capitalized mortgage insurer, we do not have exposure to the losses caused by historical underwriting standards (which we believe to have been less than adequate) and declines in home values experienced during the recent financial crisis. We believe our current capital will support approximately $30 billion of insurance in force (“IIF”) while staying within the regulatory guidelines imposed by state insurance departments and the GSEs.

- ***Superior business practices and terms of trade.*** Existing MI companies have rescinded or denied coverage on a significant number of mortgage insurance policies in recent years. We believe this has strained the relationship between a number of the mortgage originators and some existing private

mortgage insurers, providing an opportunity for a new entrant to more effectively compete with existing providers. We believe our terms of trade offer a unique approach to rescission relief that sets us apart from other MI companies. Under our master policy, after a borrower has timely made 18 consecutive monthly payments on a loan we insure, we have agreed that we will not rescind or cancel coverage of that loan for borrower fraud or underwriting defects. In addition, upon the borrower attaining 18 full and timely consecutive monthly payments, we have agreed to limitations on our ability to initiate an investigation of fraud or misrepresentation by our insureds or any other party involved in the origination of an insured loan, which we collectively refer to in our master policies as a "First Party." We believe the standard approach by most MI companies is to provide this rescission relief with respect to underwriting defects and investigation of First Party fraud or misrepresentation after 36 months of full and timely consecutive monthly payments. For this and other reasons, we believe the terms of our insurance coverage described in our Master Policy Agreement will be favorably received by our customers, allowing us to further displace the market share of current providers. In addition, because we review every loan we insure as described above, we believe we are well aligned with the GSEs' desire that MI providers adopt up-front quality control practices that have the effect of giving insureds assurance of coverage after a borrower has timely made 36 months of loan payments.

- ***Experienced management team***. We have assembled a senior management team with extensive experience developing and operating MI companies. Our Chief Executive Officer, Bradley Shuster, was responsible for international operations for PMI Mortgage Insurance Co. (“PMIC”), coordinating both acquisitions in Australia and *de novo* operations in Canada, Europe and Hong Kong. Before leaving PMIC in 2008, Mr. Shuster was responsible for the sale of PMIC's Australian operations to QBE Group for approximately $1.0 billion. In addition to Mr. Shuster, the rest of the Company's executive management team averages over 25 years of mortgage or financial services industry experience. See "*Management - Executive Directors and Officers*."

We believe our strategy and competitive strengths will provide for an efficient deployment of our capital and for better overall risk management allowing us to operate profitably across market cycles.

Overview of the Private Mortgage Insurance Industry

The MI industry emerged in the United States in the 1880s, and the first laws regulating mortgage insurance were passed in New York in 1904. The industry grew in response to the real estate boom of the 1920s. Following the Great Depression, the federal government began insuring mortgages through the FHA and the VA. The modern MI industry was established in the late 1950's to provide a private market alternative to federal government insurance programs, principally the FHA. MI covers losses of the insured institutions should homeowners default on their residential mortgage loans, up to pre-established coverage levels, reducing the loss to the insured institutions. MI enables consumers, especially first-time homebuyers, to finance homes with less than a 20% down payment, thereby expanding homeownership opportunities. Loans with less than 20% down payments are generally referred to as “low down payment” mortgages or loans.

The MI industry has from time to time experienced catastrophic losses similar to the losses currently being experienced by the existing MI providers. In the past, such losses have followed (i) severe regional recessions and attendant declines in property values in the nation's energy producing states; (ii) the lenders' development of new mortgage products to defer the impact on home buyers of double digit mortgage interest rates, e.g., adjustable rate mortgages with a below market teaser rate; and (iii) changes in federal income tax incentives which initially encouraged the growth of investment in non-owner occupied properties. Prior to the current cycle of such losses, the last time that private mortgage insurers experienced substantial losses of this nature was in the mid-to-late 1980s. The mortgage crisis in recent years had a profound negative effect on the

operating results and capital position of the MI industry and some companies were forced into receivership and ceased writing new business.

GSEs

The GSEs are the principal purchasers of the mortgages insured by MI companies, primarily as a result of their governmental mandate to provide liquidity in the secondary mortgage market. Freddie Mac's and Fannie Mae's federal charters generally prohibit the GSEs from purchasing a low down payment loan, unless the loan is insured by a qualified mortgage insurer, the mortgage seller retains at least a 10% participation in the loan or the seller agrees to repurchase or replace the loan in the event of a default. As a result, the nature of the private mortgage insurance industry in the United States is driven in large part by the requirements and practices of the GSEs, which include:

- the level of MI coverage, subject to the requirements of the GSEs' charters (which may be changed by federal legislation) as to when MI is used as the required credit enhancement on low down payment mortgages;

- the amount of loan level delivery fees (which result in higher costs to borrowers) that the GSEs assess on loans that require MI;

- whether the GSEs influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection;

- the availability of different loan purchase programs from the GSEs that allow different levels of MI coverage. For example, the GSEs allow lenders to deliver loans with “standard coverage” from an MI company, or, in exchange for lenders paying higher fees, lower “charter minimum” coverage levels. Historically, the large majority of loans are insured at “standard coverage” levels. If the relationship between the cost of mortgage insurance and the fees charged by the GSEs for various coverage levels changes, lenders may prefer to obtain “charter minimum” coverage levels on their loans;

- the underwriting standards that determine what loans are eligible for purchase by the GSEs, which can affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans;

- the terms on which MI coverage can be canceled by the borrower before reaching the cancellation thresholds established by law;

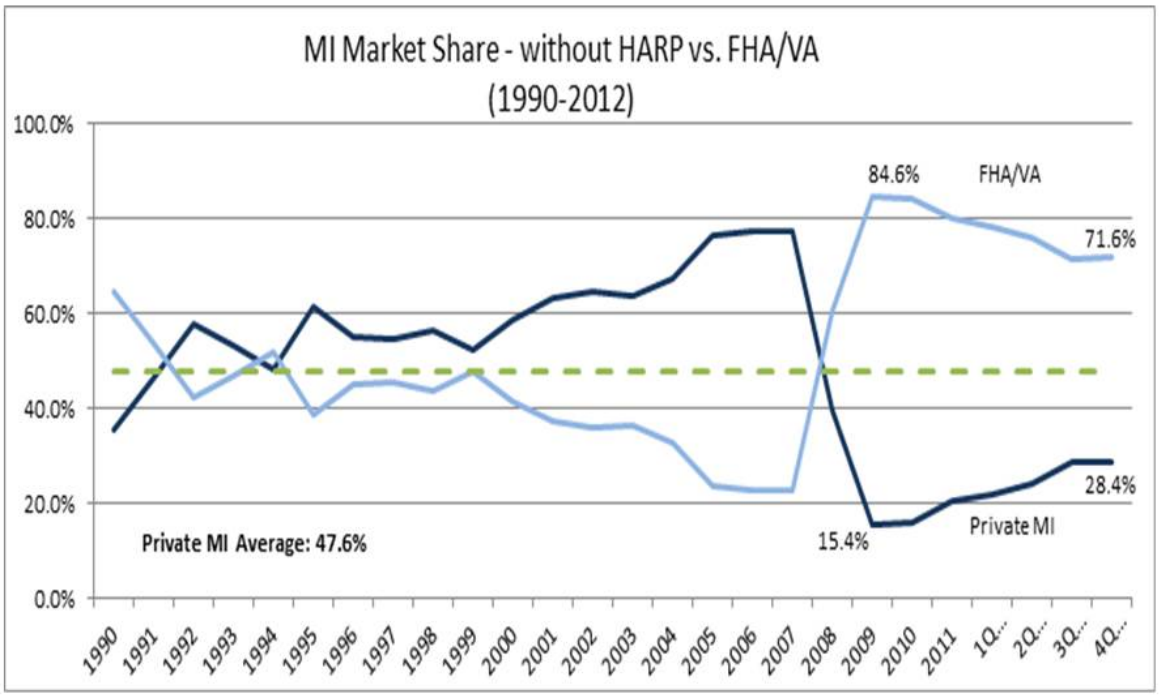
- the terms that the GSEs require to be included in MI policies for loans that they purchase;

- the programs established by the GSEs intended to avoid or mitigate loss on insured mortgages and the circumstances in which mortgage servicers must implement such programs; and

- the minimum capital levels required to be maintained by MI companies.

The requirements and practices of the federal regulators that oversee the GSEs and lenders also affect the operating results and financial performance of companies in the MI industry. The FHFA is the conservator of the GSEs. As their conservator, the FHFA has the authority to control and direct the operations of the GSEs.

For example, the FHFA has recently announced its plan that each GSE engage in a target goal of $30 billion of unpaid principal balance in credit-risk sharing transactions in 2013, which may include mortgage insurance transactions. We generally believe the FHFA's 2013 strategy will have a beneficial impact on private mortgage insurers. In February 2011, the U.S. Department of the Treasury reported its recommendations regarding options for ending the conservatorship of the GSEs, and while it does not provide any definitive timeline for GSE reform, it does recommend substantially reducing the government's footprint in housing finance.



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HARP: Home Affordable Refinance Program

Mortgage Insurance

Residential MI protects mortgage lenders and investors in the event of borrower default, by reducing and, in some instances, eliminating the resulting credit loss to the insured institution. By mitigating losses as a result of borrower default, mortgage insurance facilitates the origination of “low down payment” mortgages, which are mortgages to borrowers who make down payments of less than 20% of the value of the homes. Mortgage insurance also may reduce the capital that financial institutions are required to hold against insured loans and facilitates the sale of low down payment mortgage loans in the secondary mortgage market, primarily to the GSEs. NMIC’s residential mortgage insurance products will primarily provide first loss protection on loans originated by residential mortgage lenders and sold to the GSEs and, to a lesser extent, on low down payment loans held by portfolio lenders. As of the end of the three month period ended March 31, 2013, we had not issued any mortgage insurance policies. We wrote our first insurance policy in April 2013. While we

ultimately expect that NMIC will offer the two principal types of MI, “primary” and “pool” which we discuss further below, we currently anticipate that most of the insurance that we write in the future will be primary insurance.

Primary Mortgage Insurance

Primary mortgage insurance provides mortgage default protection on individual loans at specified coverage percentages. Primary business is typically offered in one of two ways, either in bulk transactions or on a "flow" basis. Bulk delivery is when more than one loan is insured at a time. Flow originations occur one single loan at a time. We expect to offer primary mortgage insurance products on a flow basis to our customers. Our maximum obligation to an insured with respect to a claim is generally determined by multiplying the coverage percentage selected by the insured by the loss amount on the defaulted loan. The loss amount on an insured loan includes unpaid loan principal, delinquent interest and certain expenses associated with the default and subsequent foreclosure or sale of the property. At the time of a claim, we will typically pay the coverage percentage of the claim amount specified in the primary policy, but have the option to (i) pay 100% of the claim amount and acquire title to the property, or (ii) in the event the property is sold prior to settlement of the claim, pay the insured's actual loss up to the maximum level of coverage. We expect that most of our primary insurance will be written on first mortgage loans secured by owner occupied single-family homes, which are defined as one-to-four family homes and condominiums. To a lesser extent, we may also write primary insurance on first mortgages secured by non-owner occupied single-family homes, which are referred to in the home mortgage lending industry as investor loans, and on vacation or second homes.

Primary insurance-in-force (“IIF”) is the unpaid principal balance of insured loans. Primary risk-in-force (“RIF”) is the product of the coverage percentage applied to the unpaid principal balance. Lenders that purchase our mortgage insurance select specific coverage levels for insured loans, from the coverage percentages that we offer. For loans sold to Fannie Mae or Freddie Mac, the coverage percentage must comply with the requirements established by the particular GSE to which the loan is delivered. For other loans, the lender makes the determination. We expect our risk across all policies written to approximate 25% of the primary insurance in force but will vary between 6% and 35% coverage. We charge higher premium rates to account for the risk of higher coverage percentages, as higher coverage percentages generally result in higher amounts paid per claim.

Depending on the loan and the lender, the premium payments for flow primary mortgage insurance coverage are typically borne by the borrower. Our industry refers to loans having this requirement as borrower paid mortgage insurance (“BPMI”). If the borrower is not required to pay the premium, then the premium is paid by the lender, who may recover the premium through an increase in the note rate on the mortgage or higher origination fees. Our industry refers to loans in which the premium is paid by the lender as lender paid mortgage insurance (“LPMI”). In either case, the payment of premium to us is generally the responsibility of the insured. We currently expect that most of our primary insurance written will be BPMI, although this could change in the future.

Our premium rates are based on rates that we have filed with the various state insurance departments. To establish these rates, we use pricing models that assess risk across a spectrum of variables, including coverage percentages, LTV, loan and property attributes, and borrower risk characteristics. Premium rates cannot be changed after the issuance of coverage. Because we believe that over the long term, each region of the United States is subject to similar factors affecting risk of loss on insurance written, we generally utilize a nationally based, rather than a regional or local, premium rate policy for insurance written on a flow basis.

In general, premiums are calculated as basis points of the unpaid principal balance. Our premium plans can be broken down into four distinct types:

- single — all premium is paid upfront and the premium is earned based on published earnings tables which factor in the LTV and loan term;
- annual — premium is paid in advance covering the subsequent 12 months and the premium is earned over the year, with renewals received prior to the expiration of the current coverage;
- monthly — coverage begins on the loan close date and when the premium is received and the lender is billed each month for the next month's coverage; and
- monthly Advantage — coverage begins as of the loan close date, when we receive notice of such close date and the lender is billed for the previous month's coverage every month.

In general, we may not terminate MI coverage except in the event there is non-payment of premiums or certain material violations of NMIC's mortgage insurance policies. Mortgage insurance coverage is renewable at the option of the insured lender, at the renewal rate fixed when the loan was initially insured. Lenders may cancel insurance written on a flow basis at any time at their option or because of mortgage repayment, which may be accelerated because of the refinancing of mortgages. In the case of a loan purchased by Freddie Mac or Fannie Mae, the GSEs' guidelines generally provide that a borrower meeting certain conditions may require the mortgage servicer to cancel insurance upon the borrower's request when the principal balance of the loan is 80% or less of the property's current value. The federal Homeowners Protection Act of 1998 (“HOPA”) also requires the automatic termination of BPMI on most loans when the LTV ratio (based upon the loan's amortization schedule) reaches 78%, and provides for cancellation of BPMI upon a borrower's request when the LTV ratio (based on the original value of the property) reaches 80%, upon satisfaction of the conditions set forth in the HOPA. In addition, some states impose their own notice and cancellation requirements on mortgage loan servicers.

Pool Insurance

Pool insurance is generally used as an additional “credit enhancement” for certain secondary market mortgage transactions. Pool insurance generally covers the excess of the loss on a defaulted mortgage loan which exceeds the claim payment under the primary coverage, if such loan has primary coverage, as well as the total loss on a defaulted mortgage loan which did not have primary coverage. Pool insurance may have a stated aggregate loss limit for a pool of loans and may also have a deductible under which no losses are paid by the insurer until losses on the pool of loans exceed the deductible. As discussed above, the FHFA has set goals for the GSEs to engage in $30 billion of risk sharing transactions in 2013. It is possible that the GSEs will execute some of this risk transfer through MI transactions, including pool type insurance structures. We may bid on some or all of any such transactions that the GSEs present to us. We ultimately expect that we will write a lesser volume of pool business than primary business. However, until our primary, flow business writings reach a material level, if we engage in writing pool business, including with the GSEs, any one transaction or series of transactions could result in a significant increase in the percentage of pool risk within our IIF.

Customers

Our sales strategy is focused on attracting as customers mortgage originators that fall into two distinct categories, which we refer to as "National Accounts" and "Regional Accounts". We define National Accounts as the 35 largest residential mortgage originators as defined by volume of originations. These National Accounts generally originate loans through their retail channels as well as purchase loans originated by other entities.

The lenders in this segment may sell these loans to the GSEs or private label secondary markets or securitize the loans themselves. We plan to service this customer base with a small but specialized team of National Account Sales people who have experience sourcing business from this segment. The Regional Accounts originate mortgage loans on a local or regional level throughout the country. Some of these Regional Accounts have origination platforms that span across multiple regions, however, the primary lending focus is local. They sell the majority of their originations to National Accounts who purchase loans originated by others but they may also retain loans in their portfolios or sell portions of their production directly to the GSEs. We intend for our nationwide and regional sales teams to address the Regional Accounts segment of the market. To date, we have made substantial progress within each segment.

The GSEs, as major purchasers of conventional mortgage loans in the United Sates, are the primary beneficiaries of our mortgage insurance coverage. Revenues from our customers are expected to be generated in the United States only.

Sales and Marketing and Competition

Sales and Marketing

Our current sales resources are designed to optimize our opportunity in the market as well as balance our expenses effectively. Our current sales force is located throughout the United States to directly sell our mortgage insurance products to lenders. In 2013, we are continuing to build our sales force by hiring qualified mortgage professionals that generally have well-established relationships with industry leading lenders and significant experience in both MI and mortgage lending. NMIC's product development and marketing department has primary responsibility for creating and supporting our MI products. Once fully staffed, we expect to employ a sales force of approximately 60 individuals.

Competition

Our competition includes other private mortgage insurers, governmental agencies that sponsor government-backed mortgage insurance programs and alternatives to credit enhancement products, such as piggy-back loans. The MI industry is highly competitive. We compete with other private mortgage insurers based on underwriting guidelines, product features, pricing, customer relationships, name recognition, reputation, the strength of management teams and field organizations, the effective use of technology, innovation in the delivery and servicing of insurance products and our ability to execute.

The U.S. MI industry currently consists of seven active private mortgage insurers, including NMIC, MGIC Investment Corporation (“MGIC”), Radian Guaranty Inc. (“Radian”), United Guaranty Corporation (“UGI”), a division of American International Group, Inc., Genworth Mortgage Insurance (“Genworth”), Essent Guaranty (“Essent”) and CMG Mortgage Insurance Company (“CMG”), the latter of which has solely offered mortgage insurance to credit unions. In February 2013, an insurer domiciled in Bermuda, with mortgage insurance operations in Europe, announced that it had entered into an agreement to purchase CMG. The agreement is subject to numerous closing conditions, including the requirements to obtain court approval and approvals from the GSEs and state insurance regulators, as well as other regulatory authorizations. We believe the buyer intends to expand CMG's footprint beyond the credit union mortgage insurance market. In addition, the perceived increase in credit quality of loans that are being insured today, the deterioration of the financial strength ratings of the existing mortgage insurance companies and the possibility of a decrease in the FHA's share of the mortgage insurance market may encourage additional new entrants. During 2011, two mortgage insurers stopped writing new business and, based on public disclosures, these insurers approximated more

than 20% of the MI industry volume in the first half of 2011. We believe their new origination market share has since been redistributed among the other MI companies.

We and other private mortgage insurers also compete directly with federal and state governmental and quasi-governmental agencies that sponsor government-backed mortgage insurance programs, principally the FHA and, to a lesser degree, the VA. These agencies' market share during 2010, 2011 and 2012 was approximately 84%, 77% and 68%, respectively, of low down payment residential mortgages that were subject to governmental and MI. While declining from a high of approximately 85% in 2009, the market share of governmental agencies remains substantially above the low of approximately 23% in 2007, according to statistics reported by Inside Mortgage Finance. As noted above, the combined market share of the FHA and VA has decreased each year since 2010, a trend that we believe has been positive for the MI industry. In our view, this decrease may have been influenced by increases in the cost of FHA insurance in recent years, stricter FHA guidelines, the inability of the borrower to cancel FHA mortgage insurance and the FHA pulling back from the market given its failure to meet its congressionally mandated capital requirements.

In addition to competition from the FHA and the VA, we and other private mortgage insurers face competition from state-supported mortgage insurance funds in several states, including California and New York. From time to time, other state legislatures and agencies consider expanding the authority of their state governments to insure residential mortgages.

Underwriting and Risk Management

To qualify to receive mortgage insurance from us, a lender would first enter into a master policy agreement with us. The master policy sets forth the general terms and conditions of our MI coverage. Our primary mortgage insurance policies are issued through one of two programs:

- non-delegated — we underwrite the insurance application and provide a response to the lender, prior to the loan closing; or

- delegated — if deemed eligible by NMIC, certain loan originators may bind our mortgage insurance coverage following their own underwriting review. Loans submitted through the delegated program must meet certain eligibility rules. The delegated program is only available to customers that have strong underwriting experience. In addition, similar to the non-delegated program, we have processes in place to perform quality assurance reviews of our customers' underwriting of all delegated loans within several months of the loan closing date.

Non-Delegated Program

To obtain mortgage insurance on a loan, a master policyholder submits an insurance application to us, along with the borrower's mortgage application, an appraisal report from an independent, licensed appraiser, borrower credit report, employment and income verification, tax returns from self-employed borrowers, verification of funds sufficient to cover the expected down payment for the loan closing and purchase contract and any other documentation to support loan qualification for mortgage insurance. We do not currently intend to provide primary MI in instances where the lender has waived certain documentation requirements, such as written verification of employment and proof of source of funds for closing. Our underwriters review all materials submitted and render an insurance decision, typically within 24 to 48 hours, depending on the MI application volume.

In addition to our non-delegated underwriter employees located at our corporate headquarters and remotely across the country, we have entered into contracts with third-party service providers under which they will underwrite the mortgage insurance decision on certain loans for NMIC, consistent with NMIC's underwriting guidelines and subject to the terms of the outsourcing agreements. We expect our underwriting vendors will share in the daily underwriting of mortgage insurance applications submitted to us, depending on the volume and with targeted assignments of particular loans to particular vendors, to ensure timely response-times to lenders. These underwriters will follow the same process outlined above that our own employees follow when they render an insurance decision. Any underwriting decisions requiring escalation or a second review will be referred back to NMIC for decision making.

We have processes in place to manage the risk associated with outsourcing a component of our underwriting functions. In collaboration with the vendor's management team, NMIC will assign an employee to be located on-site at the vendor's premises to monitor the vendor's day-to-day underwriting of mortgage insurance decisions. We will also review the qualifications of the vendor's underwriters and will provide system and guideline training to ensure the vendor's underwriting philosophy is consistent with ours. We will perform regular quality control reviews of each vendor's performance, and our agreements with the vendors require them to give us access to the results of their internal quality control reviews. Underwriters with unacceptable performance will be carefully monitored with specific action plans, and our agreements provide for timely replacement with 30 days' notice.

Delegated Program

We plan to permit delegated underwriting with lenders that have a track record of originating quality mortgage loans. The lenders are required to underwrite the loan in accordance with NMIC's approved guidelines. If the lender believes a loan is eligible for mortgage insurance coverage from NMIC, it may bind the insurance coverage in accordance with the delegated authority conferred under our delegated underwriting program, as set forth in the terms of our master policy and related endorsements. In order to bind coverage, the lender must provide a dataset to us to help demonstrate the loan meets our threshold eligibility rules. In addition, delegated lenders are required to submit a full loan file (which contains all information and documentation required by the traditional underwriting process) to us within 60 days of the coverage effective date, and we will perform a post-close underwriting review of the lender's underwriting decision for each insured loan. This process should provide us with confidence that loans we insure comply with our eligibility criteria and meet our underwriting guidelines. This process also assists us in identifying underwriting defects with lenders that need attention going forward. We believe that our full underwriting file review and quality control process differentiates our delegated underwriting process from the delegated underwriting process historically practiced by the MI industry and provides upfront clarity of coverage to our lenders. If a loan is deemed ineligible through our post-close review, we cancel the insurance certificate and return any premiums we have received.

We will use the third-party underwriting service providers with which we have outsourcing agreements to perform the majority of our post-close reviews of delegated decisions. If one of our service providers determines that a loan is ineligible for coverage, an NMIC underwriting manager will review the results to determine if we agree with our vendor before giving notice of cancellation of coverage to our insured. In addition to this review by an NMIC underwriting manager, NMIC's risk management departments will perform routine quality control reviews of a statistically relevant sample of each service provider's post-close reviews to help ensure that we are receiving the quality of underwriting that we expect from these providers.

Underwriting Guidelines and Risk Management

Our underwriting and risk management guidelines are based on what we believe to be the major factors that impact mortgage credit risk. Such factors include but are not limited to the following:

- the borrower's credit strength, including the borrower's credit history, debt-to-income ratios and cash reserves and the willingness of a borrower with sufficient resources to make mortgage payments when the mortgage balance exceeds the value of the home;
- the loan product, which encompasses the LTV ratio, the type of loan instrument, including whether the instrument provides for fixed or variable payments and the amortization schedule, the type of property, the purpose of the loan and the interest rate;
- origination practices of lenders;
- the percentage coverage on insured loans;
- the size of loans insured; and
- the condition of the economy, including housing values and employment, in the geographic area in which the property is located.

We believe that, excluding other factors, claim incidence increases:

- for loans with higher LTV ratios compared to loans with lower LTV ratios;
- for loans with higher debt-to-income ratios;
- for loans to borrowers with lower FICO credit scores compared to loans to borrowers with higher FICO credit scores;
- during periods of economic contraction and housing price depreciation, including when these conditions may not be nationwide, compared to periods of economic expansion and housing price appreciation;
- for ARMs when the reset interest rate significantly exceeds the interest rate of loan origination;
- for loans in which the original loan amount exceeds the GSEs' established conforming loan limit compared to loans below that limit; and
- for cash out refinance loans compared to purchase or rate and term refinance loans.

There may be other types of loan characteristics relating to the individual loan or borrower that also affect the risk potential for a loan. In addition, the presence of multiple higher-risk characteristics in a loan materially increases the likelihood of a claim on such a loan unless there are other characteristics to lower the risk.

Exception Policies

As part of our underwriting guidelines, we may establish exception approval procedures that would permit our underwriters to approve MI policies that deviate from our established credit policy guidelines. Any exception would require approval in accordance with our exception approval procedures by a higher level of management. We expect that exception approvals to credit policy guidelines will usually result from overriding conditions, such as an excellent credit profile, significant income, employment stability, or a high net worth. In order to help ensure exceptions are limited to the criteria we set, we plan to generate exception reports that would track the number of exceptions by underwriter and rationale for each exception.

Risk Management

In accordance with established policies and procedures, we seek to identify, assess, monitor and manage the following risks in our MI business: credit risk, market risk and operations risk. Management of these risks is a multifaceted interdepartmental endeavor including specific operational responsibilities and senior management oversight. In addition, our Internal Audit function, which reports to the Audit Committee of our board of directors and senior management, provides independent ongoing assessments of our operations and risk control environment.

Credit Risk

We protect financial institutions against credit losses resulting from homeowner defaults on low down payment residential mortgage loans. Low down payment lending carries high credit risk because borrowers who encounter financial difficulties may have little equity, if any, (net of transaction costs) in their homes, and are therefore less likely to keep their mortgage payments current or sell the property to avoid foreclosure.

We plan to manage credit risk and portfolio risk-reward characteristics using guidelines, pricing and various risk and operations policies and processes. Important drivers of our credit risk exposure that are monitored and managed by us include but are not limited to:

- Credit Risk Profile. Our insured loan portfolio's credit risk profile is measured by credit score, loan-to-value, debt-to-income ratio, occupancy type, purpose (e.g., owner-occupied) and other factors. This risk profile is directly impacted by our credit guidelines, pricing and operational quality. The risk profile of our new business is also affected by the mortgage market and macroeconomic conditions. Key drivers include regulatory and/or tax changes affecting the economics of residential mortgage lending; regulatory changes impacting the relative attractiveness of MI to our customers; and consumer attitudes about the relative attractiveness of real estate as an investment; structural changes to the industry made to reduce the role of the federal government (and develop a long-term plan for the GSEs).

- Changes in home prices. A decline in home prices typically makes it more difficult for a borrower to sell or refinance his or her home, generally increasing the likelihood of a default followed by a claim. In addition, a decline in home prices typically increases the severity of any claim we may pay. The inability to sell or refinance homes, due to a decline in home prices, typically leads to an increase in persistency. Conversely, an increase in home prices potentially makes it easier for a borrower to sell or refinance his or her home, decreasing the likelihood of a claim on a loan in default, decreasing the severity of any claim we may pay and decreasing the policy persistency.

- Changes in employment and income, healthcare and divorce. Borrowers able to make only small down payments often have more difficulty weathering financial hardships caused by unemployment or income reductions, or life events involving illness or divorce, because they may not have large amounts of personal savings or available credit. If they do have a significant amount of available credit, they are more likely to increase leverage to levels that prove unsustainable over the long run. Rising unemployment will increase the number of borrowers unable to remain current on their home mortgage and increase the number of new claims. Conversely, as the unemployment rate decreases, portfolio delinquency rates will fall as fewer borrowers become unemployed and those that do are able to find new jobs more quickly.

- Changes in interest rates. Increasing interest rates directly impact the borrower's ability to pay by causing their debt payments to rise. Higher payments on adjustable rate mortgages and other variable

rate consumer secured and unsecured debt reduce borrowers' ability to pay and increase the frequency of loss. Conversely, falling interest rates make variable rate consumer debt payments more affordable and reduce loss frequency. Changes in interest rates will also indirectly impact the portfolio's credit risk characteristics through their effect on economic growth rates, the affordability of housing, loan persistency and other factors.

- Regional economic developments. Credit performance in specific geographic regions can vary substantially from the national mean based on the impact of regional developments. These developments may include economic booms or busts in particular industries accounting for a material share of total employment, the impact of natural disasters and other factors.

Credit risk will be measured by reporting with segmentation by key credit risk drivers such as credit score, LTV, occupancy, purpose and vintage. Segmentation will include balances, risk in force, revenue, delinquencies (by default status), losses (claims paid), persistency and reserves. We will also report claim size and severity. We will evaluate bulk and flow business separately. We will assess underwriting quality separately through quality assurance and quality control audits.

We plan to assess the portfolio's risk/reward characteristics, considering both quantitative and qualitative factors. This assessment will include risks inherent in the business that are not fully reflected or yet evident in the numbers. Material changes to the portfolio's credit risk profile that occurred from the last reporting period to the current will be also be discussed, as well as management's forward looking assessments.

Market Risks

We believe that the three primary market risks that we will face as an MI company are:

- Changes in home prices. A decline in home prices typically makes it more difficult for a borrower to sell or refinance his or her home, generally increasing the likelihood of a delinquency followed by a claim. In addition, a decline in home prices typically increases the severity of any claim we may pay. The inability to sell or refinance homes, due to a decline in home prices, typically leads to an increase in persistency, which for monthly or annual products will mean continued premiums. Conversely, an increase in home prices potentially makes it easier for a borrower to sell or refinance his or her home, decreasing the likelihood of a delinquency followed by a claim, decreasing the severity of any claim we may pay and decreasing the policy persistency and correspondingly reducing premium streams on monthly or annual products.
- Changes in unemployment. Increases in the unemployment rate typically impair a borrower's ability to remain current on his or her home mortgage, increasing the likelihood of a delinquency followed by a claim. Conversely, as the unemployment rate decreases, a borrower's ability to remain current on their home mortgage typically improves, decreasing the likelihood of a delinquency followed by a claim.
- Changes in interest rates. An increase in interest rates typically leads to lower home affordability and less refinancing activity. This may decrease mortgage origination volume thereby reducing the number of low down payment loans available for us to insure. However, an increase in interest rates typically leads to a higher mix of purchase versus refinance activity which results in a higher overall penetration rate of MI. The higher penetration rate is also a result of overall lower total originations during a high interest rate environment. Higher interest rates also typically lead to higher persistency of our MI policies. Conversely, a decrease in interest rates typically leads to an increase in low down payment loans available for us to insure, a decrease in the penetration rate of MI and a decrease in the persistency of MI policies from higher refinance activity.

Operations Risks

We are dependent on our employees, internal processes, vendors and systems to execute our business strategy. Operational risks are inherent in the company's business activities. Management's primary operations risk focus is to manage risks of material significance through operational design, policies and procedures, redundancies and review/audit processes. In addition, the Internal Audit function reports directly to the Audit Committee of our board of directors and provides a risk assessment independent from management.

Because we are a new company in an industry in transition, the risk of loss due to operational inadequacies or failures is elevated compared to an established company. Operational risk is driven by multiple factors including:

- Process design/execution. New processes and procedures may not appropriately take into account scenarios that were unforeseen or misunderstood. Employees may make mistakes when executing defined processes and procedures.

- Vendor Performance. One component of our strategy is to leverage vendors for key functions including system development, website hosting, insurance approval, underwriting assurance review audits and human resources management, among others. Vendors may overstate their capabilities and/or be unable to meet promised service levels. Mistakes or failures may lead to business disruptions and/or losses.

- System Functionality and Reliability. Systems may not be developed on time, be properly designed, perform as specified or be sufficiently reliable. Utility disruptions may bring systems down for extended periods.

- Damage to Physical Assets and Human Resources. Aside from work-at-home employees residing across the country, our operations and staff are housed in a single building in a shoreline location near a major earthquake fault. This concentrated exposure leaves us more exposed to natural disasters, vandalism, terrorism and other sources of damage.

- Fraud. Insured institutions may attempt to collect insurance benefits based on fraud and misrepresentation, and employees may attempt to misappropriate company assets.

- Inadequate Internal Controls. Various internal controls have been established to manage operational and other risks. Inadequate internal controls expose us to greater operational risk.

Operational risk reporting will focus on material operations losses and risk profile changes during the current reporting period.

Other Risk Management Practices

Management Risk Committee

We have a management risk committee, comprised of our Chief Executive Officer, Chief Risk Officer, Chief of Insurance Operations and other officers as appropriate, to monitor our underwriting and risk management practices. This committee will also monitor insured portfolio concentrations and portfolio performance. We expect that this committee will continue to include a diverse mix of senior management to ensure that those responsible for execution are balanced with those responsible for oversight. Portfolio performance and adherence to internal controls and procedures is also part of our monthly, quarterly and annual close process.

We expect that GSE-approved products will comprise the substantial majority of our product mix initially. Additional products, material changes to existing products or material changes to underwriting guidelines will have to be approved by the management risk committee prior to release.

Lender Monitoring

We plan to maintain prudent lender approval requirements, including assessing factors related to experienced management, sound operations and a demonstrated record of originating quality loans. We plan to conduct thorough reviews of each prospective client, including reviews of the historical performance of loans originated by the lender and a review of any loan programs outside established underwriting guidelines. We plan to pay special attention to the quality of a lender's underwriting over time as well as its compliance with underwriting guidelines. We intend to evaluate customers' underwriting performance as losses develop and allow only those lenders with a favorable evaluation to utilize the delegated underwriting process.

Concentration Risk

We intend to monitor and manage our concentration of risk through underwriting activities. Key areas of focus are expected to include geography, customer, product type and underwriting mix (e.g., instrument type, property type and borrower employment category). To track the concentration of risk, we plan to generate customized management risk and exposure reports.

Integrated Quality Control Process

We have designed and developed a quality control group that operates separately from the underwriting group to administer our underwriting quality control reviews. The underwriting quality control group will assess non-delegated underwriting completed by both our employee and third-party vendor underwriters, delegated underwriting completed by approved lenders and post-close underwriting reviews of delegated business completed by our third-party vendors.

We intend to perform quality control audits of insured loans identified through random, high risk and targeted selection criteria. In addition, we intend to review loans that default within 12 months of their origination, which we refer to as "early payment defaults" or “EPDs”. Our quality control review is primarily intended to assess the quality of the underwriting decision, including the accuracy and adequacy of the information and documentation used to reach that decision.

A servicing quality control audit will also be established covering our internal insurance servicing and loss mitigation processes. Selection criteria and reporting will be similar to that described above for underwriting quality control. The audit will focus on activities related to beginning and ending coverage, servicing existing coverage, defaults and loss mitigation and claim payment.

We will provide detailed reporting to operations management and summary reporting to senior management. We will also factor information obtained from our quality control process into other risk processes, including underwriter authority delegation, lender monitoring and guideline management.

Servicing

Our Policy Servicing Department is responsible for various servicing activities related to master policy administration, premium billing and payment processing and certificate administration. The department has servicing specialists that are assigned to the majority of our accounts to assist with day-to-day transactions and assist in monitoring the servicer's portfolio to help keep it current and accurate. The department has established policies and procedures that accommodate reporting from and communications with servicers utilizing a variety of different formats.

Defaults and Claims; Loss Mitigation

Defaults and Claims

The claim cycle on MI generally begins with our receipt of notification of a default on an insured loan from the servicer. Default is defined in NMIC's mortgage insurance policies as the failure by a borrower to pay when due a non-accelerated amount equal to the scheduled mortgage payment due under the terms of a loan or the failure by a borrower to pay all amounts due under a loan after the exercise of the due on sale clause of such loan. Generally, the master policies require an insured to notify us of a default no later than 10 days after the borrower becomes three payments in default, although most lenders notify us sooner. We do not consider a loan to be in default for the purposes of reporting defaults and default rates and setting reserves until we receive notice from the servicer that a borrower has failed to pay two regularly scheduled payments and is at least 60 days in default. The incidence of default is affected by a variety of factors, including borrower income, unemployment, divorce and illness, the level of interest rates, rates of housing price appreciation or depreciation and general borrower creditworthiness. Defaults that are not cured result in a claim to us. Defaults may be cured by the borrower bringing current the delinquent loan payments or by a sale of the property and the satisfaction of all amounts due under the mortgage.

Claims result from uncured defaults or approved short sales. Whether a claim results from an uncured default depends, in large part, on the borrower's equity in the home at the time of default, the borrower's or the lender's ability to sell the home for an amount sufficient to satisfy all amounts due under the mortgage and the willingness and ability of the borrower and lender to enter into a loan modification that provides for a cure of the default. Various factors affect the frequency and amount of claims, including local housing prices, employment levels and interest rates. If a default is not cured and we receive a claim, any premium collected from the time of default to time of the claim payment is returned to the servicer along with the claim payment.

Under the terms of our master policy, the lender is required to file a claim for primary insurance with us within 60 days after it has acquired title to the underlying property (typically through foreclosure) or when there has been an approved sale to a third party prior to foreclosure. Across the industry, it has historically taken on average approximately 12 months for a default that is not cured to develop into a paid claim. The rate at which claims are received and paid has slowed in recent years due to various state and lender foreclosure moratoriums and suspensions, servicing delays including as a result of attempts to modify loans, pursuit of mitigation opportunities and a lack of capacity in the court systems.

Within 60 days after a claim has been filed and all documents required to be submitted to us have been delivered, we have the option of either (i) paying the coverage percentage specified for that loan, with the insured retaining title to the underlying property and receiving all proceeds from the eventual sale of the

property, or (ii) paying 100% of the insured's loss on the loan in exchange for the lender's conveyance of good and marketable title to the property to us. In the event we exercise the latter option, we will market and sell the property and retain all proceeds.

Claim activity is not evenly spread throughout the coverage period of a book of primary business. Relatively few claims are typically received during the first two years following issuance of coverage on a loan. This is typically followed by a period of rising claims which, based on industry experience, has historically reached its highest level during the period between three and six years after the year of loan origination. Thereafter, the number of claims typically received has historically declined at a gradual rate, although the rate of decline can be affected by conditions in the economy, including slowing home price appreciation or housing price depreciation and rising unemployment. Persistency of our book, the condition of the economy, including unemployment and other factors can affect the pattern of claim activity. For example, a weak economy can lead to claims from older books increasing, continuing at stable levels or experiencing a lower rate of decline.

Another important factor affecting losses is the amount of the average claim paid, which affects the claim amount as a proportion of total RIF, commonly referred to as claim severity. The main determinants of claim severity are the amount of the mortgage loan, the coverage percentage on the loan and local market conditions.

Loss Mitigation

Before paying a claim, we plan to review the loan and servicing files to determine the appropriateness of the claim amount. Under our mortgage insurance policies, after a borrower has timely made 18 consecutive monthly payments on a loan we insure, we have agreed that we will not rescind or cancel coverage of that loan for borrower fraud or underwriting defects. In addition, upon the borrower attaining 18 full and timely consecutive monthly payments, we have agreed to limitations on our ability to initiate an investigation of fraud or misrepresentation by our insureds or any other party involved in the origination of an insured loan, which we collectively refer to in our master policies as a "First Party." Our master policy provides that we can reduce or deny a claim if the servicer did not comply with its obligations required by our policy, including the requirement to mitigate our loss by performing reasonable loss mitigation efforts or, for example, diligently pursuing a foreclosure or bankruptcy relief in a timely manner. We call such reduction of claims submitted to us “curtailments.” In addition, the claims submitted to us sometimes include costs and expenses not covered by our insurance policies, such as mortgage insurance premiums, hazard insurance premiums for periods after the claim date and losses resulting from property damage that has not been repaired. These other adjustments reduce claim amounts by less than the amount of curtailments.

Loss Reserves and Premium Deficiency Reserve

A significant period of time typically elapses between the time when a borrower defaults on a mortgage payment, which is the event triggering a potential future claim payment by us, the reporting of the default to us, the acquisition of the property by the lender (typically through foreclosure) and the eventual payment of the claim related to the uncured default. To recognize the liability for unpaid losses related to outstanding reported defaults, or default inventory, we establish loss reserves in accordance with industry practice, representing the estimated percentage of defaults which will ultimately result in a claim, which is known as the claim rate, and the estimated severity of the claims which will arise from the defaults included in the default inventory.

We will also establish reserves to provide for the estimated costs of settling claims, general expenses of administering the claims settlement process, legal fees and other fees (“loss adjustment expenses”), and for

losses and loss adjustment expenses from defaults that we estimate have occurred, but which have not yet been reported to us. We refer to the latter as "IBNR" reserves. Consistent with industry accounting practices, NMIC does not establish loss reserves for estimated potential defaults that have not occurred but that may occur in the future. For a full discussion of our loss reserving policy and process, see *Management's Discussion and Analysis - Critical Accounting Policies - Reserve for Losses and Loss Adjustment Expenses*.

After our reserves are initially established, we will perform premium deficiency tests at the end of each fiscal quarter using our best estimate assumptions of future losses, expenses and premiums as of the testing date. We would establish a premium deficiency reserve, if necessary, when the net present value of expected future losses and expenses exceeds the net present value of expected future premiums and existing reserves. The evaluation of premium deficiency requires significant judgment by management and depends upon many assumptions, including assumptions regarding future macroeconomic conditions.

Reinsurance

As part of the MAC Acquisition, we acquired NMRI One and NMRI Two to provide reinsurance on policies held by NMIC to the extent they provide coverage in excess of 25% of IIF. Certain states limit the amount of risk a mortgage insurer may retain on a single loan to 25% of the indebtedness and as a result the portion of such insurance in excess of 25% must be reinsured. NMIC uses reinsurance provided by NMRI One solely for purposes of compliance with statutory coverage limits. We currently do not expect to utilize NMRI Two for reinsurance. Although we have no current plans to use reinsurance from unaffiliated third-party reinsurers, we may choose to purchase reinsurance coverage in the future to help manage certain risk exposures. Under the terms of the GSE Approvals, if we choose to use third-party reinsurance during the first three years from the date of the GSE Approvals, we are required to obtain the GSEs' prior written consent, and subsequent to the three year period from GSE Approval, may enter into reinsurance arrangements as long as they meet the then applicable GSE Eligibility Requirements.

Information Technology Systems

We utilize and develop technology to support future growth and realize operating efficiencies throughout our enterprise. We have invested in our infrastructure and technology through the acquisition and implementation of what we expect will be an efficient, scalable platform that supports our business activities and our potential for significant future growth.

We have adopted a technology strategy that utilizes major hardware, software and service providers with substantial industry expertise. We outsource many of our major information technology functions, including the development and operations of our enterprise technology platform, data center hosting and management, email and collaboration and human resource systems. Our data center hosting solution provides server and network support and monitoring. This approach enables our resources and personnel to focus on system enhancements rather than on system operations. We require our hosted centers to be SSAE 16 and SOC 1 compliant, i.e. provide verifications by an objective third party, such as a public accounting firm, that the hosted center has a strict internal control structure in place and is adhering to those strict internal controls.

Our IT Systems Architecture strategy incorporates Cloud (systems connected via the Internet) and Software as a Service (“SaaS”) technology in a number of areas to provide scalability and flexibility. We believe this strategy facilitates access for our lender customers and enables our employees to work remotely in a secure manner.

We employ and support the Mortgage Industry Standards Maintenance Organization (“MISMO”) standard. This is the standard data format used by the MI industry for data consistency throughout the systems

process. We expect that application of this standard will make integrating with lenders, the GSEs and other business partners a more streamlined process. As part of our underwriting process, we capture data from each mortgage insurance application, providing us with information for evaluating risks, back-testing expected performance and analyzing default patterns.

We are developing a technology platform, which we refer to as "AXIS", to support our mortgage insurance operations, including underwriting, premium billing, policy servicing and delinquency and claims management functions. In order to adequately support our mortgage insurance operations, we expect that, when completed and all components are fully integrated, our technology platform will allow us to: (i) obtain applications and supporting documentation from our lenders on an automated basis, thereby enabling lenders to submit insurance applications in an efficient manner and facilitating our risk review, (ii) obtain real-time data on performance of individual insured loans and programs, enabling a transparent and collaborative policy acquisition and underwriting process that should reduce response times, decrease costs and streamline communication with lenders, (iii) provide real-time feedback data for monitoring underwriting guidelines and for communicating to lenders the quality metrics and performance of the loans we insure, (iv) bill and collect premiums electronically and (v) adjust and settle claims.

A significant component of AXIS is an insurance management system (which we refer to as "IMS") we purchased in connection with the MAC Acquisition in April 2012. After we acquired IMS, we conducted operating and business analysis and evaluated development efforts, in the pursuit of designing a system that would meet our business requirements. Over the ensuing months, we have made a determination that the modules of IMS that support policy servicing, billing, and delinquency and claims management cannot effectively support our business needs. We made the decision during the second quarter of 2013 to evaluate the development of new systems to support these business functions, which may increase our costs and will require us to provide these services to our customers during the initial period of our business operations using limited IMS capabilities and interim system and manual solutions, in the absence of a fully integrated solution. As a result of the above system review we have begun an analysis to determine whether to accelerate the useful life of these components of IMS. We will record any change, if necessary, in useful life once the analysis is complete.

We rely on e-commerce and other technologies to provide and expand our products and services. Customers require us to provide certain products and services in a secure manner, electronically via the Internet or electronic data transmission, and we will process a significant amount of our new insurance written and claims processing electronically. Accordingly, we are investing resources in establishing and maintaining electronic connectivity with customers and, more generally, in e-commerce and technological advancements. In order to integrate electronically with mortgage lenders, we will need to connect our systems to the industry's largest mortgage servicing systems and leading loan origination systems and directly to those lenders that maintain their own proprietary technology. We have begun the process of integrating with these third party loan servicing and origination systems, and we expect to complete some of these integrations this year and that by mid-2014 we will be substantially integrated with the more significant third party industry systems. We are also working to leverage our B2B technology to integrate directly with those lenders that maintain their own proprietary origination and servicing system technologies, recognizing that the time-lines for these integrations are heavily dependent upon the lenders' internal technology resource time-lines and availability.

Investment Portfolio

Our investment portfolio and cash and cash equivalents are split between us and our insurance subsidiaries. We contributed approximately $220 million of cash to our insurance subsidiaries, primarily to NMIC. We plan to retain the balance of our cash and investments at the holding company until needed to

further capitalize our insurance subsidiaries. We expect to diversify our portfolio across corporate, government and taxable municipal securities of various durations to attempt to minimize the risk of loss resulting from over concentration of assets in specific sectors or securities. Diversification strategies are periodically reviewed. While our portfolio is managed by a third-party investment management company, we maintain control over investment decisions based on our investment policies.

Our investment policies and guidelines conform to the Wisconsin Administrative Code 6.20 (5), which imposes investment restrictions on NMIC for the first five years from issuance of its certificate of authority. Additionally, all securities in the portfolio must be U.S. dollar-denominated and have the NAIC '1' or '2' designation or investment grade rating by Moody's, Standard & Poor's or Fitch at time of purchase. Our investment policies and strategies are subject to change depending upon regulatory, economic and market conditions and our existing or anticipated financial condition and operating requirements, including our tax position.

Consistent with Wisconsin law, our investment policies emphasize preservation of capital, as well as total return. Based on our guidelines, our investment portfolio is comprised almost entirely of fixed-income securities, all of which are investment grade and the vast majority rated “A+” or higher. The policy guidelines contain limits on the amount of our credit exposure to any one issue, issuer and type of instrument. We expect to preserve the liquidity of our portfolio through diversification and investment in publicly traded securities. We plan to maintain a level of liquidity commensurate with our perceived business outlook and the expected timing, direction and degree of changes in interest rates. We believe the duration of our portfolio should be somewhat longer than the duration of other public and private mortgage insurers' portfolios, which currently are approximately three years because we believe the claims paid in the early years of our business formation should be relatively low due to the typical MI earnings and cash flow cycle.

Employees

As of May 31, 2013, we had 104 full-time employees. None of our employees are parties to a collective bargaining agreement. We utilize a third-party professional employer organization to manage our human resource and payroll administration and related compliance requirements.

Facilities and Real Estate

We entered into an office facility lease in Emeryville, California, effective July 1, 2012 for a term of two years. This facility is approximately 24,000 square feet, fully furnished and allows for expansion based on near-term projected staffing growth. We do not own or lease any other facilities; however we expect to lease additional office space either in the existing Emeryville, California location or in another location to support our growth.

Legal Proceedings

On August 8, 2012, Germaine Marks, as Receiver, and Truitte Todd, as Special Deputy Receiver, of PMI Mortgage Insurance Co. (“PMI”), an Arizona insurance company in receivership, filed a complaint (the “PMI Complaint”) against the Company, NMIC and certain named individuals, in California Superior Court, Alameda County. The lawsuit alleges breach of fiduciary duty, breach of loyalty, aiding and abetting breach of fiduciary duty and loyalty, misappropriation of trade secrets, conversion, breach of proprietary information agreement, breach of separation agreement and intentional interference with contractual relations, unfair competition and conspiracy. The lawsuit seeks injunctive relief as well as unspecified monetary damages. We and the individual defendants believe these claims are without merit and have filed an answer denying all allegations and intend to defend ourselves vigorously.

On January 30, 2013, a case management conference took place among the parties in the PMI Complaint at which a trial date was set for February 3, 2014. On April 25, 2013, a hearing was held on several motions filed by the parties to the lawsuit. The court partially granted a defense motion and dismissed two of the six claims of action in the complaint. The court also ordered the plaintiffs to more specifically describe the trade secrets alleged in the complaint and ordered plaintiff's discovery efforts stayed until June 13, 2013. On June 13, 2013, a hearing was held to resolve certain discovery disputes; however, no definitive ruling was issued.

Because the litigation and related discovery are at a preliminary stage, we do not have sufficient information to determine or predict the ultimate outcome or estimate the range of possible losses, if any. Accordingly, no provision for litigation losses has been included in our financial statements.

U.S. Mortgage Insurance Laws

GSE Qualified Mortgage Insurer Requirements

Pursuant to their charters, Fannie Mae and Freddie Mac purchase loans insured by entities that they determine to be qualified MI companies. Both Fannie Mae and Freddie Mac have published comprehensive requirements to become and remain a qualified mortgage insurer (the "Eligibility Requirements"). In light of the severe housing and economic downturn that began in mid-2007 and the resulting adverse impact to the MI industry, both Fannie Mae and Freddie Mac believed it was necessary to revise the Eligibility Requirements. Fannie Mae issued new draft requirements dated August 5, 2010 and Freddie Mac issued new draft requirements dated June 30, 2010. Freddie Mac subsequently issued revised draft eligibility requirements dated February 2011. These draft requirements have not yet been finalized, however the FHFA, as regulator and conservator of the GSEs, has announced an intent to achieve uniformity of these requirements among the GSEs and to finalize these requirements in the near term future.

In addition to the Eligibility Requirements, Fannie Mae and Freddie Mac have imposed certain capitalization, operational and reporting conditions in connection with their recent approvals of NMIC as a qualified mortgage insurer. Some of these conditions remain in effect for a three (3) year period from the date of GSE Approval while others do not expressly expire. These conditions require, among other things, that NMIC:

- be initially capitalized in the amount of $200 million and that its affiliate reinsurance companies, NMRI One and NMRI Two, be initially capitalized in the amount of $10 million each;
- maintain minimum capital of $150 million;
- operate at a risk-to-capital ratio not to exceed 15:1 for its first three (3) years and then pursuant to the Eligibility Requirements;
- insure only (i) GSE-eligible loans or (ii) loans that are GSE-eligible, other than as related to loan amount subject to additional portfolio limitation requirements;
- obtain prior written approval to enter into any transaction involving the issuance of insurance on other than an individual loan "flow" basis;
- have and maintain a fully operational business and technology platform;
- not declare or pay dividends to affiliates or to NMIH for its first three (3) years, then pursuant to the Eligibility Requirements;
- not enter into capital support agreements or guarantees for the benefit of, or purchase or otherwise invest in the debt of, affiliates without the prior written approval of the GSEs for its first three (3) years, then pursuant to the Eligibility Requirements;
- not invest in or make loans to affiliates for its first three (3) years, then pursuant to the Eligibility Requirements;
- not enter into reinsurance or other risk share arrangements without the GSEs' prior written approval for its first three (3) years, then pursuant to the Eligibility Requirements; and
- at the direction of one or both of the GSEs, re-domicile from Wisconsin to another state.

The conditional approvals also include certain additional conditions, limitations and reporting requirements that we anticipate will be included in the final Eligibility Requirements, such as limits on costs allocated to NMIC under affiliate expense sharing arrangements, risk concentration, rates of return, requirements to obtain a financial strength rating, provision of ancillary services (i.e., non-insurance) to customers, transfers of underwriting to affiliates, notification requirements regarding change of ownership and new five percent (5%) shareholders, provisions regarding underwriting policies and claims processing as well as certain other obligations.

State Insurance Regulation

Following the acquisition of MAC Financial in April, 2012, we became the owner of a monoline residential mortgage insurance company (NMIC) and two reinsurance companies (NMRI One and NMRI Two) all domiciled in Wisconsin. Our insurance subsidiaries are subject to comprehensive, detailed regulation both by our domiciliary and primary regulator, the Wisconsin Office of the Commissioner of Insurance ("WOCI") and by state insurance departments in each state in which they are licensed. As mandated by state insurance laws, mortgage insurers are generally single-line companies restricted to writing a single type of insurance business, such as MI business. These regulations are principally designed for the protection of our insured policyholders rather than for the benefit of investors. Although their scope varies, state insurance laws generally grant broad supervisory powers to agencies or officials to examine insurance companies and enforce rules or exercise discretion affecting almost every significant aspect of the insurance business.

In general, state insurance regulation of our subsidiaries' business relates to:

- licenses to transact business;
- policy forms;
- premium rates;
- insurable loans;
- annual and other reports on our financial condition;
- the basis upon which assets and liabilities must be stated;
- requirements regarding contingency reserves;
- minimum capital levels and adequacy ratios;
- reinsurance requirements;
- limitations on the types of investment instruments which may be held in an investment portfolio;
- the size of risks and limits on coverage of individual risks which may be insured;
- special deposits of securities;
- limits on dividends payable; and
- claims handling.

State insurance receivership law, not federal bankruptcy law, would apply to any insolvency or financially hazardous condition of our insurance subsidiaries. The WOCI has substantial authority to issue orders or seek and control a state insurance receivership proceeding to address the insolvency or a financially hazardous condition of an insurance subsidiary. Under Wisconsin law, the WOCI has substantial flexibility to restructure an insurance subsidiary in a receivership proceeding. Generally the WOCI's control of such a

proceeding would make protecting the interests of insurance policyholders a priority over the interests of our insurance holding company or stockholders.

As an insurance holding company, we are registered with the WOCI, the domiciliary state of NMIC, NMRI One and NMRI Two, and must provide certain information to the WOCI on an ongoing basis including insurance holding company annual audited consolidated financial statements. We, as an insurance holding company, and each of our affiliates, are prohibited from engaging in certain transactions with our insurance subsidiaries without submission to, and in some instances, prior approval by applicable insurance departments. Like most states, Wisconsin regulates transactions between domestic insurance companies and their parents or affiliates. Under Wisconsin law all transactions involving us, or an affiliate, and an insurance subsidiary, must conform to certain standards including that the transaction is “reasonable and fair” to the insurance subsidiary. Wisconsin law also provides that reports of certain transactions must be filed with the WOCI at least 30 days before the transaction is entered into and that these transactions may be disapproved by WOCI within that period.

Wisconsin's insurance regulations generally provide that no person may merge with or acquire control (which is defined as possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, by common management or otherwise) of us or our insurance subsidiaries unless the merger or transaction in which control is acquired has been approved by the WOCI. Wisconsin law provides for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities of a company. Pursuant to applicable Wisconsin regulations, voting securities include securities convertible into or evidencing the right to acquire securities with the right to vote. For purposes of determining whether control exists, the WOCI may aggregate the direct or indirect ownership of us by entities under common control with one another. Accordingly, any investor that may be deemed to own 10% of our common stock or other securities that are considered to be voting securities, whether separately or through the aggregation of its ownership with that of its affiliates or other third parties whose holdings are required to be aggregated, should consult with its legal advisors to ensure that it complies with applicable requirements of Wisconsin law. In addition, the insurance regulations of certain states require prior notification to the state's insurance department before a person acquires control of an insurance company licensed in such state. An insurance company's licenses to conduct business in those states could be affected by any such change in control. Two of our stockholders own more than 10% of our shares of common stock. Each of these stockholders has filed a disclaimer of control with the WOCI in connection therewith, which the WOCI has not disapproved. Through such acceptance by the WOCI these stockholders are not deemed to be controlling persons under Wisconsin law. (*See also “Certain Anti-Takeover Effects of Provisions of Our Certificate of Incorporation, Bylaws and Delaware Law”)*

Our insurance subsidiaries are subject to Wisconsin statutory requirements as to maintenance of policyholders' surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any 12-month period without regulatory approval by the WOCI is the lesser of adjusted statutory net income or 10% of statutory policyholders' surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of the following:

a. The net income of the insurer for the calendar year preceding the date of the dividend or distribution, minus realized capital gains for that calendar year; or

b. The aggregate of the net income of the insurer for the 3 calendar years preceding the date of the dividend or distribution, minus realized capital gains for those calendar years and minus dividends paid or credited and distributions made within the first 2 of the preceding 3 calendar years.

Also under Wisconsin law our insurance subsidiaries may not pay any dividend or distribution before giving at least 30 days' notice to the WOCI, unless, with respect to non-extraordinary dividends, the exception of Section 617.22(3) is applicable. Wisconsin law prohibits our insurance subsidiaries from paying any dividend or distribution unless it is fair and reasonable to the insurance subsidiary. In addition to Wisconsin, other states may limit or restrict our insurance subsidiaries' ability to pay stockholder dividends. For example, California and New York prohibit mortgage insurers licensed in such states from declaring dividends except from undivided profits remaining above the aggregate of their paid-in capital, paid-in surplus and contingency reserves. In addition, it is possible that Wisconsin will adopt revised statutory provisions or interpretations of existing statutory provisions that will be more or less restrictive than those described above or will otherwise take actions that may further restrict the ability of our insurance subsidiaries to pay dividends or make distributions or returns of capital.

Wisconsin law imposes certain additional restrictions on our insurance subsidiaries for the first 5 years after the dates of issuance of their certificates of authority, including:

- The insurance subsidiaries must give the WOCI up to 90 days', rather than 30 days', notice of a proposed dividend.
- The insurance subsidiaries must give the WOCI up to 60 days' notice of any proposed substantive change in their business plans. WOCI may disapprove the proposed changes, and the insurance subsidiaries must conform at all times to their filed business plans.
- The insurance subsidiaries' directors and officers may be disapproved by WOCI.
- The insurance subsidiaries' investments are restricted unless otherwise approved by WOCI.

We believe that we are in compliance with all of the WOCI's regulations.

MI companies licensed in Wisconsin are required to establish contingency loss reserves for purposes of statutory accounting in an amount equal to at least 50% of net earned premiums. These amounts cannot be withdrawn for a period of 10 years, except as permitted by insurance regulations. With regulatory approval, an MI company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net premiums earned in a calendar year.

Under applicable Wisconsin law, as well as that of 15 other states, a mortgage insurer must maintain a minimum amount of statutory capital relative to the risk in force (or a similar measure) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the risk-to-capital requirement. While formulations of minimum capital may vary in certain jurisdictions, the most common measure applied allows for a maximum permitted risk-to-capital ratio of 25 to 1. Wisconsin has formula-based limits that typically result in limits slightly higher than the 25 to 1 ratio. Our operation plan filed with WOCI and other state insurance departments in connection with NMIC's applications for licensure includes the expectation that we will downstream additional capital if needed so that NMIC does not exceed an 18 to 1 risk-to-capital ratio. After an initial period demonstrates successful NMIC operations, we will seek state insurance department approval, as needed, of an amendment increasing the ratio to Wisconsin's general formula-based limit or 25 to 1, as applicable.

We compute our risk-to-capital ratio on a separate company statutory basis, as well as for our combined insurance operations. The risk-to-capital ratio is our net risk in force divided by our policyholders' position. Our net risk in force will include both primary and pool risk in force, and excludes risk on policies that are currently in default and for which loss reserves have been established. The net risk in force includes direct and assumed risk, less risk ceded and less risk already reserved. Wisconsin requires a mortgage guaranty insurer

to maintain a "minimum policyholder position" as calculated in accordance with the regulations. Policyholders' position consists primarily of statutory policyholders' surplus (which increases as a result of statutory net income and contributions and decreases as a result of statutory net loss and dividends paid), plus the statutory contingency reserve. The statutory contingency reserve is reported as a liability on the statutory balance sheet; however for purposes of statutory capital and risk-to-capital ratio calculations, it is included as a capital component.

Most states, including Wisconsin, have anti-inducement and anti-rebate laws applicable to mortgage insurers, which prohibit mortgage insurers from inducing lenders to enter into insurance contracts by offering benefits not specified in the policy, including rebates. For example, Wisconsin prohibits a mortgage insurer from allowing any commission, fee, remuneration, or other compensation to be paid to, or received by, any insured lender, including any subsidiary or affiliate, officer, director, or employee of any insured, any member of their immediate family, any corporation, partnership, trust, trade association in which any insured is a member, or other entity in which any insured or any such officer, director, or employee or any member of their immediate family has a financial interest.

MI premium rates are also subject to state regulation to protect policyholders against the adverse effects of excessive, inadequate or unfairly discriminatory rates and to encourage competition in the insurance marketplace. Any increase in premium rates must be justified, generally on the basis of the insurer's loss experience, expenses and future trend analysis. The general mortgage default experience may also be considered. Premium rates are subject to review and challenge by state regulators.

Statutory Accounting

The statutory financial statements of NMIC, prior to January 2012 MAC Assurance Corporation, are presented on the basis of accounting practices prescribed or permitted by the WOCI.

The WOCI recognizes only statutory accounting practices prescribed or permitted by the State of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Wisconsin Insurance Statutes. The National Association of Insurance Commissioners' (“NAIC”) *Accounting Practices and Procedures* manual, in the version currently in effect, (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the State of Wisconsin. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. As of March 31, 2013, the Company did not have any balances or transactions that were affected by these differences. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

The statutory basis statements of our insurance subsidiaries determine those subsidiaries' ability to make dividend payments to our holding company, NMIH. The insurance subsidiaries had no net income and capital and surplus that created differences between NAIC SAP and practices prescribed and permitted by the State of Wisconsin.

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

COMBINED STATUTORY BALANCES	Net Loss	Surplus (Deficit)	Contingency Reserve
		(In Thousands)	
Three months ended March 31, 2013	$ (4,939)	$ 215,069	$ —
Three months ended March 31, 2012	$ (5)	$ (1,450)	$ —
Twelve months ended December 31, 2012	$ (18)	$ 220,004	$ —
Period from May 19, 2011 to December 31, 2011	$ (598)	$ (1,450)	$ —

Licensing Process Overview

To conduct MI business with many, or potentially all, large, national lenders, we believe NMIC will need to be licensed in all 50 states and D.C. NMIC requires a certificate of authority, or insurance license, in each state or jurisdiction in which it issues insurance policies. As discussed above in "Management's Discussion and Analysis of Financial Condition and Results of Operations", NMIC is currently licensed in 48 states and D.C., and it has not yet received certificates of authority in Wyoming or Florida.

Other U.S. Regulation

Certain federal laws directly affect private mortgage insurers. Private mortgage insurers are impacted indirectly by federal legislation and regulation affecting mortgage originators and lenders, purchasers of mortgage loans, such as the GSEs, and governmental insurers such as the FHA and VA. For example, changes in federal housing legislation and other laws and regulations that affect the demand for private MI may have a material adverse effect on us. Federal legislation provides the FHA with greater flexibility in establishing new products and temporarily increases the maximum loan amount that the FHA may insure, in some cases up to $729,750 in “high-cost” areas. Further legislation that increases the number of persons eligible for FHA or VA mortgages could have a material adverse effect on our ability to compete with the FHA or VA.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended certain provisions of the Truth In Lending Act ("TILA"), the Real Estate Settlement Procedures Act ("RESPA"), and the Exchange Act that may have a significant impact on the Company's business prospects. The CFPB, a Federal agency created by the Dodd-Frank Act, is charged with implementation and enforcement of these provisions. The CFPB recently published a final rule regarding Qualified Mortgages (QM) and Federal Banking Regulators are in the process of finalizing a rule on Qualified Residential Mortgages (QRM) both of which are discussed further below. The CFPB also recently published residential mortgage servicing rules providing amendments to Regulation Z (TILA) and Regulation X (RESPA).

The placement of the GSEs into the conservatorship of the FHFA increases the likelihood that the U.S. Congress will examine the role and purpose of the GSEs in the U.S. housing market and potentially propose certain structural and other changes to the GSEs. New federal legislation or U.S. Treasury programs could reduce the level of private MI coverage used by the GSEs as credit enhancement or eliminate the requirement altogether, and thereby materially affect our ability to compete, demand for our products and the profitability of our business.

In addition, mortgage origination and servicing transactions are subject to compliance with various federal and state consumer protection laws, including RESPA, the Equal Credit Opportunity Act, the Fair Housing Act, the Truth in Lending Act, the Homeowners Protection Act of 1998, the Fair Credit Reporting Act of 1970 (“FCRA”), the Fair Debt Collection Practices Act and others. Among other things, these laws and their implementing regulations prohibit payments for referrals of settlement service business, require fairness and non-discrimination in granting or facilitating the granting of credit, govern the circumstances under which

companies may obtain and use consumer credit information, and define the manner in which companies may pursue collection activities, require disclosures of the cost of credit and provide for other consumer protections. The application of certain of these laws may depend on whether charges for credit insurance are included in determining whether the loan charges exceed a specified level that triggers application of the consumer protections.

Implications of and Elections Under the JOBS Act

As a company that had gross revenues of less than $1 billion during its last fiscal year, we are an "emerging growth company," as defined in the JOBS Act (an "EGC"). We will retain that status until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1,000,000,000 (as indexed for inflation in the manner set forth in the JOBS Act) or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (iii) the date on which we have, during the previous 3-year period, issued more than $1,000,000,000 in non-convertible debt; or (iv) the date on which we are deemed to be a "large accelerated filer," as defined in Rule 12b-2 under the Exchange Act or any successor thereto. We expect to retain our status as an EGC through the remainder of this year. We believe that there is a substantial possibility that our ability to take advantage of any of the JOBS Act elections will cease at year end 2014, depending in large part on the market value of our equity at that time, as we believe that we will no longer meet all of the requirements to be considered an EGC at that point.

As an EGC, we are relieved from certain significant requirements:

- we are exempted from compliance with Section 404(b) of Sarbanes-Oxley, which otherwise would have required our auditors to attest to and report on our internal control over financial reporting;
- we are not required to comply with any new or revised financial accounting standard until such date as a private company (i.e., a company that is not an "issuer" as defined by Section 2(a) of Sarbanes-Oxley) is required to comply with such new or revised accounting standard. As a result, our financial statements may not be comparable with another public company which is neither an ECG nor an ECG which has opted out of using the extended transition period;
- we may elect to not comply with Item 402 of Regulation S-K, which requires extensive quantitative and qualitative disclosure regarding executive compensation, but instead disclose the more limited information required of a "smaller reporting company";
- in the event that we register our common stock under Section 12 of the Exchange Act, the JOBS Act will also exempt us from the following additional compensation-related disclosure provisions that were imposed on U.S. public companies pursuant to the Dodd-Frank Act: (i) the advisory vote on executive compensation required by Section 14A(a) of the Exchange Act, (ii) the requirements of Section 14A(b) of the Exchange Act relating to stockholder advisory votes on "golden parachute" compensation, (iii) the requirements of Section 14(i) of the Exchange Act as to disclosure relating to the relationship between executive compensation and our financial performance, and (iv) the requirement of Section 953(b)(1)of the Dodd-Frank Act, which will require disclosure as to the relationship between the compensation of the Company's chief executive officer and median employee pay.

Since we are not required, among other things, to file reports under Section 13 of the Exchange Act or to comply with certain provisions of Sarbanes-Oxley and the Dodd-Frank Act and certain provisions and reporting requirements of or under the Securities Act and the Exchange Act or to comply with new or revised financial accounting standards as long as we are an EGC, the JOBS Act has the effect of reducing the amount of information that we are required to provide for the foreseeable future.

Further, section 102(b)(1) of the JOBS Act provides that, as an EGC, the Company need not present more than 2 years of audited financial statements in order for a registration statement with respect to an initial public offering of its common equity securities to be effective, and in any other registration statement that it files with the SEC, it need not present selected financial data prescribed by the SEC in its regulations for any period prior to the earliest audited period presented in connection with its initial public offering.

In addition, since we are not currently a reporting company and do not intend to become a reporting company in the immediate term after effectiveness of this registration statement, we will not be required to comply with the proxy requirements of Section 14 of the Exchange Act and our officers, directors and 10% stockholders will not be required to file reports under Section 16(a) of the Exchange Act. Until we register our common stock under Section 12 of the Exchange Act, which we would do in connection with the listing of our common stock on NASDAQ or another national securities exchange (but not in connection with the quotation of our stock on the OTCBB), stockholders will have further limited access to information about us.

Qualified Mortgage Regulations

Another regulation required by the Dodd Frank Act is the Qualified Mortgage ("QM") regulation that governs the obligation of lenders to determine the borrower's ability to pay when originating a mortgage loan. The CFPB issued final regulations on January 10, 2013 and an amendment on May 29, 2013 implementing detailed requirements on how lenders shall establish a borrower's ability to repay a mortgage loan. The QM rule, which becomes effective for residential mortgage loan applications received on or after January 10, 2014, prohibits loans with certain features, such as negative amortization, points and fees in excess of 3% of the loan amount, and terms exceeding 30 years, from being considered QMs. The rule also establishes general underwriting criteria for QMs including that a borrower must have a total debt-to-income ratio of less than or equal to 43%. Loans that are QM benefit from a statutory presumption against civil liability under the Dodd-Frank Act. Because of the presumption, we anticipate that most loans originated after the QM rules go into effect will be QMs.

The rule also provides a temporary category of QMs that have more flexible underwriting requirements so long as they satisfy the general product feature requirements of QMs and meet the underwriting requirements of the GSEs or those of the U.S. Department of Housing and Urban Development, Department of Veterans Affairs or Rural Housing Service (collectively, "Other Federal Agencies"). The temporary category of QMs that meet the underwriting requirements of the GSEs or the Other Federal Agencies will phase out when the GSEs or the Other Federal Agencies issue their own qualified mortgage rules, if the GSEs' conservatorship ends, and in any case after seven years. We expect that most lenders will be reluctant to make loans that do not qualify as QMs because they will not be entitled to the presumptions about compliance with the ability-to-pay requirements.

The QM regulations may impact the mortgage insurance industry in several ways. First, the QM regulations will have a direct impact on establishing a subset of borrowers who can meet the regulatory standards and will have a direct effect on the size of the mortgage market in any given year once the regulations become effective. Second, under the QM regulations, if the lender requires the borrower to purchase MI, then the MI premiums are included in monthly mortgage costs in determining the borrower's ability to repay the loan. The demand for MI may decrease if, and to the extent that, monthly MI premiums make it less likely that a loan will qualify for QM status, especially if MI alternatives, such as piggy-back loans, are relatively less expensive than MI.

Third, under the QM regulations, mortgage insurance premiums that are payable at or prior to

consummation of the loan are includible in points and fees unless, and to the extent that, such up-front premiums (“UFP”) are (i) less than or equal to the UFP charged by the FHA, and (ii) are automatically refundable on a *pro rata* basis upon satisfaction of the loan. (The FHA currently charges UFP of 1.75% on all residential mortgage loans, but it has the authority to change its UFP from time to time.) As inclusion of MI premiums towards the 3% cap will reduce the capacity for other points and fees in covered transactions, mortgage originators will be less likely to purchase single premium MI products to the extent that the associated premiums are deemed to be points and fees. As a result, we believe that the QM rule may increase demand for monthly and annual MI products relative to single premium products.

Qualified Residential Mortgage Regulations

The Dodd-Frank Act generally requires an issuer of an asset-backed security or a person who organizes and initiates an asset-backed transaction (a “securitizer”) to retain at least 5% of the risk associated with securitized mortgage loans, although in some cases the retained risk may be allocated between the securitizer and the mortgage originator. This risk-retention requirement does not apply to mortgage loans that are QRMs or that are insured or guaranteed by the FHA or other specified federal agencies. In March 2011, federal regulators issued the proposed risk-retention rule that includes a definition of QRM. The proposed definition of QRM contains many underwriting requirements, including a maximum LTV of 80% on a home purchase transaction, a prohibition on seller contributions toward a borrower's down payment or closing costs and certain limits on a borrower's debt-to-income ratio. Under the proposed rules, the LTV is to be calculated without consideration of any MI. By exempting QRMs from the risk-retention requirement, the cost of securitizing these mortgages would be reduced, thus providing a market incentive for the origination of loans that are exempt from the risk-retention requirement. If the final rule on QRMs does not give consideration to MI in computing LTV, the attractiveness of MI may be reduced.

The regulators also requested public comments regarding an alternative QRM definition, which would allow loans with maximum LTVs of 90% and higher debt-to-income ratios than allowed under the proposed QRM definition, and which may also consider MI in determining whether the LTV requirement is met. The regulators also requested that the public comments include information that may be used to assess whether the use of MI reduces the risk of default. The public comment period for the proposed rule expired on August 1, 2011. The MI industry trade group, the Mortgage Insurance Companies of America, or "MICA", as well as other individual MI companies, submitted comments that, among other things, urged regulators to consider a higher LTV for QRMs and recognition of MI for purposes of determining LTV.

Under the proposed rule, because of the capital support provided by the U.S. government, the GSEs satisfy the Dodd-Frank Act risk-retention requirements while they are in conservatorship. Therefore, lenders that originate loans that are sold to the GSEs while they are in conservatorship will not be required to retain risk associated with those loans. In addition, an equivalent guaranty provided by a limited-life regulated entity that has succeeded to the charter of a GSE and that is operating under specified direction and control of the FHFA would satisfy the risk-retention requirements, provided that the entity is operating with capital support from the U.S. government. However, if a GSE or successor limited-life regulated entity began to operate in another manner, then the guaranty provided by the GSE or such other entity may not satisfy the risk-retention requirements. Changes in final regulations regarding treatment of GSE guaranteed mortgage loans, or changes in the conservatorship or capital support provided to the GSEs by the U.S. government, could impact the manner in which the risk-retention rules apply to GSE securitizations and our business. Depending on, among other things, (i) the final definition of QRM and its requirements for LTV, seller contribution and debt-to-income ratio and (ii) to what extent, if any, the presence of MI would allow for a higher LTV in the definition of QRM, the number of mortgage loans that are QRMs may be limited.

Mortgage Servicing Rules

The Dodd-Frank Act amended and expanded upon mortgage servicing requirements under TILA and RESPA. The CFPB was required to amend Regulation Z (TILA) and Regulation X (RESPA) to conform these regulations to the statutory requirements. The CFPB issued final regulations on January17, 2013 implementing these detailed new mortgage servicing requirements. These rules are scheduled to become effective in January 2014. Included within these rules are new or enhanced requirements for handling escrow accounts, responding to borrower assertions of error and inquiries from borrower, special handling of loans that are in default, and loss mitigation in the event of borrower default. A provision of the required loss mitigation procedures prohibits the loan holder or servicer from commencing foreclosure until 120 days after the borrower's delinquency. Complying with the new rules could cause the servicing of mortgage loans to become more burdensome and costly than it is today. As to servicing of mortgage loans covered by our insurance policies, these rules could contribute to delays in realization upon collateral and have an adverse impact on resolution of claims.

Homeowners Protection Act of 1998

HOPA provides for the automatic termination, or cancellation upon a borrower's request, of private MI upon satisfaction of certain conditions. HOPA requires that lenders give borrowers certain notices with regard to the automatic termination or cancellation of mortgage insurance. These provisions apply to borrower-paid MI for purchase money, refinance and construction loans secured by the borrower's principal dwelling. FHA and VA loans are not covered by HOPA. Under HOPA, automatic termination of MI would generally occur when the mortgage is first scheduled to reach an LTV of 78% of the home's original value, assuming that the borrower is current on the required mortgage payments. A borrower who has a “good payment history,” as defined by HOPA, may generally request cancellation of MI when the LTV is first scheduled to reach 80% of the home's original value or when actual payments reduce the loan balance to 80% of the home's original value, whichever occurs earlier. If MI coverage is not canceled at the borrower's request or by the automatic termination provision, the mortgage servicer must terminate MI coverage by the first day of the month following the date that is the midpoint of the loan's amortization, assuming the borrower is current on the required mortgage payments.

Real Estate Settlement Procedures Act of 1974

RESPA will apply to most residential mortgages insured by us. MI generally may be considered to be a “settlement service” for purposes of RESPA under applicable regulations. Subject to limited exceptions, RESPA prohibits persons from giving or accepting anything of value in connection with the referral of a settlement service. RESPA authorizes the CFPB to bring civil enforcement actions, and also provides for criminal penalties and private rights of action. RESPA also affects how we structure ancillary services that we may provide to our customers, if any, including underwriting services and risk-share arrangements. RESPA, in addition, imposes various duties and obligations on mortgage servicers.

Home Mortgage Disclosure Act of 1975

Most originators of mortgage loans are required to collect and report data relating to a mortgage loan applicant's race, nationality, gender, marital status, and census tract to HUD or the Federal Reserve under the Home Mortgage Disclosure Act of 1975 (“HMDA”). Mortgage insurers are not required pursuant to any law or regulation to report HMDA data, although, under the laws of several states, mortgage insurers are currently prohibited from discriminating on the basis of certain classifications. Certain mortgage insurers have, through the Mortgage Insurance Companies of America (“MICA”), an industry trade group, entered voluntarily into an agreement with the Federal Financial Institutions Examinations Council to report the same data on loans

submitted for insurance as is required for most mortgage lenders under HMDA. Although not a MICA member, NMIC intends to comply with the terms of this agreement.

SAFE Act (Mortgage Loan Originator Licensing)

The SAFE Act requires mortgage loan originators to be licensed and/or registered with the Nationwide Mortgage Licensing System and Registry (the "Registry"). The Registry is a database established by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators. Among other things, the database was established to support the licensing of mortgage loan originators by each state. As part of this licensing and registration process, loan originators who are employees of institutions other than depository institutions or certain of their subsidiaries that are regulated by a Federal banking agency, must generally be licensed under the SAFE Act guidelines enacted by each state in which they engage in loan originator activities and registered with the Registry. The SAFE Act generally prohibits employees of a depository institution (including certain of their subsidiaries that are regulated by a Federal banking agency) from originating residential mortgage loans without first registering with the Registry and maintaining that registration. We do not believe that the SAFE Act applies to our employees and/or contractors who review loan files in connection with underwriting mortgage insurance applications for the purpose of making mortgage insurance decisions. If, however, the SAFE Act is interpreted to apply to our underwriters or other employees or contractors, we would take steps to comply, which would increase the Company's costs.

Privacy and Information Security

The Gramm-Leach-Bliley Act of 1999, or GLB, imposes privacy requirements on financial institutions, including obligations to protect and safeguard consumers' nonpublic personal information and records, and limitations on the re-use of such information. Federal regulatory agencies have issued the Interagency Guidelines Establishing Information Security Standards (Security Guidelines), and interagency regulations regarding financial privacy (Privacy Rule) implementing sections of GLB. The Security Guidelines establish standards relating to administrative, technical and physical safeguards to ensure the security, confidentiality, integrity, and the proper disposal of consumer information. The Privacy Rule limits a financial institution's disclosure of nonpublic personal information to unaffiliated third parties unless certain notice requirements are met and the consumer does not elect to prevent or "opt out" of the disclosure. The Privacy Rule also requires that privacy notices provided to customers and consumers describe the financial institutions' policies and practices to protect the confidentiality and security of the information. With respect to NMIC, GLB is enforced by the U.S. Federal Trade Commission ("FTC") and state insurance regulators. Many states have enacted legislation implementing GLB and establishing information security regulation. Many states have enacted privacy and data security laws which impose compliance obligations beyond GLB, including obligations to protect social security numbers and provide notification in the event that a security breach results in a reasonable belief that unauthorized persons may have obtained access to consumer nonpublic information.

Fair Credit Reporting Act

The Fair Credit Reporting Act of 1970, as amended, or FCRA, imposes restrictions on the permissible use of credit report information. FCRA has been interpreted by some FTC staff to require mortgage insurance companies to provide "adverse action" notices to consumers in the event an application for mortgage insurance is declined on the basis of a review of the consumer's credit. We intend to provide such notices when required.

MANAGEMENT

Directors and Executive Officers

Directors

The following table sets forth information regarding the members who serve on our board of directors as of the date of this prospectus. The business address of each of our directors listed below is c/o NMI Holdings, Inc., 2100 Powell Street, 12th Floor, Emeryville, CA.

Name	Age	Position with NMIH
Bradley M. Shuster	58	Chairman of the Board, President and Chief Executive Officer
Michael Embler	46	Director
James G. Jones	64	Director
Michael Montgomery	58	Director
John Brandon Osmon	37	Director
James H. Ozanne	69	Director
Steven L. Scheid	59	Lead Director

Bradley M. Shuster, *Chairman of the Board, President and Chief Executive Officer*

Mr. Shuster currently serves as Chairman of our Board and our Chief Executive Officer, positions he has held since 2012. With Mr. Shuster's extensive experience developing and operating MI companies and insurance industry background, we believe he is qualified to serve as Chairman of our Board and as our Chief Executive Officer. From 2008 to 2011, Mr. Shuster has held various consulting positions assisting private investors with evaluating opportunities in the insurance industry. Mr. Shuster was an executive of The PMI Group, Inc. (“PMI”) from 2003 to 2008, where he served as president of International and Strategic Investments and chief executive officer of PMI Capital Corporation. Prior to that, he served as PMI's executive vice president of Corporate Development and senior vice president, treasurer and chief investment officer. Mr. Shuster was responsible for PMI's international operations, coordinating both acquisitions and de novo operations in diverse markets including Australia, Canada, Europe and Hong Kong. Prior to leaving PMI, Mr. Shuster was instrumental in the sale of PMI's Australian operations to QBE Group, a global insurance company, for approximately $1 billion. Before joining PMI in 1995, Mr. Shuster was a partner at Deloitte LLP, where he served as partner-in-charge of Deloitte's Northern California Insurance Practice and Mortgage Banking Practice. He holds a B.S. from The University of California, Berkeley and an M.B.A. from The University of California, Los Angeles.

Michael Embler, *Director*

Mr. Embler has served on our Board since July 2012. Mr. Embler has over 20 years of experience in investments and financial markets. Mr. Embler also serves on the boards of CIT Group (from 2009) and The Corlears School (from 2008), a non-profit institution. Previously, he was on the boards of Abovenet, Inc. (2003-2012), Dynegy Inc. (2011-2012), Kindred Healthcare (2001-2008), and Grand Union Company (1999-2000). Mr. Embler served as the chief investment officer of Franklin Mutual Advisers LLC, an asset management subsidiary of Franklin Resources, Inc., overseeing approximately $60 billion in assets and 25 investment professionals. He joined Franklin in 2001 and retired from Franklin Mutual in 2009. Prior to serving as chief investment officer, he managed the firm's distressed investing strategy. Previously, from October 1992 until May 2001, he was a managing director at Nomura Holdings America. In that role, Mr.

Embler managed a team which invested a proprietary fund focused on distressed and other event-driven corporate investments. Mr. Embler received a B.S. in economics from the State University of New York at Albany and earned an M.B.A. in finance from George Washington University. Based on Mr. Embler's extensive financial industry background, we believe he is qualified to serve on the Board.

James G. Jones, *Director*

Mr. Jones has served on our Board since July 2012. He has been the Chairman and Chief Executive Officer of AccountNow, Inc., a leading internet prepaid card issuer, since January, 2010. Mr. Jones also serves as an independent director on the boards of Advanced Payment Solutions (from 2004), Bora Payment Systems (from 2009), and Community Lend (from 2008), and has previously served on the boards of Visa USA, E- Loan, Inc., BA Merchant Services, Residential Capital, LLC, and Bank of America, NA. Previously in his career, he has held senior executive positions for major banks and financial services companies. From May 1992 to September 2000, Mr. Jones served as the group executive vice president for consumer credit and subsequently as president of direct banking at Bank of America. He was a vice chairman at Providian Financial Services from September 2000 to June 2003. He subsequently served as chief executive officer of Aegis Mortgage from October 2006 to February 2007, after which he served as the chief executive officer at GMAC Residential Capital, a major participant in US residential finance, from February 2007 to August 2008. Mr. Jones also directed consumer finance business lines at Citicorp (1974 to 1978), Crocker National Bank (1978 to 1983) (including mortgage servicing), and Wells Fargo (1983 to 1992) (including residential finance). Mr. Jones holds a B.A. in psychology from Washburn University, an M.A. in industrial psychology from the University of Nebraska at Omaha and an M.B.A. from the University of Kansas. With Mr. Jones' more than 35 years of executive experience in commercial banking, consumer lending, payment processing and related financial services, we believe he is qualified to serve on our Board.

Michael Montgomery, *Director*

Mr. Montgomery has served on our Board since July 2012. He has served on the boards of directors for numerous regulated entities, including FDIC-insured banks, mortgage origination companies, mortgage servicing companies, broker dealers and investment advisers. Mr. Montgomery was a member of the boards of directors of Barclays Bank Delaware from 2005 until 2012 and of Barclays Capital Inc. and Barclays Group US, Inc. from 2002 until 2012. In April 2013, Mr. Montgomery joined Glendon Capital Management as its chief compliance officer. From July 2010 until April 2013, Mr. Montgomery served as chief compliance officer of Barclays Asset Management Group LLC. Previously, Mr. Montgomery served as chief executive officer of Barclays Group US, Inc. the top-tier U.S. holding company for Barclays from 2003 until 2010, and has significant experience as an audit committee member. From July 2006 to July 2010, he served as chief administrative officer of Mortgage Origination and Servicing at Barclays Capital, a position in which he managed mortgage origination and servicing activities and coordinated the underwriting, production, warehousing and servicing functions with its New York-based asset securitization business. From 1998 until 2000, Mr. Montgomery served as chief financial officer for Deutsche Bank Securities Inc. He served in various positions at Goldman Sachs & Co. from 1987 to 1998, including as vice-president of UK Regulatory Reporting, vice-president of Subsidiary Accounting, vice-president and director of Regulatory Reporting and chief financial officer of Goldman Sachs Canada. Mr. Montgomery has also previously held operating roles as chief financial officer and chief administrative officer and has served on several industry-wide committees for the Securities Industry Association, the Bond Market Association and the Public Securities Association. Mr. Montgomery earned a B.A. in economics and French literature from the University of Virginia and a J.D. from Georgetown University Law Center. Mr. Montgomery has over 26 years of experience working at global commercial and investment banks, and we believe he is qualified to serve on our Board.

John Brandon Osmon, *Director*

Mr. Osmon has served on our Board since July 2012. He has nearly 15 years of experience in structured finance, consumer and mortgage credit, and we believe he is qualified to serve on our Board. Mr. Osmon is a managing director at Hayman Capital Management, LP, where he is responsible for the firm's investments in mortgage-backed securities. Prior to joining Hayman in September 2007, Mr. Osmon served as a senior vice president at Countrywide Financial Corporation from January 2005 until September 2007, where he managed the company's asset-backed commercial paper programs and secured warehouse lines of credit. His responsibilities included structuring the company's facilities, legal documentation and rating agency negotiations. Mr. Osmon also assisted in liquidity forecasting at Countrywide. Previously, from September 2000 until January 2005, Mr. Osmon managed the conduit finance, securitization modeling and derivatives groups at AmeriCredit Corp. He was also responsible for modeling all current and prospective term securitizations at AmeriCredit and assisted in structuring the company's short-term asset-backed financing programs. Mr. Osmon received a B.A. in Business Administration with a concentration in finance from the University of Texas.

James H. Ozanne, *Director*

Mr. Ozanne has served on our Board since the Company's inception in 2012. With over 40 years of experience in the financial services industry, including senior level executive positions at several leasing, rental, and consumer finance businesses, we believe Mr. Ozanne is qualified to serve on our Board. Since 2012, Mr. Ozanne has been a director of United Rentals, Inc. He has been a director of ZBB Energy, a manufacturer of specialized batteries and alternative energy electrical equipment, since 2011. From 2007 to 2012, he served as lead director of RSC Holdings, Inc., a nationwide equipment rental company. From 1989 to 2009 he served as a director of Financial Security Assurance Holdings Ltd., a provider of guaranty insurance on municipal bonds and other public finance projects. Mr. Ozanne was also a director at Distributed Energy Systems Corp., a company that created and delivered wind and hydrogen power solutions from 2002 to 2009. From 1983 to 1989, Mr. Ozanne served as executive vice president of GE Capital Corporation and was responsible for the consumer finance and operating lease/asset management business units. He served as chief executive officer and chief financial officer of North American Car Corporation, the railcar leasing subsidiary of Flying Tiger Lines, from 1975 to 1983. Mr. Ozanne holds a B.S. from DePaul University and is a director of the Appalachian Mountain Club.

Steven L. Scheid, *Lead Director*

Mr. Scheid has served as a member of our Board since the Company's inception in 2012. A veteran financial industry executive with over 30 years of experience, Mr. Scheid has a deep expertise in finance, retail strategies, risk management and investment services and is qualified to serve on our Board. He has served on the board of Blue Nile Company, an online retailer of diamonds and fine jewelry, since 2007. Mr. Scheid formerly served on the boards of Janus Capital Group Inc., a global investment firm, from 2002 to 2012 and The PMI Group, Inc. from 2002 to 2009. Mr. Scheid was previously a partner at Strategic Execution Group, a consulting firm, from, 2007 to 2012. He served as the chairman of Janus Capital Group Inc. until 2012 and also served as the company's chief executive officer from 2004 to 2006. Mr. Scheid was an operating partner at Thoma Bravo, LLC, a private equity firm from 2008 to 2011. From 1996 to 2002, Mr. Scheid served in multiple senior executive positions for Charles Schwab Corporation. He was vice chairman of the Charles Schwab Corporation and president of the Schwab Retail Group. Prior to these roles, Mr. Scheid served as Schwab's chief financial officer and was the chief executive officer of Charles Schwab Investment Management. He served as the Federal Reserve Bank of San Francisco's representative on the Federal Advisory Council in

Washington, D.C. from September 2000 to February 2002. Mr. Scheid is a certified public accountant and holds a B.S. in accounting from Michigan State University.

Executive Officers

The following table sets forth information regarding our executive officers as of the date of this prospectus. The business address of each of our executive officers listed below is c/o NMI Holdings, Inc., 2100 Powell Street, 12th Floor, Emeryville, CA.

Name	Age	Position with NMIH
Bradley M. Shuster	58	Chairman of the Board, President and Chief Executive Officer
John (Jay) M. Sherwood, Jr.	44	Executive Vice President and Chief Financial Officer
Glen S. Corso	62	General Counsel and Secretary
Patrick L. Mathis	53	Executive Vice President, Chief Risk Officer
Claudia J. Merkle	54	Executive Vice President, Chief Insurance Operations Officer
Stan Pachura	59	Executive Vice President, Chief Information Officer
Peter C. Pannes	48	Executive Vice President, Chief Sales Officer

Bradley M. Shuster, *Chairman of the Board, President and Chief Executive Officer*

Mr. Shuster's biography is included under "—Directors" above.

John (Jay) M. Sherwood, Jr., *Executive Vice President and Chief Financial Officer*

Mr. Sherwood has served as our Executive Vice President and Chief Financial Officer since 2012. Mr. Sherwood previously was a managing director at Eastbourne Capital Management, L.L.C., a private investment manager, from 2005 to 2010. In that role, he assisted in managing a $3 billion equity hedge fund and helped to grow the firm's assets through successful investments and by expanding its investor base. Prior to that, Mr. Sherwood served as managing director at Robertson Stephens Investment Management and, subsequently, RS Investments, a mutual fund manager, from 1995 to 2005, where he was a securities analyst and co-portfolio manager of two mutual funds. From 1993 to 1995, Mr. Sherwood was a staff accountant and senior auditor for Deloitte LLP. He holds a B.A. from the University of California, Los Angeles.

Glen S. Corso, *Executive Vice President, General Counsel*

Mr. Corso has served as our Executive Vice President and General Counsel since 2012. Prior to NMIH, Mr. Corso co-founded and served as managing director for Mortgage Banking Initiatives, Inc., a public policy group with a client base of independent mortgage banking companies from 2009 to 2012. His work involved lobbying, regulatory analysis and communications. Previously, Mr. Corso served as group senior vice president, public policy at PMI from 2006 to 2008. He directed the firm's global government relations, public relations, and housing advocacy efforts. Earlier in his career, Mr. Corso held other executive positions at PMI, heading capital management, investor relations and public relations from 1998-2006. He is a member of the bars of the District of Columbia, Maryland and Texas. Mr. Corso holds a B.S. from the University of Notre Dame and a J.D. from Catholic University School of Law.

Patrick Mathis, *Executive Vice President, Chief Risk Officer*

Mr. Mathis has served as our Executive Vice President and Chief Risk Officer since 2012. He oversees and manages risk and internal audit for NMIH. He has over 25 years of experience in the insurance, mortgage and financial industries, including executive level positions in the areas of risk and credit management. Prior to NMIH, Mr. Mathis served as senior vice president, head of credit risk management for PMI Mortgage Insurance Co., (“PMIC”) from January 2009 to May 2012. In that capacity, he managed loss reserving, credit policy formulation and quality control for PMIC underwriters as well as for loans underwritten by customers on a delegated basis. Previously, from January 2005 to December 2008, Mr. Mathis served as senior vice president, chief risk officer at PMI Capital Corporation. In that role, he held oversight responsibility for international mortgage insurance subsidiaries in Australia, Europe, Hong Kong and Canada. Earlier in his career, Mr. Mathis held executive roles in credit and insured portfolio management at XL Capital Assurance and MBIA, Inc. Mr. Mathis holds a B.A. from the University of North Carolina-Chapel Hill and an M.B.A. from the University of Texas-Austin.

Claudia J. Merkle, *Executive Vice President, Chief of Insurance Operations*

Ms. Merkle has served as our Executive Vice President and Chief of Insurance Operations since 2013. Ms. Merkle joined NMIH in May 2012 as its Senior Vice President of Underwriting Fulfillment and Risk Operations. In her current role, she oversees insurance operations, underwriting fulfillment, risk operations, policy and default servicing and quality assurance. A seasoned mortgage industry executive, Ms. Merkle draws on 25 years of experience in mortgage banking, mortgage insurance, business development and operations. Prior to NMIH, Ms. Merkle served as vice president of national and regional accounts, risk and operations at PMIC, from 1996 to 2012. She has held previous executive leadership positions within the mortgage banking and mortgage insurance industries, including both national and regional business development, operations and risk management. Earlier in her career, Ms. Merkle served as vice president, regional manager at Meridian Mortgage, from 1990 to 1996, managing retail mortgage originations. She also held roles at Wachovia Bank in training, retail mortgage origination, underwriting, operations and Community Reinvestment Act lending. Ms. Merkle holds a B.S. in management from the Wharton School of Business, University of Pennsylvania.

Stan Pachura, *Executive Vice President, Chief Information Officer*

Mr. Pachura has served as our Executive Vice President and Chief Information Officer since 2012. He provides creative and operational direction for the Company's information technology platform, which supports the Company's innovative and strategic vision. He is a seasoned executive with over 30 years of managerial and technical experience in the banking, mortgage banking and mortgage insurance industries. Prior to NMIH, Mr. Pachura was senior vice president and chief information officer for PMIC from 2008 to 2012. In that role, he was responsible for all information technology functions for PMIC, including internal information services, e-commerce, and customer technology activities. Prior to that, he served as PMIC's senior vice president and chief technology officer from 2005 to 2008, during which he managed and directed all database, network and data center operations for the corporation. During his tenure at PMIC, Mr. Pachura also held other key roles, including in customer technology licensing, internet e-business, mergers and acquisitions, business intelligence and infrastructure and operations. Previously, Mr. Pachura was a manager with Key Services Inc./Goldome Realty Credit Corp. from 1983 to 1995 and an information systems consultant with Dataware, Inc. from 1973 to 1983. Mr. Pachura is president of the board of directors for the Greater Bay Area Chapter of the Juvenile Diabetes Research Foundation (JDRF).

Peter C. Pannes, *Executive Vice President, Chief Sales Officer*

Mr. Pannes has served as our Executive Vice President and Chief Sales Officer since 2012. He oversees sales and marketing at NMIH and is responsible for business development strategy and execution, including marketing and product development and sales operations and analytics. Mr. Pannes has 24 years of experience in the mortgage insurance and banking industries and has held executive positions at leading mortgage insurance companies. Prior to NMIH, Mr. Pannes served in various executive positions at PMIC. From 2006 until 2011, he led the mortgage insurance production team as PMIC's senior vice president of field sales and national accounts, and from late 2004 to 2006, he was vice president of field sales and oversaw a number of select national accounts. Previously, from 2000 to 2004, Mr. Pannes served as senior vice president and general manager at CMG Mortgage Insurance Company (“CMG”), a joint venture between PMIC and CUNA Mutual Group. At CMG, he originally held leadership positions in sales and production. In subsequent assignments, Mr. Pannes was responsible for CMG's operations, loss mitigation, underwriting, claims and servicing. Late in 2012, Mr. Pannes was asked to temporarily return to CMG to rebuild and repair operational inefficiencies. In that role, he was responsible for servicing, claims, operations, and credit policy. He held this position for 6 months before joining NMIH. Mr. Pannes also held management committee, finance committee (intermittently), and board of director positions for CMG from 2005 until his departure in 2012. Mr. Pannes holds a B.S. in purchasing and materials management from Arizona State University and has completed post-graduate business courses at the University of Chicago and Northwestern University's Kellogg School of Management. He is a graduate of the Mortgage Bankers Association School of Mortgage Banking.

Board of Directors

The number of members of our board of directors (the "Board") will be determined from time to time by resolution of the Board. Our Board currently consists of seven members. All of the directors other than Mr. Shuster qualify as independent directors under the corporate governance standards of the NASDAQ. Each member of our Board serves a one-year term or until his successor has been elected and qualified.

Although most actions taken by our Board require approval by a majority of the directors present at a meeting at which a quorum is present, our bylaws provide that certain actions taken by us must be approved by a unanimous vote of all of the non-employee directors, unless such actions have otherwise been approved by the holders of a majority of the outstanding shares of our common stock. These actions include (i) incurrence by us of liabilities in a single transaction or series of transactions in excess of $10 million (other than the writing of mortgage insurance policies in the ordinary course of business); (ii) entry by us into an employment agreement with any individual (other than Messrs. Shuster, Sherwood and McCourt) that provide for compensation, taken in the aggregate, in excess of the compensation provided for in the employment agreement of Mr. Sherwood as described in “Compensation - Employment Agreements and Letter Agreements - Employment Agreement with John (Jay) M. Sherwood, Jr.,” excluding for these purposes the bonuses Mr. Sherwood received on achievement of GSE Approval, and will receive upon filing and effectiveness of the registration statement of which this prospectus forms a part; and (iii) issuances of equity to our employees, directors or consultants other than issuances pursuant to the 2012 Stock Incentive Plan. This provision will terminate at such time as our common stock begins trading on a national securities exchange.

Committees of the Board of Directors

The Board has four committees: Audit; Compensation; Nominating and Governance; and Risk. Information regarding these committees is provided below.

Audit Committee

The members of the Audit Committee are Messrs. Embler, Montgomery and Osmon, each of whom qualifies as an “independent” director as defined under the applicable rules and regulations of the NASDAQ. Mr. Embler is the chairperson of the Audit Committee and each member of the Audit Committee also serves as a "financial expert" to our Audit Committee, as that term is defined in SEC rules.

The Audit Committee is responsible for, among other things, monitoring:

- the integrity of the financial statements of the Company;
- the independent auditor's qualifications and independence;
- the performance of the Company's internal audit function and independent auditors;
- the Company's system of disclosure controls and system of internal controls over financial reporting; and
- the Company's compliance with legal and regulatory requirements.

Compensation Committee

The members of the Compensation Committee are Messrs. Ozanne, Embler and Scheid, each of whom qualifies as an “independent” director as defined under the applicable rules and regulations of the NASDAQ. Mr. Ozanne is the chairperson of the Compensation Committee.

The Compensation Committee is responsible for, among other things:

- overseeing our executive compensation program, including approving corporate goals relating to compensation for our Chief Executive Officer and other senior executives and determining the annual compensation of our Chief Executive Officer and other senior executives;
- reviewing and approving the compensation policy recommended by management with respect to other employees;
- determining, subject to ratification by our independent directors, the compensation of our independent directors; and
- preparing the Compensation Committee Report and reviewing the Compensation Discussion and Analysis included in our proxy statements.

Nominating and Governance Committee

The members of the Nominating and Governance Committee are Messrs. Scheid, Ozanne and Jones, each of whom qualifies as an “independent” director under our Corporate Governance Guidelines and the applicable rules and regulations of the NASDAQ. Mr. Scheid is the chairperson of our Nominating and Governance Committee.

The Nominating and Governance Committee is responsible for, among other things:

- identifying individuals qualified to become Board members, and recommending to the Board nominees for election for the next annual meeting of stockholders;

- reviewing the qualifications and independence of the members of the Board and its committees on a regular periodic basis;

- recommending to the Board corporate governance guidelines and reviewing such guidelines, as well as the Nominating and Governance Committee charter to confirm that they remain consistent with sound corporate governance practices and with any legal requirements;

- leading the Board in its annual review of the Board's performance; and

- recommending committee assignments for members of the Board.

Risk Committee

The members of the Risk Committee are Messrs. Jones, Montgomery and Osmon, each of whom qualifies as an "independent" director as defined under the applicable rules and regulations of the NASDAQ. Mr. Jones is the chairperson of our Risk Committee.

The Risk Committee is responsible for oversight of management's operation of the Company's mortgage insurance business and the management of the Company's investment portfolio, including, among other things:

- discussing, reviewing and monitoring the Company's mortgage insurance products, including premium rates, underwriting guidelines and returns;

- reviewing and approving the Company's investment policy;

- reviewing the mortgage insurance operating environment, including the state of local and regional housing markets, competitive forces affecting the Company and the Company's relationships with residential mortgage lenders and investors; and

- assisting the Board in its oversight of the Company's risk management policies, procedures and processes.

Code of Business Conduct and Ethics

Our Board has adopted a code of business conduct and ethics (the "Code of Ethics") that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. If we amend or grant any waiver from a provision of our Code of Ethics that applies to our executive officers, we will publicly disclose such amendment or waiver on our website and as required by applicable law, including by filing a Current Report on Form 8-K.

Summary Compensation Table

The following summary compensation table sets forth information regarding the compensation paid, awarded to or earned during the fiscal year ended December 31, 2012 for our Chief Executive Officer and our two other most highly compensated executive officers who were serving as executive officers on December 31, 2012. In addition, we provide summary compensation data for an additional officer who would have qualified as one of our two most highly compensated executive officers but for the fact that his employment status changed, as described below, and he was no longer serving as an executive officer on December 31, 2012. Throughout this section, these four officers are referred to as our “named executive officers.”

Name and Principal Position	Year	NMIH Pre-Capitalization Consulting Fee(1)	Salary	Bonus(2)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Bradley M. Shuster, President and Chief Executive Officer	2012	$226,323	$163,692	$452,623	$5,041,575	$3,521,100	—	—	$9,405,313
Jay M. Sherwood, Chief Financial Officer	2012	$226,323	$163,692	$301,749	$2,520,788	$1,760,550	—	—	$4,973,102
Stanley M. Pachura, Chief Information Officer	2012	$32,129	$163,692	$198,023	$95,060	$683,520	—	—	$1,172,424
James R. McCourt, VP of Administration (3)	2012	$131,000	$163,692	$68,580	$840,263	$586,850	—	—	$1,790,385

(1) The named executive officers were paid as consultants to the Company prior to its capitalization. Amounts shown include consulting fees earned during 2011 and 2012. The entire amounts shown were paid in 2012 upon capitalization.
(2) Bonus amounts were earned in 2012 but paid in 2013.
(3) In 2012, Mr. McCourt was originally issued 151,250 stock options and 123,750 restricted stock units ("RSUs"). In October 2012, Mr. McCourt forfeited 131,250 of his stock options and 113,750 of his RSUs. The values shown for Mr. McCourt's stock and option awards were calculated based on their values, as of the date of the grants, without giving effect to the forfeitures. As of December 31, 2012, Mr. McCourt held 10,000 RSUs valued at $67,900 and 20,000 option awards valued at $77,600.

Employment Agreements and Letter Agreements

In connection with our Private Placement, we entered into agreements with Messrs. Shuster, Sherwood, Pachura and McCourt. The following is a summary of the material terms of each such agreement.

Employment Agreement with Bradley M. Shuster

We entered into an employment agreement with Mr. Shuster, pursuant to which he serves as our President and Chief Executive Officer. The term of the employment agreement began on the closing of the Private Placement and ends three years from the date of GSE Approval (which occurred in January 2013), or, if later, two years following a “change in control” (which is substantially the same as the definition in the 2012 Stock Incentive Plan as set forth below) unless terminated earlier pursuant to the terms of the employment agreement. For the period between the closing of the Private Placement and the GSE Approval, Mr. Shuster was paid a base salary of $20,000 per month. Since the GSE Approval, Mr. Shuster's annual base salary has been $600,000, and he will be eligible for an annual cash bonus, with a target annual bonus opportunity of 100% of his annual base salary and a guaranteed minimum of 50% of his base salary for the year during which the GSE Approval was achieved, as well as lump sum cash bonuses of (i) $300,000 upon the achievement of the GSE Approval (which was paid to Mr. Shuster in January 2013), (ii) $300,000 upon the filing of this registration statement registering the resale of the registrable shares and (iii) $300,000 upon the effectiveness of such registration statement, in each case within a specified time period. In addition, during the employment period, Mr. Shuster will receive employee benefits on a basis no less favorable than those provided to our other senior executives.

We also granted Mr. Shuster certain equity awards under his employment agreement pursuant to our 2012 Stock Incentive Plan, which are described and quantified below under the heading "*Equity Awards Granted to Named Executive Officers*." In addition, Mr. Shuster is eligible to receive certain severance benefits, including enhanced severance benefits in the event of a termination of employment within two years following a "change in control."

Employment Agreement with John (Jay) M. Sherwood, Jr.

We entered into an employment agreement with Mr. Sherwood, pursuant to which he serves as our Chief Financial Officer. The term of the employment agreement began on the closing of the Private Placement and ends three years from the date of the GSE Approval, or, if later, two years from the "change in control" unless terminated earlier pursuant to the terms of the employment agreement. For the period between the closing of the Private Placement and the GSE Approval, Mr. Sherwood was paid a base salary of $20,000 per month. Since the GSE Approval, Mr. Sherwood's annual base salary has been $400,000, and he will be eligible for an annual cash bonus, with a target annual bonus opportunity of 100% of his annual base salary and a guaranteed minimum of 50% of his base salary for the year during which the GSE Approval is achieved, as well as lump sum cash bonuses of (i) $200,000 upon the achievement of the GSE Approval (which was paid to Mr. Sherwood in January 2013), (ii) $200,000 upon the filing of this registration statement registering the resale of the registrable shares and (iii) $200,000 upon the effectiveness of such registration statement, in each case within a specified time period. In addition, during the employment period, Mr. Sherwood will receive employee benefits on a basis no less favorable than those provided to our other senior executives. We also granted Mr. Sherwood certain equity awards under his employment agreement pursuant to our 2012 Stock Incentive Plan, which are described and quantified below under the heading "*Equity Awards Granted to Named Executive Officers.*" In addition, Mr. Sherwood is eligible to receive certain severance benefits, including enhanced severance benefits in the event of a termination of employment within two years following a "change in control."

Letter Agreement with Stanley Pachura

We entered into a letter agreement with Mr. Pachura, pursuant to which he serves as our Chief Information Officer, for a three-year term that commenced upon the closing of the Private Placement. For the period between the closing of the Private Placement and the GSE Approval, Mr. Pachura was paid a base salary of $20,000 per month. Since the GSE Approval, Mr. Pachura's annual base salary has been $350,000, and he will be eligible for an annual cash bonus, with a target annual bonus opportunity of 75% of his annual base salary and a guaranteed minimum of 50% of his annual base salary for the year during which the GSE Approval is achieved, as well as a lump sum cash bonus of $100,000 upon the achievement of the GSE Approval (which was paid to Mr. Pachura in January 2013). We also granted Mr. Pachura certain equity awards under his employment agreement pursuant to our 2012 Stock Incentive Plan, which are described and quantified below under the heading "*Equity Awards Granted to Named Executive Officers*." In addition, Mr. Pachura is eligible to receive certain severance benefits, including enhanced severance benefits in the event of a termination of employment within one year following a "change in control".

Letter Agreement with James R. McCourt

In connection with the Private Placement, we entered into a letter agreement with Mr. McCourt, which was subsequently superseded in October 2012 by a new letter agreement, pursuant to which he serves as our Vice President of Administration. For the period between the closing of the Private Placement and the GSE Approval, Mr. McCourt was paid a base salary of $20,000 per month. Since the GSE Approval, Mr. McCourt's annual base salary has been $200,000, and he is eligible for an annual cash bonus, with a target annual bonus opportunity of 35% of his annual base salary and a guaranteed minimum of 50% of his annual base salary for

the year during which the GSE Approval is achieved, as well as a lump sum cash bonus equal to $125,000 upon the achievement of the GSE Approval (which was paid to Mr. McCourt in January 2013). We also granted Mr. McCourt certain equity awards under his employment agreement pursuant to our 2012 Stock Incentive Plan (some of which were subsequently forfeited), which are described and quantified below under the heading "*Equity Awards Granted to Named Executive Officers.*"

Equity Awards Granted to Named Executive Officers

As disclosed above, in connection with the closing of the Private Placement, we granted equity awards to Messrs. Shuster, Sherwood, Pachura and McCourt. Mr. Shuster was granted stock options with respect to 907,500 shares of our Class A common stock and 742,500 RSUs, Mr. Sherwood was granted stock options with respect to 453,750 shares of our Class A common stock and 371,250 RSUs, Mr. Pachura was granted stock options with respect to 178,000 shares of our Class A common stock and 14,000 RSUs and Mr. McCourt was granted stock options with respect to 151,250 shares of our Class A common stock and 123,750 RSUs. Mr. McCourt subsequently forfeited a portion of the awards granted in connection with the closing of the Private Placement and holds stock options with respect to 20,000 shares of our Class A common stock and 10,000 RSUs. All of the RSUs were initially granted with performance vesting conditions, but in February 2013 the awards were amended to provide that two-thirds of the RSUs continue to vest based on performance conditions and one-third of the RSUs vest solely based on the passage of time. The equity awards granted to our named executive officers (as amended to provide for time vesting of certain RSUs) will generally be subject to the following minimum vesting conditions (in each case, generally subject to continued service through the applicable vesting date):

- 100% of the outstanding RSU grants vest as follows:

  Performance Vesting RSUs ("performance shares"), i.e. two-thirds of grant
  - 33.3% of the performance shares will vest when our stock price equals or exceeds $12.50 for 30 days;[1]
  - 33.3% of the performance shares will vest when our stock price equals or exceeds $14.00 for 30 days; and
  - 33.3% of the performance shares will vest when our stock price equals or exceeds $16.00 for 30 days.

[1] Our securities trade in the FBRPlus™ system. As of April 5, 2013, the average trading price of our securities in the FBRPlus™ system over the prior 30-day trading period equaled or exceeded $12.50 per share. As a result, the first tranche of performance shares issued to our named executive officers vested on April 5, 2013.

  Time Vesting RSUs ("time-vested shares"), i.e. one-third of grant
  - 50% of the time-vested shares will vest on the second anniversary of the grant date; and
  - 50% of the time-vested shares will vest on the third anniversary of the grant date.

- 100% of the stock option grants vest as follows:

  - 33.3% of the stock options will vest on the first anniversary of the grant date;
  - 33.3% of the stock options will vest on the second anniversary of the grant date; and
  - 33.3% of the stock options will vest on the third anniversary of the grant date.

Stock price for determining the vesting of performance shares will be determined as follows: (i) if our common stock is actively traded on a nationally recognized securities exchange, the average closing price on such exchange for a consecutive 30-day trading period, (ii) if our common stock is actively traded over-the-

counter, the average of the closing bid price over a consecutive 30-day trading period ("30-day average"), (iii) if trades of our common stock are reported on the FBR Plus™ System, the average sales price so reported over a consecutive 30-day trading period and (iv) if not determined as described in (i), (ii) or (iii) above, as determined by the Board or a committee thereof pursuant to the procedures specified pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

While the vesting of the equity awards granted to our named executive officers generally requires continued service through the applicable vesting date, in some instances the vesting of such equity awards will be accelerated upon a termination of employment or a change in control. For a further description of the treatment of equity upon certain qualifying terminations of employment or a change in control see "*Potential Payments upon Termination or Change in Control*" below.

Annual Bonus Plan

In order to have a significant percentage of our executive officer compensation be performance based we have established an annual bonus program with the payment of bonuses based upon the achievement of Company performance goals. For 2012, the overriding performance goal was the achievement of GSE Approval in the nine month time frame set forth in the offering memorandum issued in connection with our Private Placement. In recognition of the successful, and timely, achievement of the GSE Approval and operating expenses coming in under budget during the GSE Approval process, management recommended, and the Board approved, payment of bonuses to our named executive officers at 110% of target.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding outstanding equity interests held by each of our named executive officers as of December 31, 2012:

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable (#)** [1]	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options**	**Option Exercise Price ($)**[2]	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested) ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**[3]	**Equity Incentive Plan Awards: Market or Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)** [4]
Bradley M. Shuster	—	907,500	—	10.00	4/24/22	—	—	742,500	$7,981,875
Jay M. Sherwood	—	453,750	—	10.00	4/24/22	—	—	371,250	$3,990,938
Stanley M. Pachura	—	178,000	—	10.00	5/30/22	—	—	14,000	$150,500
James R. McCourt[5]	—	20,000	—	10.00	4/24/22	—	—	10,000	$107,500

(1) Represents stock options that vest (subject to continued employment on the vesting date) as follows:

- 33.3% vest on the first anniversary of the grant date;
- 33.3% vest on the second anniversary of the grant date; and
- 33.3% vest on the third anniversary of the grant date.

(2) The per share exercise price is equal to the price of a share of our common stock in our Private Placement.

(3) Represents RSUs. As explained above under the heading - *Equity Awards Granted to Certain Named Executive Officers*, as of December 31, 2012, 100% of the RSUs were performance shares. In February 2013, the RSU awards were amended so that two-thirds of the grant are performance shares and one-third are time-vested shares.
(4) There is currently no public market for our common stock, and therefore we do not have a public valuation for our security. Our securities trade in the FBRPlus™ system. To determine the value of unearned shares that have not vested, we used the 30-day average for the 30-day trading period ending on December 31, 2012 of $10.75 per share.
(5) In 2012, Mr. McCourt was originally issued 151,250 stock options and 123,750 RSUs. In October 2012, Mr. McCourt forfeited 131,250 of his stock options and 113,750 of his RSUs.

Other Compensation Programs and Practices

Retirement Plans and Other Benefit Plans

We do not currently offer retirement plans, although it is our intent to initiate a qualified defined contribution retirement plan in 2014.

Perquisites

There were no perquisites paid in 2012, as base compensation for the named executive officers was limited during the period prior to GSE Approval. In lieu of a perquisite program in 2013, the Board approved payment of a flat dollar amount to our named executive officers, except Mr. McCourt, which will be added to their base salaries in 2013.

Potential Payments upon Termination or Change in Control

Termination of Employment without Cause or Resignation with Good Reason

Shuster and Sherwood Employment Agreements

If the employment of either Mr. Shuster or Mr. Sherwood is terminated (i) by us without “cause” or (ii) by the executive for “good reason” (each, a “Qualifying Termination”) during the employment period (but not within two years following a “change in control”), (a) subject to his execution (other than upon his death) and non-revocation of a release of claims against us and our affiliated entities (a “termination release”), he will be entitled to be paid a lump sum cash amount equal to the sum of (1) any earned but unpaid base salary and target annual bonus for a prior award period (other than any portion of such target annual bonus that was previously deferred which shall instead be paid in accordance with the applicable deferral arrangement) and (2) his annual base salary immediately prior to the date of the Qualifying Termination and (3) his target annual bonus for the year of termination and (b) he will remain eligible to receive 50% of his bonuses related to the effectiveness of this shelf registration statement. In addition, under the terms of their 2012 equity grants under the 2012 Stock Incentive Plan, upon a Qualifying Termination, all of the outstanding stock options and time-vested shares (no time-vested shares were held by our named executive officers as of December 31, 2012) held by Mr. Shuster or Mr. Sherwood immediately vest and become exercisable, and the performance shares held by the executive remain outstanding until the 10th anniversary of the date of grant and vest upon the achievement of the specified stock price targets. In addition, upon a Qualifying Termination, Mr. Shuster and Mr. Sherwood would be entitled to any accrued and unpaid benefits, including accrued paid-time off and the timely payment of any amounts due and payable under any of our plans, programs, policies or practices (collectively the “Accrued Benefits”).

For the purposes of the employment agreements with Messrs. Shuster and Sherwood, “cause” generally means the (i) executive's continued failure to perform substantially his duties, (ii) executive's willful material misconduct or willful neglect in the performance of his duties, (iii) executive's willful failure to adhere to lawful clear directions of the person to whom he reports (or, in the case of Mr. Shuster, the Board), willful failure to

adhere to our material written policies or to devote substantially all of his business time and efforts to the Company, (iv) executive becoming subject to an action taken by a regulatory body or a self-regulatory organization that impairs the executive from performing his duties to the Company, (v) executive's indictment or formal admission to or plea of guilty or *nolo contendere* to a charge of commission of a felony or any crime involving serious moral turpitude or (vi) willful breach of any material terms of the employment agreement, subject in certain cases to notice and opportunity to cure.

For the purposes of the employment agreements with Messrs. Shuster and Sherwood, “good reason” generally means (i) a material diminution of annual base salary, (ii) a material diminution in position, authority, duties or responsibilities, (iii) any relocation of the executive's principal place of business to a location that is more than 30 miles from the executive's principal place of business prior to such relocation other than the initial relocation in connection with the establishment of our headquarters or (iv) any material breach by us of the employment agreement, subject in certain cases to notice and opportunity to cure.

Pachura Letter Agreement

Under the terms of Mr. Pachura's letter agreement, if he becomes subject to a Qualifying Termination during his employment period (but not within one year following a change in control), subject to his execution of a termination release, he will be entitled to be paid a lump sum cash amount equal to the sum of (i) any earned but unpaid base salary and target annual bonus for a prior award period (other than any portion of such target annual bonus that was previously deferred) and (ii) one times the sum of (a) his annual base salary immediately prior to the date of the Qualifying Termination and (b) his target annual bonus for the year of termination. In addition, upon a Qualifying Termination, Mr. Pachura would be entitled to any Accrued Benefits.

For the purposes of Mr. Pachura's letter agreement, “cause” generally means his (i) willful or gross neglect in the performance of his employment duties, (ii) plea of guilty or *nolo contendere* to, or conviction for, the commission of a felony, (iii) conduct that is injurious to the Company, or an act of fraud, embezzlement, misrepresentation or breach of a fiduciary duty against the Company, (iv) breach of any nondisclosure, non-solicitation or noncompetition obligation owed to the Company, or (v) failure to follow instructions of our Board or his direct superior. As defined in Mr. Pachura's letter agreement, “good reason” generally means (i) a material reduction of his annual base salary or (ii) any relocation of his primary place of employment to a location that is more than 50 miles from the Company's headquarters.

Termination of Employment For Cause or Resignation without Good Reason

With respect to Messrs. Shuster and Sherwood, upon a termination of employment for “cause” or the executive's resignation of employment without “good reason,” the executive is entitled to payment of accrued and unpaid base salary as of the date of termination of employment, any target annual bonus for a prior award period to the extent not paid (other than any portion of such target annual bonus that was previously deferred which shall instead be paid in accordance with the applicable deferral arrangement) and any Accrued Benefits. All unvested equity awards will be forfeited following a termination of employment for “cause” or the executive's resignation of employment without “good reason.”

Termination of Employment due to Death or Disability

Upon a termination of employment due to death or disability, our named executive officers are entitled to payment of accrued and unpaid base salary, as of the date of termination of employment, and Accrued Benefits. All unvested equity awards will be forfeited following a termination of employment due to death or disability.

Change in Control

The employment agreements with Messrs. Shuster and Sherwood each provide for enhanced severance payments upon a termination of employment by us without "cause" or by the executive with "good reason" within two years following a change in control. In the event of such a Qualifying Termination in connection with a change in control, subject to the execution of a termination release, each of Mr. Shuster and Mr. Sherwood would be entitled to a lump sum cash amount equal to (i) any earned but unpaid base salary and target annual bonus for a prior award period (other than any portion of such target annual bonus that was previously deferred which shall instead be paid in accordance with the applicable deferral arrangement) and (ii) three times the sum of (a) his annual base salary immediately prior to the date of the Qualifying Termination plus (b) his target annual bonus for the year of termination of employment.

The letter agreement with Mr. Pachura provides for enhanced severance payments upon a termination of employment by us without "cause" or by Mr. Pachura with "good reason" within one year following a change in control. In the event of such a Qualifying Termination in connection with a change in control, subject to the execution of a termination release, Mr. Pachura would be entitled to a lump sum cash amount equal to (i) any earned but unpaid base salary and target annual bonus for a prior award period (other than any portion of such target annual bonus that was previously deferred) and (ii) one and one-half times the sum of (a) his annual base salary immediately prior to the date of the Qualifying Termination plus (b) his target annual bonus for the year of termination of employment.

In addition, under our 2012 Stock Incentive Plan, all outstanding stock options and time-vested shares (no time-vested shares were held by our named executive officers as of December 31, 2012) granted to our named executive officers will immediately vest and become exercisable upon a "change in control," and our Compensation Committee will determine whether outstanding performance shares held by our named executive officers vest based on the attainment of the stock price goals at the time of the "change in control."

A “change in control” is generally deemed to occur upon:

- the acquisition by any individual, entity or group of “beneficial ownership” (pursuant to the meaning given in Rule 13d-3 under the Exchange Act) of 35% or more (on a fully diluted basis) of either (i) the outstanding shares of our common stock or (ii) the combined voting power of our then outstanding voting securities, with each of the foregoing subject to certain customary exceptions;

- the replacement of a majority of the directors that constituted our Board as of the closing of the Private Placement by directors whose appointment or election is not endorsed by at least two-thirds of the directors on the Board as of the closing of the Private Placement, subject to certain exceptions;

- approval by our stockholders of our complete dissolution or liquidation; or

- a merger of the Company, the sale or disposition by the Company of all or substantially all of our assets or any other business combination of the Company with any other corporation, other than any merger or business combination which would result in (i) the voting securities of the Company outstanding immediately prior to the transaction continuing to represent at least 50% of the total voting power of the Company or such surviving entity outstanding immediately after such transaction, (ii) no person (other than any employee benefit plan sponsored or maintained by the surviving company) becoming the “beneficial owner,” directly or indirectly, of 35% or more of the total voting power of the parent company (or, if there is no parent company, the surviving company) and (iii) members of the Board as of the execution of the initial agreement providing for the transaction constituting at least two-thirds of the members of the board of directors of the parent company (or, if there is no parent company, the surviving company) following the consummation of the transaction.

The following table reflects the estimated payments to our named executive officers that may be made upon a termination of employment, a Qualifying Termination of employment (occurring within two years of a change in control for Messrs. Shuster or Sherwood or within one year of a change in control for Mr. Pachura) or a change in control without the termination of a named executive officer's employment. The estimated payments in the table are calculated based on the assumption that the hypothetical termination of employment and/or the hypothetical change in control each occurred on December 31, 2012. There is currently no public market for our common stock, and therefore we do not have a public valuation for our security. Our securities trade in the FBRPlus^{TM} system. To determine the value of our shares on December 31, 2012, we used the 30-day average for the thirty-day trading period ending on December 31, 2012, which was $10.75 per share.

Name	Scenario	Cash Severance ($)[11]	Stock Option Vesting ($)[12]	Restricted Stock Unit Vesting ($)[13]	Benefits ($)	Total ($)
	Voluntary Resignation (no Good Reason)	0[1]	0	0	0[2]	0
	Qualifying Termination	$1,200,000[3]	$680,625 [4]	0 [5]	0 [2]	$1,880,625
	Involuntary Termination for Cause	0[1]	0	0	0[2]	0
	Qualifying Termination Following Change in Control	$3,600,000[6]	$680,625[7]	0 [8]	0 [2]	$4,280,625
Bradley M. Shuster	No Termination Following Change in Control	0	$680,625 [7]	0 [8]	0	$680,625
	Voluntary Resignation (no Good Reason)	0[1]	0	0	0[2]	0
	Qualifying Termination	$800,000[3]	$340,313 [4]	0 [5]	0 [2]	$1,140,313
	Involuntary Termination for Cause	0[1]	0	0	0[2]	0
	Qualifying Termination Following Change in Control	$2,400,000 [6]	$340,313 [7]	0 [8]	0 [2]	$2,740,313
Jay M. Sherwood	No Termination Following Change in Control	0	$340,313 [7]	0 [8]	0	$340,313
Stanley M. Pachura	Voluntary Resignation (no Good Reason)	0	0	0	0	0
	Qualifying Termination	$612,500[9]	0	0	0[2]	$612,500
	Involuntary Termination for Cause	0	0	0	0	0
	Qualifying Termination Following Change in Control	$918,750[10]	$133,500[7]	0[8]	0[2]	$1,052,250
	No Termination Following Change in Control	0	$133,500[7]	0[8]	0	$133,500

(1) Under the terms of Messrs. Shuster's and Sherwood's respective Employment Agreements, each would be entitled to be paid his respective annual base salary in effect at the time of termination and any target annual bonus for a prior award period, both to the extent not previously paid (other than any deferred portion of such target annual bonus).
(2) Under the terms of their respective employment arrangements, each would be entitled to be paid the amounts of any Accrued Benefits through the date of termination to the extent not previously paid or provided.
(3) As provided in Messrs. Shuster's and Sherwood's respective Employment Agreements, amount includes the sum of (i) Mr. Shuster's or Mr. Sherwood's annual base salary plus (ii) his 2012 target annual bonus, which was 100% of the annual base salary. Further, upon a Qualifying Termination at December 31, 2012, Messrs. Shuster and Sherwood would have remained eligible to receive in the future 50% of the GSE Approval bonus and 50% of the bonuses payable upon the filing and effectiveness of this registration statement.
(4) With a Qualifying Termination, any outstanding stock options that were not then exercisable and vested would have become fully exercisable and vested at the date of termination.
(5) With a Qualifying Termination, unvested RSUs (100% of which were performance shares at December 31, 2012) would have remained outstanding and subject to vesting upon the later of (i) GSE approval or (ii) the achievement of the applicable stock price goals.
(6) As provided in Messrs. Shuster's and Sherwood's respective Employment Agreements, amount includes three times the sum of (i) Mr. Shuster's or Mr. Sherwood's annual base salary plus (ii) his 2012 target annual bonus, which was 100% of the annual base salary. Further, upon a Qualifying Termination at December 31, 2012 following a change in control, Messrs. Shuster and Sherwood would have remained eligible to receive in the future 50% of the GSE Approval bonus and 50% of the bonuses payable upon the filing and effectiveness of this registration statement.
(7) Upon a change in control, any outstanding stock options that were not then exercisable and vested would have become fully exercisable and vested immediately.
(8) Vesting of RSUs (100% of which were performance shares at December 31, 2012) following a change in control shall be determined by the Compensation Committee of the Board based upon the Committee's determination regarding the extent the stock price goals with respect to the performance shares have been met.
(9) As provided in Mr. Pachura's letter agreement, amount includes the sum of (i) Mr. Pachura's annual base salary plus (ii) his 2012 target annual bonus, which was 75% of the annual base salary.
(10) As provided in Mr. Pachura's letter agreement, amount includes one and one-half times the sum of (i) Mr. Pachura's annual base salary plus (ii) his 2012 target annual bonus, which was 75% of the annual base salary.
(11) Under any of the hypothetical scenarios, Mr. McCourt would not have been entitled to receive cash severance payments.
(12) Upon a change in control, with or without a termination, Mr. McCourt's outstanding stock options that were not exercisable and vested would have become fully exercisable and vested immediately. At $10.75 per share, the cash value of Mr. McCourt's options at December 31, 2012 was $15,000.
(13) Upon a change in control, with or without a termination, vesting of Mr. McCourt's outstanding RSUs (100% of which were performance shares at December 31, 2012) would have been subject to the same conditions as described in note (8) above.

2012 Director Compensation

Following the closing of our Private Placement on April 24, 2012, the Company's non-employee directors were Robert E. Dean, A. John Gambs, III, James H. Ozanne and Steven L. Scheid. In July 2012, in accordance with the Company's amended and restated bylaws, the Board passed a resolution to increase the number of directors from five to seven. On July 16, 2012, the Company held a Special Meeting of Stockholders to elect four directors ("special election") to fill two vacancies and two open positions as a result of Messrs.

Dean and Gambs standing for reelection. Following the special election, the shareholders elected Michael Embler, James G. Jones, Michael Montgomery and John Brandon Osmon to serve on the Board until the 2013 Annual Meeting of Stockholders, and Messrs. Dean and Gambs ceased to be Board members.

In 2012, we paid each of our non-employee directors a quarterly cash retainer of $16,250. In addition, the non-employee directors received a grant of stock options and RSUs in connection with the closing of our Private Placement or their commencing service on the Board, as applicable. Mr. Dean and Mr. Gambs forfeited their stock option and RSU awards in connection with their ceasing to be members of the Company's Board, and those options and RSUs were redistributed in equal parts to Messrs. Embler, Jones, Montgomery and Osmon. Going forward, each non-employee director will generally receive an annual cash retainer of $65,000, paid quarterly, and an annual equity award with a grant date fair value of $50,000, for total projected annual compensation of $115,000 for his or her services as a member of the Board. No individual meeting fees are paid for either Board meetings or committee meetings, whether in person or by telephone.

Compensation for non-employee directors during 2012 was as follows:

Name	Fees earned or paid in cash ($)	Stock awards ($)[4]	Option awards ($)[4]	Non-equity incentive plan compensation ($)	Change in pension value and nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Robert E. Dean[1]	$115,000	$618,750[5]	$293,425[5]	—	—	—	$1,027,175
Michael Embler[2]	$32,500	$309,400	$144,824	—	—	—	$486,724
A. John Gambs, III[1]	$115,000	$618,750[5]	$293,425[5]	—	—	—	$1,027,175
James G. Jones[2]	$32,500	$309,400	$144,824	—	—	—	$486,724
Michael Montgomery[2]	$32,500	$309,400	$144,824	—	—	—	$486,724
John Brandon Osman[2]	$32,500	$309,400	$144,824	—	—	—	$486,724
James H. Ozanne[3]	$48,750	$618,750	$293,425	—	—	—	$960,925
Steven L. Scheid[3]	$48,750	$618,750	$293,425	—	—	—	$960,925

(1) To compensate Messrs. Dean and Gambs for their overall contribution to the Board and the Company prior to their departures in July 2012, we paid each of them $16,250 during their Board membership and an additional $98,750 upon the Company's receipt of GSE Approval.
(2) Michael Embler, James G. Jones, Michael Montgomery and John Brandon Osmon were elected to the Company's Board of Directors on July 17, 2012.
(3) James H. Ozanne and Steven L. Scheid have been members of the Company's Board since its capitalization on April 24, 2012.
(4) The stock options and RSUs granted to each non-employee director in 2012 vest in two equal 50% installments on each of the second and third anniversary of the date of grant. As of December 31, 2012, each of Messrs. Ozanne and Scheid held stock options with respect to 75,625 shares of our common stock and 61,875 RSUs and each of Messrs. Embler, Jones, Montgomery and Osmon held stock options with respect to 37,813 shares of our common stock and 30,940 RSUs.
(5) Each of Mr. Dean and Mr. Gambs forfeited their stock options and RSUs in connection with their ceasing to be members of the Company's Board. The value of their stock and option awards are presented without giving effect to the forfeitures and prior to their redistribution to Messrs. Embler, Jones, Montgomery and Osmon.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the director and executive officer compensation arrangements discussed above, the following is a summary of material provisions of various transactions we have entered into with our executive officers, directors (including nominees), 5% or greater stockholders and any of their immediate family members or entities affiliated with them since January 1, 2012. We believe the terms and conditions set forth in such agreements are reasonable and customary for transactions of this type.

Registration Rights Agreements

Concurrently with the consummation of the private placement of our Class A common stock in April 2012 (the “Private Placement”), we entered into a Registration Rights Agreement for the benefit of our stockholders with respect to our common stock sold in the Private Placement. Under the terms of the Registration Rights Agreement, we agreed, at our expense, to file with the SEC within six months following receipt of the GSE Approval the shelf registration statement, of which this prospectus forms a part, registering the resale of shares of our common stock sold in the Private Placement, plus any additional shares of common stock issued in respect thereof whether by share dividend, share distribution, share split or otherwise. We further agreed to cause such shelf registration statement to be declared effective by the SEC as soon as practicable but in any event after the initial filing of such shelf registration statement.

If the shelf registration statement has not been declared effective by the SEC, or the registrable shares have not been listed for trading on the NYSE or NASDAQ on the date that is the earlier of six months after the filing of the shelf registration statement or 12 months after the date of the GSE Approval (the “Trigger Date”), the Registration Rights Agreement and our bylaws require us to call a special meeting of our stockholders for the purpose of considering and voting on the removal of our directors then in office and electing the successors of any directors so removed (the "Special Election Meeting"). The Special Election Meeting must occur as soon as reasonably practicable following the Trigger Date but in no event more than 45 days after the Trigger Date. The Special Election Meeting is described in further detail under "Description of Capital Stock—Certain Anti-Takeover Effects of Provisions of Our Certificate of Incorporation and Bylaws and Delaware Law—Special Meetings of Stockholders."

In addition, pursuant to the Registration Rights Agreement, if the Company proposes to file a registration statement providing for an initial public offering of our Class A common stock, we are required to provide written notice to each stockholder holding registrable shares following the filing of any such registration statement (the “IPO Registration Statement”). Such stockholders have “piggy-back” registration rights that permit them to have shares of common stock owned by them included in the IPO Registration Statement upon written notice to us within the prescribed time limit. Each such stockholder's ability to register shares under the IPO Registration Statement is subject to the terms of the Registration Rights Agreement. The managing underwriter(s) may under certain circumstances limit the number of shares owned by such stockholders that are included in an initial public offering, but the managing underwriter(s) may not reduce such stockholders below 25% of the total shares of common stock to be sold under the IPO Registration Statement.

Stockholders holding registrable shares who elect to include their shares of our common stock for resale on the IPO Registration Statement will not be able to sell their shares of our common stock for a period of up to 30 days before and 180 days following the effective date of the IPO Registration Statement (subject to potential limited extensions). Stockholders holding registrable shares who do not elect, despite their right to do so under the Registration Rights Agreement, to include their shares of our common stock for resale on the IPO Registration Statement will not be able to sell their shares of our common stock for a period of up to 60 days following the effective date of the IPO Registration Statement.

We entered into similar registration rights agreements with MAC Financial Ltd., who acquired shares of our common stock and a warrant exercisable for shares of our common stock in connection with our acquisition of MAC Financial and to FBR Capital Markets & Co., who acquired shares of our common stock in our private placement and hold a warrant exercisable for shares of our common stock. These registration rights agreements provide for up to three demand registrations as well as for piggy-back registration rights.

Sale of Shares to Our Chief Executive Officer and Chief Financial Officer

In April, 2012, we sold 250,000 shares of Class B non-voting common stock to Messrs. Shuster and Sherwood for nominal consideration. These shares automatically converted into shares of Class A common stock upon receipt of GSE Approval. Messrs. Shuster and Sherwood will not be able to sell any of these shares or any of our other equity securities until 180 days following the effective date of any IPO Registration Statement (subject to potential limited extensions), if we were to choose to file one in connection with an initial public offering.

Agreements with FBR Capital Markets & Co. and its Affiliates

Engagement Letter; Right of First Refusal

In connection with the Private Placement, we entered into an engagement letter with FBR Capital Markets & Co. In the Private Placement, FBR Capital Markets & Co. received a discount and placement fee of approximately 7% and reimbursement of its out-of-pocket expenses (including legal fees and expenses) totaling approximately $40 million and including amounts discussed in *Line of Credit* below. Under this engagement letter we granted FBR Capital Markets & Co. the right of first refusal for two years following the completion of the Private Placement to serve as (i) lead underwriter and sole bookrunner in connection with any initial public offering or subsequent public offering of equity or debt securities or other capital markets financing and sole placement agent in any private offering of equity or debt securities or other capital markets financing, (ii) agent in connection with the exercise of warrants or options in the Company and (iii) dealer-manager with respect to any self-tender by the Company, and to reimburse FBR Capital Markets & Co. for its out-of-pocket expenses (including legal fees and expenses) incurred in connection with any of these transactions. In connection with any of these subsequent transactions, the compensation of FBR Capital Markets & Co. will be determined by agreement between the Company and FBR Capital Markets & Co. based on compensation customarily paid to leading investment banks acting in such capacities in similar transactions; provided that the FBR Capital Markets & Co.'s share of the compensation with respect to any capital raising shall not be less than 7% for any initial public offering (with FBR Capital Markets & Co. receiving no less than 60% of the total economics of the underwriting group), 6% for other offerings of equity and 4% with respect to offerings of debt.

Line of Credit

On August 19, 2011, in connection with the acquisition of MAC Financial and the Private Placement, FBR Capital Markets LT, Inc. granted us a line of credit up to an aggregate principal amount of $1.5 million to support legal, accounting and others costs associated with our formation and the capitalization. Under the terms of the line of credit, FBR Capital Markets LT, Inc., made loans to us for legal, accounting and other costs associated with our formation and capitalization, as approved by FBR Capital Markets LT, Inc.

The line of credit was available until April 24, 2012 (the “Availability Period”). We were permitted at any time prior to the termination of the Availability Period, upon written notice to prepay any loan plus accrued interest thereon without premium. Amounts borrowed and repaid by us could not be reborrowed. Interest accrued on the outstanding principal amount of each loan at an interest rate of 14.0%, payable in arrears on

the last business day of every month (with our right to defer the payment of interest and such deferred interest bearing interest at the 14% rate, compounded monthly). At the expiration of the Availability Period, the line of credit terminated, and we repaid the principal then outstanding together with accrued interest thereon in cash to FBR Capital Markets LT, Inc. The maximum amount outstanding under the line of credit was approximately $540 thousand and we paid a total of approximately $13 thousand in interest thereunder.

In addition, as part of the consideration for granting the line of credit, we issued to FBR Capital Markets LT, Inc. the FBR Warrant. FBR Capital Markets LT, Inc. subsequently assigned the FBR Warrant to FBR Capital Markets & Co.

FBR & Co, an affiliate of FBR Capital Markets LT, Inc., was the controlling stockholder of the Company prior to the closing of the Private Placement, and two employees of one or more affiliates of FBR Capital Markets LT, Inc. were among the officers and were the sole directors of the Company prior to the closing of the Private Placement. These individuals resigned as directors and officers of the Company, effective upon closing of the Private Placement.

Statement of Policy Regarding Transactions with Related Persons

We have adopted a written policy concerning related party transactions. Pursuant to this policy, our directors and director nominees, executive officers and holders of more than five percent of our common stock, including their immediate family members, will not be permitted to enter into a related party transaction with us in excess of $120,000 without the consent of our Audit Committee. Any request for us to enter into such a transaction, where any such party has a direct or indirect material interest, subject to certain exceptions, will be required to be presented by management to our Audit Committee, which will review and approve or disapprove such proposed transaction.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT AND SELLING STOCKHOLDERS

The following table sets forth information about the beneficial ownership of our Class A common stock as of May 31, 2013 for:

- each person known to us to be the beneficial owner of more than five percent of our Class A common stock;
- each named executive officer;
- each of our directors;
- all of our named executive officers and directors as a group; and
- each selling stockholder.

Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o NMI Holdings, Inc., 2100 Powell Street, 12th Floor, Emeryville, California 94608. We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the tables below have sole voting and investment power with respect to all shares of Class A common stock that they beneficially own, subject to applicable community property laws. We have based our calculation of the percentage of beneficial ownership on 55,637,480 shares of our Class A common stock outstanding as of May 31, 2013. There are currently no shares of our Class B common stock issued and outstanding.

In computing the number of shares of Class A common stock beneficially owned by a person and such person's percentage of ownership of all outstanding shares, we deemed as owned and outstanding for such person those shares of Class A common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of May 31, 2013 or RSUs held by that person that are currently vested or will vest within 60 days of May 31, 2013. We, however, did not deem such shares as outstanding for the purpose of computing the percentage ownership of any other person.

Name of Beneficial Owner	Total Shares of Class A Common Stock Beneficially Owned		Total Shares of Class A Common Stock that maybe sold	Total Shares of Class A Common Stock Beneficially Owned if All Shares are Sold
	Number	%	Number	%
Executive Officers and Directors:				
Bradley M. Shuster [(1)]	634,269	1.1%	250,000	—%
Jay M. Sherwood [(2)]	446,475	*	250,000	—
Stanley M. Pachura [(3)]	62,444	*	—	—

James R. McCourt [4]	7,883	*	—	—
Michael Embler	—	*	—	—
James G. Jones	—	*	—	—
Michael Montgomery	—	*	—	—
John Brandon Osmon	—	*	—	—
James H. Ozanne [5]	10,000	*	10,000	—
Steven L. Scheid [6]	10,000	*	10,000	—
All named executive officers and directors as a group (10 persons)	1,171,071		520,000	
Greater than 5% Stockholders:				
BlueMountain Capital Management LLC [7]	8,219,000	14.8	8,219,000	—
Claren Road Asset Management LLC [8]	7,000,000	12.6	7,000,000	—
Hayman Capital Management, LP [9]	5,496,500	9.9	5,496,500	—
Perry Corporation Investment Manager [10]	4,000,000	7.2	4,000,000	—
Amici Capital LLC [11]	3,626,000	6.5	3,626,000	—
Columbus Hill Capital Management	3,000,000	5.4	—	5.4
Other Selling Stockholders:				
DB Holdings (New York), Inc. [12]	2,100,000	3.8	2,100,000	—
CI Investments Inc. [13]	2,250,000	4.0	2,250,000	—
Waterstone Capital Management, LP [14]	2,050,000	3.7	2,050,000	—
Barclays Bank PLC [15]	2,000,000	3.6	2,000,000	—
EJF Capital LLC [16]	1,863,750	3.3	1,863,750	—
Thornburg [17]	1,761,500	3.2	1,761,500	—
BlueCrest Capital [18]	1,925,000	3.5	1,925,000	—
Stone Lion Capital LLC [19]	1,325,000	2.4	1,325,000	—
Invesco Canada, LTD [20]	1,250,000	2.2	1,250,000	—
R&D Bauer Ventures, LP [21]	600,000	1.1	600,000	—
Great American Life Insurance Company [22]	600,000	1.1	600,000	—
V3 Capital Management, LP [23]	535,000	1.0	535,000	—
FJ Capital Management LLC [24]	500,000	*	500,000	—
Sandler O'Neil Asset Management, LLC [25]	500,000	*	500,000	—
Maximus Partners, L.P. [26]	400,000	*	400,000	—
BulwarkBay Investment Group LLC [27]	360,000	*	360,000	—
J. Goldman and Co L.P. [28]	300,000	*	300,000	—
Dialectic Capital Management [29]	300,000	*	300,000	—
Watershed Asset Management, LLC [30]	300,000	*	300,000	—
Great American Insurance Company [31]	300,000	*	300,000	—
Vertex One Asset Management Inc. [32]	241,000	*	241,000	—
Millennium International Management LP [33]	240,000	*	240,000	—
Amber Mountain Trading [34]	220,000	*	220,000	—
Goff Family, LP [35]	200,000	*	200,000	—
Visium Asset Management, LP [36]	175,000	*	175,000	—

Philip J. and Colleen Hempleman	150,000	*	150,000	—
Raptor Capital Management LP [37]	150,000	*	150,000	—
Napier Park Mortgage/Credit Opportunity Master Fund Ltd. [38]	150,000	*	150,000	—
Skylands Capital [39]	100,000	*	100,000	—
Calm Waters Partnership [40]	100,000	*	100,000	—
William Black [41]	100,000	*	100,000	—
John P. Harloe	25,000	*	25,000	—
Reiss Capital Management LLC [42]	25,000	*	25,000	—
Tim Eastman	20,000	*	20,000	—
Eric Sippel [43]	10,000	*	10,000	—
Arthur John Gambs III [44]	5,000	*	5,000	—
Joseph C. Kavanagh	1,600	*	1,600	—
Douglas S. Carson	500	*	500	—
FBR & Co. [45]	314,120	*	314,120	—
Total	55,960,041		52,308,970	

* Represents less than 1% beneficial ownership

(1) Represents 250,000 shares held in the Shuster Family Trust of which Mr. Shuster and his wife are co-trustees and beneficiaries, 81,769 vested performance shares and 302,500 vested stock options.

(2) Represents 250,000 shares held in the Sherwood Revocable Trust of which Mr. Sherwood and his wife are co-trustees and beneficiaries, 45,225 vested performance shares and 151,250 vested stock options.

(3) Represents 3,111 vested performance shares and 59,333 vested stock options.

(4) Represents 1,216 vested performance shares and 6,667 vested stock options.

(5) Represents 10,000 shares held in the Susan A. Ozanne Trust of which Mr. Ozanne and his wife are co-trustees and beneficiaries.

(6) Represents 10,000 shares held in the Scheid Family Trust of which Mr. Scheid and his wife are co-trustees and beneficiaries.

(7) Represents (i) 4,273,500 shares held by Blue Mountain Credit Alternatives Master Fund L.P. (“BM Credit Alternatives”), (ii) 1,857,030 shares held by BlueMountain Long/Short Credit Master Fund L.P. (“BM Long/Short Credit”), (iii) 745,920 shares held by BlueMountain Distressed Master Fund L.P. (“BM Distressed”), (iv) 598,290 shares held by BlueMountain Timberline Ltd. (“BM Timberline”), (v) 449,000 shares held by BlueMountain Kicking Horse Fund L.P. (“BM Kicking Horse”), and (vi) 295,260 shares held by BlueMountain Long/Short Credit and Distressed Reflection Fund, a sub-fund of AAI BlueMountain Fund PLC (“AAI”, together with BM Credit Alternatives, BM Long/Short Credit, BM Distressed, BM Timberline and BM Kicking Horse, the “BlueMountain Funds”). The members of the Investment Committee of BlueMountain Capital Management, LLC, the investment manager of the BlueMountain Funds, exercise voting and dispositive power over the shares held by the BlueMountain Funds. The members of such investment committee are Andrew Feldstein, Stephen Siderow, Alan Gerstein, Michael Liberman, Bryce Markus, Derek Smith, David Rubenstein, Peter Greatrex and Jes Staley. The address of BM Credit Alternatives, BM Long/Short Credit, BM Distressed, BM Timberline and BM Kicking Horse is c/o Maples Corporate Services Limited, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands KYI-1104. The address of AAI is Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland.

(8) Represents 2,100,000 shares of Class A Common Stock held by Claren Road Credit Opportunities Master Fund, Ltd. and 4,900,000 shares of Class A Common Stock held by Claren Road Credit Master Fund, Ltd (the “Funds"). The Funds are Cayman Island private investment vehicles. Claren Road Asset Management, LLC ("Claren Road") serves as investment manager for the Funds. Four natural persons, Messrs. Brian Riano, Sean Fahey, John Eckerson and Albert Marino (collectively, the "Founders") own 45% of Claren Road. The Founders are responsible for the day to day management and control of Claren Road and direct the investment making authority of the Funds. Through various entities, the Carlyle Group ("Carlyle") owns the remaining 55% of Claren Road, but has no investment discretion with respect to the Funds. The address of the Funds and Claren Road is 900 Third Avenue, 29th Floor, New York, NY 10022.

(9) Represents (i) 5,324,300 shares held by Hayman Capital Master Fund, LP (“Master Fund”) and (ii) 172,200 shares held by LAMP Hayman Capital Fund (“LAMP HCM”). Hayman Capital Management, LP (“HCM”) is the managing general partner of Master Fund and has the authority to vote proxies on behalf of Master Fund and has discretionary investment authority over the portfolio held by Master Fund. HCM is the investment manager to LAMP HCM and has the authority to vote proxies on behalf of LAMP Funds (IRE) 1 Public Limited Company (“LAMP”) and has discretionary authority over the portfolio held by LAMP. LAMP Funds (Ire) plc. is the controlling entity of LAMP. Hayman Investment LLC is the general partner of HCM and is a holder of a limited partnership interest in HCM. HCM and Hayman Investment, LLC, either directly or indirectly, is wholly owned by J. Kyle Bass. The address for HCM, Master Fund, Hayman Investment LLC and LAMP HCM is 2101 Cedar Springs Drive, Suite 1400, Dallas, Texas, 75201. The address for LAMP Funds (Ire) plc is 70 Sir John Rogerson’s Quay, Dublin 2, Ireland.

(10) Represents (i) 2,810,800 shares held by Perry Partners International Master, Inc. (“PPIM”) and (ii) 1,189,200 shares held by Perry Partners L.P. (“PPLP”). Perry Corp. serves as the investment manager to PPIM and has voting and investment power over the shares held by PPIM. Perry Corp. serves as the general partner of PPLP and has voting and investment power over the shares held by PPLP. Richard C. Perry is the President and sole stockholder of Perry Corp. The address of Perry Corp., PPIM and PPLP is c/o Perry Capital LLC, 767 Fifth Avenue, 19th Floor, New York, New York, 10153.

(11) Represents (i) 1,794,177 shares held by Amici Offshore, Ltd. (“Offshore”), (ii) 1,157,233 shares held by Amici Qualified Associates, L.P. (“Qualified Associates”), (iii) 388,921 shares held by Amici Associates, LP (“Associates”) and (iv) 285,669 shares held by The Collectors’ Fund L.P. (“Collectors”). Amici Capital, LLC (“Amici Capital”) is a registered investment advisor acting on behalf of Offshore, Qualified Associates, Associates and Collectors and has voting and dispositive power over the shares owned by Offshore, Qualified Associates, Associates and Collectors. CF Advisors, LLC is the general partner of Qualified Associates, Associates and Collectors. Paul E. Orlin and A. Alex Porter are the managing members of Amici Capital and of CF Advisors, LLC. The address for Offshore, Qualified Associates, Associates, Collectors and Amici Capital, LLC is 666 5th Avenue, Suite 3403, New York, New York 10103.

(12) Ray Costa and R. Mikel Curreri are the managing directors of DB Holdings (New York) Inc. and share voting and dispositive power over the shares held by DB Holdings (New York) Inc. The address for DB Holdings (New York) Inc. is 60 Wall Street, 3rd Floor, New York, New York, 10005.

(13) Represents (i) 652,300 shares held by Signature Income & Growth Fund, (ii) 558,300 shares held by Signature Select Canadian Fund, (iii) 343,550 shares held by Signature Select Canadian Corporate Class, (iv) 263,850 shares held by Signature Canadian Balanced Fund, (v) 157,000 shared held by Signature Dividend Fund, (vi) 84,000 shares held by CI Global Fund, (vii) 79,900 shares held by Signature Global Income & Growth Fund, (viii) 74,800 shares held by Signature Dividend Corporate Class, (ix) 19,500 shares held by Signature Select Global Fund and (x) 16,800 shares held by CI Global Corporate Class (collectively, the “CI Funds”). CI Investments Inc. is the manager of each of the CI Funds. Eric Bushell, John Hadwen and Goshen Benzaquen are employees of Signature Global Asset Management an internal business unit of CI Investments Inc., and together with CI Investments Inc. share voting and dispositive power over the shares held by the CI Funds. The address of the CI Funds is 2 Queen Street East, 20th Floor, Toronto, Ontario, Canada, M5C 3G7.

(14) Represents (i) 1,502,200 shares held by Waterstone Market Neutral Master Fund Ltd., (ii) 279,400 shares held by Waterstone Offshore AD Fund, LTD, (iii) 179,600 shares held by Water-stone Market Neutral MAC 51 Ltd., (iv) 50,000 shares held by Waterstone Quarry Master Fund, LTD. f/k/a Waterstone Distressed Opportunities Fund, Ltd. and (v) 38,800 shares held by Prime Capital Master SPC – GOT WAT MAC Segregated Portfolio (collectively, the “Waterstone Funds”). Shawn Bergerson, the Chief Executive Officer of Waterstone Capital Management, LP, has voting and investment power over the shares held by the Waterstone Funds. The address for each of the Waterstone Funds is c/o Waterstone Capital Management, LP, 2 Carlson Park-way, Suite 260, Plymouth, Minnesota, 55447.

(15) The address for Barclays Bank PLC is 745 7th Avenue, 16th Floor, New York, New York, 10019.

(16) The reported securities are directly owned by EJF Debt Opportunities Master Fund LP (the "Fund"). EJF Debt Opportunities GP is the general partner of the Fund, with EJF Capital LLC as the general partner's sole member. Emanuel J Friedman is the Chief Executive Officer of EJF Capital, LLC, and has voting and investment power over the reported securities. The address of the Fund is 2107 Wilson Blvd, Suite 410, Arlington, VA 22201.

(17) Represents (i) 1,689,500 shares held by Thornburg Value Fund and (ii) 72,000 shares held by Thornburg Partners Fund, L.P. Thornburg Investment Management, Inc. serves as investment advisor to Thornburg Value Fund and to Thornburg Partners Fund, L.P. and has voting and investment power over the shares held by Thornburg Value Fund and Thornburg Partners Fund, L.P. Garrett Thornburg holds 100% of the voting shares of Thornburg Investment Management, Inc. The address of each of Thornburg Value Fund, Thornburg Partners Fund, L.P. and Thornburg Investment Management, Inc. is 2300 North Ridgetop Road, Santa Fe, New Mexico, 87506.

(18) Represents (i) 1,319,000 shares held of record by BlueCrest Multi Strategy Credit Master Fund Limited (“Multi Strategy”) and (ii) 606,000 shares held of record by BlueCrest Capital International Master Fund Limited (“International”). Multi-Strategy and International are the legal and beneficial owners of the securities held by them and control the voting rights associated with those shares. However, pursuant to an investment management agreement entered into by each of Multi-Strategy and International with BlueCrest Capital Management LLP, each of Multi-Strategy and International has delegated to BlueCrest Capital Management LLP investment and voting power and it has the power to appoint certain of its affiliates or non-affiliates to carry out such investment and/or voting power with respect to the securities held by Multi-Strategy and International, respectively. BlueCrest Capital Management LLP is ultimately owned by its principals and majority controlled by Michael Platt.

(19) Represents (i) 1,025,000 shares held by Stone Lion Portfolio L.P. and (ii) 300,000 shares held by Permal Stone Lion Fund Ltd. Stone Lion Capital Partners L.P. serves as investment advisor to Stone Lion Portfolio L.P. and of Permal Stone Lion Fund Ltd. and has voting and investment power over the shares held by Stone Lion Portfolio L.P. and Permal Stone Lion Fund Ltd. Stone Lion Capital Partners L.P. is controlled by Alan Mintz and Gregory Hanley. The address of Stone Lion Portfolio L.P., Permal Stone Lion Fund Ltd., and Stone Lion Capital Partners L.P. is. 555 Fifth Avenue, 18th Floor, New York, New York, 10017.

(20) Represents (i) 1,206,800 shares held by Invesco Select Canadian Equity Fund, (ii) 22,700 shares held by Invesco Select Canadian Equity Class and (iii) 20,500 shares held by GWL Canadian Value Fund (collectively, the “Invesco Funds”). Invesco Canada Ltd., a wholly owned subsidiary of Invesco, Ltd., is the manager of Invesco Select Canadian Equity Fund and Invesco Select Canadian Equity Class and the sub-advisor of GWL Canadian Value Fund. Invesco Canada Ltd. has voting and dispositive power over the shares held by each of the Invesco Funds. Each of the Invesco Funds is a publicly held entity. The address for the Invesco Funds is c/o Invesco Canada Ltd., 5140 Yonge Street, Suite 800, Toronto, Ontario, Canada, M2N 6X7.

(21) RBDB Interests, LLC is the general partner of R&D Bauer Ventures, LP. The stockholders of RBDB Interests, LLC are Charles D. Bauer and the Ruth Bauer 2001 Management Trust. Charles D. Bauer is the President of RBDB Interests, LLC and has voting and dispositive power over the shares held by R&D Bauer Ventures, LP. The address of R&D Bauer Ventures, LP and RBDB Interests, LLC is 4400 Post Oak Pkwy, No. 2160, Houston, Texas, 77027.

(22) The address of Great American Life Insurance Company is 301 East Fourth Street, Cincinnati, Ohio 45202.

(23) Represents (i) 409,275 shares held by V3 Realty Partners, L.P. and (ii) 125,725 shares held by V3 Trading Vehicle, LLC (together, the "V3 Partnerships"). V3 Capital Management, LP is the investment manager of the V3 Partnerships and has voting and dispositive power over the shares held by the V3 Partnerships. V3 Capital Advisors, LLC is the general partner to the V3 Partnerships. Charles Fitzgerald is the controlling member of V3 Capital Management, L.P. The address of the V3 Partnerships and V3 Capital Management, L.P. is 400 Park Avenue, Suite 1430, New York, New York, 10022.

(24) Represents 500,000 shares held by Bridge Equities IV, LLC. FJ Capital Management, LLC is the investment manager of Bridge Equities IV, LLC. Bridge Equities IV, LLC has retained voting and dispositive power over the shares but can delegate this authority to FJ Capital Management, LLC. The address of FJ Capital Management, LLC and Bridge Equities IV, LLC is 1313 Dolley Madison Blvd., Suite 306, McLean, Virginia, 22101.

(25) Represents (i) 201,108 shares held by Malta Hedge Fund II, L.P. (“Malta Fund II”), (ii) 114,867 shares held by Malta MLC Fund, L.P. (“Malta MLC”), (iii) 66,214 shares held by Malta Offshore, Ltd. (“Malta Offshore”), (iv) 52,000 shares held by SOAM SPV I, LLC, (v) 35,437 shares held by Malta Hedge Fund, L.P. (“Malta Fund”), (vi) 23,251 shares held by Malta MLC Offshore, Ltd. (“Malta MLC Offshore”) and (vii) 7,123 shares held by Malta Partners, L.P. (“Malta Partners”) (collectively, the “Sandler Funds”). Sandler O’Neill Asset Management, LLC is the investment manager for Malta Fund II, Malta MLC, Malta Offshore, Malta Fund, Malta MLC Offshore and Malta Partners. SOAM Holdings, LLC is the general partner of Malta Fund II, Malta MLC, Malta Fund and Malta Partners. Terry Maltese is the managing member of SOAM Holdings, LLC and of Sandler O’Neill Asset Management, LLC. Each of Sandler O’Neill Asset Management, LLC, SOAM Holdings, LLC and Terry Maltese has voting and investment power over each of Malta Fund II, Malta MLC, Malta Fund and Malta Partner. Each of Sandler O’Neill Asset Management, LLC and Terry Maltese has voting and investment power over Malta Offshore and Malta MLC Offshore. Terry Maltese has voting and investment power over SOAM SPV I, LLC. Mr. Maltese disclaims beneficial ownership in the above listed shares to the extent of his pecuniary interest therein. The address of each of the Sandler Funds is c/o Sandler O’Neill Asset Management, 150 East 52nd Street, 30th Floor, New York, New York, 10022.

(26) M.D. Sass Investors Services, Inc. is the investment manager of M.D. Sass Maximus Partners, L.P. and has voting and dispositive power over the shares held by M.D. Sass Maximus Partners, L.P. Martin Sass and Hugh Lamle control M.D. Sass Investors Services, Inc. The address of M.D. Sass Maximus Partners, L.P. and M.D. Sass Investors Services, Inc. is 1185 Avenue of the Americas, 18th Floor, New York, New York 10036.

(27) The reported securities are directly owned by BulwarkBay Credit Opportunities Master Fund Ltd. (the "Fund") which is managed by BulwarkBay Investment Group LLC (the "Manager"). The Manager may be deemed to beneficially own the shares directly held by the Fund by virtue of its ability to control the disposition and vote of the shares pursuant to the investment management agreement. Craig Carlozzi is the sole managing member of the Manager and may also be deemed to have investment discretion over the shares by virtue of his ability to control the Manager. Each of the Manager and Craig Carlozzi disclaims beneficial ownership of these reported securities except to the extent of its or his pecuniary interest therein. The address of the Manager and Mr. Carlozzi is 15 Broad Street, Boston, MA 02109. The address of the Fund is 89 Nexus Way, Camana Bay, KY1-9007, Grand Cayman, Cayman Islands.

(28) The reported securities are held by J. Goldman Master Fund, L.P., which is managed by J. Goldman & Co. L.P.. The address of J. Goldman Master Fund, L.P. is Palm Grove House, Box 438, Road Town, Tortola, BVI. J. Goldman & Co., L.P. is 510 Madison Avenue, 26th Floor, New York, NY 10022.

(29) Represents 98,142 shares of Class A Common Stock held by Dialectic Capital Partners LP and 201,585 shares of Class A Common Stock held by Dialectic Onshore Ltd (the "Funds"). These securities may be deemed to be beneficially owned by (i) Dialectic Capital Management LLC by virtue of its role as the investment manager of such Funds, (ii) John Fichthorn by virtue of his role as a managing member of Dialectic Capital Management LLC and (iii) Luke Fichthorn by virtue of his role as a managing member of Dialectic Capital Management LLC. Each of the foregoing disclaims beneficial ownership of the Securities except to the extent of his or its pecuniary interest therein, and this statement shall not be deemed an admission that such reporting person is the beneficial owner of the securities for the purpose of Section 16 of the Securities Exchange Act of 1934, as amended, or for any other purpose. The address for the Funds is 875 Third Avenue, 15th Floor, New York, NY 10022.

(30) Represents (i) 240,277 shares held by Watershed Capital Partners (Offshore) Master Fund, L.P. (“Fund I”) and (ii) 59,723 shares held by Watershed Capital Partners (Offshore) Master Fund II, L.P. (“Fund II”). WS Partners, L.L.C. is the general partner of Fund I and Fund II and Watershed Asset Management, L.L.C. is the investment manager of Fund I and Fund II. WS Partners, L.L.C. and Watershed Asset Management, L.L.C. share voting or dispositive power over the shares held by Fund I and Fund II. Meridee A. Moore is the Senior Managing Member and Q. Munir Alam is the Managing Member of WS Partners, L.L.C. and of Watershed Asset Management, L.L.C. The address of Fund I, Fund II, WS Partners, L.L.C. and Watershed Asset Management, L.L.C. is c/o Watershed Asset Management, One Maritime Plaza, Suite 1525, San Francisco, California 94111.

(31) The address of Great American Insurance Company is 301 East Fourth Street, Cincinnati, Ohio 45202.

(32) Represents 241,000 shares held by Investor Company 5J5505D. Vertex One Asset Management Inc. serves as portfolio advisor to Investor Company 5J5505D and has voting and investment power over the shares held by Investor Company 5J5505D. John Thiessen, Matthew Wood and Jeff McCord serve as directors of Vertex One Asset Management. The address of Vertex One Asset Management Inc. is #1920 – 1177 W. Hastings St, Vancouver, British Columbia, V6E 2K3.

(33) As of the close of business on June 10, 2013, the Selling Stockholder, ICS Opportunities, Ltd., an exempted limited company organized under the laws of the Cayman Islands ("ICS Opportunities"), beneficially owned 240,000 shares of Class A Common Stock. Millennium International Management LP, a Delaware limited partnership ("Millennium International Management"), is the investment manager to ICS Opportunities and may be deemed to have shared voting control and investment discretion over securities owned by ICS Opportunities. Millennium International Management GP LLC, a Delaware limited liability company ("Millennium International Management GP"), is the general partner of Millennium International Management and may also be deemed to have shared voting control and investment discretion over securities owned by ICS Opportunities. Millennium Management LLC, a Delaware limited liability company ("Millennium Management"), is the general partner of the 100% shareholder of ICS Opportunities and may be deemed to have shared voting control and investment discretion over securities owned by ICS Opportunities. Israel A. Englander, a United States citizen ("Mr. Englander"), is the managing member of Millennium International Management GP and Millennium Management. Consequently, Mr. Englander may also be deemed to have shared voting control and investment discretion over securities owned by ICS Opportunities. The foregoing should not be construed in and of itself as an admission by Millennium International Management, Millennium International Management GP, Millennium Management or Mr. Englander as to beneficial ownership of the securities owned by ICS Opportunities. The address for ICS Opportunities is c/o Millennium International Management LP, 666 Fifth Avenue, 8th Floor, New York, NY 10103.

(34) Lawrence Bernstein has voting or investment power over the reported securities. The address of Amber Mountain Trading Company LLC and Lawrence Bernstein is 100 E. Huron Street, St #4002, Chicago, IL, 60611.

(35) Represents (i) 55,000 shares of Class A Common Stock held by John C. Goff, (ii) 30,000 shares of Class A Common Stock held by Goff Family Investments, LP, of which Goff Capital, Inc. (“Goff Capital”) is the general partner with John C. Goff as its sole shareholder, (iii) 100,000 shares of Class A Common Stock held by John C. Goff 2010 Family Trust, of which John C. Goff is the trustee and primary beneficiary, (iv) 15,000 shares of Class A Common Stock held by Kulik Partners, LP, of which Kulik GP, LLC is the general partner (the "LLC"). John C. Goff and Keith B. Ohnmeis are the managers of the LLC, each of whom owns a 50% interest in the LLC. The address for Goff Family Investments, LP, John C. Goff 2010 Family Trust and Kulik Partners, LP is 500 Commerce St., Suite 700, Fort Worth, TX 76102.

(36) Catalyst Investment Management Co., LLC and Visium Asset Management, LP share voting and investment power over the shares held by Visium Catalyst Credit Master Fund, Ltd. JG Asset, LLC is the general partner of Visium Asset Management, LP. Jacob Gottlieb is the managing member of JG Asset, LLC. Visium Catalyst Event IM, LLC and Visium Catalyst Credit IM, LLC are the controlling entities of Catalyst Investment Management Co., LLC. Visium Asset Management, LP, Francis X. Gallagher and Peter A. Drippé are the members of Visium Catalyst Event IM, LLC. Visium Asset Management, LP, Bradley Levie and The Levie Family Trust U/A/D/ January 30, 1998 are the members of Visium Catalyst Credit IM, LLC. The address of each of Catalyst Investment Management Co., LLC, Visium Catalyst Credit Master Fund, Ltd., Visium Catalyst Event IM, LLC, and Visium Catalyst Credit IM, LLC is c/o Visium Asset Management, LP, 888 Seventh Avenue, 22nd Floor, New York, New York 10019.

(37) Represents (i) 90,393 shares held by The Raptor Evolution Fund LP (“REFLP”), (ii) 46,982 shares held by The Raptor Evolution Fund Offshore LP (“REFOLP”), and (iii) 12,625 shares held by Permal Raptor Ltd. (“PR Ltd.” and together with REFLP and REFOLP, the “Raptor Funds”). Raptor Capital Management LP serves as the investment advisor to the Raptor Funds and has voting and investment power over the shares held by the Raptor Funds. Raptor Evolution Fund GP LLC is the general partner of each of REFLP and REFOLP. James Pallotta is the sole stockholder of Raptor Evolution Fund GP LLC. The address of the Raptor Funds, Raptor Capital Management LP and Raptor Evolution Fund GP LLC is 280 Congress St., Floor 12, Boston, Massachusetts, 02219.

(38) Napier Park Global Capital LLC is the general partner of Napier Park Mortgage/Credit Opportunity Master Fund Ltd. (the "Fund"). John Dortman, Jim O’Brien and Citibank N.A. are the members of Napier Park Global Capital LLC (the "LLC"). Vikram Khullar is the portfolio manager of the Fund. The LLC and Vikram Khullar have voting and dispositive power over the shares held by the Fund. The address of Fund and the LLC is 399 Park Avenue, New York, New York 10022.

(39) Represents (i) 54,700 shares held by Harbour Holdings, Ltd. and (ii) 45,300 shares held by Sky-lands Special Investment LLC. Skylands Capital, LLC, has voting and investment power over the shares held by Harbour Holdings, Ltd. Skylands Special Investment LLC. Charles A. Paquelet controls Skylands Capital, LLC. The address of each of Harbour Holdings, Ltd. and Skylands Special Investment LLC is c/o Skylands Capital, LLC, 1200 N. Mayfair Road, Suite 250, Milwaukee, Wisconsin, 53226.

(40) Calm Waters Partnership (“Calm Waters”) is a private investment partnership. Richard S. Strong is the managing partner of Calm Waters. The address of Calm Waters is 115 S. 84th Street, Suite 200, Milwaukee WI 53214.

(41) The reported securities are held by Consector Partners Master Fund LP, of which Consector Advisors LLC (the “LLC”) is the general partner. William Black is the managing member of the LLC, who has the voting and dispositive power over the shares. The address of Consector Partners Master Fund LP is 712 Fifth Avenue, 8th Floor, New York, NY 10019.

(42) Richard Reiss, Jr. is the Managing Member of Reiss Capital Management LLC and has sole voting and dispositive power over the shares held by Reiss Capital Management LLC. The address of Reiss Capital Management LLC is 152 West 57th Street, 46th Floor, New York, New York, 10019.

(43) The reported securities are held in the Sippel Farb Family Trust, of which Eric Sippel and Debra Farb are the trustees and have joint voting and investment power.

(44) The reported securities are held in the Gambs Family Trust, of which Arthur John Gambs III and his wife, Paula R. Gambs, are co-trustees.

(45) Represents (i) 100 shares held by FBR & Co. (ii) 150 shares held by FBR Capital Markets & Co., and (iii) 313,870 shares underlying a warrant held by FBR Capital Markets & Co. FBR was the initial purchaser and placement agent in the initial private offering in April 2012. Voting and investment control over the shares held by FBR is exercised by the Investment Committee of FBR & Co. The members of the Investment Committee responsible for such voting and investment control are: Richard J. Hendrix, Bradley J. Wright and James C. Neuhauser, each of whom disclaims beneficial ownership of the shares. No single member of the Investment Committee has the sole capacity to act on behalf of the Investment Committee. The address of the stockholders is 1001 Nineteenth Street North, Suite 1100, Arlington, Virginia 22209.

DESCRIPTION OF CAPITAL STOCK

The following descriptions include summaries of the material terms of our second amended and restated certificate of incorporation and amended and restated bylaws. Because it is a summary, it may not contain all the information that is important to you. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, the second amended and restated certificate of incorporation and amended and restated by-laws, copies of which are filed with the SEC as exhibits to the registration statement of which this prospectus is a part, and applicable law.

General

Our certificate of incorporation authorizes us to issue 250,000,000 shares of our common stock, $0.01 par value per share, 250,000 shares of Class B non-voting common stock, $0.01 par value per share, and 10,000,000 shares of preferred stock, $0.01 per share.

Prior to the April 2012 private placement, we issued all 250,000 authorized shares of our Class B non-voting common stock to Messrs. Shuster and Sherwood for nominal consideration. Upon receipt of GSE Approval, each share of Class B non-voting common stock issued and outstanding was automatically converted into, and became entitled to the rights set forth herein, or that otherwise may exist at law, associated with, one fully paid and non-assessable share of Class A common stock without any action by the holder or by us. Pursuant to our certificate of incorporation, the shares of Class B non-voting common stock that have been converted have been retired and may not be reissued.

As of May 31, 2013, 55,637,480 shares of our common stock were outstanding. No shares of Class B non-voting common stock are outstanding, and we do not currently intend to issue any such shares in the future. In addition, no shares of preferred stock are outstanding.

Common Stock

Voting Power

Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of Class A common stock possess all voting power for the election of our directors and all other matters requiring stockholder action. Each holder of our Class A common stock is entitled to one vote for each share on all matters to be voted upon by the stockholders, and there are no cumulative voting rights. Except as otherwise provided by law, our certificate of incorporation or our bylaws or in respect of the election of directors, all matters to be voted on by our stockholders must be approved by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the subject matter. In the case of an election of directors, where a quorum is present a plurality of the votes cast shall be sufficient to elect each director.

Dividends

Holders of common shares are entitled to receive ratably the dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor. See “Dividend Policy.” In no event will any stock dividends or stock splits or combinations of stock be declared or made on the Class A common stock or Class B non-voting common stock unless the shares of Class A common stock and Class B non-voting common stock at the time outstanding are treated equally and identically; provided that, in the event of a dividend on common shares, shares of Class A common stock will only be entitled to receive shares of Class A common stock and shares of Class B non-voting common stock will only be entitled to receive shares of

Class B non-voting common stock.

Liquidation

If we liquidate, dissolve or wind-up, (i) the rights of the holders of any outstanding shares of preferred stock will first be satisfied; and (ii) thereafter, the holders of the Class A common stock will be entitled to receive all of our remaining assets of whatever kind available for distributions to such holders. Holders of the Class B non-voting common stock will not be entitled to receive any of our assets of whatever kind on a voluntary or involuntary liquidation, dissolution or winding up.

Preemptive or Other Rights

Holders of our common stock have no preemptive or conversion rights or other subscription rights (other than the Participation Right described below) and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate in the future.

Participation Right

Our certificate of incorporation provides that, in the event that we seek to raise additional capital through a sale of equity securities (as well as rights, options or warrants to purchase equity securities or securities that may be or become convertible or exchangeable into or exercisable for equity securities) at any time until our common stock begins trading on a national securities exchange, subject to the terms and conditions set forth in our certificate of incorporation, each holder of common stock, subject to the following proviso, will have the right (the "Participation Right") to purchase its *pro rata* share of such equity securities in any such capital raise, on the terms and conditions of such capital raise; provided that the Participation Right will only apply to stockholders holding at least 1% of our outstanding common stock on the record date set by our Board for determining such stockholders, which record date shall be at least 15 days prior to the closing of such capital raise. Shareholders having the Participation Right will have 10 days after notice is given to them to determine whether to exercise this right. Any shares purchased pursuant to the Participation Right will constitute Registrable Shares (as defined in the Registration Rights Agreement). The Participation Right will not apply to any issuances in a registered public offering or any issuances pursuant to the 2012 Stock Incentive Plan.

Preferred Stock

Our certificate of incorporation authorizes our Board to issue and to designate the terms of one or more new classes or series of preferred stock. The rights with respect to a class or series of preferred stock may be greater than the rights attached to our common stock. It is not possible to state the actual effect of the issuance of any shares of our preferred stock on the rights of holders of our common stock until our Board determines the specific rights attached to that class or series of preferred stock.

Certain Anti-Takeover Effects of Provisions of Our Certificate of Incorporation and Bylaws and Delaware Law

Special Meetings of Stockholders

Our bylaws generally provide that special meetings of our stockholders may be called only by the Chairman of the Board, the president or by resolution of the Board. Stockholders are not permitted to call a special meeting or require our Board to call a special meeting, except that the Special Election Meeting may

be called (if not called by the Board) by holders of at least 5% of the outstanding common stock if the registration statement of which this prospectus forms a part has not been declared effective, or the shares of our common stock have not become listed on the NYSE or the NASDAQ, within the earlier of six months after we filed such registration statement and 12 months following the receipt of GSE Approval. The Special Election Meeting may be called solely for the purposes of: (i) considering and voting upon proposals to remove each of our then-serving directors and (ii) electing such number of directors as there are then vacancies on our Board (including any vacancies created by the removal of any director at the Special Election Meeting). Nominations of individuals for election to our Board at the Special Election Meeting may only be made (a) by or at the direction of our Board or (b) upon receipt by us of a written notice of any holder or holders of shares of Class A common stock entitled to cast, or direct the casting of, at least 5% of all the votes entitled to be cast at the Special Election Meeting, which notice must contain certain information as specified in our bylaws and be delivered to us within 15 days after delivery of the notice of the Special Election Meeting.

At any special meeting of our stockholders, only such business will be conducted as has been specified in the notice of meeting given by or at the direction of our Board or otherwise properly brought before the special meeting by or at the direction of our Board.

No Cumulative Voting

The DGCL provides that stockholders are not entitled to the right to cumulative voting in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting in the election of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws provide that stockholders seeking to bring business before a meeting of stockholders, or to nominate candidates for election as directors at a meeting of stockholders (other than the Special Election Meeting), must provide timely notice of their intent in writing. To be timely, a stockholder's notice must be delivered to our principal executive offices no fewer than 90 days nor more than 120 days prior to the meeting. Our bylaws will also specify certain requirements as to the form and content of a stockholder's notice, including the stockholder's ownership of the Company, synthetic equity transactions engaged in by the stockholder related to the Company, any proxies or voting agreements pursuant to which such stockholder has a right to vote shares of the Company, any stock borrowing agreements entered into by the stockholder related to the Company, any performance related fees the stockholder is entitled to based on changes in the value of the stock of the Company and any other information that would be required to be made in connection with a solicitation of proxies by such stockholder pursuant to Section 14(a) of the Exchange Act. Our bylaws also include that such stockholder provide information concerning each item of business proposed by the stockholder and individuals nominated for election as a director, as applicable. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders.

No Stockholder Action by Written Consent

Our certificate of incorporation provides that, subject to the rights of the holders of any series of preferred stock with respect to such series of preferred stock, any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of our stockholders and may not be effected by any consent in writing by such stockholders.

Stockholder-Initiated Bylaw Amendments

Our bylaws may be adopted, amended, altered or repealed by stockholders only upon approval of at least two-thirds of the voting power of all the then outstanding shares of our common stock; provided that the bylaws relating to the Special Election Meeting may only be amended by holders of at least 75% of the outstanding Registrable Shares (as defined in the Registration Rights Agreement). Additionally, our bylaws may be amended, altered or repealed by the Board by a majority vote.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock (other than shares of Class B non-voting common stock that have been converted to shares of Class A common stock (*see -General, above*) are available for future issuances without stockholder approval, subject to applicable stock exchange rules, and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Section 203 of the DGCL

We are subject to Section 203 of the DGCL. Subject to certain exceptions, Section 203 of the DGCL prohibits a public Delaware corporation from engaging in a business combination (as defined in such section) with an "interested stockholder" (defined generally as any person who beneficially owns 15% or more of the outstanding voting stock of such corporation or any person affiliated with such person) for a period of three years following the time that such stockholder became an interested stockholder, unless: (i) prior to such time the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock of such corporation outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (a) by persons who are directors and also officers of such corporation and (b) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or subsequent to such time, the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

Limitation of Liability and Indemnification Matters

As permitted by the DGCL, we have adopted provisions in our certificate of incorporation that limit or eliminate the personal liability of our directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law, and we may advance expenses to our directors, officers and employees in connection with a legal proceeding, subject to limited exceptions. As permitted by the DGCL, our certificate of incorporation provides that:

- we will indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to limited exceptions; and
- we may purchase and maintain insurance on behalf of our current or former directors, officers, employees or agents against any liability asserted against them and incurred by them in any such capacity, or arising out of their status as such.

In addition, we have entered into indemnification agreements with certain of our directors pursuant to which each such director will be indemnified as described above (or furnished contribution by us if indemnification is unavailable) and will be advanced costs and expenses subject to delivery of an undertaking to repay any advanced amounts if it is ultimately determined that such director is not entitled to indemnification for such costs and expenses.

Listing

We intend to apply to the OTCBB, through a market maker that is a licensed broker dealer, to allow the trading of our common stock under the symbol “NMIH” upon our becoming a reporting entity under Section 15(d) of the Exchange Act. If our application for quotation on the OTCBB is approved, and a public market for our common stock materializes which results in our common stock being held by 400 or more holders, we intend to apply (assuming we meet all other listing requirements) to list our common stock on the NASDAQ under the symbol “NMIH.”

Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no established public market for our common stock, and we cannot predict the effect, if any, that sales of shares or availability of any shares for sale will have on the market price of our common stock prevailing from time to time. Issuances or sales of substantial amounts of our common stock, or the perception that such issuances or sales could occur, could cause the market price of our common stock to decline significantly and make it more difficult for us to raise additional capital through a future sale of securities.

All of the 52,308,970 shares of our common stock sold by the selling stockholders in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by “affiliates” as that term is defined in Rule 144 under the Securities Act, which will be subject to the resale limitations of Rule 144. The remaining outstanding shares of our common stock will be deemed to be “restricted securities” as that term is defined in Rule 144. Subject to certain contractual restrictions, including the lock-up agreements described below, holders of restricted shares will be entitled to sell those shares in the public market if and when they qualify for an exemption from registration under Rule 144 or any other applicable exemption under the Securities Act.

Rule 144

In general, under Rule 144 under the Securities Act, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months (including any period of consecutive ownership of preceding non-affiliated holders), will be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year will be entitled to sell those shares without regard to the provisions of Rule 144.

A person (or persons whose shares are aggregated) who is deemed to be an affiliate of ours and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months would be entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the then-outstanding shares of our common stock or the average weekly trading volume of our common stock during the four calendar weeks preceding such sale. Such sales are also subject to certain manner of sales provisions, notice requirements and the availability of current public information about us.

Form S-8 Registration Statement

In addition to the issued and outstanding shares of our common stock, we intend to file a registration statement on Form S-8 to register an aggregate of 5,500,000 million shares of our common stock reserved for issuance under our incentive programs. That registration statement will become effective upon filing, and shares of our common stock covered by such registration statement are eligible for sale in the public market immediately after the effectiveness of such registration statement (unless held by affiliates), subject to certain lock-up agreements entered into by our executive officers in conjunction with our private placement.

Registration Rights Agreements

As described under "Certain Relationships and Related Party Transactions—Registration Rights Agreement," pursuant to the Registration Rights Agreement, if the Company proposes to file a registration statement providing for an initial public offering of our Class A common stock, we are required to provide written notice to each stockholder holding registrable shares following the filing of any such registration statement (the

“IPO Registration Statement”). Such stockholders have “piggy-back” registration rights that permit them to have shares of common stock owned by them included in the IPO Registration Statement upon written notice to us within the prescribed time limit. Each such stockholder's ability to register shares under the IPO Registration Statement is subject to the terms of the Registration Rights Agreement. The managing underwriter(s) may under certain circumstances limit the number of shares owned by such stockholders that are included in an initial public offering, but the managing underwriter(s) may not reduce such stockholders below 25% of the total shares of common stock to be sold under the IPO Registration Statement.

Stockholders holding registrable shares who elect to include their shares of our common stock for resale on an IPO Registration Statement will not be able to sell their shares of our common stock for a period of up to 30 days before and 180 days following the effective date of the IPO Registration Statement (subject to potential limited extensions). Stockholders holding registrable shares who do not elect, despite their right to do so under the Registration Rights Agreement, to include their shares of our common stock for resale on the IPO Registration Statement will not be able to sell their shares of our common stock for a period of up to 60 days following the effective date of the IPO Registration Statement.

We entered into similar registration rights agreements with MAC Financial Ltd., who acquired shares of our common stock and a warrant exercisable for shares of our common stock in connection with our acquisition of MAC Financial Holding Corporation and to FBR Capital Markets & Co., who acquired shares of our common stock in our private placement and hold a warrant exercisable for shares of our common stock. These registration rights agreements provide for up to three demand registrations as well as for piggy-back registration rights.

MATERIAL U.S. TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a general discussion of material U.S. federal income tax considerations with respect to the ownership and disposition of shares of our common stock applicable to non-U.S. holders who acquire such shares in this offering. This discussion is based on current provisions of the Code, U.S. Treasury regulations promulgated thereunder, judicial opinions, published positions of the IRS and other applicable authorities in effect as of the date hereof, all of which are subject to change at any time, possibly with retroactive effect.

For purposes of this discussion, the term “non-U.S. holder” means a beneficial owner of our common stock that is not, for U.S. federal income tax purposes, a partnership or any of the following:

- a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia, or a non-U.S. corporation treated as such;
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, the tax treatment of a person treated as a partner will generally depend on the status of the partner and the activities of the partnership. Persons that for U.S. federal income tax purposes are treated as partners in a partnership holding shares of our common stock should consult their tax advisors as to the particular U.S. federal income tax consequences applicable to them.

This discussion assumes that a non-U.S. holder holds shares of our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be important to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances, nor does it address any aspects of the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, any U.S. federal estate and gift taxes, any U.S. alternative minimum taxes or any state, local or non-U.S. taxes. This discussion may not apply, in whole or in part, to particular non-U.S. holders in light of their individual circumstances or to holders subject to special treatment under the U.S. federal income tax laws (such as insurance companies, tax-exempt organizations, holders who acquired our common stock pursuant to the exercise of employee stock options or otherwise as compensation, financial institutions, brokers or dealers in securities, traders in securities that elect mark-to-market treatment, “controlled foreign corporations,” “passive foreign investment companies,” non-U.S. holders that hold our common stock as part of a straddle, hedge, conversion transaction or other integrated investment and certain U.S. expatriates). Accordingly, prospective investors should consult with their own tax advisors regarding the U.S. federal, state, local, non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our common stock.

THIS SUMMARY IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK. PROSPECTIVE HOLDERS OF OUR COMMON STOCK SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX

CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, FOREIGN INCOME AND OTHER TAX LAWS) OF THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.

Dividends

In general, any distributions we make to a non-U.S. holder with respect to its shares of our common stock that constitute a dividend for U.S. federal income tax purposes will be subject to U.S. withholding tax at a rate of 30% of the gross amount (a reduced rate prescribed by an applicable income tax treaty) unless the dividends are effectively connected with a trade or business carried on by the non-U.S. holder within the United States (and, if an income tax treaty applies, are attributable to a permanent establishment of the non-U.S. holder within the United States). A distribution will constitute a dividend for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distribution not constituting a dividend will be treated first as reducing the adjusted basis in the non-U.S. holder's shares of our common stock and, to the extent it exceeds the adjusted basis in the non-U.S. holder's shares of our common stock, as gain from the sale or exchange of such stock.

Dividends effectively connected with a U.S. trade or business (and, if an income tax treaty applies, attributable to a U.S. permanent establishment) of a non-U.S. holder generally will not be subject to U.S. withholding tax if the non-U.S. holder complies with applicable certification and disclosure requirements. Instead, such dividends generally will be subject to U.S. federal income tax on a net income basis, in the same manner as if the non-U.S. holder were a resident of the United States. A non-U.S. holder that is a foreign corporation may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on its “effectively connected earnings and profits,” subject to certain adjustments.

Gain on Sale or Other Disposition of Common Stock

In general, a non-U.S. holder will not be subject to U.S. federal income tax or, subject to the discussion below under the heading “Backup Withholding, Information Reporting and Other Reporting Requirements,” withholding tax on any gain realized upon the sale or other disposition of shares of our common stock unless:

- the gain is effectively connected with a trade or business carried on by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of such non-U.S. holder);
- the non-U.S. holder is an individual and is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied; or
- we are or have been a U.S. real property holding corporation (a “USRPHC”) for U.S. federal income tax purposes at any time within the shorter of the five-year period ending on the date of the disposition and the non-U.S. holder's holding period of our common stock and certain other conditions are satisfied. We believe that we are currently not, and we do not anticipate becoming, a USRPHC.

Gain that is effectively connected with the conduct of a trade or business in the United States generally will be subject to U.S. federal income tax, net of certain deductions, at regular U.S. federal income tax rates. If the non-U.S. holder is a foreign corporation, the branch profits tax described above also may apply to such effectively connected gain. An individual non-U.S. holder who is subject to U.S. federal income tax because the non-U.S. holder was present in the United States for 183 days or more during the year of sale or other disposition of our common stock will be subject to a flat 30% tax on the gain derived from such sale or other disposition, which may be offset by U.S. source capital losses.

Backup Withholding, Information Reporting and Other Reporting Requirements

We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to, and the tax withheld with respect to, each non-U.S. holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information may be made available under the provisions of a specific tax treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

U.S. backup withholding tax (currently, at a rate of 28%) is imposed on certain payments to persons that fail to furnish the information required under the U.S. information reporting rules. Dividends paid to a non-U.S. holder generally will be exempt from backup withholding if the non-U.S. holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption.

Under U.S. Treasury regulations, the payment of proceeds from the disposition of our common stock by a non-U.S. holder effected at a U.S. office of a broker generally will be subject to information reporting and backup withholding unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a non-U.S. holder or otherwise establishes an exemption. Information reporting will also apply if a non-U.S. holder sells its shares of our common stock through a foreign broker deriving more than a specified percentage of its income from U.S. sources or having certain other connections to the United States, unless such broker has documentary evidence in its records that such non-U.S. holder is a non-U.S. person (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Internal Revenue Code) and certain other conditions are met, or such non-U.S. holder otherwise establishes an exemption. The payment of proceeds from the disposition of our common stock by a non-U.S. holder effected at a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting, except as noted below. In the case of proceeds from a disposition of our common stock by a non-U.S. holder effected at a non-U.S. office of a broker that is:

- a U.S. person;
- a “controlled foreign corporation” for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from certain periods is effectively connected with a U.S. trade or business; or
- a foreign partnership if at any time during its tax year (a) one or more of its partners are U.S. persons who, in the aggregate, hold more than 50% of the income or capital interests of the partnership or (b) the foreign partnership is engaged in a U.S. trade or business;

Information reporting will apply unless the broker has documentary evidence in its records that the owner is a non-U.S. holder and certain other conditions are satisfied, or the beneficial owner otherwise establishes an exemption (and the broker has no knowledge or reason to know to the contrary). Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

Backup withholding is not an additional income tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder generally can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, or refunded, provided that the required information is furnished to the IRS in a timely manner. Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules to them.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities

Under recently enacted legislation and administrative guidance, a U.S. federal withholding tax of 30% generally will be imposed on certain payments made to a "foreign financial institution" (as specifically defined under these rules) unless such institution enters into an agreement with the U.S. tax authorities to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). Under the legislation and administrative guidance, a U.S. federal withholding tax of 30% generally also will be imposed on certain payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying its direct and indirect U.S. owners. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. These withholding taxes would be imposed on dividends paid with respect to our common stock after December 31, 2013 to, and on gross proceeds from the sales or other dispositions of our common stock after December 31, 2016 by, foreign financial institutions or non-financial entities (including in their capacity as agents or custodians for beneficial owners of our common stock) that fail to satisfy the above requirements. Prospective non-U.S. holders should consult with their tax advisors regarding the possible implications of this legislation on their investment in our common stock.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of our common stock by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code ("Similar Laws"), and entities whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements (each, a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and Section 4975 of the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in our common stock of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code (which also applies to IRAs that are not considered part of an employee benefit plan) prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Whether or not our underlying assets were deemed to include "plan assets," as described below, the acquisition and/or holding of our common stock by an ERISA Plan with respect to which we or certain of our affiliates is or becomes a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the United States Department of Labor (the "DOL") has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of shares of our common stock. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption from the

prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided, further, that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Plan Asset Issues

ERISA and the regulations (the "Plan Asset Regulations") promulgated under ERISA by the DOL generally provide that when an ERISA Plan acquires an equity interest in an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940 (the "1940 Act"), the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors" as defined in Section 3(42) of ERISA (the "25% Test") or that the entity is an "operating company," as defined in the Plan Asset Regulations.

For purposes of the Plan Asset Regulations, (i) a "publicly offered security" is a security that is (a) "freely transferable," (b) part of a class of securities that is "widely held" (*i.e.*, held by 100 investors that are independent of the issuer and of one another) and (c) (x) sold to the Plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and the class of securities to which such security is a part is registered under the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year of the issuer during which the offering of such securities to the public has occurred, or (y) is part of a class of securities that is registered under Section 12 of the Exchange Act; and (ii) an "operating company" includes an entity that is primarily engaged, directly or through a majority-owned subsidiary or subsidiaries, in the production or sale of a product or service, other than the investment of capital.

We expect that by the time this prospectus becomes effective that we will qualify as an "operating company" for purposes of the Plan Asset Regulations.

Plan Asset Consequences

If our assets were deemed to be "plan assets" under ERISA, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by us, and (ii) the possibility that certain transactions in which we might seek to engage could constitute "prohibited transactions" under ERISA and the Code.

PLAN OF DISTRIBUTION

We are registering the shares covered by this prospectus to permit the selling stockholders to conduct public secondary trading of these shares from time to time after the date of this prospectus. We will not receive any of the proceeds of the sale of the shares offered by this prospectus. The aggregate proceeds to the selling stockholders from the sale of the shares will be the purchase price of the shares less any discounts and commissions. Each selling stockholder reserves the right to accept and, together with their respective agents, to reject, any proposed purchases of shares to be made directly or through agents.

The selling stockholders and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock offered by this prospectus on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling the shares offered by this prospectus:

- ordinary brokerage transactions and transactions in which the broker dealer solicits purchasers;
- block trades in which the broker dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker dealer as principal and resale by the broker dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- broker dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

In connection with these sales, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions that in turn may:

- engage in short sales of shares of the common stock in the course of hedging their positions;
- sell shares of the common stock short and deliver shares of the common stock to close out short positions;
- loan or pledge shares of the common stock to broker-dealers or other financial institutions that in turn may sell shares of the common stock;
- enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of shares of the common stock, which the broker-dealer or other financial institution may resell under the prospectus; or
- enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

Broker dealers engaged by the selling stockholders may arrange for other brokers dealers to participate in sales. Broker dealers may receive commissions or discounts from the selling stockholders (or, if any broker dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of

transactions involved.

To our knowledge, there are currently no plans, arrangements or understandings between any selling stockholder and any underwriter, broker-dealer or agent regarding the sale of the shares by the selling stockholders.

We intend to apply to the OTCBB, through a market maker that is a licensed broker dealer, to allow the trading of our common stock under the symbol “NMIH” upon our becoming a reporting entity under Section 15(d) of the Exchange Act. If our application for quotation on the OTCBB is approved, and a public market for our common stock materializes which results in our common stock being held by 400 or more holders, we would then intend to apply (assuming we meet all other listing requirements) to list our common stock on the NASDAQ under the symbol “NMIH.” However, we can give no assurances as to the development of liquidity or any trading market for the common stock.

There can be no assurance that any selling stockholder will sell any or all of the common stock under this prospectus. Further, we cannot assure you that any such selling stockholder will not transfer, devise or gift the common stock by other means not described in this prospectus. In addition, any common stock covered by this prospectus that qualifies for sale under Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than under this prospectus. The common stock covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The common stock may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

The selling stockholders and any other person participating in the sale of the common stock will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the common stock by the selling stockholders and any other such person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the common stock to engage in market-making activities with respect to the particular common stock being distributed. This may affect the marketability of the common stock and the ability of any person or entity to engage in market-making activities with respect to the common stock.

We have agreed to indemnify the selling stockholders against certain liabilities, including liabilities under the Securities Act.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the common stock to the public, including the payment of federal securities law and state blue sky registration fees, except that we will not bear any underwriting discounts or commissions or transfer taxes relating to the sale of shares of our common stock.

ADDITIONAL INFORMATION

Legal Matters

The validity of our common stock and other certain legal matters will be passed upon for us by Wachtell, Lipton, Rosen & Katz, New York, New York.

Experts

We have included the consolidated financial statements of NMI Holdings, Inc. (Successor entity) as of and for the three months ending March 31, 2013 and March 31, 2012, as of and for the year ended December 31, 2012, as of December 31, 2011, for the period May 19, 2011 (date of inception of successor entity) through December 31, 2011 and for the period May 19, 2011 (date of inception of successor entity) through March 31, 2013. We have also included the financial statements of our Predecessor entity, MAC Financial Holding Corporation, as of and for the three months ended March 31, 2012, as of and for the year ended December 31, 2011, and for the period from July 6, 2009 (date of inception of Predecessor entity) through March 31, 2012. These financial statements have been so included in reliance on the reports of BDO USA, LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to our common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to us and our common stock, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the content of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules thereto, may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the reporting requirements of the Exchange Act. We will fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing consolidated financial statements certified by an independent public accounting firm.

INDEX TO FINANCIAL STATEMENTS

SUCCESSOR FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (Unaudited)	March 31, 2013	December 31, 2012
Assets		
Investments, available-for-sale, at fair value:		
Fixed maturities (amortized cost of $323,004,307 and $0 as of March 31, 2013 and December 31, 2012, respectively)	$ 323,891,970	$ —
Short-term investments	5,375,114	4,864,206
Total investment portfolio	329,267,084	4,864,206
Cash and cash equivalents	147,402,185	485,855,418
Accrued investment income	1,134,003	—
Prepaid expenses	532,695	416,861
Restricted Cash	—	40,338,155
Goodwill and other intangible assets	3,634,197	3,634,197
Software and equipment, net	9,213,295	7,550,095
Other assets	54,902	108,802
Total Assets	$ 491,238,361	$ 542,767,734
Liabilities		
Accounts payable and accrued expenses	$ 5,603,581	$ 8,707,573
Placement fees payable	—	38,305,405
Purchase consideration payable	—	2,032,750
Warrant liability	4,806,657	4,841,765
Deferred tax liability	132,600	132,600
Total Liabilities	10,542,838	54,020,093
Commitments and Contingencies		
Shareholders' Equity		
Common stock - Class A shares, $0.01 par value, 55,500,100 and 55,250,100 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively (250,000,000 shares authorized)	555,001	552,501
Common stock - Class B shares, $0.01 par value, 0 shares issued and outstanding as of March 31, 2013 and 250,000 shares issued and outstanding (250,000 authorized) as of December 31, 2012	—	2,500
Additional paid-in capital	520,045,944	517,032,619
Accumulated other comprehensive income	887,822	559
Deficit accumulated during the development phase	(40,793,244)	(28,840,538)
Total Shareholders' Equity	480,695,523	488,747,641
Total Liabilities and Shareholders' Equity	$ 491,238,361	$ 542,767,734

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012	For the Period from May 19, 2011 (inception) to March 31, 2013
Revenues			
Net investment income	$ 409,887	$ —	$ 415,712
Realized investment gains	28,350	—	28,350
Gain from change in fair value of warrant liability	35,108	—	312,912
Total Revenues	473,345	—	756,974
Expenses			
Payroll and related	6,209,300	—	17,768,214
Share-based compensation	3,013,325	—	9,128,685
Professional fees	1,090,479	84,256	3,465,172
Information technology	996,830	9,066	1,872,200
Travel and related costs	414,628	24,086	1,140,092
Accounting and auditing	128,842	—	445,212
Rent and office expenses	101,394	—	334,386
Board of Directors fees and related costs	97,500	—	985,512
Consulting fees	86,561	267,419	2,010,288
State licensing fees and related costs	31,486	—	214,846
Finance fees and interest expense	—	—	1,632,364
Loss on impairment	—	—	1,200,000
Business development	—	—	82,152
Other	255,706	1,000	1,271,095
Total Expenses	12,426,051	385,827	41,550,218
Net Loss	$ (11,952,706)	$ (385,827)	$ (40,793,244)
Other Comprehensive Income (net of tax)			
Unrealized holding gains for the period included in accumulated other comprehensive income	887,263	—	887,822
Other Comprehensive Income (net of tax)	887,263	—	887,822
Total Comprehensive Loss	$ (11,065,443)	$ (385,827)	$ (39,905,422)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

	Common stock							
	Class A		Class B					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Phase	Total
Period from May 19, 2011 (inception) to March 31, 2013								
Balance, May 19, 2011	—	$ —	—	$ —	$ —	$ —	$ —	$ —
Issuance of Class A shares of common stock	55,000,100	550,001	—	—	508,419,759	—	—	508,969,760
Issuance of Class B shares of common stock	—	—	250,000	2,500	—	—	—	2,500
Conversion of Class B shares of common stock into Class A shares of common stock	250,000	2,500	(250,000)	(2,500)	—	—	—	—
Issuance of common stock related to acquisition of subsidiaries	250,000	2,500	—	—	2,497,500	—	—	2,500,000
Share-based compensation expense	—	—	—	—	9,128,685	—	—	9,128,685
Change in unrealized investment gains	—	—	—	—	—	887,822	—	887,822
Net loss	—	—	—	—	—	—	(40,793,244)	(40,793,244)
Balance, March 31, 2013	55,500,100	555,001	—	—	520,045,944	887,822	(40,793,244)	480,695,523
For the three months ended March 31, 2012:								
Balance, December 31, 2011	100	1	—	—	—	—	(1,348,825)	(1,348,824)
Issuance of Class B shares of common stock	—	—	250,000	2,500	—	—	—	2,500
Net loss	—	—	—	—	—	—	(385,827)	(385,827)
Balance, March 31, 2012	100	1	250,000	2,500	—	—	(1,734,652)	(1,732,151)
For the three months ended March 31, 2013:								
Balance, December 31, 2012	55,250,100	552,501	250,000	2,500	517,032,619	559	(28,840,538)	488,747,641
Conversion of Class B shares of common stock into Class A shares of common stock	250,000	2,500	(250,000)	(2,500)	—	—	—	—
Share-based compensation expense	—	—	—	—	3,013,325	—	—	3,013,325
Change in unrealized investment gains	—	—	—	—	—	887,263	—	887,263
Net loss	—	—	—	—	—	—	(11,952,706)	(11,952,706)
Balance at March 31, 2013	55,500,100	$ 555,001	—	$ —	$520,045,944	$ 887,822	$(40,793,244)	$480,695,523

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012	For the Period from May 19, 2011 (inception) to March 31, 2013
Cash Flows from Operating Activities			
Net loss	$ (11,952,706)	$ (385,827)	$ (40,793,244)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation	3,013,325	—	9,128,685
Warrants issued in connection with line of credit	—	—	1,619,569
Gain from change in fair value of warrant liability	(35,108)	—	(312,912)
Realized investment gains	(28,350)	—	(28,350)
Loss on impairment	—	—	1,200,000
Depreciation	59,092	—	62,009
Accrued investment income	(1,134,003)	—	(1,139,828)
Changes in operating assets and liabilities:			
Prepaid expenses	(115,834)	(1,532,216)	(532,695)
Other assets	53,900	(43,830)	(51,096)
Accounts payable and accrued expenses	(3,103,992)	1,754,944	2,802,611
Net Cash Used in Operating Activities	(13,243,676)	(206,929)	(28,045,251)
Cash Flows from Investing Activities			
Purchase of short-term investments	(509,964)	—	(5,371,592)
Purchase of fixed maturities	(338,329,081)	—	(338,329,081)
Proceeds from sale of fixed maturities	15,351,781	—	15,351,781
Purchase of software and equipment	(1,722,293)	—	(4,168,797)
Acquisition of subsidiaries	—	—	(2,500,000)
Net Cash Used in Investing Activities	(325,209,557)	—	(335,017,689)
Cash Flows from Financing Activities			
Proceeds from (Payments on) line of credit	—	206,929	(347,339)
Issuance of common stock	—	2,500	510,812,464
Net Cash Provided by Financing Activities	—	209,429	510,465,125
Net (Decrease) Increase in Cash and Cash Equivalents	(338,453,233)	2,500	147,402,185
Cash and Cash Equivalents, beginning of period	485,855,418	1	—
Cash and Cash Equivalents, end of period	$ 147,402,185	$ 2,501	$ 147,402,185
Supplemental Disclosures of Cash Flow Information			
Restricted Cash	$ —	$ —	$ 40,338,155
Noncash Financing Activities			
Conversion of Class B shares of common stock into Class A shares of common stock	$ 2,500	$ —	$ 2,500
Acquisition of subsidiaries			
Warrants issued in connection with acquisition of subsidiaries	$ —	$ —	$ 3,500,000

Common stock issued in connection with acquisition of subsidiaries	$ —	$ —	$ 2,500,000

See accompanying notes to consolidated financial statements.

1. Organization

NMI Holdings, Inc. (A Development Stage Company) ("the Company"), a Delaware corporation, was formed in May 2011 with the intention of providing private mortgage guaranty insurance. From May 2011, the Company's activities were limited to raising capital, seeking to acquire the assets and approvals necessary to become a private mortgage guaranty insurance provider and hiring personnel. The accompanying consolidated financial statements include the accounts of NMI Holdings, Inc. and its wholly-owned subsidiaries, National Mortgage Insurance Corporation ("NMIC"), previously named Mortgage Assurance Corporation, National Mortgage Reinsurance Inc One ("NMI Re One"), previously named Mortgage Assurance Reinsurance Inc One, and National Mortgage Reinsurance Inc Two ("NMI Re Two"), previously named Mortgage Assurance Reinsurance Inc Two. Since inception through March 31, 2013, the Company has reported cumulative losses of $40.8 million and cumulative cash flows (used in) provided by operating, investing, and financing activities of $(28.0) million, $(335.0) million, and $510.5 million, respectively.

On November 30, 2011, the Company entered into an agreement with MAC Financial Ltd. to acquire MAC Financial Holding Corporation and its subsidiaries, Mortgage Assurance Corporation, Mortgage Assurance Reinsurance Inc One and Mortgage Assurance Reinsurance Inc Two, for approximately $8.5 million in cash, common stock and warrants plus the assumption of approximately $1.3 million in liabilities ("MAC Acquisition"). In addition, the Company incurred $0.1 million in tax liabilities as a result of the acquisition of certain indefinite-lived intangibles. The acquisition was completed in April 2012.

In April 2012, the Company offered 55.0 million shares of common stock at an issue price of $10.00 per share. Gross proceeds from the offering were $550.0 million. Net proceeds from the offering, after an approximate 7% underwriting fee and other offering expenses, were approximately $510.3 million. The fee was escrowed for the benefit of FBR Capital Markets and Co. ("FBR"). The escrow account was released to FBR upon the Company's receipt of approval from Federal National Home Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") ("GSE Approval"). An additional $1.5 million in offering expenses were paid upon GSE approval in January 2013.

Under the terms of the offering, the Company had nine months from the date of its last offering memorandum (until January 17, 2013) to obtain GSE Approval ("GSE Approval Deadline"). The Company was approved as an eligible mortgage guaranty insurer by Freddie Mac and Fannie Mae, on January 15, 2013 and January 16, 2013, respectively, subject to maintaining certain conditions.

2. Basis of Presentation and Summary of Accounting Principles

Basis of Presentation

The accompanying consolidated financial statements include the results of the Company and its wholly-owned subsidiaries. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All material intercompany accounts have been eliminated. The accounts of the Company and its subsidiaries are maintained in US dollars. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities as of the balance sheet date. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers items such as certificates of deposit and money market funds with original maturities of 90 days or less to be cash equivalents.

The Company had approximately $40.3 million in restricted cash as of December 31, 2012. The restricted cash balance was comprised of two escrow accounts that were funded on April 24, 2012 with an agreement that the funds would be

released upon GSE Approval. The restricted cash was payable to FBR and MAC Financial Ltd. and was released from escrow on January 23, 2013.

Investments

The Company has designated its investment portfolio as available-for-sale and is reported at fair value. The related unrealized gains and losses are, after considering the related tax expense or benefit, recognized as a component of accumulated other comprehensive income in shareholders' equity. Realized investment gains and losses are reported in income based upon specific identification of securities sold.

Purchases and sales of investments are recorded on a trade date basis. Net investment income is recognized when earned and includes interest and dividend income together with amortization of market premiums and discounts using the effective yield method and is net of investment management fees and other expenses. For mortgage-backed securities and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and revised as necessary. Any adjustments required due to the change in effective yields and maturities are recognized on a prospective basis through yield adjustments.

Each quarter we evaluate our investments in order to determine whether declines in fair value below amortized cost were considered other-than-temporary in accordance with applicable guidance. In evaluating whether a decline in fair value is other-than-temporary, we consider several factors including, but not limited to:

- our intent to sell the security or whether it is more likely than not that we will be required to sell the security before recovery;
- severity and duration of the decline in fair value;
- the financial condition of the issuer;
- failure of the issuer to make scheduled interest or principal payments;
- recent credit downgrades of the applicable security or the issuer below investment grade; and
- adverse conditions specifically related to the security, an industry, or a geographic area.

Under the current guidance, a debt security impairment is deemed other than temporary if (1) we either intend to sell the security, or it is more likely than not that we will be required to sell the security before recovery or (2) we do not expect to collect cash flows sufficient to recover the amortized cost basis of the security. In the event of the decline in fair value of a debt security, a holder of that security that does not intend to sell the debt security and for whom it is more likely than not that such holder will be required to sell the debt security before recovery of its amortized cost basis is required to separate the decline in fair value into (a) the amount representing the credit loss and (b) the amount related to other factors. The amount of total decline in fair value related to the credit loss shall be recognized in earnings as other-than-temporary impairment ("OTTI") with the amount related to other factors recognized in accumulated other comprehensive income or loss, net of tax. In periods after recognition of an OTTI on debt securities, we account for such securities as if they had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. For debt securities for which OTTI were recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected will be accreted into net investment income. The determination of OTTI is a subjective process, and different judgments and assumptions could affect the timing of the loss realization.

Business Combinations, Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired from a business combination. In accordance with Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, the Company will test goodwill for impairment during the third quarter each year or more frequently if the Company believes indicators of impairment exist. The Company does not believe that goodwill was impaired at March 31, 2013.

The Company's intangible assets consist of state licenses and GSE applications and have indefinite lives. The Company

tests indefinite-lived intangible assets for impairment during the fourth quarter of each year or more frequently if the Company believes indicators of impairment exist. The Company does not believe that the indefinite-lived intangible assets were impaired as of March 31, 2013.

Software and Equipment

Software and equipment are stated at cost, less accumulated amortization and depreciation. Amortization and depreciation are calculated using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 7 years. Amortization of software and depreciation of equipment will commence the beginning of the month following the placement of the asset into use by the Company.

Warrants

The Company accounts for warrants to purchase common shares of the Company issued to FBR and MAC Financial Ltd. in conjunction with the line of credit and stock purchase agreement, Confidential respectively, in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 470-20 *Debt with Conversion and Other Options* and ASC 815-40 *Derivatives and Hedging - Contracts in Entity's Own Equity.* These warrants may be settled by the Company using the physical settlement method or through cash-less-exercises in which shares subject to the warrants are reduced in lieu of cash payment of the exercise price. The exercise price and the number of warrants are subject to anti-dilution provisions whereby the existing exercise price is adjusted downward and the number of warrants increased for events that may not be dilutive and the adjustment may be in excess of any dilution suffered. As a result, the warrants are classified as a liability. The Company is required to revalue the warrants at the end of each reporting period and any change in fair value is reported in the statements of operations in the period in which the change occurred. The fair value of the warrants is calculated using a Black-Scholes option-pricing model.

Stock-Based Compensation

The Company adopted ASC 718, *Compensation - Stock Compensation* ("ASC 718"). ASC 718 addresses accounting for share-based awards and recognizes compensation expense, measured using grant date fair value, over the requisite service or performance period of the award. Share-based payments include restricted stock and stock option grants under the 2012 Stock Incentive Plan. The fair value of stock option grants issued are determined based on an option pricing model which takes into account various assumptions that are subjective. Key assumptions used in the stock option valuation include the expected term of the equity award taking into account the contractual term of the award, the effects of expected exercise and post-vesting termination behavior, expected volatility, expected dividends and the risk-free interest rate for the expected term of the award. Restricted stock grants to employees contain a market condition and/or service condition. The fair value of restricted stock grants to employees with a market condition is determined based on a Monte Carlo Simulation model at the date of grant. Restricted grants to employees with a service condition and restricted grants to non-employee directors are valued at the Company's stock price on the date of grant less the present value of anticipated dividends.

Offering and Incorporation Expenses

Offering expenses incurred in connection with the capitalization of the Company were recorded as a reduction of paid-in-capital at close. These costs include certain investment banking fees, legal fees, printer fees and audit fees. Any incorporation and organizational expenses not related to the raising of capital are expensed as incurred and are included in the statement of operations.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with FASB ASC Topic 740 - *Income Taxes*. The liability method measures the expected future tax effects of temporary differences at the enacted tax rates applicable for the period in which the deferred asset or liability is expected to be realized or settled. Temporary differences

are differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements that will result in future increases or decreases in taxes owed on a cash basis compared to amounts already recognized as tax expense in the consolidated statement of operations.

The Company evaluates the need for a valuation allowance against its deferred tax assets on a quarterly basis. In the course of its review, the Company assesses all available evidence, both positive and negative, including future sources of income, tax planning strategies, future contractual cash flows and reversing temporary differences. Additional valuation allowance benefits or charges could be recognized in the future due to changes in management's expectations regarding the realization of tax benefits. Uncertain tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. There are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Recent Accounting Developments

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued an Accounting Standards Update (the "Update") addressing the reporting of reclassifications out of accumulated other comprehensive income. The Update requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective for reporting periods beginning after December 15, 2013. Early adoption is permitted. We expect this guidance to affect financial statement disclosures but not to have an impact on the Company's results of operations, financial position or liquidity.

Recent Accounting Standards Updates Adopted

Nonpublic Entity Disclosures about Financial Instruments

In February 2013, the FASB issued an Accounting Standards Update clarifying the intended scope of the disclosures required by Update 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments clarify that the requirement to disclose "the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)" does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. The amendments were effective upon issuance. The adoption of this guidance in February 2013 did not have any effect on the Company's results of operations, financial position or liquidity.

Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities

In January 2013, the FASB issued an Accounting Standards Update clarifying that the scope of Update 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*, applies to derivatives accounted for in accordance with Topic 815, *Derivatives and Hedging*, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for fiscal years beginning on or after January 1, 2013, and interim periods

within those annual periods. The adoption of this guidance in January 2013 did not have any effect on the Company's results of operations, financial position or liquidity.

Reclassifications

Certain items in the financial statements as of and for the period ending December 31, 2012 have been reclassified to conform to the current year's presentation. There was no effect on net income previously reported.

3. Common Stock Offering

The Company entered into a purchase/placement agreement with FBR on April 17, 2012 and sold an aggregate of 55,000,000 common shares resulting in net proceeds of $510.3 million. As part of the agreement, the Company placed approximately 93.3% (or $476.2 million) of the net proceeds to the Company from this offering into investment accounts established for the purpose of investing such proceeds on a short-term basis, prior to approval from at least one of the GSEs, to be a qualified mortgage guaranty insurance provider to the GSE. As stated in the Certificate of Incorporation, this amount was not to be disbursed (used for operating activities) until the earlier of (i) receipt by the Company of GSE Approval or (ii) the liquidation of the Company. Approximately $34.6 million of the net proceeds were available for paying the cash portion of the MAC Acquisition and to pay off the FBR loan. The remaining balance of $31.8 million was placed in an operating account for the purpose of funding the Company's operations through the time of GSE Approval.

The initial purchaser's discount and placement fee of $38.3 million was comprised of $19.5 million in common stock and $18.8 million in cash. On October 24, 2012 FBR sold the aforementioned common stock and proceeds of $19.5 million were retained in an escrow account until the Company received GSE Approval.

In January 2013, following GSE Approval, the escrow funds were released to FBR (its initial purchasers' discount and placement fees from the escrow account) and to MAC for the cash portion of the MAC Acquisition.

4. Acquisition of MAC

On November 30, 2011, the Company entered into an agreement with MAC Financial Ltd. to acquire MAC Financial Holdings Corporation and its wholly-owned subsidiaries (collectively "MAC"). The agreement closed shortly after the closing of the common stock offering described above. Under the agreement, the total initial consideration paid for MAC was $8.5 million which consists of $2.5 million in cash, $2.5 million in the Company's common stock, and warrants to acquire the Company's common stock valued at $3.5 million. The consideration (net of expenses paid on MAC's behalf) was held in an escrow account until the Company received GSE Approval, upon which time it was released to MAC Financial Ltd. The total purchase consideration was allocated to the acquired assets and liabilities as follows:

April 24, 2012		
Current assets	$	52,159
Intangibles		1,590,000
Capitalized software		5,000,000
Goodwill		3,244,197
Subtotal		9,886,356
Current liabilities and deferred tax liabilities		(1,386,356)
Estimated fair value of net assets acquired	$	8,500,000

Pursuant to the terms of the stock purchase agreement, the Company assumed approximately $1.3 million of MAC's existing liabilities, which relate to outstanding payment obligations under its vendor contracts with CDW, LLC, Milliman, Inc., and Intellect/SEEC, Inc. and incurred $0.1 million in tax liabilities as a result of the acquisition of certain indefinite-lived intangibles. All other liabilities which existed at closing are the obligation of MAC Financial Ltd. and either have

been or will be paid out of their cash consideration, which was held in an escrow account until GSE Approval. As of March 31, 2013 and December 31, 2012, the total amount of cash held in escrow (net of expenses paid on MAC's behalf) was $0 and $2 million, respectively.

Included in the acquired intangibles of $1,590,000 are operational manuals valued at $1,200,000 which at the time of acquisition, were a key deliverable in the Company's GSE application and were expected to be placed in service following GSE approval. Subsequently, the processes and procedures underlying the operational manuals have been reengineered to be substantially different as defined by the Company's current management. Therefore, at December 31, 2012 the Company determined the carrying value of operational manuals would not be recovered and the manuals could not be sold and would be disposed, and as a result, assessed the fair value at zero and recognized a loss on impairment of $1.2 million in the fourth quarter of 2012.

5. Investments

As of March 31, 2013, there were $5.4 million in short-term investments in the form of a U.S. Treasury securities and cash on deposit with various state insurance departments to satisfy regulatory requirements.

Fair Values and Gross Unrealized Gains and Losses on Investments

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
As of March 31, 2013				
U.S. Treasury securities and obligations of U.S. government agencies	$ 44,101,071	$ 118,683	$ (7,878)	$ 44,211,876
Municipal bonds	7,023,278	—	(7,738)	7,015,540
Corporate debt securities	219,123,684	844,144	(47,900)	219,919,928
Asset-backed securities	52,756,274	116,213	(127,861)	52,744,626
Total fixed income securities	$ 323,004,307	$ 1,079,040	$ (191,377)	$ 323,891,970
Short-term investments	5,374,955	159	—	5,375,114
Total Investments	$ 328,379,262	$ 1,079,199	$ (191,377)	$ 329,267,084

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
As of December 31, 2012				
Short-term investments	$ 4,863,647	$ 559	$ —	$ 4,864,206
Total Investments	$ 4,863,647	$ 559	$ —	$ 4,864,206

Aging of Unrealized Losses

All of the unrealized losses as of March 31, 2013 were aged less than three months. There were no unrealized losses as of December 31, 2012.

Scheduled Maturities as of March 31, 2013

	Amortized Cost	Fair Value
Due in one year or less	$ 5,374,955	$ 5,375,114
Due after one through five years	187,953,618	188,574,399
Due after five through ten years	67,567,642	67,810,279
Due after ten years	14,726,773	14,762,666
Asset-backed securities	52,756,274	52,744,626
Total Investments	$ 328,379,262	$ 329,267,084

All investments held at December 31, 2012 had a scheduled maturity of one year or less.

Net Realized Investment Gains on Investments

	Three Months Ended March 31, 2013 and the period from May 19, 2011 (inception) to March 31, 2013
Corporate Bonds	$ 28,350
Total Net Realized Investment Gains	$ 28,350

There were no realized investment gains or losses for the three months ended March 31, 2012.

6. Fair Value Disclosures

The following describes the valuation techniques used by the Company to determine the fair value of financial instruments held as at March 31, 2013 and December 31, 2012:

We established a fair value hierarchy by prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities; and

Level 3 - Unobservable inputs that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level of market activity used to determine the fair value hierarchy is based on the availability of observable inputs market participants would use to price an asset or a liability, including market value price observations.

Assets classified as Level 1 and Level 2

To determine the fair value of securities available-for-sale in Level 1 and Level 2 of the fair value hierarchy, independent pricing sources have been utilized. One price is provided per security based on observable market data. To ensure securities are appropriately classified in the fair value hierarchy, we review the pricing techniques and methodologies of the independent pricing sources and believe that their policies adequately consider market activity, either based on specific

transactions for the issue valued or based on modeling of securities with similar credit quality, duration, yield and structure that were recently traded. A variety of inputs are utilized by the independent pricing sources including benchmark yields, reported trades, non-binding broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including data published in market research publications. Inputs may be weighted differently for any security, and not all inputs are used for each security evaluation. Market indicators, industry and economic events are also considered. This information is evaluated using a multidimensional pricing model. Quality controls are performed by the independent pricing sources throughout this process, which include reviewing tolerance reports, trading information and data changes, and directional moves compared to market moves. This model combines all inputs to arrive at a value assigned to each security. We have not made any adjustments to the prices obtained from the independent pricing sources.

Assets classified as Level 3

The warrants held by FBR and MAC Financial Ltd. and are valued using a Black-Scholes option-pricing model. Variables in the model include the risk-free rate of return, dividend yield, expected life and expected volatility of the Company's stock price. Any potential value associated with pricing protection features are assessed using internal models and management estimation.

ASC 825, "Disclosures about Fair Value of Financial Instruments", requires all entities to disclose the fair value of their financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value.

The following is a list of those assets and liabilities that are measured at fair value by hierarchy level as of March 31, 2013 and December 31, 2012:

	Fair Value Measurements Using			
Assets and Liabilities at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
As of March 31, 2013				
U.S. Treasury securities and obligations of U.S. government and agencies	$ 49,586,990	$ —	$ —	$ 49,586,990
Municipal bonds	—	7,015,540	—	7,015,540
Corporate debt securities	—	219,919,928	—	219,919,928
Asset-backed securities	—	52,744,626	—	52,744,626
Cash and cash equivalents	147,402,185	—	—	147,402,185
Total assets	$ 196,989,175	$ 279,680,094	$ —	$ 476,669,269
Warrant liability	—	—	4,806,657	4,806,657
Total liabilities	$ —	$ —	$ 4,806,657	$ 4,806,657

Assets and Liabilities at Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
As of December 31, 2012				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 4,864,206	$ —	$ —	$ 4,864,206
Cash and cash equivalents	526,193,573	—	—	526,193,573
Total assets	$ 531,057,779	$ —	$ —	$ 531,057,779
Warrant liability	—	—	4,841,765	4,841,765
Total liabilities		$ —	$ 4,841,765	$ 4,841,765

The following is a rollforward of Level 3 liabilities measured at fair value for the three months ended March 31, 2013:

Three Months Ended March 31, 2013	Total Fair Value Measurements
Level 3 Instruments Only	**Warrant Liability**
Balance, January 1, 2013	$ 4,841,765
Change in fair value of warrant liability included in earnings	(35,108)
Balance, March 31, 2013	$ 4,806,657

Period from May 19, 2011 (inception) to March 31, 2013	Total Fair Value Measurements
Level 3 Instruments Only	**Warrant Liability**
Balance, May 19, 2011	$ —
Initial fair value of warrant liability	5,119,569
Change in fair value of warrant liability included in earnings	(312,912)
Balance, March 31, 2013	$ 4,806,657

The fair value of the warrants issued to FBR and MAC Financial Ltd. was estimated on the date of grant using the Black-Scholes option-pricing model, including consideration of any potential additional value associated with pricing protection features. The volatility assumption used, 39.0%, was derived from the historical volatility of the share price of a range of publicly-traded companies with similar types of business to that of the Company. No allowance was made for any potential illiquidity associated with the private trading of the Company's shares. The other assumptions in the option pricing model were as follows: risk free interest rate of 2.00%, expected life of 10 years and a dividend yield of 0%.

The carrying value of other selected assets on our consolidated balance sheet approximates fair value.

7. Software and Equipment

Software and equipment consist primarily of capitalized software purchased in connection with the MAC Acquisition which had a fair value of $5 million at the date of acquisition. Software and equipment, net, as of March 31, 2013 and December 31, 2012, consist of the following:

As of March 31, 2013		
Software	$	8,915,892
Equipment		359,413
Less accumulated amortization and depreciation		(62,010)
Software and equipment, net	$	9,213,295

As of December 31, 2012		
Software	$	7,268,439
Equipment		284,573
Less accumulated amortization and depreciation		(2,917)
Software and equipment, net	$	7,550,095

Amortization and depreciation expense for the three month period ended March 31, 2013 and March 31, 2012 was $59,092 and $0, respectively.

8. Intangible Assets

Intangible assets consist of identifiable intangible assets purchased in connection with the Company's acquisition. Intangible assets, net, as of March 31, 2013 and December 31, 2012, consist of the following:

As of March 31, 2013			**Expected Lives**
State licenses	$	260,000	Indefinite
GSE Approvals		130,000	Indefinite
Total Intangible assets	$	390,000	

As of December 31, 2012			**Expected Lives**
State licenses	$	260,000	Indefinite
GSE Applications		130,000	Indefinite
Operational manuals		1,200,000	3 years
Total prior to impairment		1,590,000	
Less loss on impairment		(1,200,000)	
Intangible assets, net of impairment	$	390,000	

The Company tests intangibles for impairment in the fourth quarter each year or more frequently if the Company believes indicators of impairment exist. At the time of acquisition, the operational manuals were a key deliverable in the Company's GSE application and were expected to be placed in service following GSE approval. Subsequently, the processes and procedures underlying the operational manuals have been reengineered to be substantially different as defined by the Company's current management. Therefore, at December 31, 2012 the Company determined the carrying value of operational manuals would not be recovered and the manuals could not be sold and would be disposed, and as a result, assessed the fair value at zero and recognized a loss on impairment of $1.2 million. The Company does not believe that the indefinite-lived intangible assets were impaired at March 31, 2013.

9. Commitments and Contingencies

Office Lease

The Company entered into an office facility lease effective July 1, 2012 for a term of two years. This facility is fully furnished and allows for expansion based on projected staffing growth. The Company prepaid rent of approximately $246,000 for the period July 1, 2012 through March 31, 2013.

Management expects that, in the normal course of business, future minimum lease payments under this lease to be as follows:

Years ending December 31,		
2013	$	549,024
2014		411,768
Totals	$	960,792

There was rent expense, related to this lease, of approximately $82,000 for the quarter ended March 31, 2013. There was no rent expense for the quarter ended March 31, 2012.

10. Income Taxes

Following is a reconciliation of the Company's net deferred income tax asset as of March 31, 2013 and December 31, 2012:

	March 31, 2013	
	Gross	Tax Effected
Deferred tax asset:		
Capitalized start-up costs	$ 31,208,739	$ 10,610,971
Net operating loss carry forwards	7,307,344	2,484,497
Total gross deferred tax assets	38,516,083	13,095,468
Less: valuation allowance	33,516,083	11,395,468
Total deferred tax assets	5,000,000	1,700,000
Deferred tax liability:		
Capitalized Software	(5,000,000)	(1,700,000)
Intangible Assets	(390,000)	(132,600)
Total deferred tax liabilities	(5,390,000)	(1,832,600)
Net deferred income tax liability	$ (390,000)	$ (132,600)

	December 31, 2012	
	Gross	Tax Effected
Deferred tax asset:		
Capitalized start-up costs	$ 21,796,012	$ 7,410,644
Net operating loss carry forwards	7,307,344	2,484,497
Total gross deferred tax assets	29,103,356	9,895,141
Less: valuation allowance	24,103,356	8,195,141
Total deferred tax assets	5,000,000	1,700,000
Deferred tax liability:		
Capitalized Software	(5,000,000)	(1,700,000)
Intangible Assets	(390,000)	(132,600)
Total deferred tax liabilities	(5,390,000)	(1,832,600)
Net deferred income tax liability	$ (390,000)	$ (132,600)

The Company has a net deferred tax liability of $132,600 as a result of the acquisition of indefinite-lived intangibles in the MAC Acquisition for which a benefit has been reflected in the acquired net operating loss carry forwards. The tax liability incurred at the acquisition is recorded as an increase in Goodwill.

Section 382 imposes annual limitations on a corporation's ability to utilize its NOL's if it experiences an "ownership change." As a result of the MAC Acquisition, $7.3 million of NOL's are subject to annual limitations of $277,000. Net

unrealized built-in gains could increase the annual Section 382 limitation. Any unused annual limitation may be carried forward up to 20 years. The NOLs will expire in years 2029 through 2031.

As the Company has not yet begun operations and has no history to provide a basis for reliable future income projections, a valuation allowance of $11.4 million and $8.2 million was recorded at March 31, 2013 and December 31, 2012, respectively, to reflect the amount of the deferred taxes that may not be realized.

11. Stock Compensation

The 2012 Stock Incentive Plan (the "Plan") was approved by the Board of Directors (the "Board") on April 16, 2012, and authorized 5.5 million shares be reserved for issuance under the Plan with 3.85 million shares available for stock options and 1.65 million shares available for restricted stock grants. Options granted under the Plan are Non-Qualified Stock Options and may be granted to employees, directors and other key persons of the Company. The exercise price per share for the common stock covered by this Plan shall be determined by the Board at the time of grant, but shall not be less than the fair market value on the date of the grant. The term of the stock option grants will be fixed by the Board, but no stock option shall be exercisable more than 10 years after the date the stock option is granted. The vesting period of the stock option grants will also be fixed by the Board at the time of grant and generally are for a three year period.

A summary of option activity in the plan during the period ending March 31, 2013 is as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Options balance at December 31, 2012	2,546,750	$ 3.86
Options granted	513,827	4.56
Less: Options forfeited	(10,000)	3.84
Options balance outstanding at March 31, 2013	3,050,577	$ 3.98

There were no exercises as of March 31, 2013.

The remaining weighted average contractual life of options outstanding as of March 31, 2013 was 9.3 years. As of March 31, 2013, there was approximately $7.0 million of total unrecognized compensation cost related to non-vested stock options.

The Company accounts for stock options under ASC No. 718, *Compensation - Stock Compensation* ("ASC 718"), which requires all share-based payments to be recognized in the financial statements at their fair values. To measure the fair value of stock options granted, the Company utilizes the Black-Scholes options pricing model. Expense is recognized over the required service period, which is generally the three-year vesting period of the options (vesting in one-third increments per year).

The estimated grant date fair values of the stock options granted during 2013 were calculated using Black-Scholes valuation model based on the following assumptions:

Expected life	6.00 years
Risk free interest rate	1.12%
Dividend yield	0.00%
Expected stock price volatility	39.00%
Projected forfeiture rates	1.00%

Expected Price Volatility - is a measure of the amount by which a price has fluctuated or is expected to fluctuate. At the time of grant, the Company's common shares trading history was less than six months which was not sufficient to calculate an expected volatility representative of the volatility over the expected lives of the options. As a substitute for such

estimate, the Company used historical volatilities of a set of comparable companies in the industry in which the Company operates.

Risk-Free Interest Rate - is the U.S. Treasury rate for the date of the grant having a term approximating the expected life of the option.

Expected Lives - is the period of time over which the options granted are expected to remain outstanding giving consideration to vesting schedules, historical exercise and forfeiture patterns. The Company uses the simplified method outlined in SEC Staff Accounting Bulletin No. 107 to estimate expected lives for options granted during the period as historical exercise data is not available and the options meet the requirements set out in the Bulletin. Options granted have a maximum term of ten years.

Forfeiture Rate - is the estimated percentage of options granted that are expected to be forfeited or cancelled before becoming fully vested. An increase in the forfeiture rate will decrease compensation expense.

Dividend Yield - is calculated by dividing the expected annual dividend by the stock price of the Company at the valuation date.

A summary of restricted stock unit activity in the plan during the period ending March 31, 2013 is as follows:

	Shares		Weighted Average Grant Date Fair Value per Share
Restricted Stock balance at December 31, 2012	1,429,260	$	7.35
Restricted Stock Units Granted	82,000		11.75
Less: Restricted Stock Units Forfeited	—		—
Restricted Stock balance outstanding at March 31, 2013	1,511,260	$	7.59

In February 2013, the Board of Directors approved a modification to the vesting terms of approximately 400,000 outstanding and unvested restricted stock units held by employees of the Company. The modification to the vesting terms removed the market condition leaving the restricted stock units subject to a service condition only. The modification resulted in a change in the period over which compensation costs are recognized and prospective recognition of incremental compensation cost, measured as the excess of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and relevant valuation inputs at the modification date.

At March 31, 2013, the 1.5 million shares of restricted stock outstanding consisted of 0.8 million shares that are subject to both a market and service condition and 0.7 million shares that are subject only to service conditions. The restricted stock units subject to both a market and service condition vest in one-third increments upon the achievement of certain market price goals and continued service. Restricted stock units vest in one-half increments on the second and third anniversary date following the grant date and continued service or in one-third increments on the first, second and third anniversary date following the grant date and continued service. The fair value of restricted stock units subject to market and service conditions is determined based on a Monte Carlo Simulation model at the date of grant. The fair value of restricted stock units subject only to service conditions are valued at the Company's stock price on the date of grant less the present value of anticipated dividends.

The estimated grant date fair values of the restricted stock units granted in 2012 that are subject to both a market and service condition were calculated using a Monte Carlo Simulation model based on the average outcome of 150,000 simulations using the following assumption:

Expected life	5.00 years
Risk free interest rate	0.86%
Dividend yield	0.00%
Expected stock price volatility	39.00%
Projected forfeiture rates	1.00%

The remaining weighted average contractual life of RSUs outstanding as of March 31, 2013 was 5.5 years. As of March 31, 2013, there was approximately $8.8 million of total unrecognized compensation cost related to non-vested restricted stock units.

12. Line of Credit and Related Warrants

As of December 31, 2011, in connection with the funding of the Company prior to executing the offering, FBR granted an uncommitted line of credit up to an aggregate principal amount of $1.5 million to support legal, accounting and others costs associated with the formation and the capitalization of the Company.

As part of the consideration for granting the line of credit, upon successful common stock offering on April 24, 2012, the Company agreed to issue warrants to FBR having an aggregate value equal to three times the amount of the outstanding line of credit balance. Each warrant gave the holder thereof the right to purchase one share of common stock at an exercise price equal to $10.00. Accordingly, FBR was issued approximately 314,000 warrants with an aggregate fair value of approximately $1.6 million. These warrants were measured at fair value and recorded as a finance fee with an offsetting charge to liabilities. As the line of credit was paid off on April 24, 2012, the debt discount was fully amortized as of March 31, 2013.

Upon exercise of these warrants, the amounts will be reclassified from warrant liability to additional paid-in capital.

The Company is required to revalue the warrants at the end of each reporting period and any change in fair value is reported in the statements of operations as "Gain (Loss) from change in fair value of warrant liability" in the period in which the change occurred. The fair value of the warrants is calculated using a Black-Scholes option-pricing model. The change in fair value as of March 31, 2013 is $35,108.

13. Litigation

On August 8, 2012, Germaine Marks, as Receiver, and Truitte Todd, as Special Deputy Receiver, of PMI Mortgage Insurance Co. ("PMI"), an Arizona insurance company in receivership, have filed a complaint ("the PMI Complaint") against the Company, National Mortgage Insurance Corporation and certain named individuals. The litigation is at an early stage of review and evaluation and the Company has filed an answer to PMI's complaint denying all allegations. Because the litigation and related discovery are in an early stage, the Company does not have sufficient information to determine or predict the ultimate outcome or estimate the range of possible losses, if any. Accordingly, no provision for litigation losses has been included in the accompanying financial statements.

On January 30, 2013, a case management conference took place among the parties in the PMI Complaint. The conference resulted in the setting of a trial date on February 3, 2014.

14. Statutory Financial Information

The Company's insurance subsidiaries, NMIC, NMI Re One and NMI Re Two, file financial statements in conformity with statutory basis accounting principles ("SAP") prescribed or permitted by the Wisconsin Office of the Commission of Insurance ("OCI"). Prescribed SAP includes state laws, regulations and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners ("NAIC"). The OCI recognizes only statutory accounting practices prescribed or permitted by the state of Wisconsin for determining and reporting the financial

condition and results of operations of an insurance company and for determining its solvency under Wisconsin insurance laws.

Prescribed and permitted practices generally vary in some respects from accounting principles generally accepted in the United States of America ("GAAP"). The principal differences between these accounting practices and GAAP are as follows: (1) acquisition expenses incurred in connection with acquiring new business are charged to expense under SAP but under GAAP are deferred and amortized as the related premiums are earned; (2) under SAP there are limitations on the net deferred tax assets created by the tax effects of temporary differences; (3) unpaid losses and loss adjustment expense ceded to reinsurers are reported as a deduction of the related reserve rather than as an asset as would be required under GAAP; (4) under statutory accounting practices, fixed maturity investments are generally valued at amortized cost. Under GAAP, those investments are considered to be available-for-sale and are recorded at fair value, with the unrealized gain or loss recognized, net of tax, as an increase or decrease to shareholders' equity.

15. Subsequent Events

On April 5, 2013 approximately 263,000 restricted stock units containing a market condition vested resulting in an acceleration of compensation expense of approximately $1.1 million in the second quarter of 2013.

On April 25, 2013 a hearing was held on several motions filed by the parties to the lawsuit. The Court partially granted a defense motion and dismissed two of the six counts cited by the defendants. The court also ordered the plaintiffs to more specifically describe the trade secrets alleged in the plaintiff's complaint and ordered plaintiff's discovery efforts stayed until June 13, 2013. Finally the court ordered the defense and plaintiffs to resolve several discovery disputes and scheduled a follow up hearing for June 13, 2013. Our strategy remains the same and the litigation and related discovery are still in an early stage. The Company does not have sufficient information to determine or predict the ultimate outcome or estimate the range of possible losses, if any.

The Company has performed subsequent events procedures through May 8, 2013, which was the date the financial statements were available for issuance.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

NMI Holdings, Inc.
(A Development Stage Company)
Emeryville, CA

We have audited the accompanying consolidated balance sheets of NMI Holdings, Inc. (A Development Stage Company) as of December 31, 2012 and 2011 and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the year ended December 31, 2012, the period from May 19, 2011 (inception) to December 31, 2011 and the period from May 19, 2011 (inception) to December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NMI Holdings, Inc. (A Development Stage Company) at December 31, 2012 and 2011, and the results of its operations and its cash flows for the year ended December 31, 2012, the period from May 19, 2011 (inception) to December 31, 2011 and the period from May 19, 2011 (inception) to December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

February 14, 2013

CONSOLIDATED BALANCE SHEETS	December 31, 2012	December 31, 2011
Assets		
Investments, available-for-sale, at fair value	$ 4,864,206	$ —
Cash - Operating Account	14,516,951	1
Cash - Investment Account	471,338,467	—
Prepaid expenses	416,861	182,500
Restricted Cash	40,338,155	—
Goodwill and other intangible assets	3,634,197	—
Software and equipment, net	7,550,095	—
Other assets	108,802	27,257
Total Assets	$ 542,767,734	$ 209,758
Liabilities		
Accounts payable and accrued expenses	$ 8,707,573	$ 1,353,264
Placement fees payable	38,305,405	—
Purchase consideration payable	2,032,750	—
Line of credit	—	205,318
Warrant liability	4,841,765	—
Deferred tax liability	132,600	—
Total Liabilities	54,020,093	1,558,582
Commitments and Contingencies		
Shareholders' Equity (Deficit)		
Common stock - Class A shares, $0.01 par value, 55,250,100 and 100 shares issued and outstanding as of December 31, 2012 and 2011, respectively (250,000,000 shares authorized)	552,501	1
Common Stock - Class B shares, $0.01 par value, 250,000 and 0 shares issued and outstanding as of December 31, 2012 and 2011, respectively (250,000 authorized)	2,500	—
Additional paid-in capital	517,032,619	—
Accumulated other comprehensive income	559	—
Deficit accumulated during the development phase	(28,840,538)	(1,348,825)
Total Shareholders' Equity (Deficit)	488,747,641	(1,348,824)
Total Liabilities and Shareholders' Equity	$ 542,767,734	$ 209,758

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME	Year Ended December 31, 2012	Period from May 19, 2011 (inception) to December 31, 2011	Period from May 19, 2011 (inception) to December 31, 2012
Revenues			
Net investment income	$ 5,825	$ —	$ 5,825
Gain from change in fair value of warrant liability	277,804	—	277,804
Total Revenues	283,629	—	283,629
Expenses			
Payroll and related	11,558,914	—	11,558,914
Share-based compensation	6,115,360	—	6,115,360
Business development	—	82,152	82,152
Professional fees	1,815,992	558,701	2,374,693
Consulting fees	1,284,372	639,355	1,923,727
Accounting and auditing	266,370	50,000	316,370
Rent and office expenses	232,992	—	232,992
Travel and related costs	725,464	—	725,464
Information technology	875,370	—	875,370
Finance fees and interest expense	1,628,635	3,729	1,632,364
Board of Directors fees and related costs	888,012	—	888,012
State licensing fees and related costs	183,360	—	183,360
Loss on impairment	1,200,000	—	1,200,000
Other	1,000,501	14,888	1,015,389
Total Expenses	27,775,342	1,348,825	29,124,167
Net Loss	$ (27,491,713)	$ (1,348,825)	$ (28,840,538)
Other Comprehensive Income (net of tax)			
Unrealized holding gains for the period included in accumulated other comprehensive income	559	—	559
Other Comprehensive Income (net of tax)	559	—	559
Total Comprehensive Income (Loss)	$ (27,491,154)	$ (1,348,825)	$ (28,839,979)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

	Common stock							
	Class A		Class B					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Phase	Total
Period from May 19, 2011 (inception) to December 31, 2011								
Balance, May 19, 2011	—	$ —	—	$ —	$ —	$ —	$ —	$ —
Issuance of common stock	100	1	—	—	—	—	—	1
Net loss	—	—	—	—	—	—	(1,348,825)	(1,348,825)
Balance, December 31, 2011	100	1	—	—	—	—	(1,348,825)	(1,348,824)
For the Year Ended December 31, 2012								
Balance, December 31, 2011	100	1	—	—	—	—	(1,348,825)	(1,348,824)
Issuance of Class A common stock	55,000,000	550,000	—	—	508,419,759	—	—	508,969,759
Issuance of Class B common stock	—	—	250,000	2,500	—	—	—	2,500
Issuance of common stock related to acquisition of subsidiaries	250,000	2,500	—	—	2,497,500	—	—	2,500,000
Share-based compensation expense	—	—	—	—	6,115,360	—	—	6,115,360
Change in unrealized investment gains	—	—	—	—	—	559	—	559
Net loss	—	—	—	—	—	—	(27,491,713)	(27,491,713)
Balance, December 31, 2012	55,250,100	552,501	250,000	2,500	517,032,619	559	(28,840,538)	488,747,641
Period from May 19, 2011 (inception) to December 31, 2012								
Balance, May 19, 2011	—	—	—	—	—	—	—	—
Issuance of Class A common stock	55,000,100	550,001	—	—	508,419,759	—	—	508,969,760
Issuance of Class B common stock	—	—	250,000	2,500	—	—	—	2,500
Issuance of common stock related to acquisition of subsidiaries	250,000	2,500	—	—	2,497,500	—	—	2,500,000
Share-based compensation expense	—	—	—	—	6,115,360	—	—	6,115,360
Change in unrealized investment gains	—	—	—	—	—	559	—	559
Net loss	—	—	—	—	—	—	(28,840,538)	(28,840,538)
Balance at December 31, 2012	55,250,100	$ 552,501	250,000	$ 2,500	$517,032,619	$ 559	$(28,840,538)	$488,747,641

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS	For the Year Ended December 31, 2012	Period From May 19, 2011 (inception) to December 31, 2011	For the Period from May 19, 2011 (inception) to December 31, 2012
Cash Flows from Operating Activities			
Net loss	$ (27,491,713)	$ (1,348,825)	$ (28,840,538)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation	6,115,360	—	6,115,360
Warrants issued in connection with line of credit	1,619,569	—	1,619,569
Gain from change in fair value of warrant liability	(277,804)	—	(277,804)
Loss on impairment	1,200,000	—	1,200,000
Depreciation	2,917	—	2,917
Accrued investment income	(5,825)	—	(5,825)
Changes in operating assets and liabilities:			
Prepaid expense	(234,361)	(182,500)	(416,861)
Other assets	(77,739)	(27,257)	(104,996)
Accounts payable and accrued expenses	4,553,339	1,353,264	5,906,603
Net Cash Used in Operating Activities	(14,596,257)	(205,318)	(14,801,575)
Cash Flows from Investing Activities			
Purchase of short-term investment	(4,861,628)	—	(4,861,628)
Purchase of software and equipment	(2,446,504)	—	(2,446,504)
Acquisition of subsidiaries	(2,500,000)	—	(2,500,000)
Net Cash Used in Investing Activities	(9,808,132)	—	(9,808,132)
Cash Flows from Financing Activities			
Proceeds from (Payments on) line of credit	(552,657)	205,318	(347,339)
Issuance of common stock	510,812,463	1	510,812,464
Net Cash Provided by Financing Activities	510,259,806	205,319	510,465,125
Net Increase in Cash and Cash Equivalents	485,855,417	1	485,855,418
Cash and Cash Equivalents, beginning of period	1	—	—
Cash and Cash Equivalents, end of period	$ 485,855,418	$ 1	$ 485,855,418
Supplemental Disclosures of Cash Flow Information			
Restricted Cash	$ 40,338,155	$ —	$ 40,338,155
Noncash Financing Activities			
Acquisition of subsidiaries			
Warrants issued in connection with acquisition of subsidiaries	$ 3,500,000	$ —	$ 3,500,000
Common stock issued in connection with acquisition of subsidiaries	$ 2,500,000	$ —	$ 2,500,000

See accompanying notes to consolidated financial statements.

1. Organization

NMI Holdings, Inc. (A Development Stage Company) ("the Company"), a Delaware corporation, was formed in May 2011 with the intention of providing private mortgage guaranty insurance. From May 2011, the Company's activities were limited to raising capital, seeking to acquire the assets and approvals necessary to become a private mortgage guaranty insurance provider and hiring personnel. The accompanying consolidated financial statements include the accounts of NMI Holdings, Inc. and its wholly-owned subsidiaries, National Mortgage Insurance Corporation ("NMIC"), previously named Mortgage Assurance Corporation, National Mortgage Reinsurance Inc One ("NMI Re One"), previously named Mortgage Assurance Reinsurance Inc One, and National Mortgage Reinsurance Inc Two ('NMI Re Two"), previously named Mortgage Assurance Reinsurance Inc Two.

On November 30, 2011, the Company entered into an agreement with MAC Financial Ltd. to acquire MAC Financial Holding Corporation and its subsidiaries, Mortgage Assurance Corporation, Mortgage Assurance Reinsurance Inc One and Mortgage Assurance Reinsurance Inc Two, for approximately $8.5 million in cash, common stock and warrants plus the assumption of approximately $1.3 million in liabilities ("MAC Acquisition"). In addition, the Company incurred $0.1 million in tax liabilities as a result of the acquisition of certain indefinite-lived intangibles. The acquisition was completed in April 2012.

In April 2012, the Company offered 55.0 million shares of common stock at an issue price of $10.00 per share. Gross proceeds from the offering were $550.0 million. Net proceeds from the offering, after an approximate 7% underwriting fee and other offering expenses, were approximately $510.3 million. This fee has been escrowed for the benefit of FBR Capital Markets and Co. ("FBR"). The escrow account will be released to FBR upon the Company's receipt of approval from either the Federal National Home Mortgage Association ("Fannie Mae') or the Federal Home Loan Mortgage Corporation ("Freddie Mac") ("GSE Approval"). An additional $1.5 million in offering expenses are payable upon GSE approval.

The Company had nine months from the date of its last offering memorandum (until January 17, 2013) to obtain GSE Approval ("GSE Approval Deadline"). On January 16, 2013 the Company was approved as an eligible mortgage guaranty insurer by Fannie Mae and Freddie Mac, subject to maintaining certain conditions. See Note 15. Subsequent Events.

2. Basis of Presentation and Summary of Accounting Principles

Basis of Presentation

The accompanying consolidated financial statements include the results of the Company and its wholly-owned subsidiaries. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All material intercompany accounts have been eliminated. The accounts of the Company and its subsidiaries are maintained in US dollars. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities as of the balance sheet date. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers items such as certificates of deposit and money market funds with original maturities of 90 days or less to be cash equivalents.

The Company has approximately $40.3 million in restricted cash as of December 31, 2012. The restricted cash balance is comprised of two escrow accounts that were funded on April 24, 2012. The cash is payable to FBR and MAC Financial Ltd. upon obtaining GSE Approval. In the event GSE Approval is not obtained, the restricted cash is returned to the Company. See Note 15. Subsequent Events.

Investments

The Company has designated its investment portfolio as available-for-sale which is comprised of short-term investments with a maturity of less than 12 months when purchased and are carried at fair value.

Business Combinations, Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired from a business combination. In accordance with Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, the Company will test goodwill for impairment during the third quarter each year or more frequently if the Company believes indicators of impairment exist. The Company does not believe that goodwill was impaired at December 31, 2012.

All intangible assets, except for state licenses and GSE applications, have finite lives. Amortization for finite life intangible assets is computed using the straight-line method over estimated useful lives of 3 years. State licenses and GSE applications have an indefinite useful life and are tested for impairment each year. The Company's amortization policy states that amortization of intangible assets will commence subsequent to the placement of the asset into use by the Company. As the assets have not been placed into use as of and for the year ending December 31, 2012, there was no amortization expense. The Company tests intangibles for impairment during the fourth quarter each year or more frequently if the Company believes indicators of impairment exist. At December 31, 2012, the Company determined that the carrying value of certain finite lived intangibles exceeds the fair value and is not recoverable and recognized a loss on impairment of $1.2 million. The Company does not believe that the indefinite-lived intangible assets were impaired at December 31, 2012.

Software and Equipment

Software and equipment are stated at cost, less accumulated amortization and depreciation. Amortization and depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 7 years. Amortization of software and depreciation of equipment will commence subsequent to the placement of the asset into use by the Company.

Warrants

The Company accounts for warrants to purchase common shares of the Company issued to FBR and MAC Financial Ltd. in conjunction with the line of credit and stock purchase agreement, respectively, in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 470-20 *Debt with Conversion and Other Options* and ASC 815-40 *Derivatives and Hedging - Contracts in Entity's Own Equity.* These warrants may be settled by the Company using the physical settlement method or through cash-less-exercises in which shares subject to the warrants are reduced in lieu of cash payment of the exercise price. The exercise price and the number of warrants are subject to anti-dilution provisions whereby the existing exercise price is adjusted downward and the number of warrants increased for events that may not be dilutive and the adjustment may be in excess of any dilution suffered. As a result, the warrants are classified as a liability. The Company is required to revalue the warrants at the end of each reporting period and any change in fair value is reported in the statements of operations in the period in which the change occurred. The fair value of the warrants is calculated using a Black-Scholes model.

Stock-Based Compensation

The Company adopted ASC 718, *Compensation - Stock Compensation* ("ASC 718"). ASC 718 addresses accounting for share-based awards and recognizes compensation expense, measured using grant date fair value, over the requisite service or performance period of the award. Share-based payments include restricted stock and stock option grants under the 2012 Stock Incentive Plan. The fair value of stock option grants issued are determined based on an option pricing

model which takes into account various assumptions that are subjective. Key assumptions used in the stock option valuation include the expected term of the equity award taking into account the contractual term of the award, the effects of expected exercise and post-vesting termination behavior, expected volatility, expected dividends and the risk-free interest rate for the expected term of the award. Restricted stock grants to employees contain a market and service condition. The fair value of restricted stock grants to employees is determined based on a Monte Carlo Simulation model at the date of grant. Restricted grants to non-employee directors are valued at the Company's stock price on the date of grant less the present value of anticipated dividends.

Offering and Incorporation Expenses

Offering expenses incurred in connection with the capitalization of the Company were recorded as a reduction of paid-in-capital at close. These costs include certain investment banking fees, legal fees, printer fees and audit fees. Any incorporation and organizational expenses not related to the raising of capital are expensed as incurred and are included in the statement of operations.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with FASB ASC Topic 740 - *Income Taxes*. The liability method measures the expected future tax effects of temporary differences at the enacted tax rates applicable for the period in which the deferred asset or liability is expected to be realized or settled. Temporary differences are differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements that will result in future increases or decreases in taxes owed on a cash basis compared to amounts already recognized as tax expense in the consolidated statement of operations.

The Company evaluates the need for a valuation allowance against its deferred tax assets on a quarterly basis. In the course of its review, the Company assesses all available evidence, both positive and negative, including future sources of income, tax planning strategies, future contractual cash flows and reversing temporary differences. Additional valuation allowance benefits or charges could be recognized in the future due to changes in management's expectations regarding the realization of tax benefits. Uncertain tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. There are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Recent Accounting Standards Updates Adopted

Impairment of Indefinite-Lived Intangible Assets

In July 2012, the FASB issued Accounting Standards Update ("ASU") 2012-02, updating guidance on indefinite-lived intangible assets impairment. Under the new guidance, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company elected to early adopt the amendments for the fiscal year beginning January 1, 2012. The adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity.

Intangibles - Goodwill and Other: Testing Goodwill for Impairment

In September 2011, the FASB issued updated guidance (ASU 2011-08) on goodwill impairment that gives companies the option to perform a qualitative assessment that may allow them to skip the annual two-step test and reduce costs. Under the new guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The FASB provided a sample list of events and circumstances that an entity can consider in performing its qualitative assessment. Under the amended guidance, an entity has the option to bypass the qualitative assessment and proceed directly to performing the first step of the two-step goodwill impairment test and may resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance in January 2012 did not have any effect on the Company's results of operations, financial position or liquidity.

Presentation of Comprehensive Income

In June 2011, the FASB issued updated guidance (ASU 2011-05) to increase the prominence of items reported in other comprehensive income by eliminating the option of presenting components of comprehensive income as part of the statement of changes in shareholders' equity. The updated guidance requires that all non-owner changes in shareholders' equity be presented either as a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance is to be applied retrospectively and is effective for the period ending September 30, 2012. Early adoption is permitted. The adoption of this guidance in June 2012 did not have any effect on the Company's financial position or liquidity.

Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in US GAAP and IFRS

In May 2011, the FASB issued updated guidance (ASU 2011-04) that addresses the objective of the FASB and the International Accounting Standards Board ("IASB") to develop common requirements for measuring and for disclosing information about fair value measurements with US GAAP and International Financial Reporting Standards ("IFRS"). The FASB and the IASB worked together to ensure that fair value has the same meaning in US GAAP and IFRS and that their respective fair value measurement and disclosure requirements are the same (except for minor differences in wording and style). The FASB and the IASB concluded that this guidance will improve comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with US GAAP and IFRS. The guidance explains how to measure fair value. This updated guidance does not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The updated guidance is effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted. The adoption of this guidance in January 2012 did not have any effect on the Company's results of operations, financial position or liquidity.

Transfers and Servicing: Reconsideration of Effective Control for Repurchase Agreement

In April 2011, the FASB amended its guidance on accounting for repurchase agreements (ASU 201103). The amendments simplify the accounting by eliminating the requirement that the transferor demonstrate it has adequate collateral to fund substantially all the cost of purchasing replacement assets. Under the amended guidance, a transferor maintains effective control over transferred financial assets (and thus accounts for the transfer as a secured borrowing) if there is an agreement that both entitles and obligates the transferor to repurchase the financial assets before maturity and if all of the following conditions previously required are met; (i) financial assets to be repurchased or redeemed are the same or substantially the same as those transferred, (ii) repurchase or redemption date before maturity at a fixed or determinable price, and (iii) the agreement is entered into contemporaneously with, or in contemplation of, the transfer. As a result, more arrangements could be accounted for as secured borrowings rather than sales. The updated guidance is effective on a prospective basis for interim and annual reporting periods beginning on or after December 15, 2011, early adoption is

prohibited. The adoption of this guidance in January 2012 did not have any effect on the Company's results of operations, financial position or liquidity.

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB issued Accounting Standards Update 2010-26, to address the diversity in practice for the accounting for costs associated with acquiring or renewing insurance contracts. This guidance modifies the definition of acquisition costs to specify that a cost must be directly related to the successful acquisition of a new or renewal insurance contract in order to be deferred. If application of this guidance would result in the capitalization of acquisition costs that had not previously been capitalized by a reporting entity, the entity may elect not to capitalize those costs.

The updated guidance is effective on either a retrospective or prospective basis for interim and annual reporting periods beginning after December 15, 2011, with early adoption permitted as of the beginning of a company's annual period. The adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity as the Company has yet to commence writing premiums.

Recent Accounting Standards Updates Not Yet Adopted

Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued ASU 2011-11, requiring an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The disclosure requirements apply to financial instruments and derivative instruments that are either offset in accordance with ASC Section 210-20-45 or Section 815-10-45, or subject to an enforceable master netting arrangement or similar agreement. The ASU requires entities to disclose in tabular format certain quantitative information separately for assets and liabilities, including but not limited to: gross amounts of those recognized assets and liabilities; amounts offset to determine the net amounts presented in the statement of financial position; net amounts presented in the statement of financial position; and amounts subject to an enforceable master netting arrangement. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. We expect this guidance to affect financial statement disclosures but not to have an impact on the Company's results of operations, financial position or liquidity.

Reclassifications

Certain items in the financial statements as of and for the period ending December 31, 2011 have been reclassified to conform to the current year's presentation. There was no effect on net income previously reported.

3. Common Stock Offering

The Company entered into a purchase/placement agreement with FBR on April 17, 2012 and sold an aggregate of 55,000,000 common shares resulting in net proceeds of $510.3 million. As part of the agreement, the Company placed approximately 93.3% (or $476.2 million) of the net proceeds to the Company from this offering into investment accounts established for the purpose of investing such proceeds on a short-term basis, prior to approval from at least one of the GSEs, to be a qualified mortgage guaranty insurance provider to the GSE. As stated in the Certificate of Incorporation, this amount is not disbursed (used for operating activities) until the earlier of (i) receipt by the Company of GSE Approval or (ii) the liquidation of the Company. Approximately $34.6 million of the net proceeds was available for paying the cash portion of the MAC Acquisition and to pay off the FBR loan. The remaining balance of $31.8 million was placed in an operating account for the purpose of funding the Company's operations through the time of GSE Approval. Upon receipt of GSE Approval, all proceeds within the Company's investment accounts will be available for operational purposes.

The initial purchaser's discount and placement fee of $38.3 million was comprised of $19.5 million in common stock and $18.8 million in cash. On October 24, 2012 FBR sold the aforementioned common stock and proceeds of $19.5 million were retained in the escrow account. The cash is maintained in the escrow account until the Company receives GSE Approval. Upon receipt of GSE Approval, FBR will receive its initial purchasers' discount and placement fees from the escrow account. If GSE Approval is not obtained, FBR's initial purchasers' discount and placement fee is deposited into the Company's investment account and the Company would dissolve and distribute the assets to the shareholders. See Note 15. Subsequent Events.

4. Acquisition of MAC

On November 30, 2011, the Company entered into an agreement with MAC Financial Ltd. to acquire MAC Financial Holdings Corporation and its wholly-owned subsidiaries (collectively "MAC").The agreement closed shortly after the closing of the common stock offering described above. Under the agreement, the total initial consideration paid for MAC was $8.5 million which consists of $2.5 million in cash, $2.5 million in the Company's common stock, and warrants to acquire the Company's common stock valued at $3.5 million. In addition, the Company assumed approximately $1.3 million in liabilities and incurred $0.1 million in deferred tax liabilities. The consideration (net of expenses paid on MAC's behalf) is held in an escrow account until such time as the Company receives GSE Approval. Upon receipt of GSE Approval, all consideration will be released to MAC Financial Ltd.

The total purchase consideration was allocated to the acquired assets and liabilities as follows:

April 24, 2012		
Current assets	$	52,159
Intangibles		1,590,000
Capitalized software		5,000,000
Goodwill		3,244,197
Subtotal		9,886,356
Current liabilities and deferred tax liabilities		(1,386,356)
Estimated fair value of net assets acquired	$	8,500,000

Pursuant to the terms of the stock purchase agreement, the Company assumed approximately $1.3 million of MAC's existing liabilities, which relate to outstanding payment obligations under its vendor contracts with CDW, LLC, Milliman, Inc., and Intellect/SEEC, Inc. and incurred $0.1 million in tax liabilities as a result of the acquisition of certain indefinite-lived intangibles. All other liabilities which existed at closing are the obligation of MAC Financial Ltd. and either have been or will be paid out of their cash consideration, which is currently being held in an escrow account until GSE Approval. As of December 31, 2012, the total amount of cash held in escrow (net of expenses paid on MAC's behalf) was approximately $2.0 million. See Note 15. Subsequent Events.

5. Available-for-Sale Investments

As of December 31, 2012, the Company had $4.9 million in short-term investments in the form of U.S. Treasury securities on deposit with various state insurance departments to satisfy regulatory requirements.

Fair Values and Gross Unrealized Gains and Losses on Investments

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
As of December 31, 2012				
U.S. Treasury securities and obligations of U.S. government agencies	$ 4,863,647	$ 559	$ —	$ 4,864,206
Total Investments	$ 4,863,647	$ 559	$ —	$ 4,864,206

There were no investments held at December 31, 2011.

Aging of Unrealized Losses

There were no unrealized losses as of December 31, 2012 and December 31, 2011.

Scheduled Maturities

All investments have scheduled maturities of one year or less.

Net Investment Income

	Year Ended December 31, 2012	Period from May 19, 2011 (inception) to December 31, 2012
U.S. Treasury securities and obligations of U.S. government agencies	$ 2,019	$ 2,019
Cash equivalents	3,806	3,806
Total Net Investment Income	$ 5,825	$ 5,825

6. Fair Value Disclosures

We established a fair value hierarchy by prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities; and

Level 3 - Unobservable inputs that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level of market activity used to determine the fair value hierarchy is based on the availability of observable inputs market participants would use to price an asset or a liability, including market value price observations.

ASC 825, "Disclosures about Fair Value of Financial Instruments", requires all entities to disclose the fair value of their financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. The following describes the valuation techniques used by the Company to determine the fair value of financial instruments held as at December 31, 2012.

Short-Term Investments

The fair value of short-term investments is determined using unadjusted quoted market prices for identical securities.

Warrants

The warrants held by FBR and MAC Financial Ltd. are valued using a Black-Scholes option-pricing model. Variables in the model include the risk-free rate of return, dividend yield, expected lifes and expected volatility of the Company's stock price. Any potential value associated with pricing protection features are assessed using internal models and management estimation.

The following is a list of those assets and liabilities that are measured at fair value by hierarchy level as of December 31, 2012:

	Fair Value Measurements Using			
Assets and Liabilities at Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Fair Value**
As of December 31, 2012				
U.S. Treasury securities and obligations of U.S. government agencies	$ 4,864,206	$ —	$ —	$ 4,864,206
Cash and cash equivalents (including restricted cash)	526,193,573	—	—	526,193,573
Total assets	$ 531,057,779	$ —	$ —	$ 531,057,779
Warrant liability	—	—	4,841,765	4,841,765
Total liabilities	$ —	$ —	$ 4,841,765	$ 4,841,765

The following is a roll forward of Level 3 liabilities measured at fair value for the year ended December 31, 2012:

	Total Fair Value Measurements
Year Ended December 31, 2012	
Level 3 Instruments Only	**Warrant Liability**
Balance, January 1, 2012	$ —
Initial fair value of warrant liability	5,119,569
Change in fair value of warrant liability included in earnings	(277,804)
Balance, December 31, 2012	$ 4,841,765

The carrying value of other selected assets on our consolidated balance sheet approximates fair value.

The fair value of the warrants issued to FBR and MAC Financial Ltd. was estimated on the date of grant using the Black-Scholes option-pricing model, including consideration of any potential additional value associated with pricing protection features. The volatility assumption used, 39.0%, was derived from the historical volatility of the share price of a range of publicly-traded companies with similar types of business to that of the Company. No allowance was made for any potential illiquidity associated with the private trading of the Company's shares. The other initial assumptions in the option-pricing model were as follows: risk free interest rate of 2.00%, expected life of 10 years and a dividend yield of 0%.

7. Software and Equipment

Software and equipment consist primarily of capitalized software purchased in connection with the MAC Acquisition which had a fair value of $5 million at the date of acquisition. Software and equipment, net, as of December 31, 2012, consist of the following:

Software	$	7,268,439
Equipment		284,573
Less accumulated depreciation		(2,917)
Software and equipment, net	$	7,550,095

Depreciation expense for the year ended December 31, 2012 and the period from May 19, 2011 (inception) through December 31, 2012 was $2,917. There was no depreciation expense for the period ended December 31, 2011.

8. Intangible Assets

Intangible assets consist of identifiable intangible assets purchased in connection with the Company's acquisition. Intangible assets, net, as of December 31, 2012, consist of the following:

			Expected lives
State licenses	$	260,000	Indefinite
GSE Applications		130,000	Indefinite
Operational manuals		1,200,000	3 years
		1,590,000	
Less loss on impairment		(1,200,000)	
Intangible assets, net	$	390,000	

The Company tests intangibles for impairment in the fourth quarter each year or more frequently if the Company believes indicators of impairment exist. At the time of acquisition, the operational manuals were a key deliverable in the Company's GSE application and were expected to be placed in service following GSE approval. Subsequently, the processes and procedures underlying the operational manuals have been reengineered to be substantially different as defined by the Company's current management. Therefore, at December 31, 2012 the Company determined the carrying value of operational manuals would not be recovered and the manuals could not be sold and would be disposed, and as a result, assessed the fair value at zero and recognized a loss on impairment of $1.2 million. The Company does not believe that the indefinite-lived intangible assets were impaired at December 31, 2012. There were no intangible assets as of December 31, 2011.

9. Commitments and Contingencies

Office Lease

The Company entered into an office facility lease effective July 1, 2012 for a term of two years. This facility is fully furnished and allows for expansion based on projected staffing growth. However, under the terms of the agreement, the Company, if unable to obtain GSE Approval by March 15, 2013, may elect to terminate the lease by giving written notice to the landlord. The lease will then terminate (as if by expiration) on March 31, 2013. The Company prepaid rent of approximately $246,000 for the period July 1, 2012 through March 31, 2013. See Note 15. Subsequent Events.

Management expects that, in the normal course of business, future minimum lease payments under this lease to be as follows:

Years ending December 31,		
2013		631,016
2014		411,768
Totals	$	1,042,784

There was rent expense, related to this lease, of approximately $164,000 for the year ended December 31, 2012.

10. Income Taxes

Following is a reconciliation of the Company's net deferred income tax asset as of December 31, 2012:

	December 31, 2012	
	Gross	Tax Effected
Deferred tax asset:		
Capitalized start-up costs	$ 21,796,012	$ 7,410,644
Net operating loss carry forwards	7,307,344	2,484,497
Total gross deferred tax assets	29,103,356	9,895,141
Less: valuation allowance	(24,103,356)	(8,195,141)
Total deferred tax assets	5,000,000	1,700,000
Deferred tax liability:		
Capitalized Software	(5,000,000)	(1,700,000)
Intangible Assets	(390,000)	(132,600)
Total deferred tax liabilities	(5,390,000)	(1,832,600)
Net deferred income tax liability	$ (390,000)	$ (132,600)

The net deferred tax liability of $132,600 is due to the acquisition of indefinite-lived intangibles in the MAC Acquisition for which a benefit has been reflected in the acquired net operating loss carry forwards. The tax liability incurred at the acquisition is recorded as an increase in Goodwill.

Section 382 imposes annual limitations on a corporation's ability to utilize its NOL's if it experiences an "ownership change." As a result of the MAC Acquisition, $7.3 million of NOL's are subject to annual limitations of $277 thousand. Net unrealized built-in gains could increase the annual Section 382 limitation. Any unused annual limitation may be carried forward up to 20 years. The NOLs will expire in years 2029 through 2031.

As the Company has not yet begun operations and has no history to provide a basis for reliable future income projections, a valuation allowance of $8.2 million was recorded at December 31, 2012 to reflect the amount of the deferred taxes that may not be realized.

11. Stock Compensation

The 2012 Stock Incentive Plan (the "Plan") was approved by the Board of Directors (the "Board") on April 16, 2012, and authorized 5.5 million shares be reserved for issuance under the Plan with 3.85 million shares available for stock options and 1.65 million shares available for restricted stock grants. Options granted under the Plan are Non-Qualified Stock Options and may be granted to employees, directors and other key persons of the Company. The exercise price per share for the common stock covered by this Plan shall be determined by the Board at the time of grant, but shall not be less than the fair market value on the date of the grant. The term of the stock option grants will be fixed by the Board, but no stock option shall be exercisable more than 10 years after the date the stock option is granted. The vesting period of the stock option grants will also be fixed by the Board at the time of grant and generally are for a three year period.

A summary of option activity in the plan during 2012 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value per Share
Options balance at December, 31, 2011	—	$ —	$ —
Options Granted	2,829,250	10.00	3.87
Less: Options Forfeited	(282,500)	10.00	3.88
Options balance outstanding at December 31, 2012	2,546,750	$ 10.00	$ 3.86

There were no exercises and no options were exercisable as of December 31, 2012.

The remaining weighted average contractual life of options outstanding as of December 31, 2012 was 9.4 years. As of December 31, 2012, there was approximately $6.4 million of total unrecognized compensation cost related to non-vested stock options.

The Company accounts for stock options under ASC No. 718, *Compensation - Stock Compensation* ("ASC 718"), which requires all share-based payments to be recognized in the financial statements at their fair values. To measure the fair value of stock options granted, the Company utilizes the Black-Scholes options pricing model. Expense is recognized over the required service period, which is generally a three-year vesting period for the options (vesting in one-third increments per year).

The estimated grant date fair values of the stock options granted during 2012 were calculated using Black-Scholes valuation model based on the following weighted-average assumptions:

Expected life	6.00 years
Risk free interest rate	1.03%
Dividend yield	0.00%
Expected stock price volatility	39.00%
Projected forfeiture rates	1.00%

Expected Price Volatility - is a measure of the amount by which a price has fluctuated or is expected to fluctuate. At the time of grant, the Company's common shares trading history was less than six months which was not sufficient to calculate an expected volatility representative of the volatility over the expected lives of the options. As a substitute for such estimate, the Company used historical volatilities of a set of comparable companies in the industry in which the Company operates.

Risk-Free Interest Rate - is the U.S. Treasury rate for the date of the grant having a term approximating the expected life of the option.

Expected Lives - is the period of time over which the options granted are expected to remain outstanding giving consideration to vesting schedules, historical exercise and forfeiture patterns.

The Company uses the simplified method outlined in SEC Staff Accounting Bulletin No. 107 to estimate expected lives for options granted during the period as historical exercise data is not available and the options meet the requirements set out in the Bulletin. Options granted have a maximum term of ten years.

Forfeiture Rate - is the estimated percentage of options granted that are expected to be forfeited or cancelled before becoming fully vested. An increase in the forfeiture rate will decrease compensation expense.

Dividend Yield - is calculated by dividing the expected annual dividend by the stock price of the Company at the valuation date.

A summary of restricted stock unit activity in the plan during 2012 is as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Restricted Stock balance at December, 31, 2011	—	$ —
Restricted Stock Units Granted	1,666,748	7.35
Less: Restricted Stock Units Forfeited	(237,500)	7.35
Restricted Stock balance outstanding at December 31, 2012	1,429,248	$ 7.35

At December 31, 2012, the 1.4 million shares of restricted stock outstanding consisted of 1.2 million shares that are subject to both a market and service condition and 0.2 million shares that are subject only to service conditions. The restricted stock units subject to both a market and service condition vest in one-third increments upon the achievement of certain market price goals and continued service. All other restricted stock units vest in one-half increments on the second and third anniversary date following the grant date and continued service. The fair value of restricted stock units subject to market and service conditions is determined based on a Monte Carlo Simulation model at the date of grant. The fair value of restricted stock units subject only to service conditions are valued at the Company's stock price on the date of grant less the present value of anticipated dividends.

The estimated grant date fair values of the restricted stock units granted in 2012 that are subject to both a market and service condition were calculated using a Monte Carlo Simulation model based on the average outcome of 150,000 simulations using the following assumption:

Expected life	5.00 years
Risk free interest rate	0.86%
Dividend yield	0.00%
Expected stock price volatility	39.00%
Expected forfeiture rate	1.00%

The remaining weighted average contractual life of RSUs outstanding as of December 31, 2012 was 8.2 years. As of December 31, 2012, there was approximately $7.8 million of total unrecognized compensation cost related to non-vested restricted stock units.

12. Line of Credit and Related Warrants

As of December 31, 2011, in connection with the funding of the Company prior to executing the offering, FBR granted an uncommitted line of credit up to an aggregate principal amount of $1.5 million to support legal, accounting and others costs associated with the formation and the capitalization of the Company.

As part of the consideration for granting the line of credit, upon the successful common stock offering on April 24, 2012, the Company agreed to issue warrants to FBR having an aggregate value equal to three times the amount of the outstanding line of credit balance. Each warrant gave the holder thereof the right to purchase one share of common stock at an exercise price equal to $10.00. Accordingly, FBR was issued approximately 314,000 warrants with an aggregate fair value of approximately $1.6 million. These warrants were measured at fair value and recorded as a finance fee with an offsetting charge to liabilities. The line of credit was paid off on April 24, 2012 and the debt discount was fully amortized as of December 31, 2012. The warrants will be cancelled if the Company does not receive GSE Approval. See Note 15. Subsequent Events.

Upon exercise of these warrants, the amounts will be reclassified as additional paid-in capital.

The Company is required to revalue the warrants at the end of each reporting period and any change in fair value is reported in the statements of operations in the period in which the change occurred. The fair value of the warrants is calculated using a Black-Scholes model.

13. Litigation

On August 8, 2012, Germaine Marks, as Receiver, and Truitte Todd, as Special Deputy Receiver, of PMI Mortgage Insurance Co. ("PMI"), an Arizona insurance company in receivership, have filed a complaint against the Company, National Mortgage Insurance Corporation and certain named individuals. The litigation is at an early stage of review and evaluation and the Company has filed an answer to PMI's complaint denying all allegations. Because the litigation and related discovery are in an early stage, the Company does not have sufficient information to determine or predict
the ultimate outcome or estimate the range of possible losses, if any. Accordingly, no provision for litigation losses has been included in the accompanying financial statements.

14. Statutory Financial Information

The Company's insurance subsidiaries, NMIC, NMI Re One and NMI Re Two, file financial statements in conformity with statutory basis accounting principles ("SAP") prescribed or permitted by the Wisconsin Office of the Commission of Insurance ("OCI"). Prescribed SAP includes state laws, regulations and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners ("NAIC"). The OCI recognizes only statutory accounting practices prescribed or permitted by the state of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under Wisconsin insurance laws.

Prescribed and permitted practices generally vary in some respects from accounting principles generally accepted in the United States of America ("GAAP"). The principal differences between these accounting practices and GAAP are as follows: (1) acquisition expenses incurred in connection with acquiring new business are charged to expense under SAP but under GAAP are deferred and amortized as the related premiums are earned; (2) under SAP there are limitations on the net deferred tax assets created by the tax effects of temporary differences; (3) unpaid losses and loss adjustment expense ceded to reinsurers are reported as a deduction of the related reserve rather than as an asset as would be required under GAAP; (4) under statutory accounting practices, fixed maturity investments are generally valued at amortized cost. Under GAAP, those investments are considered to be available-for-sale and are recorded at fair value, with the unrealized gain or loss recognized, net of tax, as an increase or decrease to shareholders' equity.

In addition, mortgage guaranty insurers are required to establish a special contingency reserve from unassigned surplus, with annual contributions equal to the greater of (1) 50% of net earned premiums or (2) minimum policyholders' position divided by seven. The purpose of this reserve is to protect policyholders against the effects of adverse economic cycles. After 120 months, the matured portion of the reserve is released to unassigned funds. The Wisconsin Administrative Code allows withdrawals from the reserve in any year to the extent that incurred losses and loss adjustment expenses (LAE) exceed 35% of earned premiums. Additionally, in order to receive a tax benefit for the deduction of the additions to the statutory contingency reserve, NMIC must purchase U.S. government issued tax and loss bonds in the amount equal to the tax benefit. These non-interest-bearing bonds are held in investments for the purpose of maintaining the statutory liability for ten years or until such time as the contingency reserve is released back into surplus. Under GAAP, there is no contingency reserve.

The insurance subsidiaries' ability to pay dividends to its parent are limited by state insurance laws of the State of Wisconsin. Wisconsin law provides that the Company may pay dividends without the prior approval of the Wisconsin Commissioner of Insurance in an amount, when added to other shareholder distributions made in the prior 12 months, not to exceed the lesser of (a) 10% of the insurer's surplus as regards to policyholders as of the prior December 31, or (b) its net income (excluding realized capital gains) for the twelve month period ending December 31 of the immediately preceding calendar year. In determining net income, an insurer may carry forward net income from the previous calendar years that has not already been paid out as a dividend. Additionally, minimum capital requirements may limit the amount of dividend that the Company may pay.

The Company is in the process of applying for licenses in all other states and the District of Columbia. Some of these other states may restrict the Company's ability to pay shareholder dividends. See Note 15. Subsequent Events.

For the year ended December 31, 2012, none of the Company's insurance subsidiaries have paid dividends.

The Statutory and GAAP equity and net income of the Company's insurance and reinsurance subsidiaries were as follows:

	NMIC	NMI Re One	NMI Re Two
Statutory Capital and Surplus		*(Dollars In Thousands)*	
As at December 31, 2012	$ 210,004	$ 10,000	$ 10,000
Statutory Net Income (Loss)			
For the Year Ended December 31, 2012	$ (18)	$ —	$ —

15. Subsequent Events

On January 16, 2013 the Company was approved as an eligible mortgage guaranty insurer by Fannie Mae and Freddie Mac, subject to maintaining certain conditions. Along with their approval, Fannie Mae and Freddie Mac have indicated that they will be ready to accept loans insured by the Company in the second quarter of 2013. Both GSEs will be communicating directly to lenders regarding the timing and process.

Upon receipt of GSE approval, the 250,000 shares of Class B Non-Voting Common Stock outstanding were immediately converted into 250,000 shares of Class A Common Stock.

Pursuant to the purchase/placement agreement with FBR dated April 17, 2012 and the stock purchase agreement with MAC Financial Ltd., the Company executed the release of all consideration held in escrow on January 23, 2013.

In addition to state dividend limitations, the Company is restricted from paying any dividends to affiliates or to any holding company until December 31, 2015 by separate agreement with the GSE's.

On January 30, 2013, a case management conference took place among the parties in the complaint brought forth by Germaine Marks, as Receiver, and Truitte Todd, as Special Deputy Receiver, of PMI Mortgage Insurance Co., an Arizona insurance company in receivership, against the Company, National Mortgage Insurance Corporation and certain named individuals. The conference resulted in the setting of a trial date on February 3, 2014.

The Company has performed subsequent events procedures through February 14, 2013, which was the date the financial statements were available for issuance.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

MAC Financial Holding Corporation
(A Development Stage Company)
Emeryville, CA

We have audited the accompanying consolidated balance sheets of MAC Financial Holding Corporation (A Development Stage Company) as of April 24, 2012 and December 31, 2011 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the periods from January 1, 2012 to April 24, 2012, July 6, 2009 (inception) to April 24, 2012, the year ended December 31, 2011, and the period from July 6, 2009 (inception) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MAC Financial Holding Corporation at April 24, 2012 and December 31, 2011, and the results of its operations, changes in shareholders' equity, and its cash flows for the periods from January 1, 2012 to April 24, 2012, July 6, 2009 (inception) to April 24, 2012, the year ended December 31, 2011, and the period from July 6, 2009 (inception) to December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

June 14, 2013

CONSOLIDATED BALANCE SHEETS	April 24, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 16,705	$ 16,842
Prepaid expenses	12,474	18,620
Receivable from affiliate	200	200
Property and equipment, net of accumulated depreciation	7,647	11,927
Capitalized software costs	2,879,078	2,879,078
Total Assets	$ 2,916,104	$ 2,926,667
Liabilities		
Accounts payable	$ 1,466,766	$ 1,227,006
Note payable	—	239,760
Total Liabilities	1,466,766	1,466,766
Commitments and Contingencies		
Shareholders' Equity		
Common stock - $0.01 par value, 1,000 shares issued	10	10
Additional paid-in capital	7,090,510	7,090,510
Deficit accumulated during the development phase	(5,641,182)	(5,630,619)
Total Shareholders' Equity	1,449,338	1,459,901
Total Liabilities and Shareholders' Equity	$ 2,916,104	$ 2,926,667

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS	Period from January 1, 2012 to April 24, 2012	Period from July 6, 2009 (inception) to April 24, 2012	Year Ended December 31, 2011	Period from July 6, 2009 (inception) to December 31, 2011
Revenues				
Service income	$ —	$ 17,989	$ 1,738	$ 17,989
Investment income	—	17	—	17
Total Revenues	—	18,006	1,738	18,006
Expenses				
Payroll and benefits	—	2,401,828	333,927	2,401,828
Information technology	4,280	1,252,263	13,515	1,247,983
Legal and professional fees	—	724,805	21,124	724,805
Travel and related items	—	192,678	14,877	192,678
Rent and utilities	—	160,654	28,000	160,654
Operating licenses and fees	—	58,651	1,077	58,651
General and administrative	6,283	868,309	193,554	862,026
Total Expenses	10,563	5,659,188	606,074	5,648,625
Net loss	$ (10,563)	$ (5,641,182)	$ (604,336)	$ (5,630,619)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity	Common Stock $0.01 Par		Additional Paid-in Capital	Deficit Accumulated During the Development Phase	Total
	Shares	Amount			
Period from July 6, 2009 (inception) to December 31, 2011					
Balance, July 6, 2009	—	$ —	$ —	$ —	$ —
Issuance of Class A common stock	1,000	10	—	—	10
Capital contributions	—	—	7,090,510	—	7,090,510
Net loss	—	—	—	(5,630,619)	(5,630,619)
Balance, December 31, 2011	1,000	10	7,090,510	(5,630,619)	1,459,901
For the Year Ended December 31, 2011					
Balance, December 31, 2010	1,000	10	6,893,896	(5,026,283)	1,867,623
Capital contributions	—	—	196,614	—	196,614
Net loss	—	—	—	(604,336)	(604,336)
Balance, December 31, 2011	1,000	10	7,090,510	(5,630,619)	1,459,901
Period from July 6, 2009 (inception) to April 24, 2012					
Balance, July 6, 2009	—	—	—	—	—
Issuance of Class A common stock	1,000	10	—	—	10
Capital contributions	—	—	7,090,510	—	7,090,510
Net loss	—	—	—	(5,641,182)	(5,641,182)
Balance, April 24, 2012	1,000	10	7,090,510	(5,641,182)	1,449,338
For the Period Ended April 24, 2012					
Balance, December 31, 2011	1,000	10	7,090,510	(5,630,619)	1,459,901
Net loss	—	—	—	(10,563)	(10,563)
Balance, April 24, 2012	1,000	$ 10	$ 7,090,510	$ (5,641,182)	$ 1,449,338

See accompanying notes to consolidated financial statements.

MAC FINANCIAL HOLDING CORPORATION (A Development Stage Company)

Consolidated Statements of Cash Flows	Period from January 1, 2012 to April 24, 2012	Period from July 6, 2009 (inception) to April 24, 2012	Year Ended December 31, 2011	Period from July 6, 2009 (inception) to December 31, 2011
Cash Flows from Operating Activities				
Net loss	$ (10,563)	$ (5,641,182)	$ (604,336)	$ (5,630,619)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation	4,280	32,898	13,515	28,618
Changes in operating assets and liabilities:				
Accounts receivable	—	—	10,477	—
Prepaid expense	6,146	(12,474)	158,893	(18,620)
Payable to affiliate	—	(200)	(200)	(200)
Accounts payable and accrued expenses	239,760	1,466,766	(68,280)	1,227,006
Net Cash Provided by (Used in) Operating Activities	239,623	(4,154,192)	(489,931)	(4,393,815)
Cash Flows from Investing Activities				
Purchase of software and equipment	—	(40,545)	—	(40,545)
Capitalized software charges	—	(2,879,078)	(89,878)	(2,879,078)
Net Cash Used in Investing Activities	—	(2,919,623)	(89,878)	(2,919,623)
Cash Flows from Financing Activities				
Proceeds from common stock and capital contributions	—	7,090,520	196,614	7,090,520
(Payments on) proceeds from note payable	(239,760)	—	239,760	239,760
Net Cash (Used in) Provided by Financing Activities	(239,760)	7,090,520	436,374	7,330,280
Net (Decrease) Increase in Cash and Cash Equivalents	(137)	16,705	(143,435)	16,842
Cash and Cash Equivalents, beginning of period	16,842	—	160,277	—
Cash and Cash Equivalents, end of period	$ 16,705	$ 16,705	$ 16,842	$ 16,842

See accompanying notes to consolidated financial statements.

1. Organization

MAC Financial Holding Corporation (A Development Stage Company) (“the Company”) was organized in Delaware on July 6, 2009, and is a wholly-owned subsidiary of MAC Financial Ltd., a Bermuda holding company. The Company's wholly-owned subsidiaries include Mortgage Assurance Corporation, (“MAC”), a Wisconsin insurance company, Mortgage Assurance Reinsurance Inc. One (“MARI One”) a Wisconsin insurance company and Mortgage Assurance Reinsurance Inc. Two (“MARI Two”) a Wisconsin insurance company. In 2012, the MAC insurance subsidiaries were renamed. See Note 7. Subsequent Events.

MAC received a Certificate of Authority from Wisconsin's Office of the Commissioner of Insurance (“OCI”) to conduct a mortgage insurance business. However, to commence operations Certificates of Authority are required in each jurisdiction in which MAC wishes to conduct business and the approval as a qualified mortgage insurer by the Federal National Mortgage Association (“FNMA”) or the Federal Home Loan Mortgage Corporation (“FHLMC”, FNMA and FHLMC, collectively, the “GSEs”) is also required.

Certain states require that when coverage on individual loans exceeds 25%, such excess coverage be reinsured by another mortgage insurer, who may be an affiliate. Such reinsurance may be provided by a domestic or off-shore wholly-owned reinsurance company formed specifically for this purpose. The Company has determined that initially it will meet this requirement through two wholly-owned domestic reinsurers, MARI One and MARI Two. These two companies were formed in January, 2010 and received a Certificate of Authority from the Wisconsin OCI in March, 2010. The Company had not commenced writing mortgage insurance business as of April 24, 2012.

On November 30, 2011, NMI Holdings, Inc. (“NMI”) agreed to acquire from MAC Financial Ltd. all of the outstanding equity interest of the Company and its three wholly-owned subsidiaries for approximately $8.5 million. The completion of the acquisition was subject to NMI raising at least $500 million in a private placement offering as well as other customary closing conditions. The equity interest of the Company and the cash consideration was held in escrow until such time as NMI received approval from at least one of the GSEs to be a qualified mortgage insurance provider. See Note 7. Subsequent Events. Upon receipt of GSE approval, all consideration was released to MAC Financial Ltd. and the equity interest of the Company was released to NMI.

2. Basis of Presentation and Summary of Accounting Principles

Basis of Presentation

The accompanying financial statements include the results of the Company and its wholly-owned subsidiaries. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All material intercompany accounts have been eliminated. The accounts of the Company and its subsidiaries are maintained in US dollars. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers items such as certificates of deposit and money market funds with original maturities of 90 days or less to be cash equivalents.

Software and Equipment

The Company capitalizes costs incurred during the application development stage related to software developed for internal use and for which it has no substantive plan to market externally in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 985 - *Software*. Capitalized costs are amortized beginning at such time as the software is ready for its intended use on a straight-line basis over the estimated

useful life of the asset, which is generally three to seven years. The software has not been placed in service as of April 24, 2012. All other information technology costs are expensed as incurred.

Software and equipment are carried at cost, less accumulated amortization and depreciation. Amortization of software and depreciation on equipment are calculated using the straight-line method over the estimated useful lives of three to five years.

Revenue Recognition

The Company recognizes revenue as services are performed.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with FASB ASC Topic 740 - *Income Taxes*. The liability method measures the expected future tax effects of temporary differences at the enacted tax rates applicable for the period in which the deferred asset or liability is expected to be realized or settled. Temporary differences are differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements that will result in future increases or decreases in taxes owed on a cash basis compared to amounts already recognized as tax expense in the consolidated statement of operations.

The Company evaluates the need for a valuation allowance against its deferred tax assets on a quarterly basis. In the course of its review, the Company assesses all available evidence, both positive and negative, including future sources of income, tax planning strategies, future contractual cash flows and reversing temporary differences. Additional valuation allowance benefits or charges could be recognized in the future due to changes in management's expectations regarding the realization of tax benefits. Uncertain tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. There are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Recent Accounting Standards Updates Adopted

Impairment of Indefinite-Lived Intangible Assets

In July 2012, the FASB issued Accounting Standards Update (“ASU”) 2012-02, updating guidance on indefinite-lived intangible assets impairment. Under the new guidance, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company elected to early adopt the amendments for the fiscal year beginning January 1, 2012. The adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity.

Intangibles - Goodwill and Other: Testing Goodwill for Impairment

In September 2011, the FASB issued updated guidance (ASU 2011-08) on goodwill impairment that gives companies the option to perform a qualitative assessment that may allow them to skip the annual two-step test and reduce costs.

Under the new guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The FASB provided a sample list of events and circumstances that an entity can consider in performing its qualitative assessment. Under the amended guidance, an entity has the option to bypass the qualitative assessment and proceed directly to performing the first step of the two-step goodwill impairment test and may resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance in January 2012 did not have any effect on the Company's results of operations, financial position or liquidity.

Presentation of Comprehensive Income

In June 2011, the FASB issued updated guidance (ASU 2011-05) to increase the prominence of items reported in other comprehensive income by eliminating the option of presenting components of comprehensive income as part of the statement of changes in shareholders' equity. The updated guidance requires that all non-owner changes in shareholders' equity be presented either as a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance is to be applied retrospectively and is effective for the period ending September 30, 2012. Early adoption is permitted. The adoption of this guidance in January 2012 did not have any effect on the Company's financial position or liquidity.

Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in US GAAP and IFRS

In May 2011, the FASB issued updated guidance (ASU 2011-04) that addresses the objective of the FASB and the International Accounting Standards Board (“IASB”) to develop common requirements for measuring and for disclosing information about fair value measurements with US GAAP and International Financial Reporting Standards (“IFRS”). The FASB and the IASB worked together to ensure that fair value has the same meaning in US GAAP and IFRS and that their respective fair value measurement and disclosure requirements are the same (except for minor differences in wording and style). The FASB and the IASB concluded that this guidance will improve comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with US GAAP and IFRS. The guidance explains how to measure fair value. This updated guidance does not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The updated guidance is effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted. The adoption of this guidance in January 2012 did not have any effect on the Company's results of operations, financial position or liquidity.

Transfers and Servicing: Reconsideration of Effective Control for Repurchase Agreement

In April 2011, the FASB amended its guidance on accounting for repurchase agreements (ASU 2011-03). The amendments simplify the accounting by eliminating the requirement that the transferor demonstrate it has adequate collateral to fund substantially all the cost of purchasing replacement assets. Under the amended guidance, a transferor maintains effective control over transferred financial assets (and thus accounts for the transfer as a secured borrowing) if there is an agreement that both entitles and obligates the transferor to repurchase the financial assets before maturity and if all of the following conditions previously required are met; (i) financial assets to be repurchased or redeemed are the same or substantially the same as those transferred, (ii) repurchase or redemption date before maturity at a fixed or determinable price, and (iii) the agreement is entered into contemporaneously with, or in contemplation of, the transfer. As a result, more arrangements could be accounted for as secured borrowings rather than sales. The updated guidance is effective on a prospective basis for interim and annual reporting periods beginning on or after December 15, 2011, early adoption is prohibited. The adoption of this guidance in January 2012 did not have any effect on the Company's results of operations, financial position or liquidity.

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB issued Accounting Standards Update 2010-26, to address the diversity in practice for the accounting for costs associated with acquiring or renewing insurance contracts. This guidance modifies the definition of acquisition costs to specify that a cost must be directly related to the successful acquisition of a new or renewal insurance contract in order to be deferred. If application of this guidance would result in the capitalization of acquisition costs that had not previously been capitalized by a reporting entity, the entity may elect not to capitalize those costs.

The updated guidance is effective on either a retrospective or prospective basis for interim and annual reporting periods beginning after December 15, 2011, with early adoption permitted as of the beginning of a company's annual period. The adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity as the Company has yet to commence writing premiums.

Recent Accounting Standards Updates Not Yet Adopted

Nonpublic Entity Disclosures about Financial Instruments

In February 2013, the FASB issued an Accounting Standards Update clarifying the intended scope of the disclosures required by Update 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments clarify that the requirement to disclose “the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)” does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. We expect this guidance to affect financial statement disclosures but not to have an impact on the Company's results of operations, financial position or liquidity.

Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities

In January 2013, the FASB issued an Accounting Standards Update clarifying that the scope of Update 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*, applies to derivatives accounted for in accordance with Topic 815, *Derivatives and Hedging*, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. We expect this guidance to affect financial statement disclosures but not to have an impact on the Company's results of operations, financial position or liquidity.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued an Accounting Standards Update (the “Update”) addressing the reporting of reclassifications out of accumulated other comprehensive income. The Update requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective for reporting periods beginning after December 15, 2013. Early adoption is permitted. We expect this guidance to affect financial statement disclosures but not to have an impact on the Company's results of operations, financial position or liquidity.

Reclassifications

Certain items in the financial statements as of and for the period ending December 31, 2011 have been reclassified to conform to the current year's presentation. There was no effect on net income previously reported.

3. Notes Payable

In December of 2010, MAC secured a loan from the Wisconsin Department of Commerce in the amount of $250,000. The loan requires interest only payments for the first year and amortizes over the following two years in a fixed monthly installment of $10,640, commencing on January 1, 2012, which includes principal and interest. A final installment is

due December 1, 2013, which shall include all remaining principal and interest. The interest rate is 2% with a 2% origination fee. MAC received the entire $250,000 advance in January 2011. During the year, the Company violated a provision of the agreement, under which it was required to retain a certain number of employees in Wisconsin. The penalty for this violation is an incremental increase in the interest rate. The maximum penalty under the agreement for this violation is 4%. As of December 31, 2011, the balance due on the loan was $239,760. On April 24, 2012, the balance due on the loan was paid in full by NMI and the Company recorded a liability in Accounts Payable which will be settled upon successful completion of NMI's acquisition of the Company. See Note 7. Subsequent Events.

4. Income Taxes

The deferred tax assets consist mainly of a net operating loss. A full valuation reserve has been provided because the “more likely than not” standard for recognition of deferred tax assets has not been met. The Company has net operating loss carryforwards, after giving effect to timing differences, of approximately $7.3 million at December 31, 2011 and April 24, 2012 that will begin to expire December 31, 2029. Such carryforward may be utilized over the next twenty years to reduce taxable income and resulting income taxes.

5. Commitments and Contingencies

Facilities

The Company's current home office lease which expired on April 30, 2010 had been extended on a month by month basis through May 31, 2011. The rental expense was $28,000 for the year ended December 31, 2011. There was no rent expense for the period ended April 24, 2012.

Information Technology

In 2009 MAC had entered into contracts to (i) develop a data capture and transmission system to receive applications from its customers, (ii) develop an insurance management system to underwrite and produce commitments for applications, invoice commitments (including renewals) and store data in a data base, (iii) develop a financial reporting system, including investment management, and (iv) develop a web site. At December 31, 2011 and April 24, 2012 the Company has contingent commitments outstanding of approximately $280,000.

Intellect SEEC License Fee Accrual

On January 13, 2010, MAC requested the payment of license fees to Intellect SEEC related to the development of the Company's Insurance Management System be delayed. The license payment schedule was originally due as follows:

Due Date		
December 31, 2009	$	250,000
January 30, 2010		200,000
March 31, 2010		550,000
	Total $	1,000,000

Per an amended agreement between MAC and Intellect SEEC signed on February 2, 2010, Intellect SEEC agreed to delay the license fee payment to as follows:

a) $700,000 to be paid 10 days after obtaining the funding required for Government Sponsored Entity (“GSE”) approval
b) $300,000 to be paid upon completion of deployment of the Insurance Management System and user acceptance testing

See Note 7. Subsequent Events.

6. Statutory Financial Information

The Company's insurance subsidiaries, MAC, MARI One and MARI Two, file financial statements in conformity with statutory basis accounting principles (“SAP”) prescribed or permitted by the Wisconsin Office of the Commission of Insurance (“OCI”). Prescribed SAP includes state laws, regulations and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners (“NAIC”). The OCI recognizes only statutory accounting practices prescribed or permitted by the state of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under Wisconsin insurance laws.

Prescribed and permitted practices generally vary in some respects from accounting principles generally accepted in the United States of America (“GAAP”). The principal differences between these accounting practices and GAAP are as follows: (1) acquisition expenses incurred in connection with acquiring new business are charged to expense under SAP but under GAAP are deferred and amortized as the related premiums are earned; (2) under SAP there are limitations on the net deferred tax assets created by the tax effects of temporary differences; (3) unpaid losses and loss adjustment expense ceded to reinsurers are reported as a deduction of the related reserve rather than as an asset as would be required under GAAP; (4) under statutory accounting practices, fixed maturity investments are generally valued at amortized cost. Under GAAP, those investments are considered to be available-for-sale and are recorded at fair value, with the unrealized gain or loss recognized, net of tax, as an increase or decrease to shareholders' equity.

In addition, mortgage guaranty insurers are required to establish a special contingency reserve from unassigned surplus, with annual contributions equal to the greater of (1) 50% of net earned premiums or (2) minimum policyholders' position divided by seven. The purpose of this reserve is to protect policyholders against the effects of adverse economic cycles. After 120 months, the matured portion of the reserve is released to unassigned funds. The Wisconsin Administrative Code allows withdrawals from the reserve in any year to the extent that incurred losses and loss adjustment expenses (LAE) exceed 35% of earned premiums. Additionally, in order to receive a tax benefit for the deduction of the additions to the statutory contingency reserve, NMIC must purchase U.S. government issued tax and loss bonds in the amount equal to the tax benefit. These non-interest-bearing bonds are held in investments for the purpose of maintaining the statutory liability for ten years or until such time as the contingency reserve is released back into surplus. Under GAAP, there is no contingency reserve.

The insurance subsidiaries' ability to pay dividends to its parent are limited by state insurance laws of the State of Wisconsin. Wisconsin law provides that the Company may pay dividends without the prior approval of the Wisconsin Commissioner of Insurance in an amount, when added to other shareholder distributions made in the prior 12 months, not to exceed the lesser of (a) 10% of the insurer's surplus as regards to policyholders as of the prior December 31, or (b) its net income (excluding realized capital gains) for the twelve month period ending December 31 of the immediately preceding calendar year. In determining net income, an insurer may carry forward net income from the previous calendar years that has not already been paid out as a dividend. Additionally, minimum capital requirements may limit the amount of dividend that the Company may pay.

For the year ended December 31, 2011 and the period ending April 24, 2012, none of the Company's insurance subsidiaries have paid dividends.

See Note 7. Subsequent Events.

7. Subsequent Events

Acquisition by NMI

On April 24, 2012, NMI Holdings, Inc. (“NMI”) closed an agreement with MAC Financial Ltd. to acquire MAC Financial Holdings Corporation and its wholly-owned subsidiaries (collectively the “Company”).The agreement closed shortly after the closing of a common stock offering by NMI. Under the agreement, the total initial consideration paid for MAC was $8.5 million which consists

of $2.5 million in cash, $2.5 million in the NMI's common stock, and warrants to acquire NMI's common stock valued at $3.5 million. In addition, NMI assumed approximately $1.3 million in liabilities. Following the common stock offering by NMI, NMI paid off the entire outstanding balance of the loan from the Wisconsin Department of Commerce and paid the $700,000 and the $300,000 of obligations for the license fees to Intellect SEEC related to the development of the Company's Insurance Management System. The consideration (net of expenses paid on MAC's behalf) was held in an escrow account until such time as NMI receives GSE Approval. On January 15 and January 16, 2013, NMI was approved as an eligible mortgage guaranty insurer by Freddie Mac and Fannie Mae, respectively. On January 23, 2013, all consideration was released to MAC Financial Ltd.

As a result of the acquisition of the Company by NMI, MAC Financial Holdings Corporation and its wholly-owned subsidiaries became the primary subsidiary of NMI Holdings, Inc. Subsequent to the acquisition, the MAC insurance subsidiaries, MAC, MARI One and MARI Two were renamed. MAC was renamed to National Mortgage Insurance Corporation (“NMIC”). Mortgage Assurance Reinsurance Inc. One (“MARI One”) was renamed to National Mortgage Reinsurance Inc One (“NMRI One”) and Mortgage Assurance Reinsurance Two (“MARI Two”) was renamed to National Mortgage Reinsurance Inc Two (“NMRI Two”).

Capitalization of the Company

On June 29, 2012, NMI capitalized the following insurance companies:

National Mortgage Insurance Corporation - $210.0 million
National Mortgage Reinsurance Inc One - $10.0 million

Also, on June 29, 2012, NMIC capitalized its direct, wholly-owned subsidiary as follows:

National Mortgage Reinsurance Inc Two - $10.0 million

Tax Sharing Agreement

The Company entered into a Tax Sharing Agreement dated August 23, 2012, by and among the Company and NMI. Under this agreement, each of the parties mutually agrees to file a consolidated federal income tax return for 2012 and subsequent tax years, with NMI as the direct tax payer. The tax liability of each insurer that is party to the agreement is limited to the amount of liability it would incur if it filed a separate tax return. All settlements under this agreement between NMI and any insurer that is party to the agreement shall be made within 30 days of the filing of the applicable federal corporate income tax return with the Internal Revenue Service (“IRS”), including subsequent amended filings and IRS adjustments, except when a refund is due to an insurer, in which case payment shall be made to the insurer within 30 days after NMI's receipt of the applicable tax refund. The agreement was not in effect as of December 31, 2011.

Cost Allocation Agreement

The Company entered into a cost allocation agreement on August 1, 2012 by and among the Company and NMI. All of the parties to the agreement may provide any of the following services to anyone in the agreement including general management, underwriting, customer service, claims processing, legal, accounting and actuarial services. The agreement was not in effect as of December 31, 2011 and as such, no costs had been allocated via this agreement.

The Cost Allocation Agreement was amended on January 9, 2013, retroactive to August 1, 2012, such that all parties to the Agreement agreed that no costs would be allocated from NMI to any party to the Agreement until such time as GSE approval was received. Additionally, the parties agreed that all bonus payments based on GSE approval, as well as bonus payments paid or accrued prior to June 30, 2013 are to be allocated solely to NMI.

Organizational Examination

The Wisconsin OCI completed an Organizational Examination of NMIC on September 27, 2012. The period under exam was June 30, 2009 through June 30, 2012. The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners' Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks.

The Examination did not result in any recommendations. The Examination did not make any reclassification of or adjustments to balances reported by the NMIC. The Company has no orders or restrictions of any kind on its certificate of authority in Wisconsin. The stipulation and order issued by the OCI in connection with the licensure of the Company that prohibited NMIC from transacting insurance business was rescinded based on the findings of this Examination.

Litigation

On August 8, 2012, the Receiver and Special Deputy Receiver of PMI Mortgage Insurance Co. (“PMI”), an insolvent mortgage insurance company located in Walnut Creek, CA, filed an unverified complaint (“the PMI Complaint”) in California Superior Court against NMI, NMIC and certain named individuals. The litigation is at an early stage of review and evaluation and NMI has filed an answer to PMI's complaint denying all allegations. Because the litigation and related discovery are in an early stage, the Company does not have sufficient information to determine or predict the ultimate outcome or estimate the range of possible losses, if any. Accordingly, no provision for litigation losses has been included in the accompanying financial statements.

On January 30, 2013, a case management conference took place among the parties in PMI Complaint. The conference resulted in the setting of a trial date on February 3, 2014.

On April 25, 2013 a hearing was held on several motions filed by the parties to the PMI Complaint. The Court partially granted a defense motion and dismissed two of the six counts cited by the defendants. The court also ordered the plaintiffs to more specifically describe the trade secrets alleged in the plaintiff's complaint and ordered plaintiff's discovery efforts stayed until June 13, 2013.

On June 13, 2013, a hearing was held to resolve certain discovery disputes. No definitive ruling was issued. The Company believes the case is without merit and intends to vigorously defend against all claims. Our strategy remains the same and the litigation and related discovery are still in an early stage.

GSE Approval

On January 16, 2013, NMIC was approved as an eligible mortgage guaranty insurer by Fannie Mae and Freddie Mac, subject to maintaining certain conditions. Along with their approval, Fannie Mae and Freddie Mac have indicated that they will be ready to accept loans insured by the Company in the second quarter of 2013. The GSEs will be communicating directly to lenders regarding the timing and process.

Licensing

On June 27, 2012, NMIC's Expansion Application to obtain licenses in all states outside of Wisconsin was accepted into the Review of Electronic Application Coordination and Processing (“REACAP”) process by the NAIC. As of June 14, 2013, NMIC has been approved in 48 states and the District of Columbia.

The Company has considered subsequent events through June 14, 2013.

We have not authorized any dealer, salesperson or other person to give you written information other than this prospectus or to make representations as to matters not stated in this prospectus. You must not rely on unauthorized information. This prospectus is not an offer to sell these securities or our solicitation of your offer to buy these securities in any jurisdiction where that would not be permitted or legal. Neither the delivery of this prospectus nor any sales made hereunder after the date of this prospectus shall create an implication that the information contained herein or the affairs of the Company have not changed since the date of this prospectus.

PROSPECTUS

52,308,970 Shares

Class A Common Stock

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of the Class A common stock being registered. All amounts, except the SEC registration fee, are estimates.

SEC registration fee	$	89,186.79
FINRA fee and expenses		98,579.32
Transfer agent and registrar fees and expenses		*
Printing fees and expenses		*
Legal fees and expenses		*
Accounting fees and expenses		*
Blue Sky fees and expenses		15,000
Miscellaneous		*
Total	$	*

* To be furnished by amendment.

Item 14. Indemnification of Directors and Officers.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL (regarding, among other things, the payment of unlawful dividends or unlawful stock purchases or redemptions), or (iv) for any transaction from which the director derived an improper personal benefit. Our amended and restated certificate of incorporation provides for such limitation of liability.

Section 145(a) of the DGCL empowers a corporation to indemnify any director, officer, employee or agent, or former director, officer, employee or agent, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of such person's service as a director, officer, employee or agent of the corporation, or such person's service, at the corporation's request, as a director, officer, employee or agent of another corporation or enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding; provided that such director or officer acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation; and, with respect to any criminal action or proceeding, provided that such director or officer had no reasonable cause to believe his conduct was unlawful.

Section 145(b) of the DGCL empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys' fees) actually and

reasonably incurred in connection with the defense or settlement of such action or suit; provided that such director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such director or officer shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such director or officer is fairly and reasonably entitled to indemnity for such expenses that the court shall deem proper. Notwithstanding the preceding sentence, except as otherwise provided in our amended and restated by-laws, we shall be required to indemnify any such person in connection with a proceeding (or part thereof) commenced by such person only if the commencement of such proceeding (or part thereof) by any such person was authorized by our Board.

In addition, our second amended and restated certificate of incorporation provides that we must indemnify our directors and officers to the fullest extent authorized by law. We are also expressly required to advance certain expenses to our directors and officers and carry directors' and officers' insurance providing indemnification for our directors and officers for some liabilities. We believe that these indemnification provisions and the directors' and officers' insurance are useful to attract and retain qualified directors and executive officers.

Item 15. Recent Sales of Unregistered Securities.

In the three years preceding the filing of this registration statement, we have issued the following securities:

On August 9, 2011, in connection with our formation, we issued 100 shares of our common stock to FBR & Co. for nominal consideration. This issuance was made in reliance upon the exemption from registration under Section 4(2) of the Securities Act, including the safe harbor established by Regulation D, for transactions by issuers not involving a public offering.

On March 7, 2012, we issued 250,000 shares of our Class B non-voting common stock, which upon receipt of GSE Approval automatically converted into our Class A common stock, in the aggregate to our founders, Messrs. Shuster and Sherwood for $2,500. These issuances were made in reliance upon the exemption from registration under Section 4(2) of the Securities Act, including the safe harbor established by Regulation D, for transactions by an issuer not involving a public offering.

On April 24, 2012, we issued an aggregate of 55,000,000 shares of our Class A common stock for net consideration of approximately $510 million in cash. FBR Capital Markets & Co. was initial purchaser and placement agent for the shares. The aggregate discount and placement agent fees were approximately $40 million. This issuance was made in reliance upon the exemption from registration under Rule 144 A, Section 4(2) of the Securities Act, including the safe harbor established by Regulation D, for transactions by issuers not involving a public offering and Regulation S.

On April 24, 2012, as part of the consideration for the line of credit it granted to us to pay for costs associated with our formation and capitalization, including some of the expenses of the private offering described in the preceding paragraph, we issued to FBR Capital Markets LT, Inc. a warrant to purchase up to 313,870 shares of our Class A common stock (the "FBR Warrant"). FBR Capital Markets LT, Inc. subsequently assigned the FBR Warrant to FBR Capital Markets & Co. This issuance was made in reliance upon the exemption from registration under Section 4(2) of the Securities Act, including the safe harbor established by Regulation

D, for transactions by issuers not involving a public offering. The debt held by FBR Capital Markets LT, Inc. was issued in reliance upon the exemption from registration under Section 4(2) of the Securities Act.

On April 24, 2012, as part of the consideration for our acquisition of the equity interest of MAC Financial Holding Corporation, we issued to MAC Financial Ltd. (i) an aggregate of 250,000 shares of our Class A common stock and (ii) a warrant to purchase up to 678,295 shares of our Class A common stock. These issuances were made in reliance upon the exemption from registration under Section 4(2) of the Securities Act, including the safe harbor established by Regulation D, for transactions by issuers not involving a public offering.

We granted certain of our employees and directors 1,511,260 restricted shares of our common stock (net of forfeitures) and options to purchase an aggregate of 3,068,579 shares of our common stock (net of forfeitures) under the NMI Holdings, Inc. 2012 Stock Incentive Plan. These grants were exempt from the registration requirements of the Securities Act pursuant to Rule 701 promulgated thereunder inasmuch as they were offered and sold under written compensatory benefit plans and otherwise in compliance with the provisions of Rule 701.

Item 16. Exhibits and Financial Statements Schedules.
(a) Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation†
3.2	Amended and Restated By-Laws†
4.1	Specimen Class A common stock certificate†
4.2	Registration Rights Agreement between NMI Holdings, Inc. and FBR Capital Markets & Co., dated April 24, 2012†
4.3	Registration Rights Agreement by and between MAC Financial Ltd. and NMI Holdings, Inc., dated April 24, 2012†
4.4	Registration Rights Agreement between FBR & Co., FBR Capital Markets LT, Inc., FBR Capital Markets & Co., FBR Capital Markets PT, Inc. and NMI Holdings, Inc., dated April 24, 2012†
4.5	Warrant No. 1 to Purchase Common Stock of NMI Holdings, Inc. issued to FBR Capital Markets & Co. dated June 13, 2013†
4.6	Warrant No. 2 to Purchase Common Stock of NMI Holdings, Inc. issued to MAC Financial Ltd., dated April 24, 2012†
5.1	Opinion of Wachtell, Lipton, Rosen & Katz*
10.1	NMI Holdings, Inc. 2012 Stock Incentive Plan†
10.2	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement for Chief Executive Officer and Chief Financial Officer†
10.3	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement for Management†
10.4	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement for Directors†
10.5	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement for Chief Executive Officer and Chief Financial Officer†
10.6	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement for Management†
10.7	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement for Directors†
10.8	Employment Agreement by and between NMI Holdings, Inc. and Bradley M. Shuster, dated March 6, 2012 and Amendment, dated April 24, 2012†
10.9	Amendment to Employment Agreement by and between NMI Holdings, Inc. and Bradley M. Shuster, dated April 24, 2012†
10.10	Employment Agreement by and between NMI Holdings, Inc. and Jay M. Sherwood, dated March 6, 2012 and Amendment, dated April 24, 2012†
10.11	Amendment to Employment Agreement by and between NMI Holdings, Inc. and Jay M. Sherwood, dated April 24, 2012†
10.12	Letter Agreement by and between NMI Holdings, Inc. and Stanley M. Pachura, dated April 26, 2012†
10.13	Form of Indemnification Agreement between NMI Holdings, Inc. and certain of its directors†
21.1	Subsidiaries of NMI Holdings, Inc.†
23.1	Consent of BDO USA, LLP dated June 14, 2013†
23.2	Consent of BDO USA, LLP dated February 14, 2013†
23.3	Consent of Wachtell, Lipton, Rosen & Katz (included in Exhibit 5.1)*
24.1	Power of Attorney (included on signature page)

† Filed herewith.
* To be filed by amendment.

(b) Financial Statement Schedules

No schedules to financial statements are required to be filed herewith.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser: each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions,

or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Emeryville, California on June 21, 2013.

NMI HOLDINGS, INC.
(Registrant)

By: /s/ Bradley M. Shuster
Name: Bradley M. Shuster
Title: Chairman, President and Chief Executive Officer

Each person whose signature appears below hereby constitutes and appoints Bradley M. Shuster, John (Jay) M. Sherwood, Jr. and Glen Corso, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to execute for him and in his name, place and stead, in any and all capacities, any and all amendments (including post-effective amendments) to this registration statement and any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462 promulgated under the Securities Act of 1933, as amended, as the attorney-in-fact and to file the same, with all exhibits thereto, and any other documents required in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and their substitutes, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Bradley M. Shuster Bradley M. Shuster	Chairman, President and Chief Executive Officer (Principal Executive Officer)	June 21, 2013
/s/ John (Jay) M. Sherwood, Jr. John (Jay) M. Sherwood, Jr.	Chief Financial Officer (Principal Financial and Accounting Officer)	June 21, 2013
/s/ Steven L. Scheid Steven L. Scheid	Director	June 21, 2013
/s/ James G. Jones James G. Jones	Director	June 21, 2013
/s/ John Brandon Osmon John Brandon Osmon	Director	June 21, 2013
/s/ Michael Montgomery Michael Montgomery	Director	June 21, 2013
/s/ Michael Embler Michael Embler	Director	June 21, 2013
/s/ James H. Ozanne James H. Ozanne	Director	June 21, 2013

EXHIBIT INDEX

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation†
3.2	Amended and Restated By-Laws†
4.1	Specimen Class A common stock certificate†
4.2	Registration Rights Agreement between NMI Holdings, Inc. and FBR Capital Markets & Co., dated April 24, 2012†
4.3	Registration Rights Agreement by and between MAC Financial Ltd. and NMI Holdings, Inc., dated April 24, 2012†
4.4	Registration Rights Agreement between FBR & Co., FBR Capital Markets LT, Inc., FBR Capital Markets & Co., FBR Capital Markets PT, Inc. and NMI Holdings, Inc., dated April 24, 2012†
4.5	Warrant No. 1 to Purchase Common Stock of NMI Holdings, Inc. issued to FBR Capital Markets & Co., dated June 13, 2013†
4.6	Warrant No. 2 to Purchase Common Stock of NMI Holdings, Inc. issued to MAC Financial Ltd., dated April 24, 2012†
5.1	Opinion of Wachtell, Lipton, Rosen & Katz*
10.1	NMI Holdings, Inc. 2012 Stock Incentive Plan†
10.2	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement for Chief Executive Officer and Chief Financial Officer†
10.3	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement for Management†
10.4	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement for Directors†
10.5	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement for Chief Executive Officer and Chief Financial Officer†
10.6	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement for Management†
10.7	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement for Directors†
10.8	Employment Agreement by and between NMI Holdings, Inc. and Bradley M. Shuster, dated March 6, 2012 and Amendment, dated April 24, 2012†
10.9	Amendment to Employment Agreement by and between NMI Holdings, Inc. and Bradley M. Shuster, dated April 24, 2012†
10.10	Employment Agreement by and between NMI Holdings, Inc. and Jay M. Sherwood, dated March 6, 2012 and Amendment, dated April 24, 2012†
10.11	Amendment to Employment Agreement by and between NMI Holdings, Inc. and Jay M. Sherwood, dated April 24, 2012†
10.12	Letter Agreement by and between NMI Holdings, Inc. and Stanley M. Pachura, dated April 26, 2012†
10.13	Form of Indemnification Agreement between NMI Holdings, Inc. and certain of its directors†
21.1	Subsidiaries of NMI Holdings, Inc.†
23.1	Consent of BDO USA, LLP dated June 14, 2013†
23.2	Consent of BDO USA, LLP dated February 14, 2013†
23.3	Consent of Wachtell, Lipton, Rosen & Katz (included in Exhibit 5.1)*
24.1	Power of Attorney (included on signature page)

† Filed herewith
* To be filed by amendment.

State of Delaware
Secretary of State
Division of Corporations
Delivered 08:01 AM 04/24/2012
FILED 08:00 AM 04/24/2012
SRV 120464047 – 4985193 FILE

SECOND AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

NMI HOLDINGS, INC.

NMI Holdings, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify as follows:

FIRST: The Corporation's Certificate of Incorporation was filed with the Secretary of State of Delaware on May 19, 2011; and the Corporation's Amended and Restated Certificate was filed with the Secretary of State of Delaware on March 5, 2012.

SECOND: Pursuant to Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, this Second Amended and Restated Certificate of Incorporation (this "Certificate of Incorporation") has been duly adopted in accordance therewith, and amends, restates and integrates the provisions of the Amended and Restated Certificate of Incorporation,

THIRD: The text of the Amended and Restated Certificate of Incorporation is further amended and restated by this Second Amended and Restated Certificate of Incorporation to read in its entirety as follows:

ARTICLE I

The name of the corporation (which is hereinafter referred to as the "Corporation") is:

NMI Holdings, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is c/o National Registered Agents, Inc., 160 Greentree Drive, Suite 101 in the City of Dover, County of Kent, State of Delaware, 19904. The name of the Corporation's registered agent at such address is National Registered Agents, Inc.

ARTICLE III

The purpose of the Corporation shall be to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware (the "DGCL"); provided, however, that in the event the Corporation does not receive GSE Approval (as defined below) prior to the Deadline (as defined below), then the purposes of the Corporation shall automatically, with no action required by the Board of Directors of the Corporation (the "Board") or the stockholders of the Corporation, on the date of the Deadline and thereafter, be limited to effecting and implementing the dissolution and liquidation of the Corporation and the taking of any other actions expressly required to be taken herein on or after the Deadline, and the Corporation's powers shall thereupon be limited to those set forth in Section 278 of the DGCL and as otherwise may be necessary to implement the limited purposes of the Corporation as provided herein or as required by applicable law, rule or regulation. This Article III may not be amended, unless GSE Approval (as defined herein) is received prior to the Deadline (as defined herein) without the approval of the affirmative vote of 85% or more of the shares of Class A Common Stock (as defined below) outstanding and entitled to vote on such proposed amendment, at a meeting called and held upon notice in accordance with Section 222 of the DGCL.

ARTICLE IV

Section 1. Capital Stock. The Corporation shall be authorized to issue 260,250,000 shares of capital stock, of which (i) 250,000,000 shares shall be shares of Class A Common Stock, $0.01 par value ("Class A Common Stock"), (ii) 250,000 shares shall be shares of Class B Non-Voting Common Stock, $0.0 \ par value (the "Class B Non-Voting Common Stock" and, together with the Class A Common Stock, the "Common Slack"), and (iii) 10,000,000 shares shall be shares of Preferred Stock, $0.01 par value ("Preferred Stock").

Section 2. Common Stock.

(a) Except as expressly provided herein, the rights, preferences and privileges of the Class A Common Stock and the Class B Non-Voting Common Stock shall be in all respects and for all purposes and in all circumstances absolutely and completely identical.

(b) The holders of the Common Stock shall be entitled to receive an equal amount of dividends per share if, and when declared from time to time by the Board. In no event shall any stock dividends or stock splits or combinations of stock be declared or made on the Class A Common Stock or Class B Non-Voting Common Stock unless the shares of Class A Common Stock and Class B Non-Voting Common Slack at the time outstanding are treated equally and identically, provided that, in the event of a dividend on Common Stock, shares of Class B NonVoting Common Stock shall only be entitled to receive shares of Class B Non-Voting Common Stock and shares of Class A Common Stock shall only be entitled to receive shares of Class A Common Stock.

(c) In the event of the voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, (I) the rights of the holders of the Preferred Stock shall first be satisfied and (2) thereafter, the holders of the Class A Common Stock shall be entitled to receive all remaining assets of the Corporation of whatever kind available for distributions to the Class A stockholders of the Corporation. Holders of the Class B Non-Voting Common Stock shall not be entitled to receive any assets of the Corporation of whatever kind on a voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(d) Except as otherwise required by law, herein or as otherwise provided in any Preferred Stock Designation, the holders of the Class A Common Stock shall exclusively possess all voting power and each share of Class A Common Stock shall be entitled to one vote, and the holders of the Class B Non-Voting Common Stock shall have no voting power, and shall not have the right to participate in any meeting of stockholders or to have notice thereof, except as required by applicable law and except that any action that would significantly and adversely affect the rights of the Class B Non-Voting Common Stock with respect to (1) the modification of the terms of the Class B Non-Voting Common Stock or (2) the rights of the holders of the Class B NonVoting Common Stock on a liquidation, dissolution or winding up of the Corporation, shall require the approval of the Class B Non-Voting Common Stock voting separately as a class.

(e) Immediately upon the receipt by the Corporation of GSE Approval but prior to the Deadline, each share of Class B Non-Voting Stock issued and outstanding at that time shall automatically be converted into, and become entitled to any rights set forth herein, or that otherwise may exist at law, associated with, one fully paid and non-assessable share of Class A Common Stock without any action by the holder or by the Corporation. “GSE Approval” shall

mean the approval in a form acceptable to the Corporation from either the Federal National Home Mortgage Association or the Federal Home Loan Mortgage Corporation to become a private mortgage insurer. All such shares of Class B Non-Voting Common Stock converted into shares of Class A Common Stock shall no longer be outstanding and shall automatically be cancelled and any certificates representing shares of Class B Non-Voting Common Stock ("Class B Certificates") shall automatically be deemed to represent the equivalent number of shares of Class A Common Stock; provided, that at the request of the holder, the Corporation shall exchange any Class B Certificates for certificates in respect of the equivalent number of shares of Class A Common Stock. The Corporation's stock register shall be amended to reflect the cancellation of the shares of Class B Non-Voting Common Stock and the issuance of the equivalent number of shares of Class A Common Stock. If the Corporation does not receive GSE Approval within nine (9) months following the date of the Corporation's final offering memorandum relating to the initial private placement of shares of Class A Common Stock (the "Private Offering") (or during any subsequent extension period if one is approved by holders of a majority of the Class A Common Stock sold in the Private Offering) (the "Deadline"), then the shares of Class B Non-Voting Common Stock shall be immediately forfeited to the Corporation for no consideration, and become effective without any action on the part of the holder or the Corporation, on the date that is one day after the Deadline. Shares of Class B Non-Voting Common Stock that have been converted or forfeited, as set forth herein, shall be retired and may not be reissued by the Corporation.

(f) The shares of Class B Non-Voting Common Stock are non-transferable and may not be sold, transferred, pledged, encumbered assigned or otherwise disposed of, except that such shares

of Class B Non- Voting Common Stock may be transferred by will or for estate or tax planning purposes. A restrictive legend in substantially the form set forth below shall be placed on all Class B Certificates:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED, SOLD, PLEDGED, EXCHANGED, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH SUCH ACT. IN ADDITION, THE SALE, TRANSFER, ASSIGNMENT, DISTRIBUTION, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS CONTAINED IN THE CERTIFICATE OF INCORPORATION OF NMI HOLDINGS, INC., AS IT MAYBE AMENDED FROM TIME TO TIME. A COPY OF THE CERTIFICATE OF INCORPORATION MAYBE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF NMI HOLDINGS, INC.

Section 3. Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate (a "Preferred Stock Designation") pursuant to the General Corporation Law of the State of Delaware, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them, and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the

status they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

This Article V shall apply during the period commencing upon the filing of this Certificate of Incorporation and terminating upon the receipt by the Corporation of GSE Approval (as defined below) and may not be amended during the Target Approval Period (as defined below), other than as set forth in the following Section 5.

"Target Approval Period" shall mean the period from the consummation of the Private Offering up to and including the Deadline.

Section 1. In the event that the Corporation does not receive GSE Approval by the Deadline, then to the fullest extent permitted by law, the Board and the officers of the Corporation shall take all such action necessary to dissolve the Corporation and liquidate the Investment Account (as defined below) to holders of Class A Common Stock and fulfill all of the Corporation's obligations under Section 2.6 of that certain Stock Purchase Agreement, dated November 30, 2011, between the Corporation and MAC Financial, Ltd. as promptly as practicable. subject to the requirements of the DGCL, including (but not limited to) the adoption of a resolution by the Board on or prior to such Investment Deadline pursuant to Section 275(a) of the DGCL finding the dissolution of the Corporation advisable and providing such notices as are required by Section 275(a) of the DGCL of the adoption of the resolution and of a meeting of the stockholders of the Corporation to take action upon such resolution. In the event that the Corporation is to be dissolved pursuant to this Section 1, the Corporation shall promptly adopt and implement a plan of distribution which provides that, subject to applicable law, only the

holders of Class A Common Stock (subject to the rights of any holders of Preferred Stock) shall be entitled to share ratably in the Investment Account plus any other net assets of the Corporation not used for or reserved to pay obligations and claims or such other corporate expenses relating to or arising during the Corporation's remaining existence, including costs of dissolving and liquidating the Corporation.

Section 2. Upon consummation of the Private Offering, approximately 93.3% of the net proceeds from the Private Offering (after deduction for the initial purchaser's discount and placement fees related thereto) shall be deposited and thereafter held in an account (the "Investment Account") established by the Corporation for the purpose of investing such proceeds on a short-term basis prior to the receipt of GSE Approval or a distribution in accordance with Section 1 above. If FBR Capital Markets & Co. exercises its option to purchase or place any of the additional 8,250,000 shares of Class A Common Stock in the Private Offering (the "Over Allotment Option"), approximately 95% of the net proceeds from the exercise of the Over Allotment Option will be placed into the Investment Account.

Section 3. A holder of Class A Common Stock shall be entitled to receive distributions from the Investment Account only in the event of a dissolution or liquidation of the Corporation as provided in Section 1 above. In no other circumstances shall a holder of Class A Common Stock have any right or interest of any kind in or to the Investment Account. Under no circumstances shall holders of shares of Class B Non-Voting stock have any right or interest of any kind in or to the Investment Account or proceeds thereof.

Section 4. The Corporation shall not, and no officer, director or employee of the Corporation shall, disburse or cause to be disbursed any of the proceeds held in the

Investment Account until the earlier of (i) receipt by the Corporation of GSE Approval or (ii) the liquidation of the Corporation as described in Section 1 above.

Section 5. During the Target Approval Period, this Article V may only be amended upon (i) the adoption, in accordance with Section 242 of the DGCL, by the Board of a resolution in favor of the proposed amendment, declaring that such amendment is in the best interests of an advisable to the Corporation and the stockholders and calling for the proposed amendment to be presented to the stockholders for approval; and (ii) the approval of the proposed amendment by the affirmative vote of 85% or more of the shares of Class A Common Stock purchased in the Private Offering and outstanding and entitled to vote on such proposed amendment, at a meeting called and held upon notice in accordance with Section 222 of the DGCL.

ARTICLE VI

Unless and except to the extent that the By-Laws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE VII

In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized and empowered to make, alter and repeal the By-Laws of the Corporation by a majority vote at any regular or special meeting of the Board or by written consent, subject to the power of the stockholders of the Corporation to alter or repeal any By-Laws made by the Board, provided, however, that except as therein

provided, the Board may not alter or repeal Section 2.2(b), Section 2.2(c), Section 3.13 or the last proviso of Section 9.1 of the By-Laws.

ARTICLE VIII

Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

ARTICLE IX

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provisions contained in this Amended and Restated Certificate of Incorporation or any Preferred Stock Designation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Amended and Restated Certificate of Incorporation or any Preferred Stock Designation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

ARTICLE X

Section 1. Elimination of Certain Liability of Directors. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended.

Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a director of the Corporation existing hereunder with respect to any act or omission occurring prior to such repeal or modification.

Section 2. Indemnification and Insurance.

(a) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, to the fullest extent permitted by law, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and

loss (including attorneys' fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (b) of this Section, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of the Board, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(b) Right of Claimant to Bring Suit. If a claim under paragraph (a) of this Section is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the

Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or disinterested directors or otherwise.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability

or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

ARTICLE XI

Section 1. From and after the date of the Corporation's final offering memorandum relating to the Private Offering and up until and not including the date on which the Class A Common Stock begins trading on a national securities exchange, subject to the terms and conditions of this Article Xl and applicable securities laws, if the Corporation proposes to offer or sell any of its equity securities, as well as rights, options, or warrants to purchase such equity securities, or securities that may be or become convertible or exchangeable into or exercisable for such equity securities (collectively, "New Securities"), the Corporation shall first offer such New Securities to each stockholder holding, individually or together with its affiliates, at least 1% of the outstanding Class A Common Stock on the record date set by the Board for determining such stockholders, which record date shall be at least fifteen (15) calendar days prior to the closing of such offering of New Securities (each such shareholder, a "Purchaser"), in the amount and on the terms set forth in Section 2 and Section 3 of this Article XI.

Section 2. The Corporation shall give notice (the "Offer Notice") to each Purchaser, stating (a) its bona fide intention to offer such New Securities, (b) the number of such New Securities to be offered and (c) the price and terms, if any, upon which it proposes to offer such New Securities.

Section 3. By notification to the Corporation within ten (10) calendar days after the Offer Notice is given (the "Acceptance Period"), each Purchaser may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that

portion of such New Securities which equals the proportion that the number of shares of Class A Common Stock held by such Purchaser bears to the total number of shares of Class A Common Stock of the Corporation outstanding on the date of the Offer Notice. The closing of any sale pursuant to this Article Xl shall occur within the later of ninety (90) calendar days of (1) the date that the Offer Notice is given, or (2) the date of the initial sale of New Securities pursuant to Section 4 of this Article XI.

Section 4. If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired within the Acceptance Period as provided in Section 3 of this Article XI, the Corporation may, during the ninety (90) calendar day period following the expiration of the Acceptance Period, offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than that specified in the Offer Notice.

Section 5. The provisions of this Article XI shall not apply to (i) any offer and sale of New Securities in a registered public offering, or (ii) shares (or options to purchase shares) issued or issuable to employees or directors of, or consultants to, the Corporation pursuant to the Corporation’s 2012 Stock Incentive Plan.

IN WITNESSWHEREOF, the Corporation has caused this Second Amended and Restated Certificate of Incorporation to be executed on its behalf by its duly authorized officer this 24th day of April 2012.

NMI HOLDINGS, INC.

/s/ Joseph Kavanagh
Name: Joseph Kavanagh
Title: Director and Authorized Officer

FORM OF

AMENDED AND RESTATED BYLAWS

OF

NMI HOLDINGS, INC.

Incorporated under the Laws of the State of Delaware

Effective [●], 2012

ARTICLE I

OFFICES AND RECORDS

Section 1.1. Delaware Office. The registered office of NMI Holdings, Inc. (the "Corporation") shall be established and maintained at the office of National Registered Agents, Inc., 160 Greentree Drive, Suite 101 in the City of Dover, County of Kent, State of Delaware, 19904,and said National Registered Agents, Inc. shall be the registered agent of the Corporation in charge thereof.

Section 1.2. Other Offices. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

Section 1.3. Books and Records. The books and records of the Corporation may be kept inside or outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

ARTICLE II
STOCKHOLDERS

Section 2.1. Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held on such date and at such place and time as may be fixed by resolution of the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but instead shall be held solely by means of remote communication as provided under the General Corporation Law of the State of Delaware.

Section 2.2. Special Meeting.

(a) Except as set forth in Section 2.2(b), and subject to the rights of the holders of any series of preferred stock, par value $0.01 per share, of the Corporation ("Preferred Stock") having a preference over the common stock, par value $0.01 per share, of the Corporation ("Common Stock") as to dividends or upon liquidation with respect to such series of Preferred Stock, special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of

directors which the Corporation would have if there were no vacancies (the "Whole Board") and shall be called in accordance with Section 2.4 of these Bylaws.

(b) Special Election Meeting.

(i) General. If either (A) a registration statement relating to the Common Stock has not been declared effective by the Securities and Exchange Commission of (B) the Common Stock has not become listed on the New York Stock Exchange or the Nasdaq Global Market, in each case prior to the earlier of (1) six months after the filing of the shelf registration statement contemplated by the Registration Rights Agreement (the "Registration Right Agreement") to be entered into by and among the Corporation, FBR Capital Markets & Co. and the other investors named therein on the date of the closing of the first private offering on or following the effective date of these Amended and Restated Bylaws and (2) 12 months after the date on which the Corporation receives approval from either the Federal National Home Mortgage Association or the Federal Home Loan Mortgage Corporation to become a qualified mortgage insurer (the "Trigger Date"), as contemplated by the Registration Rights Agreement, a special meeting of stockholders (the "Special Election Meeting") will be called within seven days of the Trigger Date by the Chairman of the Board, the Chief Executive Officer or by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board in accordance with the provisions hereof; provided that (x) holders of two-thirds of the outstanding Registrable Shares (as defined in the Registration Rights Agreement) may thereafter waive the requirement to hold a Special Election Meeting and (y) if the Special Election Meeting is not called within seven days following the Trigger Date (unless the requirement to have such meeting has been waived as contemplated in clause (x», the holder or holders of at least 5% of the shares of Common Stock then outstanding may call the Special Election Meeting. The Special Election Meeting shall occur as soon as reasonably practicable following the Trigger Date but in no event more than 45 days after the Trigger Date.

(ii) Purposes of Meeting. The Special Election Meeting shall be called solely for the purposes of: (A) considering and voting upon proposals to remove each then-serving director of the Corporation; and (B) electing such number of directors as there are then vacancies on the Board of Directors, including any vacancies created pursuant to this Section 2.2(b). The removal of any director pursuant to this Section 2.2(b) shall be effective immediately upon the receipt of the final report by the Chairman of the meeting of the result of the vote on the proposal to remove any such director.

(iii) Nominations. Nominations of individuals for election to the Board of Directors at the Special Election Meeting may only be made (A) by or at the direction of the Board of Directors or (B) upon receipt by the Corporation of a written notice of any holder or holders of shares of Common Stock entitled to cast, or direct the casting of, at least 5% of all the votes entitled to be cast at the Special Election Meeting (the "Holders") and containing the information specified by this Section 2.2(b). Each individual whose nomination is made in accordance with this Section 2.2(b) is hereinafter referred to as a "Nominee."

(iv) Procedure for Stockholder Nominations. For nominations of individuals for election to the Board of Directors to be properly brought before the Special Election Meeting pursuant to this Section 2.2(b), the Holders must have given notice thereof in writing to the

Secretary of the Corporation not later than 5:00 p.m., Eastern Time, on the 15th calendar day after the delivery of the notice of the Special Election Meeting in accordance with Section 2.2(b). Such notice shall include each such proposed Nominee's written consent to serve as a director, if elected, and shall specify, in addition to any other information required by these Bylaws:

(A) as to each proposed Nominee, the name, age, business address and residence address of such proposed Nominee and all other information relating to such proposed Nominee that would be required, pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (or any successor provision) (the "Exchange Act"), to be disclosed in a contested solicitation of proxies with respect to the election of such individual as a director; and

(B) as to each Holder giving the notice, the class, series and number of all shares of Common Stock that are owned by such Holder, beneficially or of record and any agreements, arrangements, understandings or relationships between the Holder and the proposed Nominee.

(v) Notice. Not less than 20 nor more than 30 days before the Special Election Meeting, the Secretary of the Corporation shall give to each stockholder entitled to vote at, or to receive notice of, such Special Election Meeting at such stockholder's address as it appears in the records of the Corporation, notice in writing setting forth (A) the time and place of the Special Election Meeting, (B) the purposes for which the Special Election Meeting has been called and (C) the name of each Nominee. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the records of the Corporation. If notice is given by electronic transmission such notice shall be deemed to be given at the times provided in the General Corporation Law of the State of Delaware.

(vi) Removal. This Section 2.2(b) may be amended by resolution adopted by a majority of the Board of Directors without the assent or vote of the stockholders of the Corporation only where (A) a Special Election Meeting has been called and held in accordance with the provisions of this Section 2.2(b) or (B) a registration statement relating to the Common Stock has been declared effective and the Common Stock has become listed on the New York Stock Exchange or the Nasdaq Global Market as contemplated by the Registration Rights Agreement.

(c) Director Election Meeting.

(i) General. A special meeting of stockholders (the "Director Election Meeting") shall be held within 90 days from the date of the Corporation's final offering memorandum relating to the initial private placement of shares of Class A Common Stock (the "Private Offering"). The Director Election Meeting shall be called by the Chairman of the Board, the Chief Executive Officer or by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board in accordance with the provisions hereof. If stockholders do not receive notice of the Director Election Meeting as provided in Section 2.2(c)(v) below within 60 days from the date of the Corporation's formal offering memorandum relating to the Private

Offering, the holder or holders of at least 1% of the shares of Common Stock then outstanding may call the Director Election Meeting. At the time the Director Election Meeting is called, the Board of Directors shall also resolve to expand the Board of Directors by two (2) directors.

(ii) Purposes of Meeting. The Director Election Meeting shall be called solely for the purpose of electing four (4) directors to the Board of Directors, which directors are to be selected from a slate of candidates which slate shall include (A) two (2) candidates selected by the Board of Directors, which candidates shall be nonemployee directors then serving on the Board of Directors, and (B) any candidates for which valid nominations from holders of the Corporation's Common Stock have been received pursuant to Section 2.2(c)(iii) below. The four (4) candidates receiving the highest number of votes at the Director Election Meeting shall be elected to the Board of Directors. The four (4) directors elected at the Director Election Meeting, in addition to the Chairman and the incumbent non-employee directors not selected to stand for election at the Director Election Meeting, shall serve on the Board of Directors until the earliest of the Corporation's next annual meeting of stockholders, the Special Election Meeting (if held) or their earlier resignation or removal.

(iii) Nominations. Nominations of an individual for election to the Board of Directors at the Director Election Meeting may only be made upon receipt by the Corporation of a written notice of any holder or holders of shares of Common Stock (the "Investors") and containing the information specified by this Section 2.2(c). Each individual whose nomination is made in accordance with this Section 2.2(c) is hereinafter referred to as an "Investor Nominee."

(iv) Procedure for Stockholder Nominations. For nominations of an individual for election to the Board of Directors to be properly brought before the Director Election Meeting pursuant to this Section 2.2(c), the Investors must have given notice thereof in writing to the Secretary of the Corporation 110tlater than 5:00 p.m., Eastern Time, on the 15th calendar day after the delivery of the notice of the Director Election Meeting in accordance with Section 2.2(c)(v). Such notice shall include each such proposed Investor Nominee's written consent to serve as a director, if elected, and shall specify, in addition to any other information required by these Bylaws:

(A) as to each proposed Investor Nominee, the name, age, business address and residence address of such proposed Investor Nominee and all other information relating to such proposed Investor Nominee that would be required, pursuant to Regulation 14A promulgated under the Exchange Act, to be disclosed in a contested solicitation of proxies with respect to the election of such individual as a director; and

(B) as to each Investor giving the notice, the class, series and number of all shares of Common Stock that are owned by such Investor, beneficially or of record and any agreements, arrangements, understandings or relationships between the Investor and the proposed Investor Nominee.

(v) Notice. Not less than 30 days before the Director Election Meeting, the Secretary of the Corporation shall give to each stockholder entitled to vote at, or to receive notice of, such Director Election Meeting at such stockholder's address as it appears in the records of the Corporation, notice in writing setting forth (A) the time and place of the Director Election

Meeting, and (B) the purposes for which the Director Election Meeting has been called. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the records of the Corporation. If notice is given by electronic transmission such notice shall be deemed to be given at the times provided in the General Corporation Law of the State of Delaware.

(vi) Removal. This Section 2.2(c) may be amended by resolution adopted by a majority of the Board of Directors without the assent or vote of the stockholders of the Corporation only where a Director Election Meeting has been called and held in accordance with the provisions of this Section 2.2(c).

Section 2.3. Place of Meeting. The Board of Directors, the Chairman of the Board or the Chief Executive Officer, as the case may be, may designate the place of meeting for any annual meeting or for any special meeting of the stockholders (including the Special Election Meeting and the Director Election Meeting). If no designation is so made, the place of meeting shall be the principal office of the Corporation.

Section 2.4. Notice of Meeting. Written or printed notice, stating the place, date and hour of the meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting), the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than 10 days nor more than 60 days before the date of the meeting, either personally, by electronic transmission or by mail, to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting; provided, however, for a Special Election Meeting, the procedures for the notice of such meeting are set forth in Section 2.2(b)(v) and provided, further, for a Director Election Meeting, the procedures for the notice of such meeting are set forth in Section 2.2(c)(v). If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the records of the Corporation. If notice is given by electronic transmission such notice shall be deemed to be given at the times provided in the General Corporation Law of the State of Delaware. Such further notice shall be given as may be required by law. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Section 6.4. Any previously scheduled meeting of the stockholders may be postponed, and (unless the Certificate of Incorporation otherwise provides) any special meeting of the stockholders may be canceled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Section 2.5. Quorum and Adjournment. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the holders of a majority of the outstanding shares of Common Stock entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders,except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class

or series for the transaction of such business. No notice of the time and place of adjourned meetings need be given except as required by law. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date for notice of such adjourned meeting. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.6. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware) by the stockholder, or by his duly authorized attorney in fact.

Section 2.7. Fixing Date for Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than 60 days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 2.8. List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, that, if the record date for determining the stockholders entitled to vote is less than 10 days before the date

of the meeting, the list shall reflect the stockholders entitled to vote as of the 10th day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least 10 days prior to the meeting (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (b) during ordinary business hours at the principal place of business of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Bylaw or to vote in person or by proxy at any meeting of stockholders.

Section 2.1. Order of Business.

(a) Annual Meetings of Stockholders. At any annual meeting of the stockholders, only such nominations of persons for election to the Board of Directors shall be made, and only such other business shall be conducted or considered, as shall have been properly brought before the meeting. For nominations to be properly made at an annual meeting of the stockholders, and proposals of other business to be properly brought before an annual meeting, nominations and proposals of other business must be (i) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly made at the annual meeting at the direction of the Board of Directors or (iii) otherwise properly requested to be brought before the annual meeting by a stockholder of the Corporation in accordance with these Bylaws. For nominations of persons for election to the Board of Directors or proposals of other business to be properly requested by a stockholder to be made at an annual meeting, a stockholder must (A) be a stockholder of record at the time of giving of notice of such annual meeting by or at the direction of the Board of Directors and at the time of the annual meeting (and, with respect to any beneficial owner, if different, on whose behalf such nominations or proposal of other business are made, only if such beneficial owner was the beneficial owner of shares of the corporation at such times), (B) be entitled to vote at such annual meeting and (C) comply with the procedures set forth in this Bylaw as to such business or nomination, including Section 2.10. The immediately preceding sentence shall be the exclusive means for a stockholder to make nominations or other business proposals (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in the Corporation's notice of meeting) before an annual meeting of the stockholders.

(b) Special Meetings of Stockholders. At any special meeting of the stockholders, only such business shall be conducted or considered, as shall have been properly brought before the meeting pursuant to the Corporation's notice of meeting. To be properly brought before a special meeting, proposals of business must be (i) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors or (ii)

otherwise properly brought before the special meeting by or at the direction of the Board of Directors.

Other than as provided in Section 2.2(b). nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (A) by or at the direction of the Board of Directors or (B) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who (1) is a stockholder of record at the time of giving of notice of such special meeting and at the time of the special meeting (and, with respect to any beneficial owner, if different, on whose behalf such nominations or proposal of other business are made, only if such beneficial owner was the beneficial owner of shares of the corporation at such times), (2) is entitled to vote at the meeting and (3) complies with the procedures set forth in these Bylaws as to such nomination, including Section2.10.

(c) General. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the Chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with these Bylaws and, if any proposed nomination or other business is not in compliance with these Bylaws, to declare that no action shall be taken on such nomination or other proposal and such nomination or other proposal shall be disregarded.

(d) Nominations by the Board of Directors. Except with respect to a Special Election Meeting held pursuant to Section 2.2(b) or a Director Election Meeting held pursuant to Section 2.2(c), at any meeting of stockholders at which directors are to be elected, the Board of Directors shall nominate for election to the Board of Directors the then-serving Chief Executive Officer of the Corporation and such other persons as shall be nominated by the Nominating Committee(as defined below).

Section 2.2. Advance Notice of Stockholder Business and Nominations.

(d) Annual Meeting of Stockholders.

(i) Without qualification or limitation, for any nominations or any other business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.9(a), the stockholder must have given timely notice thereof and timely updates and supplements thereof in writing and in proper form to the Secretary and such other business must otherwise be a proper matter for stockholder action.

(ii) To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120tl1 day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of

such annual meeting is less than 100 days prior to the date of such annual meeting,the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting, or the public announcement thereof, commence a new time period for the giving of a stockholder's notice as described above.

(iii) Notwithstanding anything in the immediately preceding paragraph to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased by the Board of Directors, and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.10 (a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(iv) In addition, to be timely, a stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for determining the stockholders entitled to notice of the meeting and as of the date that is 10 business days prior to the meeting or any adiournment or postponement thereof, and such update and supplement shall be delivered to the Secretary not later than five business days after the record date for determining the stockholders entitled to notice of the meeting (in the case of the update and supplement required to be made as of such record date), and not later than five business days prior to the date of the meeting or, if practicable, any adjourmnent or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof).

(e) Special Meetings of Stockholders. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, ally such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, provided that the stockholder's notice with respect to any nomination (including the completed and signed questionnaire, representation and agreement required by Section 2.11) shall be delivered in writing and in proper form to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall any adjourmnent or postponement of a special meeting, or the public announcement thereof, commence a new time period for the giving of a stockholder's notice as described above; provided, however, for a Special Election Meeting, the procedures for a stockholder nomination are set forth in Section 2.2(b)(iv), and provided, further, for a Director Election Meeting, the procedures for a stockholder nomination are set forth in Section 2.2(c)(iv).

(f) Disclosure Requirements.

Except with respect to a Special Election Meeting held pursuant to Section 2.2(b) or a Director Election Meeting held pursuant to Section 2.2(c):

(i) To be in proper form, a stockholder's notice (whether given pursuant to Section 2.9(a) or Section 2.9(b) to the Secretary must include the following, as applicable:

(A) as to each Proposing Person (as defined below), (l) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the corporation's books and records) and (2) the class or series and number of shares of the corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future;

(B) as to each Proposing Person, (1) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to give such Proposing Person economic risk similar to ownership of shares of any class or series of the corporation, including due to the fact that the value of such derivative, swap or other transaction(s) is determined by reference to the price, value or volatility of any shares of any class or series of the corporation, or which derivative, swap or other transaction(s) provides, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the corporation ("Synthetic Equity Interests"), which Synthetic Equity Interests shall be disclosed without regard to whether (x) the derivative, swap or other transaction(s) conveys any voting rights in such shares to such Proposing Person, (y) the derivative, swap or other transaction(s) is required to be, or is capable of being, settled through delivery of such shares or (z) such Proposing Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transaction(s), (2) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to vote any shares of any class or series of the corporation, (3) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Proposing Person with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation ("Short Interests"), (4) any performance related fees (other than an asset based fee) that such Proposing Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the corporation, or any Synthetic Equity Interests or Short Interests, (5) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage

of the corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominees and/or (II) otherwise to solicit proxies from stockholders in support of such proposal or nominations and (6) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (1) through (6) are referred to as "Disclosable Interests"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner;

(C) as to each item of business that the stockholder proposes to bring before the annual meeting. (I) a reasonably brief description of (x) the business desired to be brought before the annual meeting, (y) the reasons for conducting such business at the annual meeting and (z) any material interest in such business of each Proposing Person, including without limitation, any equity interests or any Synthetic Equity Interests or Short Interests held by such Proposing Person in any other person the value of which interests could reasonably be expected to be materially affected by the business desired to be brought before the annual meeting, (2) the text of the proposal or business (including the text of any resolutions proposed for consideration), (3) a reasonably detailed description of all agreements, arrangements and understandings(x) between or among any of the Proposing Persons or (y) between or among any Proposing Person(s) and any other record or beneficial holder(s) or person(s) who have a right to acquire beneficial ownership at any time in the future of the shares of any class or series of the corporation (including their names) in connection with the proposal of such business by such stockholder and (4) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; provided, however, that the disclosures required by this paragraph (C) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

(D) as to each person whom a Proposing Person proposes to nominate for election as a director, (1) all information with respect to such proposed nominee that would be required to be set forth in a stockholder's notice pursuant to this Section 8 if such proposed nominee were a Proposing Person, (2) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for ejection of directors in a contested ejection pursuant to Section 14(a) of the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (3) if such proposed nominee or any Proposing Person nominating such proposed nominee expresses an intention or recommendation that the corporation enter into a strategic transaction, any material interest in such transaction of each such proposed nominee and Proposing Person, including without limitation, any equity interests or any Synthetic Equity Interests or Short Interests held by such proposed nominee or Proposing Person in any other person the value of which interests could reasonably be expected to be materially affected by such transaction and (4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships,

between or among any Proposing Person, on the one hand, and each proposed nominee, his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Proposing Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant.

(ii) Notwithstanding the foregoing provisions of this Bylaw, in the event that the Corporation is registered under the Exchange Act, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw; provided, however, that any references in these Bylaw to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to Section 2.9. Nothing in this Bylaw shall be deemed to affect any rights (x) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, if applicable, or (y) of the holders of any series of Preferred Stock if and to the extent provided for under law, the Certificate of Incorporation or these Bylaws. Subject to Rule 14a-8 under the Exchange Act, if applicable, nothing in these Bylaws shall be construed to permit any stockholder, or give any stockholder the right, to include or have disseminated or described in the Corporation's proxy statement any nomination of director or directors or any other business proposal.

(g) For purposes of this Bylaw, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or other national news service or in a document publicly filed by the corporation with the Securities and Exchange Couunission pursuant to Section 13, 14 or IS(d) of the Exchange Act.

(h) For purposes ofthis Bylaw, the term "Proposing Person" shall mean (x) the stockholder providing the notice provided for in this Section 2.10, (y) the beneficial owner or beneficial owners, if different, on whose behalf the notice is made and (z) any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act for purposes of these Bylaws) of such stockholder or beneficial owner.

Section 2.3. Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section 2.10) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request), and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere

with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein and (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation; provided, however, that this Section 2.11 will not apply to any Special Election Meeting held pursuant to Section 2.2(b) or to any Director Election Meeting held pursuant to Section 2.2(c).

Section 2.4. Procedure for Election of Directors; Required Vote. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, a plurality of the votes cast at any meeting for the election of directors at which a quorum is present shall elect directors. Except as otherwise provided by law, the Certificate of Incorporation, or these Bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

Section 2.5. Inspectors of Elections; Opening and Closing the Polls. The Board of Directors by resolution shall appoint one or more inspectors, which inspector or inspectors may, but does not need to, include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the Chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law.

The Chairman of the meeting shall be appointed by the inspector or inspectors to fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 2.6. No Stockholder Action by Written Consent. Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1. General Powers. The business and affairs of the Corporation shall he managed under the direction of the Board of Directors. In addition to the powers and authorities by these Bylaws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporationor by these Bylaws required to be exercised or done by the stockholders.

Section 3.2. Number. Tenure and Qualifications. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances,the number of directors shall he fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board. No decrease in number of authorized directors constituting the Whole Board shall shorten the term of any incumbent director. The directors shall be elected at the annual meeting of the stockholders as specified in the Certificate of Incorporation except as otherwise provided in the Certificate of Incorporation and in these Bylaws, and each director of the Corporation shall hold office until such director's successor is elected and qualified or until such director's earlier death, resignation or removal.

Section 3.3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the stockholders. The Board of Directors may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 3.4. Special Meetings. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board of Directors, the Chief Executive Officer or a majority of the Board of Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings.

Section 3.5. Notice. Notice of any special meeting of directors shall be given to each director at his business or residence in writing by hand delivery, first-class or overnight mail or courier service, email or facsimile transmission, or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five days before such meeting. If by overnight mail or courier service, such notice shall be deemed adequately delivered when the notice' is delivered to the overnight mail or courier service company at least 24 hours before such meeting. If by email or facsimile transmission, telephone or by hand, such notice shall be deemed adequately delivered when the notice is transmitted at least 12 hours before such meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these Bylaws, as provided under Section 9.1. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Section 6.4.

Section 3.6. Action by Consent of the Board of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in accordance with applicable law.

Section 3.7. Conference Telephone Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.8. Ouorurn. Subject to Section 3.9, a whole number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business; provided that, if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.9. Vacancies. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, and unless the Board of Directors otherwise determines, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, except as set forth in Section 2.2(b), and directors so chosen shall hold office for a term expiring at the aruma I meeting of the stockholders at which the term of office of the class to which they have been appointed expires and until such director’s successor shall have been duly elected and qualified.

Section 3.10. Committees. The Board of Directors may by resolution adopted by a majority of the Whole Board designate one or more other committees as appropriate, which each shall consist of two or more directors of the Corporation; provided that the Board of Directors shall at all times designate and maintain an audit committee, a compensation committee, a nominating and corporate governance committee (the “Nominating Committee”) and a risk committee.

Any committee designated pursuant to this Section 3.10 may to the extent permitted by law exercise such powers and shall have such responsibilities as shall be specified in the designating resolution. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board of Directors when required. A majority of any committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 3.5. The Board of Directors shall have power at any time to fill vacancies in, to change the membership of or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board of Directors from appointing one or more

committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board of Directors.

Section 3.11. Removal. Subject to Section 2.2(b) and to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any director may be removed from office at any time, with or without cause, by the holders of a majority of the outstanding shares of Common Stock, at an election of directors duly called pursuant to the provisions of Section 2.4 and Section 2.9.

Section 3.12. Records. The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board of Directors and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

Section 3.13. Items Requiring Unanimous Approval of Non-Employee Directors. The Corporation shall not be permitted to take any of the following actions without the approval of each director who is not also an employee of the Corporation:

(a) The Corporation may not incur, or commit to incur, in a single transaction or series of related transactions, any liability that would require payment by the Corporation to a third party of an amount in excess of $10,000,000, where a “liability” means all liabilities, obligations, debts and commitments of any kind required by generally accepted accounting principles in the United States to be reflected on the financial statements of the Corporation or disclosed in the notes thereto, including with limitation any direct or indirect guarantee of any liability of any other person but does not include the writing of mortgage insurance policies in the ordinary course of business.

(b) The Corporation may not enter into, or commit to enter into, an employment agreement with any individual (other than with Bradley M. Shuster, John (Jay) M. Sherwood and James R. McCourt), which employment agreement provides for compensation, taken in the aggregate, in excess of the aggregate compensation provided for in the employment agreement of John (Jay) M. Sherwood (as described in the Corporation’s final offering memorandum relating to the Private Offering), excluding, for purposes of this Section 3.13 only, the bonuses that Mr. Sherwood is to receive upon achievement of GSE Approval, upon the filing of a registration statement registering the resale of the Registrable Securities (as defined in the Registration Rights Agreement) and upon the effectiveness of the foregoing registration statement.

(c) The Corporation may not issue, or commit to issue, equity to any of its employees, consultants or directors, other than issuances pursuant to the Corporation’s 2012 Stock Incentive Plan.

Notwithstanding the foregoing, if, at a meeting of its stockholders called for the purpose of obtaining such approval, the Corporation obtains the approval from the holders of a majority of the shares of Common Stock entitled to vote thereon to take any of the actions listed in subsections (a), (b) or (c) above, then the Corporation shall be permitted to take such action

without obtaining unanimous approval of each director who is not also an employee of the Corporation.

This Section 3.13 shall be void and of no further effect at such time the Corporation's shares of Common Stock begin trading on a national securities exchange.

ARTICLE IV

OFFICERS

Section 4.1. Elected Officers. The elected officers of the Corporation shall be a Chairman of the Board of Directors, a Chief Executive Officer, President, a Secretary, a Treasurer, and such other officers (including, without limitation, Vice Presidents, Assistant Secretaries and Assistant Treasurers) as the Board of Directors from time to time may deem proper. The Chairman of the Board shall be chosen from among the directors. Any number of offices may be held by the same person, All officers elected by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof. The Board of Directors or any committee thereof may from time to time elect, or the Chairman of the Board or Chief Executive Officer may appoint, such other officers (including one or more Assistant Vice Presidents and Assistant Controllers) and such agents, as may be necessary or desirable for the conduct of the business of the Corporation. Such other officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in these Bylaws or as may be prescribed by the Board of Directors or such committee or by the Chairman of the Board, the Chief Executive Officer or President, as the case may be.

Section 4.2. Election and Term of Office. The elected officers of the Corporation shall be elected by the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign.

Section 4.3. Chairman of the Board. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors and shall perform all duties incidental to his or her office which may be required by law and all such other duties as are properly required of him or her by the Board of Directors.

Section 4.4. Chief Executive Officer; President. The Chief Executive Officer shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to his or her office which may be required by law and all such other duties as are properly required of him or her by the Board of Directors. He or she shall make reports to the Board of Directors and the stockholders, and shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chief Executive Officer of the Corporation shall also serve as President, and, as President, if a director, shall, in the absence of or because of the inability to act of the Chairman of the Board of Directors, perform all duties of the Chairman of the Board of Directors and preside at all meetings of stockholders and of the Board of Directors.

Section 4.5. Vice-Presidents. Each Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Board of Directors.

Section 4.6. Chief Financial Officer. The Chief Financial Officer (if any) shall be a Vice President and act in an executive financial capacity. He or she shall assist the Chairman of the Board of Directors and the President in the general supervision of the Corporation's financial policies and affairs.

Section 4.7. Treasurer. The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall cause the funds of the Corporation to be deposited in such banks as may be authorized by the Board of Directors, or in such banks as may be designated as depositaries in the manner provided by resolution of the Board of Directors. He or she shall have such further powers and duties and shall be subject to such directions as may be granted or imposed upon him or her from time to time by the Board of Directors, the Chairman of the Board or the President.

Section 4.8. Secretary. The Secretary shall keep or cause to be kept in one or more books provided for that purpose, the minutes of all meetings of the Board of Directors, the committees of the Board of Directors and the stockholders; he or she shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law; he Of she shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation(unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal; and he or she shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, he or she shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Chairman of the Board of Directors or the President.

Section 4.9. Removal. Any officer elected, or agent appointed, by the Board of Directors may be removed from office with or without cause by the affirmative vote of a majority of the Whole Board. Any officer or agent appointed by the Chairman of the Board of Directors or the President may be removed by him or her with or without cause. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of his or her successor,his or her death, his or her resignation or his or her removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

Section 4.10. Vacancies. A newly created elected office and a vacancy in any elected office because of death, resignation or removal may be filled by the Board of Directors. Any vacancy in an office appointed by the Chairman of the Board of Directors or the President because of death, resignation, or removal may be filled by the Chairman of the Board of Directors or the President.

ARTICLE V

STOCK CERTIFICATES AND TRANSFERS

Section 5.1. Certificated and Uncertificated Stock; Transfers. The interest of each stockholder of the Corporation may be evidenced by certificates for shares of stock ill such form as the appropriate officers of the Corporation may from time to time prescribe or be uncertificated.

The shares of the stock of the Corporation shall be transferred on the books of the Corporation, in the case of certificated shares of stock, by the holder thereof in person or by such holder's attorney duly authorized in writing, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require; and, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney duly authorized in writing, and upon compliance with appropriate procedures for transferring shares in uncertificated form. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by the Chairman of the Board, President or any Vice President and by the Treasurer, Secretary, any Assistant Treasurer or any Assistant Secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on such certificate may be by facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Certificates. No new certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors or any financial officer may in its or his or her discretion require.

Section 5.3. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 5.4. Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board of Directors.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December of each year.

Section 6.2. Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation,

Section 6.3. Seal. The corporate seal of the Corporation shall be in such form as shall be determined by resolution of the Board of Directors. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise imprinted upon the subject document or paper.

Section 6.4. Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the General Corporation Law of the State of Delaware or these Bylaws, a waiver thereof given in accordance with applicable law by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board of Directors or committee thereof need be specified in any waiver of notice of such meeting.

Section 6.5. Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be done annually.

Section 6.6. Resignations. Any director or any officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary, or at such later time as is specified therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

ARTICLE VII

INDEMNIFICATION

Section 7.1. Indemnification.

(a) Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was, at any time during which this Bylaw is in effect (whether or not such person continues to serve in such capacity at the time any indemnification or advancement of expenses pursuant hereto is sought or at the time any proceeding relating thereto exists or is brought), a director or officer of the Corporation or is or was at any such time serving at the request of the Corporation as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation (hereinafter, an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, trustee, employee or agent or in any other capacity while serving as a director, officer, trustee, employee or agent, shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation (and any successor of the Corporation by merger or otherwise) to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended or modified from time to time (but, in the case of any such amendment or modification, to the fullest extent permitted by applicable law, only to the extent that such amendment or modification permits the Corporation to provide greater indemnification rights than said law permitted the Corporation to provide prior to such amendment or modification), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, trustee, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 7.3(a), the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors.

(b) To obtain indemnification under this Bylaw, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (i) by a majority vote of the Disinterested Directors (as hereinafter defined) even though less than a quorum, (ii) by a committee consisting of Disinterested Directors designated by majority vote of such Disinterested Directors even though less than a quorum, (iii) if there are no Disinterested Directors or, if, such Disinterested Directors so direct, by Independent Counsel (as hereinafter defined) selected by the Board of Directors, in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (iv) by a majority vote of the stockholders of the Corporation. In the event that there shall have occurred within two years prior to the date of the commencement of the proceeding for which indemnification is claimed a Change of Control (as hereinafter defined), the determination of entitlement to indemnification is to be made by Independent Counsel, in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so

determined that the claimant is entitled to indemnification,payment to the claimant shall be made within 10 days after such determination.

Section 7.2. Mandatory Advancement of Expenses. To the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended or modified from time to time (but, in the case of any such amendment or modification, only to the extent that such amendment or modification permits the Corporation to provide greater rights to advancement of expenses than said law permitted the Corporation to provide prior to such amendment or modification), each indemnitee shall have (and shall be deemed to have a contractual right to have) the right, without the need for any action by the Board of Directors, to be paid by the Corporation (and any successor of the Corporation by merger or otherwise) the expenses incurred in connection with any proceeding in advance of its final disposition, such advances to be paid by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that, if the General Corporation Law of the State of Delaware so requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including,without limitation,service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking(hereinafter, the "undertaking") by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal (a "final disposition")that such director or officer is not entitled to be indemnified for such expenses under this Bylaw or otherwise.

Section 7.3. Claims.

(a) If a claim for indemnification under this Article VlI is not paid in full by the Corporation within 30 days after a written claim pursuant to Section 7.1(b) has been received by the Corporation or if a request for advancement of expenses under this Article VII is not paid in full by the Corporation within 20 days after a statement pursuant to Section 7.2 and the required undertaking, if any, have been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim for indemnification or request for advancement of expenses and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim to the fullest extent permitted by applicable law. It shall be a defense to any such action that under the General Corporation Law of the State of Delaware, the claimant has not met the standard of conduct which makes it permissible for the Corporation to indemnify the claimant for the amount claimed or that the claimant is not entitled to the requested advancement of expenses, but (except where the required undertaking, if any, has not been tendered to the Corporation) the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation(including its Board of Directors, Independent Counselor stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, Independent Counsel or stockholders)that the claimant has not met such applicable standard of conduct, shal1 be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(b) If a determination shall have been made pursuant to Section 7.l(b) that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 7.3(a).

(c) The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 7.3(a) that the procedures and presumptions of this Bylaw are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by al1 the provisions of this Bylaw.

Section 7.4. Contract Rights: Amendment and Repeal: Non-exclusivity of Rights.

(a) All of the rights conferred in this Article VII, as to indemnification, advancement of expenses and otherwise, shall be contract rights between the Corporation and each indemnitee to whom such rights are extended that vest at the commencement of such indemnitee's service to or at the request of the Corporation and (i) any amendment or modification of this Article VII that in any way diminishes or adversely affects any such rights shall be prospective only and shall not in any way diminish or adversely affect any such rights with respect to such person, and (ii) all of such rights shall continue as to any such indemnitee who has ceased to be a director or officer of the Corporation or ceased to serve at the Corporation's request as a director, officer, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, as described herein, and shall inure to the benefit of such indemnitee's heirs, executors and administrators.

(b) All of the rights conferred in this Article VII, as to indemnification advancement of expenses and otherwise, (i) shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise and (ii) cannot be terminated by the Corporation, the Board of Directors or the stockholders of the Corporation with respect to a person's service prior to the date of such termination.

Section 7.5. Insurance, Other Indemnification and Advancement of Expenses.

(a) The Corporation may maintain insurance, at its expense, to protect itself and any current or former director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Corporation maintains any policy or policies providing such insurance, each such current or former director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in Section 7.S(b), shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such current or former director, officer, employee or agent.

(b) The Corporation may, to the extent authorized from time to time by the Board of Directors or the Chief Executive Officer, grant rights to indemnification, and rights to advancement of expenses incurred in connection with any proceeding in advance of its final disposition, to any current or former employee or agent of the Corporation to the fullest extent of

the provisions of this Bylaw with respect to the indemnification and advancement of expenses of current or former directors and officers of the Corporation.

Section 7.6. Definitions.

(a) For purposes of this Bylaw:

(i) "Affiliate" means, with respect to any specified entity, any other entity that directly or indirectly is controlled by, controls, or is under common control with such specified entity.

(ii) "Change of Control" means the first to occur of:

(A) the acquisition by any individual, entity or Group (as defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) (a "Person") of Beneficial Ownership of 35% or more (on a fully diluted basis) of either (A) the then outstanding shares of Class A Common Stock, par value $0.01 per share, of the Corporation (the "Class A Common Stock"), taking into account as outstanding for this purpose such Class A Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise or settlement of any similar right to acquire such common stock (the "Outstanding Comoration Common Stock"), or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this Agreement, the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Corporation or any Affiliate, (II) any acquisition directly from the Corporation, (ill) any acquisition by any employee benefit plan sponsored or maintained by the Corporation or any Affiliate or (IV) any acquisition by any Person that complies with clauses (1), (II) and (Ill) of Section 7.6(a)(ii)(D);

(B) individuals who, on [.], 2012, constitute the Board of Directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board of Directors, provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board of Directors (either by a specific vote or by approval of the proxy statement of the Corporation in which such person is named as a nominee for director, without written objection to such nomination), shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Corporation as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board of Directors shall be deemed to be an Incumbent Director; and provided, further, that any directors elected at the Director Election Meeting shall be considered "Incumbent Directors" for purposes of this Section 7.6(a)Cii)(B);

(C) approval by the stockholders of the Corporation of a complete dissolution or liquidation of the Corporation; or

(D) the consummation of a merger, consolidation, statutory share exchange, a sale or other disposition of all or substantially all of the assets of the Corporation or similar form of corporate transaction involving the Corporation that requires the approval of the Corporation's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), in each case, unless immediately following such Business Combination: (I) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Corporation") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the directors of the Surviving Corporation (the "Parent Corporation") is represented by the Outstanding Corporation Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Corporation Voting Securities among the holders thereof immediately prior to the Business Combination, (11) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation), is or becomes the beneficial owner, directly or indirectly, of 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (ill) at least two-thirds of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were members of the Board of Directors at the time of the Board of Directors' approval of the execution of the initial agreement providing for such Business Combination.

For the avoidance of doubt, in no event shall (w) the private offering of the Class A Common Stock pursuant to the Corporation's Offering Memorandum dated April 17, 2012, (x) the Corporation's public offering of Class A Common Stock pursuant to a registration statement declared effective under the Securities Act of 1933, as amended, (y) any change in the composition of the Board of Directors resulting from a Special Election Meeting referred to in Section 2.2(b) or from a Director Election Meeting referred to in Section 2.2(c) or (z) any transactions relating to the dissolution or liquidation of the Corporation resulting from the failure to receive GSE Approval, in the case of each of clause (A), (B), (C) or (D), constitute or be deemed to constitute a Change in Control nor shall it be taken into account in determining whether a Change in Control occurred for purposes of this Bylaw.

(iii) "Disinterested Director" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(iv) "GSE Approval" means the approval in a form acceptable to the Corporation from either the Federal National Home Mortgage Association or the Federal Home Loan Mortgage Corporation to become a private mortgage insurer.

(v) "Independent Counsel" means a law firm, a member of a law firm or an independent practitioner that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under this Bylaw.

(b) Any notice, request or other communication required or permitted to be given to the Corporation under this Bylaw shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary of the Corporation.

Section 7.7. Severability. If any provision or provisions of this Bylaw shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Bylaw (including, without limitation, each portion of any paragraph of this Bylaw containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Bylaw (including, without limitation, each such portion of any paragraph of this Bylaw containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE VIII

CONTRACTS, PROXIES, ETC.

Section 8.1. Contracts. Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be general or confined to specific instances as the Board of Directors may determine. The Chairman of the Board of Directors, the Chief Executive Officer or any Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board of Directors or the Chairman of the Board of Directors, the Chief Executive Officer or any Vice President of the Corporation may delegate contractual powers to others under his jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 8.2. Proxies. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other entity, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other entity, or to consent in writing, in the name of the Corporation as such holder, to any action by such other entity, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on

behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE IX

AMENDMENTS

Section 9.1. Amendments. These Bylaws may be altered, amended or repealed at any meeting of the Board of Directors or of the stockholders, provided notice of the proposed change was given in the notice of the meeting and, in the case of a meeting of the Board of Directors, in a notice given not less than two days prior to the meeting; provided, however, that, in the case of amendments by stockholders, notwithstanding any other provisions of these Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law, the Certificate of Incorporation or these Bylaws, the affirmative vote of the holders of at least two-thirds of the voting power of all the then outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal any provision of these Bylaws; provided, further, however, that except as therein provided, this proviso, Section 2.2(b), Section 2.2(c) and Section 3.13 may not be amended without the affirmative vote of at least 75% of the outstanding Registrable Shares (as defined in the Registration Rights Agreement).

[Specimen]

Certificate Number COMMON STOCK

Shares

[NMI Holdings, Inc. logo]

NMI HOLDINGS, INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT
is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF CLASS A COMMON STOCK OF
THE PAR VALUE OF ONE CENT ($.01) EACH OF

NMI Holdings, Inc. (hereinafter called the "Company") transferable only upon the books of the Company by the holder hereof in person or by a duly authorized attorney upon surrender of this Certificate properly endorsed or assigned. This Certificate and the shares represented hereby are issued under and are subject to the laws of the State of Delaware and to all provisions of the Second Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Company, including any and all amendments as may from time to time be made thereto, to all the terms and conditions of which the holder, by acceptance thereof, assents. This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

In Witness Whereof, the Company has caused this Certificate to be signed by the facsimile signatures of its duly authorized officers and its facsimile corporate seal to be hereunto affixed.

Dated:

_____ [CORPORATE SEAL]
Chief Executive Officer

_____
Secretary

COUNTERSIGNED AND REGISTERED: **AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC**
TRANSFER AGENT AND REGISTRAR

By:_____
AUTHORIZED SIGNATURE

NMI HOLDINGS, INC.

The Company is authorized to issue more than one class or series of stock. The Company will furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

Additional abbreviations may also be used though not in the above list.

For value received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

Shares of the Class A Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint Attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated 20

Signature:

Signature:

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guaranteed Stamp

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVEDSIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad−15.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "*Agreement*") is made and entered into as of April 24, 2012 between NMI Holdings, Inc., a Delaware corporation (together with any successor entity thereto, the "*Company*"), and FBR Capital Markets & Co., a Delaware corporation, as the initial purchaser/placement agent ("*FBR*") for the benefit of FBR, the purchasers of the Company's Class A common stock, $0.01 par value per share ("*Common Stock*"), as participants ("*Participants*") in the private placement by the Company of shares of its Common Stock, and the direct and indirect transferees of FBR and each of the Participants.

This Agreement is made pursuant to the Purchase/Placement Agreement (the "*Purchase/Placement Agreement*"), dated as of April 17, 2012 between the Company and FBR in connection with the purchase and sale or placement of an aggregate of 55,000,000 shares of Common Stock (plus an additional 8,250,000 shares to cover additional allotments, if any). In order to induce FBR to enter into the Purchase/Placement Agreement, the Company has agreed to provide the registration rights provided for in this Agreement to FBR, the Participants, and their respective direct and indirect transferees. The execution of this Agreement is a condition to the closing of the transactions contemplated by the Purchase/Placement Agreement.

The parties hereby agree as follows:

1. *Definitions*

As used in this Agreement, the following terms shall have the following meanings:

Accredited Investor Shares: Shares initially sold by the Company to "accredited investors" (within the meaning of Rule 501(a) promulgated under the Securities Act) as Participants.

Affiliate: As to any specified Person, (i) any Person directly or indirectly owning, controlling or holding, with power to vote, ten percent or more of the outstanding voting securities of such other Person, (ii) any Person, ten percent or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with power to vote, by such other Person, (iii) any Person directly or indirectly controlling, controlled by or under common control with such other Person, (iv) any executive officer, director, trustee or general partner of such Person and (v) any legal entity for which such Person acts as an executive officer, director, trustee or general partner. An indirect relationship shall include circumstances in which a Person's spouse, children, parents, siblings or mother, father, sister- or brother-in-law is or has been associated with a Person.

Agreement: As defined in the preamble.

Board of Directors: As defined in Section 6(a) hereof.

Business Day: With respect to any act to be performed hereunder, each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York,

New York or other applicable places where such act is to occur are authorized or obligated by applicable law, regulation or executive order to close.

Closing Date: April 24, 2012 or such other time or such other date as FBR and the Company may agree.

Commission: The Securities and Exchange Commission.

Common Stock: As defined in the preamble.

Company: As defined in the preamble.

Controlling Person: As defined in Section 7(a) hereof.

End of Suspension Notice: As defined in Section 6(b) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission pursuant thereto.

Executive Officers: Bradley M. Shuster and John M. Sherwood.

FBR: As defined in the preamble.

FINRA: The Financial Industry Regulatory Authority, formerly the National Association of Securities Dealers, Inc.

GSE Approval Date: The date on which the Company receives approval from either the Federal National Home Mortgage Association or the Federal Home Loan Mortgage Corporation to write private mortgage insurance on terms and in a form acceptable to the Company.

Holder: Each record owner of any Registrable Shares from time to time, including FBR and its Affiliates to the extent FBR or any such Affiliate holds any Registrable Shares.

Indemnified Party: As defined in Section 7(c) hereof.

Indemnifying Party: As defined in Section 7(c) hereof.

IPO Registration Statement: As defined in Section 2(b) hereof.

Issuer Free Writing Prospectus: As defined in Section 2(c) hereof.

Liabilities: As defined in Section 7(a) hereof.

No Objections Letter: As defined in Section 5(t) hereof.

Nominee: As defined in Section 3(c) hereof.

Participants: As defined in the preamble.

Participation Right Shares: Any shares of Common Stock issued pursuant to the Participation Rights as defined in the Company's Second Amended and Restated Certificate of Incorporation.

Person: An individual, partnership, corporation, trust, unincorporated organization, government or agency or political subdivision thereof, or any other legal entity.

Proceeding: An action, claim, suit or proceeding (including without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or, to the knowledge of the Person subject thereto, threatened.

Prospectus: The prospectus included in any Registration Statement, including any preliminary prospectus at the "time of sale" within the meaning of Rule 159 under the Securities Act and all other amendments and supplements to any such prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference, if any, in such prospectus.

Purchase/Placement Agreement: As defined in the preamble.

Purchaser Indemnitee: As defined in Section 7(a) hereof.

Registrable Shares: The Rule 144A Shares, the Accredited Investor Shares, the Regulation S Shares, the Participation Right Shares, upon original issuance thereof, and at all times subsequent thereto, including upon the transfer thereof by the original holder or any subsequent holder and any shares or other securities issued in respect of such Registrable Shares by reason of or in connection with any stock dividend, stock distribution, stock split, purchase in any rights offering or in connection with any exchange for or replacement of such Registrable Shares or any combination of shares, recapitalization, merger or consolidation, or any other equity securities issued pursuant to any other *pro rata* distribution with respect to the Common Stock, until, in the case of any such Rule 144A Share, Accredited Investor Share, Regulation S Share or Participation Right Share, the earliest to occur of (i) the date on which the resale of such share has been registered pursuant to the Securities Act and it has been disposed of in accordance with the Registration Statement relating to it, (ii) (A) the date on which it has been transferred pursuant to Rule 144 (or any similar provision then in effect) or (B) is freely saleable, without limitation, any volume or manner of sale restrictions or compliance by the Company with any current public information requirements pursuant to Rule 144 and is listed on the New York Stock Exchange or the Nasdaq Global Market or (iii) the date on which it is sold to the Company.

Registration Default: As defined in Section 2(f) hereof.

Registration Expenses: Any and all expenses incident to the Company's or FBR's performance of or compliance with this Agreement, including, without limitation: (i) all Commission, securities exchange, and FINRA registration, listing, inclusion and filing fees; (ii) all

fees and expenses incurred in connection with compliance with international, federal or state securities or blue sky laws (including, without limitation, any registration, listing and filing fees and reasonable fees and disbursements of counsel in connection with blue sky qualification of any of the Registrable Shares and the preparation of a blue sky memorandum and compliance with the rules of FINRA); (iii) all expenses in preparing or assisting in preparing, word processing, duplicating, printing, delivering and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements, certificates and any other documents relating to the performance under and compliance with this Agreement; (iv) all fees and expenses incurred in connection with the listing or inclusion of any of the Registrable Shares on any securities exchange pursuant to Section 5(n) of this Agreement; (v) the fees and disbursements of counsel for the Company and of the independent registered public accounting firm of the Company (including, without limitation, the expenses of any special audit and "cold comfort" letters required by or incident to the performance of this Agreement); (vi) reasonable fees and disbursements of a single counsel for the Holders, reasonably selected by FBR or by the Holders of a majority of the Registrable Shares (such counsel, "*Review Counsel*"); and (vii) any fees and disbursements customarily paid in issues and sales of securities (including the fees and expenses of any experts retained by the Company in connection with any Registration Statement); *provided, however*, that Registration Expenses shall exclude brokers' or underwriters' discounts and commissions, if any, relating to the sale or disposition of Registrable Shares by a Holder.

Registration Statement: Any registration statement of the Company (including on Form S-1) that covers the resale of Registrable Shares pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement.

Regulation S: Regulation S (Rules 901-905) promulgated by the Commission under the Securities Act, as such rules may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such regulation.

Regulation S Shares: Shares initially resold by FBR pursuant to the Purchase/Placement Agreement to "non-U.S. persons" (in accordance with Regulation S) in an "offshore transaction" (in accordance with Regulation S).

Review Counsel: As defined in paragraph (vi) of the definition for Registration Expenses.

Rule 144: Rule 144 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 144A: Rule 144A promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 144A Shares: Shares initially resold by FBR pursuant to the Purchase/Placement Agreement to "qualified institutional buyers" (as such term is defined in Rule 144A).

Rule 158: Rule 158 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 159: Rule 159 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 405: Rule 405 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 415: Rule 415 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 424: Rule 424 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 429: Rule 429 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 433: Rule 433 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Securities Act: The Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

Shares: The shares of Common Stock being offered and sold pursuant to the terms and conditions of the Purchase/Placement Agreement.

Shelf Registration Statement: As defined in Section 2(a) hereof.

Special Election Meeting: As defined in Section 3(a) hereof.

Suspension Event: As defined in Section 6(b) hereof.

Suspension Notice: As defined in Section 6(b) hereof.

Trigger Date: As defined in Section 3(a) hereof.

Underwritten Offering: A sale of securities of the Company to an underwriter or underwriters for re-offering to the public.

2. *Registration Rights*

(a) *Mandatory Shelf Registration.* As set forth in Section 5 hereof, the Company agrees to file with the Commission within six (6) months after the GSE Approval Date a shelf Registration Statement on Form S-1 or such other form under the Securities Act then available to the Company providing for the resale of any Registrable Shares pursuant to Rule 415 from time to time by the Holders (a "*Shelf Registration Statement*"). The Company shall use its commercially reasonable efforts to cause such Shelf Registration Statement to be declared effective by the Commission as soon as practicable after the initial filing thereof but in any event not later than the earlier of (i) six (6) months after the date of filing of the Registration Statement and (ii) twelve (12) months after the GSE Approval Date. Any Shelf Registration Statement shall provide for the resale from time to time, and pursuant to any method or combination of methods legally available (including, without limitation, an Underwritten Offering, a direct sale to purchasers or a sale through brokers or agents, which may include sales over the internet) by the Holders of any and all Registrable Shares.

(b) *IPO Registration.* If the Company proposes to file a registration statement on Form S-1 or such other form under the Securities Act providing for the initial public offering of shares of Common Stock (the "*IPO Registration Statement*"), the Company will notify in writing each Holder of the filing within ten (10) Business Days after the initial filing and afford each Holder an opportunity to include in the IPO Registration Statement all or any part of the Registrable Shares then held by such Holder. Each Holder desiring to include in the IPO Registration Statement all or part of the Registrable Shares held by such Holder shall, within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Shares such Holder wishes to include in the IPO Registration Statement. Any election by any Holder to include any Registrable Shares in the IPO Registration Statement will not affect the inclusion of such Registrable Shares in the Shelf Registration Statement until such Registrable Shares have been sold under the IPO Registration Statement.

(i) *Right to Terminate IPO Registration*. The Company shall have the right to terminate or withdraw the IPO Registration Statement initiated by it and referred to in this Section 2(b) prior to the effectiveness of such registration whether or not any Holder has elected to include Registrable Shares in such registration; *provided, however*, the Company must provide each Holder that elected to include any Registrable Shares in such IPO Registration Statement prompt written notice of such termination or withdrawal. Furthermore, in the event the IPO Registration Statement is not declared effective within one hundred thirty (130) days following the initial filing of the IPO Registration Statement, unless a road show for the Underwritten Offering pursuant to the IPO Registration Statement is actually in progress at such time, the Company shall promptly provide a new written notice to all Holders giving them another opportunity to elect to include Registrable

Shares in the pending IPO Registration Statement. Each Holder receiving such notice shall have the same election rights afforded such Holder as described in clause (b) above.

(ii) *Selection of Underwriter*. The Company shall have the sole right to select the managing underwriter(s) for its initial public offering, regardless of whether any Registrable Shares are included in the IPO Registration Statement or otherwise.

(iii) *Shelf Registration not Impacted by IPO Registration Statement.* The Company's obligation to file the Shelf Registration Statement pursuant to Section 2(a) hereof shall not be affected by the filing or effectiveness of the IPO Registration Statement. In addition, the Company's obligation to file and use its commercially reasonable efforts to cause to become and keep effective the Shelf Registration Statement pursuant to Section 2(a) hereof shall not be affected by the filing or effectiveness of an IPO Registration Statement; *provided, however*, if the Company files an IPO Registration Statement before the effective date of the Shelf Registration Statement, the Company shall have the right to defer causing the Commission to declare such Shelf Registration Statement effective until up to 60 days after the closing date of its initial public offering pursuant to the IPO Registration Statement.

(c) *Issuer Free Writing Prospectus*. The Company represents and agrees that, unless it obtains the prior consent of Review Counsel or the consent of the managing underwriter in connection with any Underwritten Offering of Registrable Shares, and each Holder represents and agrees that, unless it obtains the prior consent of the Company and any such underwriter, it will not make any offer relating to the Shares that would constitute an "issuer free writing prospectus," as defined in Rule 433 (an "*Issuer Free Writing Prospectus*"), or that would otherwise constitute a "free writing prospectus," as defined in Rule 405, required to be filed with the Commission. The Company represents that any Issuer Free Writing Prospectus will not include any information that conflicts with the information contained in any Registration Statement or the related Prospectus, and any Issuer Free Writing Prospectus, when taken together with the information in such Registration Statement and the related Prospectus, will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) *Underwriting*. The Company shall advise all Holders of the lead managing underwriter for the Underwritten Offering proposed under the IPO Registration Statement. The right of any such Holder's Registrable Shares to be included in the IPO Registration Statement pursuant to Section 2(b) shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Shares in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Shares through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter(s) selected for such underwriting and complete and execute any questionnaires, powers of attorney, indemnities, custody agreements, securities escrow agreements and other documents, including opinions of counsel, reasonably required under the terms of such underwriting, and furnish to the Company such information as the Company may reasonably request in writing for inclusion in the Registration Statement; *provided, however*, that no Holder shall be required to make any representations or warranties to or agreements with the Company or

the underwriters other than representations, warranties or agreements regarding such Holder and such Holder's intended method of distribution and any other representation required by law or reasonably requested by the underwriters. Notwithstanding any other provision of this Agreement, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation on the number of shares to be included, then the managing underwriter(s) may exclude shares (including Registrable Shares) from the IPO Registration Statement and Underwritten Offering, and any shares included in such IPO Registration Statement and Underwritten Offering shall be allocated *first*, to the Company, and *second*, to each of the Holders requesting inclusion of their Registrable Shares in such IPO Registration Statement (on a *pro rata* basis based on the total number of Registrable Shares then held by each such Holder who is requesting inclusion); *provided*, *however*, that the number of Registrable Shares to be included in the IPO Registration Statement shall not be reduced unless all other securities of the Company held by (i) officers, directors, other employees of the Company and consultants and (ii) other holders of the Company's capital stock with registration rights that are inferior (with respect to such reduction) to the registration rights of the Holders set forth herein, are first entirely excluded from the underwriting and registration; *provided*, *further*, *however*, that Holders of Registrable Shares shall be permitted to include Registrable Shares comprising at least 25% of the total securities included in the Underwritten Offering proposed under the IPO Registration Statement.

By electing to include the Registrable Shares in the IPO Registration Statement, the Holder of such Registrable Shares shall be deemed to have agreed not to effect any public sale or distribution of securities of the Company of the same or similar class or classes of the securities included in the IPO Registration Statement or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 or Rule 144A under the Securities Act, during such periods as reasonably requested (but in no event for a period longer than thirty (30) days prior to and one hundred eighty (180) days following the effective date of the IPO Registration Statement) by the representatives of the underwriters, if an Underwritten Offering, or by the Company in any other registration.

If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the managing underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the IPO Registration Statement. Any Registrable Shares excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(e) *Expenses*. The Company shall pay all Registration Expenses in connection with the registration of the Registrable Shares pursuant to this Agreement. Each Holder participating in a registration pursuant to this Section 2 shall bear such Holder's proportionate share (based on the total number of Registrable Shares sold in such registration) of all discounts and commissions payable to underwriters or brokers and all transfer taxes and transfer fees in connection with a registration of Registrable Shares pursuant to this Agreement.

(f) *Penalty Provisions*. If the Company does not file a Registration Statement registering the resale of the Registrable Shares within six (6) months after the GSE Approval Date, other than as a result of the Commission being unable to accept such filing (a "*Registration Default*"), then each of the Executive Officers shall lose his opportunity to earn 50% of his bonus for 2013 and he shall, for each additional 30-day period following the Registration Default for which the Registration Default shall have not been cured, lose his opportunity for an additional 10% of his bonus opportunity for 2013, so that he will have no bonus opportunity for 2013 if the Registration Default continued for five such 30-day periods.

3. *Special Election Meeting.*

(a) If a Registration Statement registering the resale of the Registrable Shares has not been declared effective by the Commission, or the Registrable Shares have not been listed for trading on the New York Stock Exchange or the NASDAQ Global Market prior to the earlier of (i) six (6) months after the filing of the Registration Statement and (ii) twelve (12) months after the GSE Approval Date (the "*Trigger Date*"), a special meeting of stockholders (the "*Special Election Meeting*") shall be called in accordance with the Amended and Restated Bylaws of the Company. The Special Election Meeting shall occur as soon as possible following the Trigger Date but in no event more than forty-five (45) days after the Trigger Date.

(b) *Purposes of Meeting*. The Special Election Meeting shall be called solely for the purposes of: (i) considering and voting upon proposals to remove each then-serving director of the Company; and (ii) electing such number of directors as there are then vacancies on the Board of Directors of the Company (including any vacancies created by the removal of any director pursuant to this Section 3(b). The removal of any director pursuant to Section 3(b)(i) hereof shall be effective immediately upon the receipt of the final report of the Inspector of Elections for the Special Election Meeting of the result of the vote on the proposal to remove such director.

(c) *Nominations*. Nominations of individuals for election to the Board of Directors of the Company at the Special Election Meeting may only be made (i) by or at the direction of the Board of Directors or (ii) upon receipt by the Company of written notice of one or more Holders entitled to cast, or direct the casting of, not less than 5% of all the votes entitled to be cast at the Special Election Meeting and containing the information specified by Section 3(d) hereof and Section 2.2(b) of the Amended and Restated Bylaws of the Company. Each individual whose nomination is made in accordance with this Section 3(c) is hereinafter referred to as a "Nominee."

(d) *Procedure for Stockholder Nominations*. For nominations of individuals for election to the Board of Directors to be properly brought before the Special Election Meeting by Holders pursuant to Section 3(c) hereof, the Holders must have given notice thereof in writing to the Secretary of the Company not later than 5:00 p.m., Eastern Time, on the 15th day after the delivery of the notice of the Special Election Meeting in accordance with Section 2.2(b)(v) of the Company's Amended and Restated Bylaws. Such notice shall include each such proposed Nominee's written consent to serve as a director, if elected, and shall specify:

(i) as to each proposed Nominee, the name, age, business address and residence address of such proposed Nominee and all other information relating to such

proposed Nominee that would be required, pursuant to Regulation 14A promulgated under the Exchange Act (or any successor provision), to be disclosed in a contested solicitation of proxies with respect to the election of such individual as a director; and

(ii) as to each Holder giving the notice, the class, series and number of all shares of beneficial interest of the Company that are owned by such Holder, beneficially or of record.

(e) *Notice*. Not less than twenty (20) nor more than thirty (30) days before the Special Election Meeting, the Secretary of the Company shall give to each stockholder entitled to vote at, or to receive notice of, such meeting at such stockholder's address as it appears in the share transfer records of the Company, notice in writing setting forth (i) the time and place of the Special Election Meeting, (ii) the purposes for which the Special Election Meeting has been called and (iii) the name of each Nominee.

4. *Rules 144 and 144A Reporting*

With a view to making available the benefits of certain rules and regulations of the Commission that may at any time permit the sale of the Registrable Shares to the public without registration, the Company agrees to:

(a) use commercially reasonable effort to make and keep current public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration statement under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) use commercially reasonable effort to file with the Commission in a timely manner all reports and other documents required to be filed by the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements);

(c) so long as a Holder owns any Registrable Shares, if the Company is not required to file reports and other documents under the Securities Act and the Exchange Act, it will make available other information as required by, and so long as necessary to permit sales of Registrable Shares pursuant to, Rule 144 or Rule 144A, and in any event shall make available (either by mailing a copy thereof, by posting on the Company's website, or by press release, or by such other means that the Company reasonably believes to be a reliable means of communication) to each Holder a copy of:

(i) the Company's annual consolidated financial statements (including at least balance sheets, statements of profit and loss, statements of stockholders' equity and statements of cash flows) prepared in accordance with U.S. generally accepted accounting principles in the United States, accompanied by an audit report of the Company's independent accountants, no later than ninety (90) days after the end of each fiscal year of the Company (or if such 90th day is not a Business Day, the immediately following Business Day); and

(ii) the Company's unaudited quarterly financial statements (including at least balance sheets, statements of profit and loss, statements of stockholders' equity and statements of cash flows) prepared in a manner consistent with the preparation of the Company's annual financial statements, no later than forty-five (45) days after the end of each of the first three fiscal quarters of the Company (or if such 45th day is not a Business Day, the immediately following Business Day);

(d) the Company shall hold, a reasonable time after the availability of such financial statements and upon reasonable notice to the Holders and FBR (either by mail, by posting on the Company's website, or by press release), a quarterly investor conference call to discuss such financial statements, which call will also include an opportunity for the Holders to ask questions of management with regard to such financial statements, and will also cooperate with, and, unless the Shares are listed on the New York Stock Exchange or the Nasdaq Global Market, make management reasonably available to, FBR personnel in connection with making Company information available to investors; and

(e) so long as a Holder owns any Registrable Shares, to furnish to the Holder promptly upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), and of the Securities Act and the Exchange Act (at any time after its has become subject to the reporting requirements of the Exchange Act), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company, and take such further actions, as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such Registrable Shares without registration.

5. ***Registration Procedures***

In connection with the obligations of the Company with respect to any registration pursuant to this Agreement, the Company shall use its commercially reasonable efforts to effect or cause to be effected the registration of the Registrable Shares under the Securities Act to permit the sale of such Registrable Shares by the Holder or Holders in accordance with the Holder's or Holders' intended method or methods of distribution, and the Company shall:

(a) notify FBR and Review Counsel, in writing, at least ten (10) Business Days prior to filing a Registration Statement, of its intention to file a Registration Statement with the Commission and, at least five (5) Business Days prior to filing, provide a copy of the Registration Statement to FBR, Review Counsel and any other counsel for FBR for review and comment; prepare and file with the Commission, as specified in this Agreement, a Registration Statement(s), which Registration Statement(s) shall (x) comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith and (y) be reasonably acceptable to FBR, Review Counsel and any other counsel to FBR; notify FBR and Review Counsel in writing, at least five (5) Business Days prior to filing of any amendment or supplement to such Registration Statement and, at least three (3) Business Days prior to filing, provide a copy of such amendment or supplement to FBR, Review Counsel and any other counsel to FBR for its reasonable review and comment; promptly

following receipt from the Commission, provide to FBR, Review Counsel and any other counsel to FBR copies of any comments made by the staff of the Commission relating to such Registration Statement and of the Company's responses thereto for review and comment; and use its commercially reasonable efforts to cause such Registration Statement to become effective as soon as practicable after filing and to remain effective, subject to Section 6 hereof, until the earlier of (i) such time as all Registrable Shares covered thereby have been sold in accordance with the intended distribution of such Registrable Shares, (ii) such time as all of the Registrable Shares are eligible for sale without any volume or manner of sale restrictions or compliance by the Company with any current public information requirements pursuant to Rule 144 (or any successor or analogous rule) under the Securities Act, (iii) there are no Registrable Shares outstanding or (iv) the first anniversary of the effective date of such Registration Statement (subject to extension as provided in Section 6(c) hereof and the condition that the Registrable Shares have been transferred to an unrestricted CUSIP, are listed on the New York Stock Exchange or the Nasdaq Global Market, pursuant to Section 5(n) of this Agreement, or on an alternative trading system, with the Registrable Shares qualified under the applicable state securities or "blue sky" laws of all fifty (50) states); *provided, however,* that the Company shall not be required to cause the IPO Registration Statement to remain effective for any period longer than ninety (90) days following the effective date of the IPO Registration Statement (subject to extension as provided in Section 6(c) hereof); *provided, further*, that if the Company has an effective Shelf Registration Statement on Form S-1 (or other form then available to the Company) under the Securities Act and becomes eligible to use Form S-3 or such other short-form registration statement form under the Securities Act, the Company may, upon thirty (30) Business Days prior written notice to all Holders, register any Registrable Shares registered but not yet distributed under the effective Shelf Registration Statement on such a short-form Shelf Registration Statement and, once the short-form Shelf Registration Statement is declared effective, de-register such shares under the previous Registration Statement or transfer the filing fees from the previous Registration Statement (such transfer pursuant to Rule 429, if applicable) unless any Holder registered under the initial Shelf Registration Statement notifies the Company within fifteen (15) Business Days of receipt of the Company notice that such a registration under a new Registration Statement and de- registration of the initial Shelf Registration Statement would interfere with its distribution of Registrable Shares already in progress, in which case, the Company shall delay the effectiveness of the short-form Registration Statement and termination of the then-effective initial Registration Statement or any short-form Registration Statement for a period of not less than thirty (30) days from the date that the Company receives the notice from such Holders requesting a delay;

(b) subject to Section 5(i) hereof, (i) prepare and file with the Commission such amendments and post-effective amendments to each such Registration Statement as may be necessary to keep such Registration Statement effective for the period described in Section 5(a) hereof; (ii) cause each Prospectus contained therein to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 or any similar rule that may be adopted under the Securities Act; and (iii) comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Holders thereof;

(c) furnish to the Holders, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Shares; the Company consents, subject to Section 6 hereof, to the lawful use of such Prospectus, including each preliminary Prospectus, by the Holders, if any, in connection with the offering and sale of the Registrable Shares covered by any such Prospectus;

(d) use its commercially reasonable efforts to register or qualify, or obtain exemption from registration or qualification for, all Registrable Shares by the time the applicable Registration Statement is declared effective by the Commission under all applicable state securities or "blue sky" laws of such jurisdictions as FBR or any Holder of Registrable Shares covered by a Registration Statement shall reasonably request in writing, keep each such registration or qualification or exemption effective during the period such Registration Statement is required to be kept effective pursuant to Section 5(a) and do any and all other acts and things that may be reasonably necessary or advisable to enable such Holder to consummate the disposition in each such jurisdiction of such Registrable Shares owned by such Holder; *provided*, *however*, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Section 5(d) and except as may be required by the Securities Act, (ii) subject itself to taxation in any such jurisdiction, or (iii) submit to the general service of process in any such jurisdiction;

(e) use its commercially reasonable efforts to cause all Registrable Shares covered by such Registration Statement to be registered and approved by such other governmental agencies or authorities as may be necessary to enable the Holders thereof to consummate the disposition of such Registrable Shares;

(f) notify FBR and each Holder promptly and, if requested by FBR or any Holder, confirm such advice in writing (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any Proceeding for that purpose, (iii) of any request by the Commission or any other federal, state or foreign governmental authority for (A) amendments or supplements to a Registration Statement or related Prospectus or (B) additional information and (iv) of the happening of any event during the period a Registration Statement is effective as a result of which such Registration Statement or the related Prospectus or any document incorporated by reference therein contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (which information shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) and (v) at the request of any such Holder, promptly to furnish to such Holder a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchaser of such securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(g) use its commercially reasonable efforts to avoid the issuance of, or if issued, to obtain the withdrawal of, any order enjoining or suspending the use or effectiveness of a Registration Statement or suspending the qualification of (or exemption from qualification of) any of the Registrable Shares for sale in any jurisdiction, as promptly as practicable;

(h) upon request, furnish to each requesting Holder of Registrable Shares covered by a Registration Statement, without charge, one conformed copy of such Registration Statement and any post-effective amendment or supplement thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(i) except as provided in Section 6 hereof, upon the occurrence of any event contemplated by Section 5(f)(4) hereof, use its commercially reasonable efforts to promptly prepare a supplement or post-effective amendment to a Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Shares, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) if requested by the representative of the underwriters, if any, or any Holders of Registrable Shares being sold in connection with such offering, (i) promptly incorporate in a Prospectus supplement or post-effective amendment such information as the representative of the underwriters, if any, or such Holders indicate relates to them or that they reasonably request be included therein and (ii) make all required filings of such Prospectus supplement or such post- effective amendment as soon as reasonably practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(k) in the case of an Underwritten Offering, use its commercially reasonable efforts to furnish to the underwriters a signed counterpart, addressed to each such Holder and the underwriters, of: (i) an opinion of counsel for the Company customary for underwritten public offerings, dated the date of each closing under the underwriting agreement, reasonably satisfactory to the underwriters; and (ii) a “comfort” letter, dated the effective date of such Registration Statement and the date of each closing under the underwriting agreement, signed by the independent public accountants who have certified the Company’s financial statements included in such Registration Statement, covering substantially the same matters with respect to such Registration Statement (and the Prospectus included therein) and with respect to events subsequent to the date of such financial statements, as are customarily covered in accountants’ letters delivered to underwriters in underwritten public offerings of securities and such other financial matters as such Holder and the underwriters may reasonably request and are customarily obtained by underwriters in underwritten offerings;

(l) enter into customary agreements (including in the case of an Underwritten Offering, an underwriting agreement in customary form and reasonably satisfactory to the Company) and take all other reasonable action in connection therewith in order to expedite or facilitate the distribution of the Registrable Shares included in such Registration Statement and, in the case of an Underwritten Offering, make representations and warranties to the Holders covered by such

Registration Statement and to the underwriters in such form and scope as are customarily made by issuers to underwriters in underwritten offerings for companies of a similar business and size and confirm the same to the extent customary if and when requested;

(m) make available for inspection by representatives of the Holders and the representative of any underwriters participating in any disposition pursuant to a Registration Statement and any special counsel or accountants retained by such Holders or underwriters, all financial and other records, pertinent corporate documents and properties of the Company and cause the respective officers, directors and employees of the Company to supply all information reasonably requested by any such representatives, the representative of the underwriters, counsel thereto or accountants in connection with a Registration Statement; *provided, however,* that such records, documents or information that the Company determines, in good faith, to be confidential and notifies such representatives, representative of the underwriters, counsel thereto or accountants are confidential shall not be disclosed by such representatives, representative of the underwriters, counsel thereto or accountants unless (i) the disclosure of such records, documents or information is necessary to avoid or correct a misstatement or omission in a Registration Statement or Prospectus, (ii) the release of such records, documents or information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, or (iii) such records, documents or information have been generally made available to the public; *provided, further*, that the representatives of the Holders and any underwriters will use commercially reasonable efforts, to the extent practicable, to coordinate the foregoing inspection and information gathering and not materially disrupt the Company's business operations;

(n) use its commercially reasonable efforts (including, without limitation, seeking to cure any deficiencies cited by the exchange or market in the Company's listing or inclusion application) to list or include all Registrable Shares on the New York Stock Exchange or the Nasdaq Global Market;

(o) prepare and file in a timely manner all documents and reports required by the Exchange Act and, to the extent the Company's obligation to file such reports pursuant to Section 15(d) of the Exchange Act expires prior to the expiration of the effectiveness period of the Registration Statement as required by Section 5(a) hereof, the Company shall register the Registrable Shares under the Exchange Act and shall maintain such registration through the effectiveness period required by Section 5(a) hereof;

(p) provide a CUSIP number for all Registrable Shares, not later than the effective date of the Registration Statement;

(q) (i) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, (ii) make generally available to its stockholders, as soon as reasonably practicable, earnings statements covering at least twelve (12) months beginning after the effective date of the Registration Statement that satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 (or any similar rule promulgated under the Securities Act) thereunder, but in no event later than ninety (90) days after the end of each fiscal year of the Company and (iii) not file any Registration Statement or Prospectus or amendment or supplement to such Registration Statement or Prospectus to which any Holder of Registrable Shares covered by any

Registration Statement shall have reasonably objected on the grounds that such Registration Statement or Prospectus or amendment or supplement does not comply in all material respects with the requirements of the Securities Act, such Holder having been furnished with a copy thereof at least two (2) Business Days prior to the filing thereof;

(r) provide and cause to be maintained a registrar and transfer agent for all Registrable Shares covered by any Registration Statement from and after a date not later than the effective date of such Registration Statement;

(s) in connection with any sale or transfer of the Registrable Shares (whether or not pursuant to a Registration Statement) that will result in the securities being delivered no longer being Registrable Shares, cooperate with the Holders and the representative of the underwriters, if any, to facilitate (unless any Registrable Shares shall be in book-entry only form) the timely preparation and delivery of certificates representing the Registrable Shares to be sold, which certificates shall not bear any restrictive transfer legends (other than as required by the Company's Amended and Restated Certificate of Incorporation, as it may be amended from time to time) and to enable such Registrable Shares to be in such denominations and registered in such names as the representative of the underwriters, if any, or the Holders may request at least three (3) Business Days prior to any sale of the Registrable Shares;

(t) in connection with the initial filing of a Shelf Registration Statement and each amendment thereto with the Commission pursuant to Section 2(a) hereof, cooperate with FBR in connection with the filing with FINRA of all forms and information required or requested by FINRA in order to obtain written confirmation from FINRA that FINRA does not object to the fairness and reasonableness of the underwriting terms and arrangements (or any deemed underwriting terms and arrangements) (each such written confirmation, a "*No Objections Letter*") relating to the resale of Registrable Shares pursuant to the Shelf Registration Statement, including, without limitation, information provided to FINRA through its COBRADesk system, and pay all costs, fees and expenses incident to FINRA's review of the Shelf Registration Statement and the related underwriting terms and arrangements, including, without limitation, all filing fees associated with any filings or submissions to FINRA and the reasonable legal expenses, filing fees and other disbursements of FBR and any other FINRA member that is the Holder of, or is affiliated or associated with an owner of, Registrable Shares included in the Shelf Registration Statement (including in connection with any initial or subsequent member filing);

(u) in connection with the initial filing of a Shelf Registration Statement and each amendment thereto filed with the Commission pursuant to Section 2(a) hereof, provide to FBR and its representatives, the opportunity to conduct due diligence, including, without limitation, an inquiry of the Company's financial and other records, and make available members of its management for questions regarding information which FBR may request in order to fulfill any due diligence obligation on its part and, concurrent with the initial filing of a Shelf Registration Statement with the Commission pursuant to Section 2(a) hereof and thereafter upon prompt request from FBR, pay to FBR, by wire transfer of immediately available funds, amounts to cover FBR's reasonable out of pocket expenses associated with its due diligence review of the Shelf Registration Statement and the information contained therein, if any, not to exceed $50,000 in the aggregate;

(v) upon effectiveness of the first Registration Statement filed under this Agreement, take such actions and make such filings as are necessary to effect the registration of the Common Stock under the Exchange Act simultaneously with or immediately following the effectiveness of the Registration Statement; and

(w) in the case of an Underwritten Offering, use its commercially reasonable efforts to cooperate and assist in any filings required to be made with FINRA and in the performance of any due diligence investigation by any underwriter and its counsel (including any "qualified independent underwriter," if applicable) that is required to be retained in accordance with the rules and regulations of FINRA.

The Company may require the Holders to furnish (and each Holder shall furnish) to the Company such information regarding the proposed distribution by such Holder of such Registrable Shares as the Company may from time to time reasonably request in writing or as shall be required to effect the registration of the Registrable Shares, and no Holder shall be entitled to be named as a selling stockholder in any Registration Statement and no Holder shall be entitled to use the Prospectus forming a part thereof if such Holder does not provide such information to the Company. Any Holder that sells Registrable Shares pursuant to a Registration Statement or as a selling security holder pursuant to an Underwritten Offering shall be required to be named as a selling shareholder in the related prospectus and to deliver a prospectus to purchasers. Each Holder further agrees to furnish promptly to the Company in writing all information required from time to time to make the information previously furnished by such Holder not misleading.

Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5(f)(3) or 5(f)(4) hereof, such Holder will immediately discontinue disposition of Registrable Shares pursuant to a Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus. If so directed by the Company, such Holder will deliver to the Company (at the expense of the Company) all copies in its possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Shares current at the time of receipt of such notice.

6. ***Black-Out Period***

(a) Subject to the provisions of this Section 6 and a good faith determination by a majority of the independent members of the board of directors of the Company (the "*Board of Directors*") that it is in the best interests of the Company to suspend the use of the Registration Statement, following the effectiveness of a Registration Statement (and the filings with any international, federal or state securities commissions), the Company, by written notice to FBR and the Holders, may direct the Holders to suspend sales of the Registrable Shares pursuant to a Registration Statement for such times as the Company reasonably may determine is necessary and advisable (but in no event for more than an aggregate of ninety (90) days in any rolling twelve (12) month period commencing on the Closing Date or more than sixty (60) days in any rolling ninety (90) day period), if any of the following events shall occur: (i) the representative of the underwriters of an Underwritten Offering of primary shares by the Company has advised the

Company that the sale of Registrable Shares pursuant to the Registration Statement would have a material adverse effect on the Company's primary Underwritten Offering; (ii) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith that (A) the offer or sale of any Registrable Shares would materially impede, delay or interfere with any proposed financing, offer or sale of securities, acquisition, merger, tender offer, business combination, corporate reorganization or other significant transaction involving the Company, (B) after the advice of counsel, the sale of Registrable Shares pursuant to the Registration Statement would require disclosure of non-public material information not otherwise required to be disclosed under applicable law, and (C) (x) the Company has a bona fide business purpose for preserving the confidentiality of such transaction or information, (y) disclosure would have a material adverse effect on the Company or the Company's ability to consummate such transaction, or (z) the proposed transaction renders the Company unable to comply with Commission requirements, in each case under circumstances that would make it impractical or inadvisable to cause the Registration Statement (or such filings) to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis, as applicable; or (iii) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith, after the advice of counsel, that it is required by law, rule or regulation or that it is in the best interests of the Company to supplement the Registration Statement or file a post-effective amendment to the Registration Statement in order to incorporate information into the Registration Statement for the purpose of (1) including in the Registration Statement any prospectus required under Section 10(a)(3) of the Securities Act; (2) reflecting in the prospectus included in the Registration Statement any facts or events arising after the effective date of the Registration Statement or any misstatement or omission in the prospectus (or of the most recent post-effective amendment) that, individually or in the aggregate, represent a fundamental change in the information set forth therein; or (3) including in the prospectus included in the Registration Statement any material information with respect to the plan of distribution not disclosed in the Registration Statement or any material change to such information. Upon the occurrence of any such suspension, the Company shall use its best efforts to cause the Registration Statement to become effective or to promptly amend or supplement the Registration Statement on a post- effective basis or to take such action as is necessary to make resumed use of the Registration Statement compatible with the Company's best interests, as applicable, so as to permit the Holders to resume sales of the Registrable Shares as soon as possible.

(b) In the case of an event that causes the Company to suspend the use of a Registration Statement (a "*Suspension Event*"), the Company shall give written notice (a "*Suspension Notice*") to FBR and the Holders to suspend sales of the Registrable Shares and such notice shall state generally the basis for the notice and that such suspension shall continue only for so long as the Suspension Event or its effect is continuing and the Company is using its best efforts and taking all reasonable steps to terminate suspension of the use of the Registration Statement as promptly as possible. The Holders shall not effect any sales of the Registrable Shares pursuant to such Registration Statement (or such filings) at any time after it has received a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice (as defined below). If so directed by the Company, each Holder will deliver to the Company (at the expense of the Company) all copies other than permanent file copies then in such Holder's possession of the Prospectus covering the Registrable Shares at the time of receipt of the Suspension Notice. The Holders may recommence effecting sales of the Registrable Shares pursuant to the Registration

Statement (or such filings) following further notice to such effect (an "*End of Suspension Notice*") from the Company, which End of Suspension Notice shall be given by the Company to the Holders and FBR in the manner described above promptly following the conclusion of any Suspension Event and its effect.

(c) Notwithstanding any provision herein to the contrary, if the Company shall give a Suspension Notice pursuant to this Section 6, the Company agrees that it shall extend the period of time during which the applicable Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from the date of receipt by the Holders of the Suspension Notice to and including the date of receipt by the Holders of the End of Suspension Notice and copies of the supplemented or amended Prospectus necessary to resume sales.

7. ***Indemnification and Contribution***

(a) The Company agrees to indemnify and hold harmless (i) each Holder of Registrable Shares and any underwriter (as determined in the Securities Act) for such Holder (including, if applicable, FBR), (ii) each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act) any such Person described in clause (i) (any of the Persons referred to in this clause (ii) being hereinafter referred to as a "*Controlling Person*"), and (iii) the respective officers, directors, partners, members, employees, representatives and agents of any such Person or any Controlling Person (any Person referred to in clause (i), (ii) or (iii) above may hereinafter be referred to as a "*Purchaser Indemnitee*"), to the fullest extent lawful, from and against any and all losses, claims, damages, judgments, actions, out-of-pocket expenses, and other liabilities (the "*Liabilities*"), including without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any Proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Purchaser Indemnitee, joint or several, directly or indirectly related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto), any Prospectus (or any amendment or supplement thereto) or any Issuer Free Writing Prospectus (or any amendment or supplement thereto), or any preliminary Prospectus or any other document used to sell the Registrable Shares, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, *however*, that (A) the Company shall not be liable in any such case to the extent that such Liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or alleged omission made in reliance upon and in conformity with information relating to any Purchaser Indemnitee furnished to the Company or any underwriter in writing by or on behalf of such Purchaser Indemnitee expressly for use therein and (B) in the case of a Suspension Event for which a Suspension Notice is delivered in accordance with Section 6 and actually received by such Holder (*provided* that a Holder shall be deemed to have received such Suspension Notice (I) when sent by the Company by confirmed electronic email or facsimile if sent during normal business hours of the recipient (*or*, if not so confirmed or if sent outside normal business hours, on the next business day) and (II) if delivered by mail, upon delivery at the address of the Holder as it appears in the records of the Company), the Company shall not be liable for any Liabilities resulting from a sale of Registrable Shares by any Holder occurring after receipt by such Holder of the Suspension

Notice and prior to delivery by the Company of an End of Suspension Notice (or, if earlier, the time that the suspension period is required to end pursuant to Section 6). The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding (including any governmental investigation), or litigation of which it shall have become aware in connection with the matters addressed by this Agreement which involves the Company or a Purchaser Indemnitee. The indemnity provided for herein shall remain in full force and effect regardless of any investigation made by or on behalf of any Purchaser Indemnitee.

(b) In connection with any Registration Statement in which a Holder of Registrable Shares is participating, and as a condition to such participation, such Holder agrees, severally and not jointly, to indemnify and hold harmless the Company and each Person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act and their respective officers, directors, partners, members, employees, representatives and agents of such Person or Controlling Person to the same extent as the foregoing indemnity from the Company to each Purchaser Indemnitee, but only with reference to untrue statements or omissions or alleged untrue statements or omissions made in reliance upon and in strict conformity with information relating to such Holder furnished to the Company in writing by such Holder expressly for use in such Registration Statement (or any amendment thereto), Prospectus (or any amendment or supplement thereto), Issuer Free Writing Prospectus (or any amendment or supplement thereto) or any preliminary Prospectus. Absent gross negligence or willful misconduct, the liability of any Holder pursuant to this paragraph shall in no event exceed the net proceeds received by such Holder from sales of Registrable Shares pursuant to such Registration Statement (or any amendment thereto), Prospectus (or any amendment or supplement thereto), Issuer Free Writing Prospectus (or any amendment or supplement thereto) or any preliminary Prospectus**.**

(c) If any Proceeding (including any governmental or regulatory investigation) or demand shall be brought or asserted against any Person in respect of which indemnity may be sought pursuant to paragraph (a) or (b) above, such Person (the "*Indemnified Party*") shall promptly notify the Person against whom such indemnity may be sought (the "*Indemnifying Party*") in writing of the commencement thereof (but the failure to so notify an Indemnifying Party shall not relieve it from any liability which it may have under this Section 7, except to the extent the Indemnifying Party is materially prejudiced by the failure to give notice), and the Indemnifying Party, upon request of the Indemnified Party(ies), shall retain a single counsel (and a single local counsel) reasonably satisfactory to the Indemnified Party(ies) to represent the Indemnified Party(ies) and any others the Indemnifying Party may reasonably designate in such Proceeding and shall pay the reasonable fees and expenses actually incurred by such counsel related to such Proceeding. Notwithstanding the foregoing, in any such Proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party, unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed in writing to the contrary, (ii) the Indemnifying Party failed within a reasonable time after notice of commencement of the action to assume the defense and employ counsel reasonably satisfactory to the Indemnified Party, (iii) the Indemnifying Party and its counsel do not actively and vigorously pursue the defense of such action or (iv) the named parties to any such action (including any impleaded parties) include both such Indemnified Party and Indemnifying Party, or any Affiliate of the Indemnifying Party, and such Indemnified Party shall have been reasonably advised by counsel that, either (x) there may be one or more legal defenses

available to it which are different from or additional to those available to the Indemnifying Party or such Affiliate of the Indemnifying Party or (y) a conflict may exist between such Indemnified Party and the Indemnifying Party or such Affiliate of the Indemnifying Party (in which case the Indemnifying Party shall not have the right to assume nor direct the defense of such action on behalf of such Indemnified Party; it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all such Indemnified Parties, which firm shall be designated in writing by those Indemnified Parties who sold a majority of the Registrable Shares sold by all such Indemnified Parties and any such separate firm for the Company, the directors, the officers and such control Persons of the Company as shall be designated in writing by the Company). The Indemnifying Party shall not be liable for any settlement of any Proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify any Indemnified Party from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened Proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement (i) includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding and (ii) does not include a statement as to or an admission of, fault, culpability or a failure to act by or on behalf of the Indemnified Party.

(d) If the indemnification provided for in paragraphs (a) and (b) of this Section 7 is for any reason held to be unavailable to an Indemnified Party in respect of any Liabilities referred to therein (other than by reason of the exceptions provided therein) or is insufficient to hold harmless a party indemnified thereunder, then each Indemnifying Party under such paragraphs, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities (i) in such proportion as is appropriate to reflect the relative benefits of the Indemnified Party on the one hand and the Indemnifying Party(ies) on the other in connection with the statements or omissions that resulted in such Liabilities, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Indemnifying Party(ies) and the Indemnified Party, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and any Purchaser Indemnitees on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by such Purchaser Indemnitees and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The parties agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by *pro rata* allocation (even if such Indemnified Parties were treated as one entity for such purpose), or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(d) above. The amount paid or payable by an Indemnified Party as a result of any Liabilities referred to in Section 7(d) above shall

be deemed to include, subject to the limitations set forth above, any reasonable legal or other expenses actually incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, in no event shall a Purchaser Indemnitee be required to contribute any amount in excess of the amount by which the net proceeds received by such Purchaser Indemnitee from sales of Registrable Shares exceeds the amount of any damages that such Purchaser Indemnitee has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. For purposes of this Section 7, each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act) FBR or a Holder of Registrable Shares shall have the same rights to contribution as FBR or such Holder, as the case may be, and each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act) the Company, and each officer, director, partner, employee, representative, agent or manager of the Company shall have the same rights to contribution as the Company. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or Proceeding against such party in respect of which a claim for contribution may be made against another party or parties, notify each party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 7 or otherwise, except to the extent that any party is materially prejudiced by the failure to give notice. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) The indemnity and contribution agreements contained in this Section 7 will be in addition to any liability which the Indemnifying Parties may otherwise have to the Indemnified Parties referred to above. The Purchaser Indemnitees' obligations to contribute pursuant to this Section 7 are several in proportion to the respective number of Registrable Shares sold by each of the Purchaser Indemnitees hereunder and not joint.

8. ***Market Stand-off Agreement***

Each Holder hereby agrees that it shall not, to the extent requested by the Company or an underwriter of securities of the Company, directly or indirectly sell, offer to sell (including without limitation any short sale), grant any option or otherwise transfer or dispose of any Registrable Shares or other shares of Common Stock of the Company or any securities convertible into or exchangeable or exercisable for shares of Common Stock of the Company then owned by such Holder (other than to donees or partners of the Holder who agree to be similarly bound) (i) for a period (x) in the case of (I) the Company and each of is officers, directors, managers and employees, in each case to the extent such person or entity holds shares of Common Stock or securities convertible into or exchangeable or exercisable for shares of Common Stock, and (II) all Holders that are selling shares pursuant to the IPO Registration Statement, in each case beginning thirty (30) days prior to the effective date of, and continuing for one hundred eighty (180) days following the effective date of, the IPO Registration Statement to the Company; and (y) in the case of all other Holders, beginning on the effective date of, and continuing for sixty (60) days following the effective date of the IPO Registration Statement of the Company, or (ii) for a period of sixty (60) days following the effective date of an IPO Registration Statement of the Company

filed under the Securities Act; *provided*, *however*, with respect to the individuals and entities listed above in (x), that if (A) during the last 17 days of the 180-day period following the effective date of the IPO Registration Statement, the Company releases earnings results or material news or a material event relating to the Company occurs or (B) prior to the expiration of such 180-day period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of such 180-day period, then in each case the such 180-day period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless the managing underwriter(s) waive(s), in writing, such extension; *provided*, *further*, *however*, that:

(a) the restrictions above shall not apply to Registrable Shares sold pursuant to the IPO Registration Statement;

(b) all executive officers and directors of the Company then holding shares of Common Stock of the Company or securities convertible into or exchangeable or exercisable for shares of Common Stock of the Company enter into agreements that are no less restrictive;

(c) the Holders shall be allowed any concession or proportionate release allowed to any officer or director that entered into agreements that are no less restrictive (with such proportion being determined by dividing the number of shares being released with respect to such officer or director by the total number of issued and outstanding shares held by such officer or director); *provided*, that nothing in this Section 8(c) shall be construed as a right to proportionate release for the executive officers and directors of the Company upon the expiration of the sixty (60) day period applicable to all Holders other than the executive officers and directors of the Company; and

(d) this Section 8 shall not be applicable if a Shelf Registration Statement of the Company filed under the Securities Act has been declared effective prior to the filing of an IPO Registration Statement.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the securities subject to this Section 8 and to impose stop transfer instructions with respect to the Registrable Shares and such other securities of each Holder (and the securities of every other Person subject to the foregoing restriction) until the end of such period.

9. ***Termination of the Company's Obligation***

The Company shall have no obligation pursuant to this Agreement with respect to any Registrable Shares proposed to be sold by a Holder in a registration pursuant to this Agreement if, in the opinion of counsel to the Company, (i) all such Registrable Shares proposed to be sold by a Holder may be sold in a single transaction without any volume or manner of sale restrictions or compliance by the Company with any current public information requirements pursuant to Rule 144 (or any successor or analogous rule) under the Securities Act and (ii) the Registrable Shares have been listed for trading on the New York Stock Exchange or the Nasdaq Global Market.

10. ***Limitations on Subsequent Registration Rights***

From and after the date of this Agreement, the Company shall not, without the prior written consent of Holders beneficially owning not less than a majority of the then outstanding Registrable Shares (*provided, however*, that for purposes of this Section 10, Registrable Shares that are owned, directly or indirectly, by an Affiliate of the Company shall not be deemed to be outstanding), enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include such securities in any Registration Statement filed pursuant to the terms hereof, unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the same proportionate extent (based on their respective numbers of registrable shares) as the holders of Registrable Shares of the Holders that is included, and (b) have market stand-off arrangements no more favorable to the holders than those contained in Section 8 of this Agreement.

11. ***Miscellaneous***

(a) *Remedies*. In the event of a breach by the Company of any of its obligations under this Agreement, each Holder, in addition to being entitled to exercise all rights provided herein or, in the case of FBR, in the Purchase/Placement Agreement, or granted by law, including the rights granted in Section 2(f) hereof and recovery of damages, will be entitled to seek specific performance of its rights under this Agreement. Subject to Section 7, the Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) *Amendments and Waivers*. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, without the written consent of the Company and Holders beneficially owning not less than a majority of the then outstanding Registrable Shares; *provided, however,* that for purposes of this Section 11(b), Registrable Shares that are owned, directly or indirectly, by an Affiliate of the Company shall not be deemed to be outstanding; *provided, further*, that Sections 2(a), 2(f) and 3 may not be amended, modified or supplemented, and waivers or consents thereto or departures therefrom may not be given, without the written consent of the Company and Holders beneficially owning not less than 75% of the then outstanding Registrable Shares. No amendment shall be deemed effective unless it applies uniformly to all Holders. Notwithstanding the foregoing, a waiver or consent to or departure from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders may be given by such Holder; *provided* that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the first and second sentences of this paragraph.

(c) *Notices*. All notices and other communications, provided for or permitted hereunder, shall be made in writing and delivered by facsimile (with receipt confirmed), overnight courier or registered or certified mail, return receipt requested, or by telegram:

(i) if to a Holder, at the most current address given by the transfer agent and registrar of the Shares to the Company; and

(ii) if to the Company, at the offices of the Company at 1001 19th Street North, Arlington, Virginia 22209, Attention: John M. Sherwood (with copy to: Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York, Attention: David E. Shapiro/Alison M. Zieske (facsimile: (212) 403-2316/(212) 403-2107)); and

(iii) if to FBR, at the offices of FBR at 1001 Nineteenth Street North, Arlington, Virginia 22209, Attention: William Ginivan, Esq. (facsimile 703-469-1140).

(d) *Successors and Assigns*. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, including, without limitation and without the need for an express assignment or assumption, subsequent Holders. The Company agrees that the Holders shall be third party beneficiaries to the agreements made hereunder by FBR and the Company, and each Holder shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights hereunder; *provided*, *however*, that such Holder fulfills all of its obligations hereunder.

(e) *Counterparts*. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(f) *Headings*. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) ***Governing Law*. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE COURT IN THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING IN NEW YORK IN RESPECT OF ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT**

ANY SUCH PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(h) *Severability*. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties hereto that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(i) *Entire Agreement*. This Agreement, together with the Purchase/Placement Agreement, is intended by the parties hereto as a final expression of their agreement, and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein.

(j) *Registrable Shares Held by the Company or its Affiliates*. Whenever the consent or approval of Holders of a specified percentage of Registrable Shares is required hereunder, Registrable Shares held by the Company or its Affiliates shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Adjustment for Stock Splits, etc. Wherever in this Agreement there is a reference to a specific number of shares, then upon the occurrence of any subdivision, combination, or stock dividend of such shares, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted to reflect the effect on the outstanding shares of such class or series of stock by such subdivision, combination, or stock dividend.

(l) *Survival*. This Agreement is intended to survive the consummation of the transactions contemplated by the Purchase/Placement Agreement. The indemnification and contribution obligations under Section 7 of this Agreement shall survive the termination of the Company's obligations under Section 2 of this Agreement.

(m) *Attorneys' Fees*. In any action or Proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, shall be entitled to recover its reasonable attorneys' fees in addition to any other available remedy.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

NMI HOLDINGS, INC.

By: /s/ Bradley M. Shuster
Name: Bradley M. Shuster
Title: President and Chief Executive Officer

FBR CAPITAL MARKETS & CO.

By: /s/ Paul Dellisola
Name: Paul Dellisola
Title: Senior Managing Director

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of April 24, 2012, by and between MAC Financial Ltd., a Bermuda exempted company ("MAC"), and NMI Holdings, Inc., a Delaware corporation (the "Company").

RECITALS

WHEREAS, pursuant to that certain Stock Purchase Agreement, dated as of November 30, 2011, between the Company and MAC (as amended from time to time, the "Stock Purchase Agreement"), the Company is consummating the purchase from MAC of all of the capital stock of MAC Financial Holding Corporation (the "Purchase");

WHEREAS, as part of the consideration for the Purchase, the Company is issuing (a) 250,000 shares (the "Initial Shares") of Class A common stock, par value $0.01 per share, of the Company (the "Common Shares") and (b) a warrant to purchase Common Shares has been or is being issued pursuant to the terms of the Stock Purchase Agreement (as such warrant may be divided from time to time, the "Warrants"); and

WHEREAS, the Company has agreed to enter into this Agreement pursuant to the terms of the Warrants.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

(a) Except as otherwise specified herein or as the context may otherwise require, the following terms as used in this Agreement shall have the meanings set forth below:

"Affiliate" of any specified Person means any other Person who directly, or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such specified Person. For purposes of this definition, control of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract, securities ownership or otherwise; and the terms "controlling" and "controlled" have the respective meanings correlative to the foregoing.

"Agreement" has the meaning specified in the preamble.

"Blackout Period" has the meaning specified in Section 2(c)(i).

"Closing Date" means April 24, 2012.

"Commission" means the Securities and Exchange Commission.

"Common Shares" has the meaning specified in the second recital.

"Company" has the meaning specified in the preamble.

"Controlling Person" has the meaning specified in Section 7(a).

"Counsel" has the meaning specified in Section 3(q).

"Covered Holder" means (x) MAC but only in respect of Registrable Securities owned by MAC and (y) any permitted transferee or assignee of Warrants or Registrable Securities who agrees to become bound by all of the terms and provisions of this Agreement.

"Effectiveness Date" has the meaning specified in Section 2(a)(i).

"End of Suspension Notice" has the meaning specified in Section 2(c)(ii).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, or any similar successor statute.

"FINRA" means the Financial Industry Regulatory Authority, Inc.

"FBR Holders" has the meaning specified in Section 2(a)(ii).

"FBR Registration Rights Agreement" means the Registration Statement, dated April 24, 2012, between FBR & Co., FBR Capital Markets LT, Inc. and the Company.

"Free Writing Prospectus" means a free writing prospectus (as such term is defined in Rule 405 under the Securities Act) relating to Registrable Securities.

"Indemnified Party" has the meaning specified in Section 7(c).

"Indemnifying Party" has the meaning specified in Section 7(c).

"Initial Shares" has the meaning specified in the second recital.

"Inspector" has the meaning specified in Section 3(q).

"Issuer Free Writing Prospectus" means an issuer free writing prospectus (as such term is defined in Rule 433(h) under the Securities Act) relating to Registrable Securities.

"Liabilities" has the meaning specified in Section 7(a).

"MAC" has the meaning specified in the preamble.

"Maximum Offering Size" has the meaning specified in Section 2(a)(ii).

"Participating Covered Holder" means, with respect to any Registration Statement, each Covered Holder whose Registrable Securities are included or are to be included in such Registration Statement.

"Private Placement Holders" has the meaning specified in Section 4(a).

"Person" means any individual, partnership, corporation, limited liability company, joint stock company, association, trust, unincorporated organization or a government agency or political subdivision thereof.

"Private Placement Registration Rights Agreement" means the Registration Rights Agreement with FBR Capital Markets & Co. for the benefit of, among others, the Persons (as defined below) who purchase Common Shares in such private placement.

"Prospectus" means the prospectus (including any preliminary prospectus and/or any final prospectus filed pursuant to Rule 424(b) under the Securities Act and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance on Rule 430A, Rule 430B or Rule 430C under the Securities Act) included in a Registration Statement, as amended or supplemented by any prospectus supplement or any Issuer Free Writing Prospectus (as defined in Rule 433(h) under the Securities Act) with respect to the terms of the offering or any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by the Company under the Exchange Act and incorporated by reference therein.

"Public Offering" means an offer registered with the Commission and the appropriate state securities commissions by the Company of its Common Shares and made pursuant to the Securities Act.

"Purchase" has the meaning specified in the first recital.

"Purchaser Indemnitee" has the meaning specified in Section 7(a).

"Records" has the meaning specified in Section 3(q).

"Registrable Securities" means (i) the Initial Shares, (ii) the Warrant Shares and (iii) any shares or other securities issued in respect of such Registrable Securities by reason of or in connection with any share dividend, share distribution, share split, purchase in any rights offering or in connection with any exchange for or replacement of such Registrable Securities or any combination of shares, recapitalization, amalgamation, merger or consolidation, any other equity securities issued in respect of Registrable Securities pursuant to any other pro rata distribution with respect to the Common Shares; provided, however, that a Common Share shall cease to be a Registrable Security for purposes of this Agreement when it no longer is a Restricted Security.

"Registration Expenses" means any and all expenses incident to the performance of or compliance with this Agreement (whether with respect to a demand registration, piggyback registration or otherwise), including: (i) all Commission, securities exchange, FINRA registration, listing, inclusion and filing fees, (ii) all fees and expenses incurred in connection with compliance with international, federal or state securities or blue sky laws (including any registration, listing and filing fees and reasonable fees and disbursements of counsel in

connection with blue sky qualification of any of the Registrable Securities and the preparation of a blue sky memorandum and compliance with the rules of the FINRA), (iii) all expenses in preparing or assisting in preparing, word processing, duplicating, printing, delivering and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements, certificates and any other documents relating to the performance under and compliance with this Agreement, (iv) all fees and expenses incurred in connection with the listing or inclusion of any of the Registrable Securities on any securities exchange pursuant to Section 3(j) of this Agreement, (v) the fees and disbursements of counsel for the Company and of the independent registered public accounting firm of the Company (including the expenses of any special audit and "cold comfort" letters required by or incident to the performance of this Agreement), and (vi) any fees and disbursements customarily paid in issues and sales of securities (including the fees and expenses of any experts retained by the Company in connection with any Registration Statement); provided, however, that Registration Expenses shall exclude (x) brokers' or underwriters' discounts and commissions, if any, relating to the sale or disposition of Registrable Securities by any Covered Holder, (y) any fees and expenses incurred by any broker or underwriter, other than such fees and expenses that the Company shall have agreed in writing with such underwriter to pay and (z) all transfer taxes and transfer fees in connection with a registration of Registrable Securities pursuant to this Agreement.

"Registration Period" has the meaning specified in Section 3(d).

"Registration Statement" means any registration statement of the Company, which covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement.

"Requested Information" has the meaning specified in Section 4(a).

"Restricted Security" means (i) the Initial Shares, (ii) the Warrant Shares and (iii) any shares or other securities issued in respect of such Restricted Securities by reason of or in connection with any share dividend, share distribution, share split, purchase in any rights offering or in connection with any exchange for or replacement of such Restricted Securities or any combination of shares, recapitalization, amalgamation, merger or consolidation, any other equity securities issued in respect of Registrable Securities pursuant to any other *pro rata* distribution with respect to the Common Shares; provided, however, that Restricted Security shall exclude any of the foregoing securities that (i) has been registered pursuant to an effective registration statement under the Securities Act and sold in a manner contemplated by the prospectus included in such registration statement, (ii) has been transferred by a Covered Holder in compliance with the resale provisions of Rule 144 under the Securities Act (or any successor provision thereto) or is transferable by a Covered Holder without regard to the volume, manner of sale, notice, current public information or other requirements of Rule 144 under the Securities Act (or any successor provision thereto), or (iii) otherwise has been transferred by a Covered Holder and a book-entry or new certificate representing a Common Share not subject to transfer restrictions under the Securities Act has been entered, or delivered by or on behalf of, the Company.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, or any similar successor statute.

"Shelf S-1 Resale Registration Statement" means a shelf registration statement on Form S-1 to be filed by the Company, as contemplated by Section 2(a) of the Private Placement Registration Rights Agreement.

"Stock Purchase Agreement" has the meaning specified in the first recital.

"Suspension Event" has the meaning specified in Section 2(c)(ii).

"Suspension Notice" has the meaning specified in Section 2(c)(ii).

"Underwritten Offering" means a sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

"Warrant Share" means any Common Share issuable upon exercise of a Warrant or any other shares or other securities issued or issuable in respect of a Warrant, including (without limitation) in connection with the adjustment provisions of such Warrant.

"Warrants" has the meaning specified in the second recital.

(b) As used herein, terms defined in the singular shall have a comparable meaning when used in the plural and vice versa. Terms defined in the current tense shall have a comparable meaning when used in the past or future tense and vice versa. Terms defined as a noun shall have a comparable meaning when used as an adjective, adverb or verb and vice versa. References to "Sections" or "Exhibits" shall refer to the Sections of or exhibits to this Agreement unless otherwise specifically indicated. Whenever the term "include" or "including" is used in this Agreement, it shall mean "including, without limitation" (whether or not such language is specifically set forth) and shall not be deemed to limit the range of possibilities to those items specifically enumerated. The term "or" is not exclusive. Unless otherwise limited, the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision. Each reference to any Person includes such Person's successors and assigns. References to any agreements, instruments or other documents includes such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified. This Agreement is the result of the joint efforts of the parties hereto, and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of the parties and there will be no construction against any party based on any presumption of that party's involvement in the drafting of this Agreement.

2. Registration.

(a) Demand Registration Rights.

(i) At any time after the Shelf S-1 Resale Registration Statement has been withdrawn or has ceased to be effective, or if the Shelf S-1 Resale Registration Statement has not been filed or become effective

within the respective periods prescribed in the Private Placement Registration Rights Agreement, if the Company shall receive a written request for registration under the Securities Act from the Covered Holders holding a majority of the Registrable Securities, the Company shall (A) provide written notice to all other Covered Holders of such request and extend to them the opportunity to include their Registrable Securities in the proposed registration, (B) in no event later than 60 days after the receipt of such request (but subject to any applicable Blackout Periods), prepare and file with the Commission a Registration Statement under the Securities Act on Form S-3 (or such other form as may be available for use by the Company) relating to the offer and sale of the Registrable Securities by the Covered Holders joining in such request and (C) subject to Section 2(a)(ii), use its commercially reasonable efforts to promptly effect such registration and cause such Registration Statement to be declared effective by the Commission as soon as possible after the initial filing thereof, including, providing written responses to any comments made by the Commission regarding such Registration Statement and filing any necessary pre-effective amendments and all necessary exhibits thereto. The Company shall, subject to any applicable Blackout Periods, use its commercially reasonable efforts to keep such Registration Statement effective for the period beginning on the date such Registration Statement becomes effective (the "Effectiveness Date") and terminating on the earlier of (x) one year after the last date that a Warrant is exercised or, if later, the expiration of the last Warrant remaining outstanding and (y) the date upon which all Registrable Securities then held by the Participating Covered Holders and included in such Registration Statement either (i) may be resold without restriction of any kind and without need for such Registration Statement to be effective or (ii) have been disposed of pursuant to transactions contemplated by the Registration Statement. The Company's obligation to file and maintain the effectiveness of a Registration Statement under this Section 2(a) shall terminate on the date upon which all Registrable Securities then held by the Participating Covered Holders and included in such Registration Statement either (i) may be resold without restriction of any kind under the Securities Act and without need for a Registration Statement to be effective or (ii) have been disposed of pursuant to transactions contemplated by the Registration Statement.

(ii) If a registration pursuant to this Section 2(a) involves a Public Offering that is an Underwritten Offering, the Company and each other selling security holder participating in such Public Offering shall agree to sell any Common Shares to be sold by them to the underwriters on the same terms as apply to the Common Shares to be sold by the Participating Covered Holders. If the managing underwriter thereof advises the Company and the Participating Covered Holders that, in its view, the number of Common Shares that the Company and the Participating Covered Holders and other selling security holders (if any) intend to include in such registration exceeds the largest number of Common Shares that can be sold without having an adverse effect on such Public Offering, including with respect to the price at which such shares can be sold (the "Maximum Offering Size"), the Company shall include in such registration only that number of Common Shares which does not exceed the Maximum Offering Size, in the following order of priorities: (1) first, all Registrable Securities that the Participating Covered Holders have requested to include therein, (2) second, the securities proposed to be registered by the Company and (3) third, the securities proposed to be registered by other holders of securities entitled to participate in the registration, drawn from them (on a *pro rata* basis based on the number of shares having registration rights held by each holder who is requesting inclusion), provided, however, that if the Public Offering referred to in this Section 2(a) constitutes an IPO Registration Statement (as defined in the Private Placement Registration Rights Agreement), any shares to be included in such IPO Registration Statement shall be allocated first, to the Participating Covered Holders and the securities requested to be registered by other holders of

securities (including the holders entitled to participate in the registration pursuant to the Private Placement Registration Rights Agreement (the "Private Placement Holders") and the holders entitled to participate in the registration pursuant to the FBR Registration Rights Agreement (the "FBR Holders") entitled to participate in the registration having a priority equal to the priority of the Covered Holders, drawn from them (on a *pro rata* basis based on the number of shares having registration rights held by each holder who is requesting inclusion) and second, to the securities requested to be registered by other holders of securities with registration rights that are inferior with respect to such reduction) to the registration rights of the holders hereunder.

(iii) Subject to Section 2(a)(iv), the Company shall be required to register the Registrable Securities not more than two (2) times pursuant to this Section 2(a), provided, however, that if Participating Covered Holders are not able to register all of their Registrable Securities in a requested registration, such request shall not count as a request to register Registrable Securities for the purposes of this Section 2(a)(iii).

(iv) At any time before a Registration Statement requested by any Covered Holder pursuant to this Section 2(a) has become effective, any Participating Covered Holder may withdraw its request by written notice to the Company and upon receipt of such notice the Company shall, at its option, either (x) withdraw the Registration Statement (if any) that it previously filed in connection with such request (but only if the number of Registrable Securities withdrawn is more than half of the number of Registrable Securities included in such Registration Statement) or (y) amend such Registration Statement to remove any Registrable Securities included therein at the request of the Participating Covered Holders seeking to withdraw their Registrable Securities, and in either case shall be relieved of all obligations under this Section 2(a) with respect to such request. For the avoidance of doubt, the filing of a Registration Statement requested by any Covered Holder pursuant to this Section 2(a) that is subsequently withdrawn by the Company pursuant to this Section 2(a)(iv) shall count as a request to register Registrable Securities and, for purposes of Section 2(a)(iv), shall be deemed to be a registration of the Registrable Securities pursuant to this Section 2(a); provided that, if the Company elects to withdraw the Registration Statement and the Participating Covered Holders reimburse the Company for all of the Company's costs and expenses incurred in complying with such request through the time the Company receives notice of the Covered Holders' withdrawal of such request, such request shall not count as a request to register Registrable Securities for purposes of Section 2(a)(iv).

(v) Subject to the FBR Capital Markets & Co.'s right of first refusal as set forth in the Engagement Letter, dated March 2, 2012, between it and the Company, if a requested registration pursuant to this Section 2(a) involves an Underwritten Offering, the underwriter or underwriters thereof shall be selected by the Participating Covered Holders holding a majority of Registrable Securities as to which registration has been requested and shall be acceptable to the Company; provided that the Company shall not unreasonably withhold or delay its acceptance of any proposed underwriters.

(b) Piggyback Registration Rights.

(i) If the Company proposes to register any of its Common Shares under the Securities Act (other than a registration on Form S-8 or S-4 or any successor or similar forms), whether or

not for sale for its own account, including the Shelf S-1 Resale Registration Statement, it shall at such time give prompt written notice at least 20 days prior to the anticipated filing date of the registration statement relating to such registration to the Covered Holders, which notice shall set forth such Covered Holders' rights under this Section 2(b) and shall offer the Covered Holders the opportunity to include in such registration statement such number of Registrable Securities as the Covered Holders may request. Upon the written request of any Covered Holder made within15 days of the notice from the Company (which request shall specify the number of Registrable Securities such Covered Holder seeks to register), the Company shall use commercially reasonable efforts to include in such registration all Registrable Securities that the Company has been so requested to register by any Covered Holder, to the extent required to permit the disposition of the Registrable Securities to be so registered; provided, however, that (A) if such registration involves an Underwritten Offering, the Participating Covered Holders must sell their Registrable Securities to the underwriters on the same terms and conditions as apply to the Company or other selling security holders, (B) if such registration does not involve an Underwritten Offering, the Participating Covered Holders must sell their Registrable Securities in accordance with a plan of distribution as reasonably specified by the Participating Covered Holders, from time to time, if, at any time after giving written notice of its intention to register any Common Shares pursuant to this Section 2(b) and prior to the effective date of the Registration Statement filed in connection with such registration (other than the Shelf S-1 Resale Registration Statement), the Company shall determine for any reason not to register such Common Shares, the Company shall give written notice to the Participating Covered Holders and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration.

(ii) If a registration pursuant to this Section 2(b) involves an Underwritten Offering and the managing underwriter thereof advises the Company that, in its view, the number of Common Shares that the Company and the Participating Covered Holders and other selling security holders (if any) intend to include in such registration exceeds the Maximum Offering Size, the Company shall include in such registration only that number of Common Shares which does not exceed the Maximum Offering Size, in the following order of priorities: (1) first, all securities the Company proposes to sell for its own account and all securities that other holders of securities entitled to participate in the registration with a priority greater than the priority of the Covered Holders, in such priority among them as is agreed among the Company and such other holders of securities, (2) second, the Registrable Securities of the Participating Covered Holders and the securities requested to be registered by other holders of securities (including the Private Placement Holders and the FBR Holders) entitled to participate in the registration having a priority equal to the priority of the Covered Holders, drawn from them (on a *pro rata* basis based on the number of shares having registration rights held by each holder who is requesting inclusion) and (3) third, the securities requested to be registered by other holders of securities with registration rights that are inferior with respect to such reduction) to the registration rights of the holders hereunder.

(iii) The Participating Covered Holders, the Private Placement Holders and the FBR Holders priority to participate in the registration of Common Shares in any Registration Statement shall be *pari passu*, except that (1) in a registration requested by any Covered Holder, the priority set forth in Section 2(a)(ii) shall apply, (2) in a registration requested by any FBR Holder, the priority set forth in Section 2(a)(ii) of the FBR Registration Rights Agreement shall

apply and (3) in a take-down under a shelf registration statement (including the Shelf S-1 Resale Registration Statement) requested by a Participating Covered Holder, Private Placement Holder or FBR Holder, such requesting holder shall have a priority greater to the priority of the non- requesting holders.

(iv) If as a result of the proration provisions of this Section 2(b), the Participating Covered Holders are not entitled to include all Registrable Securities that they have requested to include in such registration, any Participating Covered Holder may elect to withdraw its request to include any Registrable Securities in such registration.

(v) If any Participating Covered Holder decides not to include all of its Registrable Securities in any Registration Statement filed by the Company but before such Registration Statement becomes effective, such Participating Covered Holder shall nevertheless continue to have the right under this Section 2(b) to include any Registrable Securities then held by it in any subsequent Registration Statement as may be filed by the Company with respect to offerings of its Common Shares.

(vi) Notwithstanding the foregoing, the Company shall have no obligations under this Section 2(b) at any time that the Registrable Securities that the Participating Covered Holders seek to include in a Registration Statement are the subject of an effective registration statement.

(c) Blackout Period.

(i) Subject to the provisions of this Section 2(c) and a good faith determination by a majority of the independent members of the Board of Directors of the Company that it is in the best interests of the Company to suspend the use of the Registration Statement, following the effectiveness of a Registration Statement (and the filings with any foreign, federal or state securities commissions), the Company, by written notice to managing underwriter (if any) and the Participating Covered Holders, may direct the Participating Covered Holders to suspend sales of the Registrable Securities pursuant to a Registration Statement for such times as the Company reasonably may determine is necessary and advisable (but in no event for more than (x) an aggregate of ninety (90) days in any rolling twelve (12)-month period commencing on the Closing Date or (y) more than sixty (60) days in any rolling 90-day period), if any of the following events shall occur: (1) the representative of the underwriters of an Underwritten Offering of primary shares by the Company has advised the Company that the sale of Registrable Securities pursuant to the Registration Statement would have a material adverse effect on the Company's primary offering; (2) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith that (A) either (I) the offer or sale of any Registrable Securities would materially impede, delay or interfere with any proposed financing, offer or sale of securities, acquisition, merger, tender offer, business combination, corporate reorganization or other significant transaction involving the Company or (II) after the advice of counsel, the sale of Registrable Securities pursuant to the Registration Statement would require disclosure of non-public material information not otherwise required to be disclosed under applicable law, and (B) (x) the Company has a bona fide business purpose for preserving the confidentiality of such proposed transaction or information, (y) disclosure would have a material adverse effect on the Company or the Company's ability to consummate the proposed transaction, or (z) the proposed transaction renders the Company unable to comply with

Commission requirements, in each case under circumstances that would make it impractical or inadvisable to cause the Registration Statement (or such filings) to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis, as applicable; or (3) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith, after the advice of counsel, that the Company is required by law, rule or regulation or that it is in the best interests of the Company to supplement the Registration Statement or file a post-effective amendment to the Registration Statement in order to incorporate information into the Registration Statement for the purpose of (A) including in the Registration Statement any prospectus required under Section 10(a)(3) of the Securities Act; (B) reflecting in the prospectus included in the Registration Statement any facts or events arising after the effective date of the Registration Statement or any misstatement or omission in the prospectus (or of the most recent post-effective amendment) that, individually or in the aggregate, represents a fundamental change in the information set forth therein; or (C) including in the prospectus included in the Registration Statement any material information with respect to the plan of distribution not disclosed in the Registration Statement or any material change to such information. Any period in which the use of the Registration Statement has been suspended in accordance with this Section 2(c) is sometimes referred to herein as a "Blackout Period." Upon the occurrence of any such suspension, the Company shall use all reasonable efforts to cause the Registration Statement to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis or to take such action as is necessary to make resumed use of the Registration Statement compatible with the Company's best interests, as applicable, so as to permit the Participating Covered Holders to resume sales of the Registrable Securities as soon as possible.

(ii) In the case of an event that causes the Company to suspend the use of a Registration Statement (a "Suspension Event"), the Company shall give written notice (a "Suspension Notice") to the managing underwriter (if any) and the Participating Covered Holders to suspend sales of the Registrable Securities and such notice shall state generally the basis for the notice and that such suspension shall continue only for so long as the Suspension Event or its effect is continuing (but in no event longer than the periods specified in Section 2(c)(i)) and that the Company is using all reasonable efforts and taking all reasonable steps to terminate suspension of the use of the Registration Statement as promptly as possible. Such Participating Covered Holders shall not effect any sales of their Registrable Securities pursuant to such Registration Statement (or such filings) at any time after they have received a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice (as defined below). If so directed by the Company, such Participating Covered Holders shall deliver to the Company (at the expense of the Company) or destroy, all copies (other than permanent file copies) then in such Participating Covered Holders' possession of the Prospectus covering the Registrable Securities at the time of receipt of the Suspension Notice. Such Participating Covered Holders may recommence effecting sales of the Registrable Securities pursuant to the Registration Statement (or such filings) following further notice to such effect (an "End of Suspension Notice") from the Company, which End of Suspension Notice shall be given by the Company to such Participating Covered Holders and the managing underwriter in the manner described above promptly following the conclusion of any Suspension Event and its effect.

(iii) Notwithstanding any provision herein to the contrary, if the Company shall give a Suspension Notice pursuant to this Section 2(c), the Company agrees that it shall extend the

period of time during which the applicable Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from the date of receipt by such Participating Covered Holders of the Suspension Notice to and including the date of receipt by such Participating Covered Holders of the End of Suspension Notice and copies of the supplemented or amended Prospectus necessary to resume sales.

3. Obligations of the Company. In connection with the registration of the Registrable Securities, the Company shall use commercially reasonable efforts to:

(a) Prepare and file with the Commission such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; and cause each Prospectus to be supplemented by any required prospectus supplement or Issuer Free Writing Prospectus, and cause the Prospectus as so supplemented or any such Issuer Free Writing Prospectus, as the case may be, to be filed pursuant to Rule 424 or Rule 433, respectively (or any similar provision then in force) under the Securities Act and comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations thereunder applicable to it with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the Participating Covered Holders thereof (including sales by any broker-dealer);

(b) Not prepare, use or file any Issuer Free Writing Prospectus which refers to the Registrable Securities unless such Issuer Free Writing Prospectus has been approved by the Participating Covered Holders holding a majority of the Registrable Securities included in such Registration Statement (which approval shall not be unreasonably withheld);

(c) During such time as a Registration Statement is effective or such shorter period that will terminate when all the Registrable Securities included therein have been sold (the "Registration Period"), comply with the provisions of the Securities Act in all material respects with respect to the Registrable Securities covered by the Registration Statement;

(d) Prior to the filing with the Commission of any Registration Statement (including any amendments thereto) and the distribution or delivery of any Prospectus (including any supplements thereto) or Issuer Free Writing Prospectus, provide draft copies thereof (including a copy of the accountant's consent letter to be included in the filing) to one firm of counsel ("Participating Covered Holders Counsel") selected by the Participating Covered Holders holding a majority of the Registrable Securities included in such Registration Statement and such drafts shall be subject to the reasonable review of such counsel (which review shall be reasonably prompt); provided that the Company shall not file any Registration Statement, amendment or post-effective amendment or supplement thereto, Prospectus or Issuer Free Writing Prospectus to which such counsel shall have reasonably objected on the grounds that such Registration Statement, amendment or post-effective amendment or supplement thereto, Prospectus or Issuer Free Writing Prospectus, as applicable, does not comply in all material respects with the requirements of the Securities Act (any such objection to include an explanation of the reasons therefor));

(e) Furnish to the Participating Covered Holders, without charge, (A) promptly after the same is prepared and publicly distributed, filed with the Commission or received by the Company, one copy of the Registration Statement, each Prospectus, each Issuer Free Writing Prospectus and each amendment or supplement to any of the foregoing and (B) such number of copies of each Prospectus, each Issuer Free Writing Prospectus, and all amendments and supplements thereto and such other documents as such Participating Covered Holders may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by them;

(f) (i) Register or qualify, or obtain exemption from registration or qualification for, the Registrable Securities covered by a Registration Statement under such securities or "blue sky" laws of such jurisdictions as any Participating Covered Holder shall reasonably request in writing; (ii) prepare and file in such jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof at all times during the Registration Period; (iii) take all such other lawful actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period; and (iv) take all such other lawful actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection with any of its obligations under this Section 3(f) (A) to qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(f), (B) to subject itself to general taxation in any such jurisdiction or (C) to file a general consent to service of process in any such jurisdiction;

(g) Cause all Registrable Securities covered by such Registration Statement to be registered and approved by such other governmental agencies or authorities as may be necessary to enable the Participating Covered Holders to consummate the disposition of such Registrable Securities; provided, however, that the Company shall not be required (A) to qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(g), (B) to subject itself to general taxation in any such jurisdiction or (C) to file a general consent to service of process in any such jurisdiction;

(h) Notify each Participating Covered Holder promptly and, if requested by any Participating Covered Holder, confirm such advice in writing (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iii) of any request by the Commission or any other federal, state or foreign governmental authority for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iv) of the happening of any event during the period a Registration Statement is effective as a result of which such Registration Statement or the related Prospectus or any document incorporated by reference therein or any Issuer Free Writing Prospectus relating to the Registrable Securities contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which information shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) and (v) at the

request of any Participating Covered Holder, promptly to furnish to such Participating Covered Holder a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchaser of such securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) Avoid the issuance of, or if issued, obtain the withdrawal of, any order enjoining or suspending the use or effectiveness of a Registration Statement or suspending of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, as promptly as practicable;

(j) Upon the effectiveness of the first Registration Statement filed by the Company, cause all such Registrable Securities to be listed on each securities exchange, or authorized for trading in each market, on which or in which similar securities issued by the Company are then listed or traded;

(k) Enter into and perform customary agreements (including in the case of an Underwritten Offering, an underwriting agreement in customary form) and take all other action in connection therewith in order to expedite or facilitate the distribution of the Registrable Securities included in such Registration Statement and, in the case of an Underwritten Offering, make representations and warranties to the Participating Covered Holders covered by such Registration Statement and to the underwriters in such form and scope as are customarily made by issuers to underwriters in underwritten offerings and confirm the same to the extent customary if and when requested;

(l) Provide and cause to be maintained a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the first Registration Statement;

(m) Cooperate with the Participating Covered Holders to facilitate (unless the Registrable Securities are in book-entry form) the timely preparation and delivery of certificates for the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates for the Registrable Securities to be in such denominations or amounts, as the case may be, as such Participating Covered Holders reasonably may request and registered in such names as such Participating Covered Holders may request; and, within three (3) business days after a Registration Statement which includes Registrable Securities is declared effective by the Commission, deliver to the transfer agent for the Registrable Securities (with copies to such Participating Covered Holders) an appropriate instruction and, to the extent necessary, cause legal counsel selected by the Company to deliver an opinion of such counsel to such transfer agent;

(n) Take all such other lawful actions reasonably necessary to expedite and facilitate the disposition by such Participating Covered Holders of their Registrable Securities in accordance with the intended methods therefor provided in the Prospectus which are customary under the circumstances, including by making senior management available to participate in road shows and meeting with potential investors as such Participating Covered Holders shall

reasonably request; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Section 3(p) and except as may be required by the Securities Act, (ii) subject itself to taxation in any such jurisdiction, or (iii) submit to the general service of process in any such jurisdiction;

(o) Make available for reasonable inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter (each, an "Inspector" and collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any Inspector in connection with such registration statement; provided that any such underwriter, attorney, accountant or other agent use commercially reasonable efforts to coordinate their efforts so as not to disrupt the business operations of the Company. Records that the Company determines, in good faith, to be confidential or protected by attorney- client privilege and which it notifies the Inspectors are confidential or protected by attorney- client privilege shall not be disclosed by the Inspectors (and the Inspectors shall confirm their agreement in writing in advance to the Company if the Company shall so request) unless (i) the disclosure of such Records is necessary, in the Company's reasonable judgment, to avoid or correct a misstatement or omission in the Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after exhaustion of all appeals therefrom or (iii) the information in such Records was known to the Inspectors on a non-confidential basis prior to its disclosure by the Company or has been made generally available to the public. Each Covered Holder agrees that it shall, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give prompt notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential, and the Covered Holder shall cooperate with the Company in such actions to the extent reasonably requested by the Company. In the event that the Company fails to prevent disclosure of such Records reasonably before the deadline by which such Covered Holder is required to produce such Records, then such Covered Holder agrees that it shall furnish only such portion of those Records which it is advised by their counsel, whether in-house or otherwise ("Counsel"), is legally required and shall use commercially reasonable efforts to obtain assurance that confidential treatment, if available, will be accorded to those Records; and

(p) In the case of an Underwritten Offering, cooperate and assist in any filings required to be made with FINRA and in the performance of any due diligence investigation by any underwriter and its counsel (including an "qualified independent underwriter," if applicable) that is required to be retained in accordance with the rules and regulations of FINRA.

4. Obligations of the Covered Holders. In connection with the registration of the Registrable Securities, the Participating Covered Holders shall have the following obligations:

(a) It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities that the Participating Covered Holders shall furnish to the Company such information regarding

themselves, the Registrable Securities held by them and the intended method of disposition of the Registrable Securities held by them as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least ten (10) business days prior to the first anticipated filing date of a Registration Statement (which anticipated date shall be set forth in the notice), the Company shall notify such Participating Covered Holders and Participating Covered Holders Counsel of the information relating to such Covered Holders and the Registrable Securities the Company requires from such Participating Covered Holders in order to prepare and file a Registration Statement that complies with the Securities Act (the "Requested Information"). If two (2) business days prior to the anticipated filing date the Company still has not received the Requested Information from any such Participating Covered Holder (either directly or through Participating Covered Holders Counsel), then the Company may file the Registration Statement without including Registrable Securities of such Participating Covered Holder.

(b) Each Covered Holder agrees to cooperate with the Company in connection with the preparation and filing of such Registration Statement hereunder, unless such Covered Holder has notified the Company in writing of its election in accordance with the terms and conditions of this Agreement to exclude all of its Registrable Securities from such Registration Statement.

(c) The Covered Holders shall not prepare or use any Free Writing Prospectus (as such term is defined in Rule 405 under the Securities Act) unless any and all issuer information included therein has been approved by the Company.

(d) As promptly as practicable after becoming aware of such event, each Participating Covered Holder shall notify the Company of the occurrence of any event, as a result of which the Prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 3(h), the Participating Covered Holders shall immediately discontinue their disposition of Registrable Securities pursuant to a Registration Statement covering such Registrable Securities until the Participating Covered Holders' receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(h) and, if so directed by the Company, the Participating Covered Holders shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies (other than permanent file copies) in their possession of the Prospectus covering such Registrable Securities current at the time of receipt of such notice.

5. Expenses of Registration. All Registration Expenses shall be paid by the Company. The Participating Covered Holders selling Registrable Securities shall pay the underwriting discount attributable to their Registrable Securities, any transfer taxes payable with respect thereto and all fees and expenses, including fees and expenses of such Participating Covered Holders' counsel, incurred by the Participating Covered Holders.

6. Market Stand-off Agreement. Each Covered Holder hereby agrees that it shall not, to the extent requested by the Company or an underwriter of securities of the Company, directly or indirectly sell, offer to sell (including without limitation any short sale), grant any option or otherwise transfer or dispose of any Registrable Securities or other Common Shares of the Company or any securities convertible into or exchangeable or exercisable for Common Shares of the Company then owned by such Covered Holder (other than to donees or partners of the Covered Holder who agree to be similarly bound) (i) in the case of Participating Covered Holders selling Registrable Securities pursuant to the IPO Registration Statement (as defined in the Private Placement Registration Rights Agreement), for a period beginning thirty (30) days prior to the effective date of, and continuing for one hundred eighty (18) days following, the effective date of such IPO Registration Statement and (ii) in the case of all other Covered Holders, for a period of sixty (60) days following the effective date of such IPO Registration Statement; provided, however, that if (A) during the last 17 days of the 180-day (in the case of clause (i)) or 60-day (in the case of clause (ii)) period following the effective date of the IPO Registration Statement, the Company releases earnings results or material news or a material event relating to the Company occurs or (B) prior to the expiration of such period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of such 60-day period, then in each case the such period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless the managing underwriter(s) waive(s), in writing, such extension; provided, further, however, that:

(a) the restrictions above shall not apply to Registrable Securities sold pursuant to the IPO Registration Statement;

(b) all executive officers and directors of the Company then holding Common Shares of the Company or securities convertible into or exchangeable or exercisable for Common Shares of the Company enter into agreements that are no less restrictive;

(c) the Covered Holders shall be allowed any concession or proportionate release allowed to any officer or director that entered into agreements that are no less restrictive (with such proportion being determined by dividing the number of shares being released with respect to such officer or director by the total number of issued and outstanding shares held by such officer or director); provided, that nothing in this Section 6(c) shall be construed as a right to proportionate release for the executive officers and directors of the Company upon the expiration of the periods applicable to all Covered Holders other than the executive officers and directors of the Company as set forth in clauses (i) and (ii) above; and

(d) this Section 6 shall not be applicable if the Shelf S-1 Resale Registration Statement of the Company filed under the Securities Act has been declared effective prior to the filing of an IPO Registration Statement.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the securities subject to this Section 6 and to impose stop transfer instructions with respect to the Registrable Securities and such other securities of each Covered Holder (and the securities of every other Person subject to the foregoing restriction) until the end of such period.

7. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless (i) the Covered Holders, (ii) each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act), any such Person described in clause (i) (any of the Persons referred to in this clause (ii) being hereinafter referred to as a "Controlling Person"), and (iii) the respective officers, directors, partners, employees, representatives and agents of any such Person or any Controlling Person (any Person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as a "Purchaser Indemnitee"), to the fullest extent lawful, from and against any and all losses, claims, damages, judgments, actions, out-of-pocket expenses, and other liabilities (the "Liabilities"), including, as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Purchaser Indemnitee, joint or several, directly or indirectly related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto), any Prospectus (or any amendment or supplement thereto) or any Issuer Free Writing Prospectus (or any amendment or supplement thereto), or any preliminary Prospectus or any other document used to sell the Registrable Securities, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that (A) the Company shall not be liable in any such case to the extent that such Liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or alleged omission made in reliance upon and in conformity with information relating to any Purchaser Indemnitee furnished to the Company or any underwriter in writing by or on behalf of such Purchaser Indemnitee expressly for use therein and (B) in the case of a Suspension Event for which a Suspension Notice is delivered in accordance with Section 2(c)(ii) and actually received by such Covered Holder (provided that a Covered Holder shall be deemed to have received such Suspension Notice (I) when sent by the Company by confirmed electronic email or facsimile if sent during normal business hours of the recipient (or, if not so confirmed or if sent outside normal business hours, on the next business day) and (II) if delivered by mail, upon delivery at the address of the Covered Holder as it appears in the records of the Company), the Company shall not be liable for any Liabilities resulting from a sale of Registrable Securities by any Holder occurring after receipt by such Holder of the Suspension Notice and prior to delivery by the Company of an End of Suspension Notice (or, if earlier, the time that the suspension period is required to end pursuant to Section 6). The Company shall notify the Covered Holders promptly of the institution, threat or assertion of any claim, proceeding (including any governmental investigation), or litigation of which it shall have become aware in connection with the matters addressed by this Agreement which involves the Company or a Purchaser Indemnitee. The indemnity provided for herein shall remain in full force and effect regardless of any investigation made by or on behalf of any Purchaser Indemnitee.

(b) Indemnification by the Covered Holders. In connection with any Registration Statement that includes Registrable Securities of a Participating Covered Holder, each Participating Covered Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, each Person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act and the respective partners, directors,

officers, members, representatives, employees and agents of such Person or Controlling Person to the same extent as the foregoing indemnity from the Company to each Purchaser Indemnitee, but only with reference to untrue statements or omissions or alleged untrue statements or omissions made in reliance upon and in strict conformity with information relating to such Participating Covered Holder furnished to the Company in writing by such Participating Covered Holder expressly for use in any Registration Statement or Prospectus, any amendment or supplement thereto or any preliminary Prospectus or Issuer Free Writing Prospectus. The liability of any Participating Covered Holder pursuant to this paragraph shall in no event exceed the net proceeds received by such Participating Covered Holder from sales of Registrable Securities giving rise to such obligations.

(c) Notice of Claims, etc. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any Person in respect of which indemnity may be sought pursuant to paragraph (a) or (b) above, such Person (the "Indemnified Party"), shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing of the commencement thereof (but the failure to so notify an Indemnifying Party shall not relieve it from any liability which it may have under this Section 7, except to the extent the Indemnifying Party is materially prejudiced by the failure to give notice), and the Indemnifying Party, upon request of the Indemnified Party(ies), shall retain a single counsel (and a single local counsel) reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party(ies) may reasonably designate in such suit, action, proceeding, claim or demand and shall pay the reasonable fees and expenses actually incurred by such counsel related to such proceeding. Notwithstanding the foregoing, in any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party, unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed in writing to the contrary, (ii) the Indemnifying Party failed within a reasonable time after notice of commencement of the action to assume the defense and employ counsel reasonably satisfactory to the Indemnified Party, or (iii) the named parties to any such action (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, or any Affiliate of the Indemnifying Party, and such Indemnified Party shall have been reasonably advised by counsel that either (x) there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party or such Affiliate of the Indemnifying Party or (y) a conflict may exist between such Indemnified Party and the Indemnifying Party or such Affiliate of the Indemnifying Party (in which case the Indemnifying Party shall not have the right to assume nor direct the defense of such action on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel), for all such Indemnified Parties, and any such separate firm for the Indemnifying Party, the directors, the officers and such control Persons of the Indemnified Party as shall be designated in writing by the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify any Indemnified Party from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Party shall, without the

prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement (i) includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to or an admission of, fault culpability or a failure to act by or on behalf of the Indemnified Party.

(d) Contribution. If the indemnification provided for in paragraphs (a) and (b) of this Section 7 is for any reason held to be unavailable to an Indemnified Party in respect of any Liabilities referred to therein (other than by reason of the exceptions provided therein) or is insufficient to hold harmless a party indemnified thereunder, then each Indemnifying Party under such paragraphs, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities (i) in such proportion as is appropriate to reflect the relative benefits of the Indemnified Party on the one hand and the Indemnifying Party(ies) on the other hand in connection with the statements or omissions that resulted in such Liabilities, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Indemnifying Party(ies) and the Indemnified Party, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and any Purchaser Indemnitees on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by such Purchaser Indemnitees (or the related Covered Holder) and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The parties agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by *pro rata* allocation (even if such Indemnified Parties were treated as one entity for such purpose), or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(d) above. The amount paid or payable by an Indemnified Party as a result of any Liabilities referred to in Section 7(d) shall be deemed to include, subject to the limitations set forth in this Section 7, any reasonable legal or other expenses actually incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, in no event shall a Purchaser Indemnitee be required to contribute any amount in excess of the amount by which proceeds received by such Purchaser Indemnitee from sales of Registrable Securities exceeds the amount of any damages that such Purchaser Indemnitee has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. For purposes of this Section 7, each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act) any Covered Holder shall have the same rights to contribution as the Covered Holders and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act) the Company, and each officer, director, partner, employee, representative, agent or manager of the Company shall have the same rights to contribution as the Company. Any party entitled to contribution shall, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties, notify each party or parties from whom contribution may be sought, but the omission to so notify

such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 7 or otherwise, except to the extent that any party is materially prejudiced by the failure to give notice. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) The indemnity and contribution agreements contained in this Section 7 shall be in addition to any liability which the Indemnifying Parties may otherwise have to the Indemnified Parties referred to above. The Covered Holders' obligations to contribute pursuant to this Section 7 are several in proportion to the respective number of Common Shares sold by each of the Covered Holders hereunder and not joint.

8. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, including and with the need for an express assignment or assumption, subsequent holders of Initial Shares, Warrant Shares or Warrants. The Company agrees that each Covered Holder shall be third party beneficiaries to the agreements made hereunder, and each such Covered Holder shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights hereunder; provided, however, that such Covered Holder (and its successors and assigns) fulfills all of its obligations hereunder.

9. Amendment and Waiver. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, without the written consent of the Company and Covered Holders beneficially owning not less than a majority of the then outstanding Registrable Securities (including any Registrable Securities issuable pursuant to then outstanding Warrants); provided, however, that, for purposes of this Section 9, Registrable Securities that are owned, directly or indirectly, by the Company shall not be deemed to be outstanding. No amendment shall be deemed effective (i) unless it uniformly applies or (ii) if by its terms it expressly discriminates against a Covered Holder that has not given its written consent. Notwithstanding the foregoing, a waiver or consent to or departure from the provisions hereof with respect to a matter that relates exclusively to the rights of a Covered Holder whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Covered Holders may be given by such Covered Holder; provided that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence.

10. Miscellaneous.

(a) Remedies; Specific Performance. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law. In the event of a breach by the Company of any of its obligations under this Agreement, each Covered Holder, in addition to being entitled to exercise all rights provided herein, or granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. Subject to Section 7, the Company agrees that monetary damages would not be adequate compensation for

any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agree that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) Notices. Except as may be otherwise provided herein, any notice or other communication or delivery required or permitted hereunder shall be in writing and shall be delivered personally or sent by certified mail, postage prepaid, by a nationally recognized overnight courier service or by facsimile as follows, and shall be deemed given when actually received.

If to the Company, to: NMI Holdings, Inc.

c/o FBR & Co.
1001 19th Street North
Arlington, Virginia 22209
Attn: John M. Sherwood
Phone: (703) 312-9588 with copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: David E. Shapiro, Alison M. Zieske
Facsimile: (212) 403-2314, (212) 403-2107

If to any Covered Holder, to it at the address set forth below its name on the signature page of this Agreement or, in the case of a Covered Holder who becomes such as a result of an assignment in accordance with Section 8, on the instrument by which such Person agrees to be bound by the provisions contained herein.

The Company or any Covered Holder may, by notice given pursuant to this Section 10(b), change the address for notices to it.

(c) Persons Bound. Subject to the requirements of Section 8 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

(d) Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Signatures delivered by facsimile shall be deemed to be original signatures.

(e) Interpretation; Headings. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. The headings in

this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(f) **Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE COURT IN THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING IN NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.**

(g) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use good faith efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(h) Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein. This Agreement supersedes all prior agreements and undertakings among the parties hereto with respect to the subject matter hereof.

(i) Registrable Securities Held by the Company or its Affiliates. Whenever the consent or approval of Covered Holders holding a specified percentage of Registrable Securities is required hereunder, Registrable Securities held directly or indirectly by the Company shall not be counted in determining whether such consent or approval was given by Covered Holders holding such required percentage.

(j) Adjustment for Stock Splits, etc. Wherever in this Agreement there is a reference to a specific number of shares or liquidated damages payable with respect to any Registrable Securities, then upon the occurrence of any subdivision, combination, or stock dividend of such shares, the specific number of shares or amount of liquidated damages payable with respect to

any Registrable Securities so referenced in this Agreement shall automatically be proportionally adjusted to reflect the effect on the outstanding shares of such class or series of stock by such subdivision, combination, or stock dividend.

(k) Survival. The indemnification and contribution obligations under Section 7 of this Agreement shall survive the termination of the Company's obligations under Section 2 of this Agreement.

(l) Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, shall be entitled to recover is reasonable attorneys' fees in addition to any other available remedy.

(m) Implied Waivers. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NMI HOLDINGS, INC.

By: /s/ Bradley M. Shuster
Name: Bradley M. Shuster
Title: President and Chief Executive Officer

MAC FINANCIAL LTD.

By: /s/ Philip Pelanek
Name: Philip Pelanek
Title: President and Chief Executive Officer

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of April 24, 2012, by and between FBR & Co., a Delaware corporation ("FBR"), FBR Capital Markets LT, Inc. a Delaware corporation ("FBR LT"), FBR Capital Markets & Co. ("FBR Capital Markets"), FBR Capital Markets PT, Inc. a Delaware corporation ("FBR PT") (FBR, FBR LT, FBR Capital Markets, FBR PT and the other holders of Original Shares, Warrant Shares, Retained Shares, the Purchased Shares or Warrants from time to time that become signatories hereto, collectively, the "Holders"), and NMI Holdings, Inc., a Delaware corporation (the "Company").

RECITALS

WHEREAS, FBR purchased from the Company 100 shares (the "Original Shares") of Class A common stock, par value $0.01 per share, of the Company (the "Common Shares");

WHEREAS, one or more warrants to purchase Common Shares has been or is being issued pursuant to the terms of that certain Uncommitted Line of Credit, dated as of August 19, 2011, between the Company and FBR LT (as such warrant or warrants may be divided from time to time, the "Warrants"), and the Company has agreed to enter into this Registration Rights Agreement pursuant to the terms of the Warrants; and

WHEREAS, the Company is (i) consummating the issuance and sale of 55,000,000 Common Shares in a private placement (the "Offering") and (ii) in connection with such issuance and sale, is entering into a Registration Rights Agreement with FBR Capital Markets & Co. for the benefit of, among others, the Persons (as defined below) who purchase Common Shares in such private placement (the "Private Placement Registration Rights Agreement").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

(a) Except as otherwise specified herein or as the context may otherwise require, the following terms as used in this Agreement shall have the meanings set forth below:

"Affiliate" of any specified Person means any other Person who directly, or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such specified Person. For purposes of this definition, control of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract, securities ownership or otherwise; and the terms "controlling" and "controlled" have the respective meanings correlative to the foregoing.

"Agreement" has the meaning specified in the preamble.

"Blackout Period" has the meaning specified in Section 2(c)(i).

"Closing Date" means April 24, 2012, or such other time or such other date as the Company and FBR may agree.

"Commission" means the Securities and Exchange Commission. "Common Shares" has the meaning specified in the first recital. "Company" has the meaning specified in the preamble.

"Controlling Person" has the meaning specified in Section 7(a). "Counsel" has the meaning specified in Section 3(q).

"Covered Holder" means (x) FBR, FBR LT, FBR Capital Markets, FBR PT, the other persons named as Holders of Warrants or Common Shares in the preamble but in each case only in respect of Registrable Securities owned by such Holder and (y) any permitted transferee or assignee of Warrants or Registrable Securities who agrees to become bound by all of the terms and provisions of this Agreement.

"Effectiveness Date" has the meaning specified in Section 2(a)(i).

"End of Suspension Notice" has the meaning specified in Section 2(c)(ii).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, or any similar successor statute.

"FINRA" means the Financial Industry Regulatory Authority, Inc.

"FBR" has the meaning specified in the preamble.

"FBR Capital Markets" has the meaning specified in the preamble.

"FBR LT" has the meaning specified in the preamble.

"FBR PT" has the meaning specified in the preamble.

"Free Writing Prospectus" means a free writing prospectus (as such term is defined in Rule 405 under the Securities Act) relating to Registrable Securities.

"Holders" has the meaning specified in the preamble.

"Indemnified Party" has the meaning specified in Section 7(c).

"Indemnifying Party" has the meaning specified in Section 7(c).

"Inspector" has the meaning specified in Section 3(q).

"Issuer Free Writing Prospectus" means an issuer free writing prospectus (as such term is defined in Rule 433(h) under the Securities Act) relating to Registrable Securities.

"Liabilities" has the meaning specified in Section 7(a).

"Maximum Offering Size" has the meaning specified in Section 2(a)(ii).

"Participating Covered Holder" means, with respect to any Registration Statement, each Covered Holder whose Registrable Securities are included or are to be included in such Registration Statement.

"Private Placement Holder" has the meaning specified in Section 4(a).

"Person" means any individual, partnership, corporation, limited liability company, joint stock company, association, trust, unincorporated organization or a government agency or political subdivision thereof.

"Private Placement Registration Rights Agreement" has the meaning specified in the third recital.

"Offering" has the meaning specified in the third recital.

"MAC Registration Rights Agreement" means the Registration Statement, dated April 24, 2012, between the Company and MAC Financial Ltd.

"Prospectus" means the prospectus (including any preliminary prospectus and/or any final prospectus filed pursuant to Rule 424(b) under the Securities Act and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance on Rule 430A, Rule 430B or Rule 430C under the Securities Act) included in a Registration Statement, as amended or supplemented by any prospectus supplement or any Issuer Free Writing Prospectus (as defined in Rule 433(h) under the Securities Act) with respect to the terms of the offering or any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by the Company under the Exchange Act and incorporated by reference therein.

"Public Offering" means an offer registered with the Commission and the appropriate state securities commissions by the Company of its Common Shares and made pursuant to the Securities Act.

"Purchased Shares" means any Common Shares purchased by FBR Capital Markets or an Affiliate thereof in the Offering for its own account.

"Purchaser Indemnitee" has the meaning specified in Section 7(a).

"Records" has the meaning specified in Section 3(q).

"Registrable Securities" means (i) the Original Shares, (ii) the Warrant Shares, (iii) the Retained Shares, (iv) the Purchased Shares and (v) any shares or other securities issued in respect of such Registrable Securities by reason of or in connection with any share dividend, share distribution, share split, purchase in any rights offering or in connection with any exchange for or replacement of such Registrable Securities or any combination of shares, recapitalization, amalgamation, merger or consolidation, any other equity securities issued in respect of Registrable Securities pursuant to any other *pro rata* distribution with respect to the Common Shares; provided, however, that a Common Share shall cease to be a Registrable Security for purposes of this Agreement when it no longer is a Restricted Security.

"Registration Expenses" means any and all expenses incident to the performance of or compliance with this Agreement (whether with respect to a demand registration, piggyback registration or otherwise), including: (i) all Commission, securities exchange, FINRA registration, listing, inclusion and filing fees, (ii) all fees and expenses incurred in connection with compliance with international, federal or state securities or blue sky laws (including any registration, listing and filing fees and reasonable fees and disbursements of counsel in connection with blue sky qualification of any of the Registrable Securities and the preparation of a blue sky memorandum and compliance with the rules of the FINRA), (iii) all expenses in preparing or assisting in preparing, word processing, duplicating, printing, delivering and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements, certificates and any other documents relating to the performance under and compliance with this Agreement, (iv) all fees and expenses incurred in connection with the listing or inclusion of any of the Registrable Securities on any securities exchange pursuant to Section 3(j) of this Agreement, (v) the fees and disbursements of counsel for the Company and of the independent registered public accounting firm of the Company (including the expenses of any special audit and "cold comfort" letters required by or incident to the performance of this Agreement), and (vi) any fees and disbursements customarily paid in issues and sales of securities (including the fees and expenses of any experts retained by the Company in connection with any Registration Statement); provided, however, that Registration Expenses shall exclude (x) brokers' or underwriters' discounts and commissions, if any, relating to the sale or disposition of Registrable Securities by any Covered Holder, (y) any fees and expenses incurred by any broker or underwriter, other than such fees and expenses that the Company shall have agreed in writing with such underwriter to pay and (z) all transfer taxes and transfer fees in connection with a registration of Registrable Securities pursuant to this Agreement.

"Registration Period" has the meaning specified in Section 3(d).

"Registration Statement" means any registration statement of the Company, which covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement.

"Requested Information" has the meaning specified in Section 4(a).

"Restricted Security" means (i) the Original Shares, (ii) the Warrant Shares, (iii) the Retained Shares, (iv) the Purchased Shares and (v) any shares or other securities issued in respect of such Restricted Securities by reason of or in connection with any share dividend, share distribution, share split, purchase in any rights offering or in connection with any exchange for or replacement of such Restricted Securities or any combination of shares, recapitalization, amalgamation, merger or consolidation, any other equity securities issued in respect of Registrable Securities pursuant to any other *pro rata* distribution with respect to the Common Shares; provided, however, that Restricted Security shall exclude any of the foregoing securities that (i) has been registered pursuant to an effective registration statement under the Securities Act and sold in a manner contemplated by the prospectus included in such registration statement, (ii) has been transferred by a Covered Holder in compliance with the resale provisions of Rule 144 under the Securities Act (or any successor provision thereto) or is transferable by a Covered Holder without regard to the volume, manner of sale, notice, current public information or other requirements of Rule 144 under the Securities Act (or any successor provision thereto), or (iii) otherwise has been transferred by a Covered Holder and a book-entry or new certificate representing a Common Share not subject to transfer restrictions under the Securities Act has been entered, or delivered by or on behalf of, the Company.

"Retained Shares" means any Common Shares retained by FBR Capital Markets or one of its Affiliates equal in value (computed at $10.00 per Common Share) to the value of the initial purchaser's discount or placement fees relating to such shares not placed in escrow pursuant to the Purchase/Placement Agreement, dated April 17, 2012, between FBR Capital Markets and the Company.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, or any similar successor statute.

"Shelf S-1 Resale Registration Statement" means a shelf registration statement on Form S-1 to be filed by the Company, as contemplated by Section 2(a) of the Private Placement Registration Rights Agreement.

"Suspension Event" has the meaning specified in Section 2(c)(ii).

"Suspension Notice" has the meaning specified in Section 2(c)(ii).

"Underwritten Offering" means a sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

"Warrant Share" means any Common Share issuable upon exercise of a Warrant or any other shares or other securities issued or issuable in respect of a Warrant, including (without limitation) in connection with the adjustment provisions of such Warrant.

"Warrants" has the meaning specified in the second recital.

(b) As used herein, terms defined in the singular shall have a comparable meaning when used in the plural and vice versa. Terms defined in the current tense shall have a comparable meaning when used in the past or future tense and vice versa. Terms defined as a noun shall have a comparable meaning when used as an adjective, adverb or verb and vice versa.

References to “Sections” or “Exhibits” shall refer to the Sections of or exhibits to this Agreement unless otherwise specifically indicated. Whenever the term “include” or “including” is used in this Agreement, it shall mean “including, without limitation” (whether or not such language is specifically set forth) and shall not be deemed to limit the range of possibilities to those items specifically enumerated. The term “or” is not exclusive. Unless otherwise limited, the words “hereof,” “herein” and “hereunder” and words of similar import refer to this Agreement as a whole and not to any particular provision. Each reference to any Person includes such Person’s successors and assigns. References to any agreements, instruments or other documents includes such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified. This Agreement is the result of the joint efforts of the parties hereto, and each provision of this Agreement has been subject to the mutual consultation, negotiation and agreement of the parties and there will be no construction against any party based on any presumption of that party’s involvement in the drafting of this Agreement.

2. Registration.

(a) Demand Registration Rights.

(i) At any time after the Shelf S-1 Resale Registration Statement has been withdrawn or has ceased to be effective, or if the Shelf S-1 Resale Registration Statement has not been filed or become effective within the respective periods prescribed in the Private Placement Registration Rights Agreement, if the Company shall receive a written request for registration under the Securities Act from the Covered Holders holding a majority of the Registrable Securities, the Company shall (A) provide written notice to all other Covered Holders of such request and extend to them the opportunity to include their Registrable Securities in the proposed registration, (B) in no event later than 60 days after the receipt of such request (but subject to any applicable Blackout Periods), prepare and file with the Commission a Registration Statement under the Securities Act on Form S-3 (or such other form as may be available for use by the Company) relating to the offer and sale of the Registrable Securities by the Covered Holders joining in such request and (C) subject to Section 2(a)(ii), use its commercially reasonable efforts to promptly effect such registration and cause such Registration Statement to be declared effective by the Commission as soon as possible after the initial filing thereof, including, providing written responses to any comments made by the Commission regarding such Registration Statement and filing any necessary pre-effective amendments and all necessary exhibits thereto. The Company shall, subject to any applicable Blackout Periods, use its commercially reasonable efforts to keep such Registration Statement effective for the period beginning on the date such Registration Statement becomes effective (the “Effectiveness Date”) and terminating on the earlier of (x) one year after the last date that a Warrant is exercised or, if later, the expiration of the last Warrant remaining outstanding and (y) the date upon which all Registrable Securities then held by the Participating Covered Holders and included in such Registration Statement either (i) may be resold without restriction of any kind and without need for such Registration Statement to be effective or (ii) have been disposed of pursuant to transactions contemplated by the Registration Statement. The Company’s obligation to file and maintain the effectiveness of a Registration Statement under this Section 2(a) shall terminate on the date upon which all Registrable Securities then held by the Participating Covered Holders and included in such Registration Statement either (i) may be resold without restriction of any

kind under the Securities Act and without need for a Registration Statement to be effective or (ii) have been disposed of pursuant to transactions contemplated by the Registration Statement.

(ii) If a registration pursuant to this Section 2(a) involves a Public Offering that is an Underwritten Offering, the Company and each other selling security holder participating in such Public Offering shall agree to sell any Common Shares to be sold by them to the underwriters on the same terms as apply to the Common Shares to be sold by the Participating Covered Holders. If the managing underwriter thereof advises the Company and the Participating Covered Holders that, in its view, the number of Common Shares that the Company and the Participating Covered Holders and other selling security holders (if any) intend to include in such registration exceeds the largest number of Common Shares that can be sold without having an adverse effect on such Public Offering, including with respect to the price at which such shares can be sold (the "Maximum Offering Size"), the Company shall include in such registration only that number of Common Shares which does not exceed the Maximum Offering Size, in the following order of priorities: (1) first, all Registrable Securities that the Participating Covered Holders have requested to include therein, (2) second, the securities proposed to be registered by the Company and (3) third, the securities proposed to be registered by other holders of securities entitled to participate in the registration, drawn from them (on a *pro rata* basis based on the number of shares having registration rights held by each holder who is requesting inclusion), provided, however, that if the Public Offering referred to in this Section 2(a) constitutes an IPO Registration Statement (as defined in the Private Placement Registration Rights Agreement), any shares to be included in such IPO Registration Statement shall be allocated first, to the Participating Covered Holders and the securities requested to be registered by other holders of securities (including the holders entitled to participate in the registration pursuant to the Private Placement Registration Rights Agreement (the "Private Placement Holders") and the holders entitled to participate in the registration pursuant to the MAC Registration Rights Agreement (the "MAC Holders")) entitled to participate in the registration having a priority equal to the priority of the Covered Holders, drawn from them (on a *pro rata* basis based on the number of shares having registration rights held by each holder who is requesting inclusion) and second, to the securities requested to be registered by other holders of securities with registration rights that are inferior with respect to such reduction) to the registration rights of the holders hereunder.

(iii) Subject to Section 2(a)(iv), the Company shall be required to register the Registrable Securities not more than three (3) times pursuant to this Section 2(a), provided, however, that if Participating Covered Holders are not able to register all of their Registrable Securities in a requested registration, such request shall not count as a request to register Registrable Securities for the purposes of this Section 2(a)(iii).

(iv) At any time before a Registration Statement requested by any Covered Holder pursuant to this Section 2(a) has become effective, any Participating Covered Holder may withdraw its request by written notice to the Company and upon receipt of such notice the Company shall, at its option, either (x) withdraw the Registration Statement (if any) that it previously filed in connection with such request (but only if the number of Registrable Securities withdrawn is more than half of the number of Registrable Securities included in such Registration Statement) or (y) amend such Registration Statement to remove any Registrable Securities included therein at the request of the Participating Covered Holders seeking to withdraw their Registrable Securities, and in either case shall be relieved of all obligations under

this Section 2(a) with respect to such request. For the avoidance of doubt, the filing of a Registration Statement requested by any Covered Holder pursuant to this Section 2(a) that is subsequently withdrawn by the Company pursuant to this Section 2(a)(iv) shall count as a request to register Registrable Securities and, for purposes of Section 2(a)(iv), shall be deemed to be a registration of the Registrable Securities pursuant to this Section 2(a); provided that, if the Company elects to withdraw the Registration Statement and the Participating Covered Holders reimburse the Company for all of the Company's costs and expenses incurred in complying with such request through the time the Company receives notice of the Covered Holders' withdrawal of such request, such request shall not count as a request to register Registrable Securities for purposes of Section 2(a)(iv).

(v) Subject to the FBR Capital Markets & Co.'s right of first refusal as set forth in the Engagement Letter, dated March 2, 2012, between it and the Company, if a requested registration pursuant to this Section 2(a) involves an Underwritten Offering, the underwriter or underwriters thereof shall be selected by the Participating Covered Holders holding a majority of Registrable Securities as to which registration has been requested and shall be acceptable to the Company; provided that the Company shall not unreasonably withhold or delay its acceptance of any proposed underwriters.

(b) Piggyback Registration Rights.

(i) If the Company proposes to register any of its Common Shares under the Securities Act (other than a registration on Form S-8 or S-4 or any successor or similar forms), whether or not for sale for its own account, including the Shelf S-1 Resale Registration Statement, it shall at such time give prompt written notice at least 20 days prior to the anticipated filing date of the registration statement relating to such registration to the Covered Holders, which notice shall set forth such Covered Holders' rights under this Section 2(b) and shall offer the Covered Holders the opportunity to include in such registration statement such number of Registrable Securities as the Covered Holders may request. Upon the written request of any Covered Holder made within 15 days of the notice from the Company (which request shall specify the number of Registrable Securities such Covered Holder seeks to register), the Company shall use commercially reasonable efforts to include in such registration all Registrable Securities that the Company has been so requested to register by any Covered Holder, to the extent required to permit the disposition of the Registrable Securities to be so registered; provided, however, that (A) if such registration involves an Underwritten Offering, the Participating Covered Holders must sell their Registrable Securities to the underwriters on the same terms and conditions as apply to the Company or other selling security holders, (B) if such registration does not involve an Underwritten Offering, the Participating Covered Holders must sell their Registrable Securities in accordance with a plan of distribution as reasonably specified by the Participating Covered Holders, from time to time, if, at any time after giving written notice of its intention to register any Common Shares pursuant to this Section 2(b) and prior to the effective date of the Registration Statement filed in connection with such registration (other than the Shelf S-1 Resale Registration Statement), the Company shall determine for any reason not to register such Common Shares, the Company shall give written notice to the Participating Covered Holders and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration.

(ii) If a registration pursuant to this Section 2(b) involves an Underwritten Offering and the managing underwriter thereof advises the Company that, in its view, the number of Common Shares that the Company and the Participating Covered Holders and other selling security holders (if any) intend to include in such registration exceeds the Maximum Offering Size, the Company shall include in such registration only that number of Common Shares which does not exceed the Maximum Offering Size, in the following order of priorities: (1) first, all securities the Company proposes to sell for its own account and all securities that other holders of securities entitled to participate in the registration with a priority greater than the priority of the Covered Holders, in such priority among them as is agreed among the Company and such other holders of securities, (2) second, the Registrable Securities of the Participating Covered Holders and the securities requested to be registered by other holders of securities (including the Private Placement Holders and the MAC Holders) entitled to participate in the registration having a priority equal to the priority of the Covered Holders, drawn from them (on a *pro rata* basis based on the number of shares having registration rights held by each holder who is requesting inclusion) and (3) third, the securities requested to be registered by other holders of securities with registration rights that are inferior with respect to such reduction) to the registration rights of the holders hereunder.

(iii) The Participating Covered Holders, the Private Placement Holders and the MAC Holders priority to participate in the registration of Common Shares in any Registration Statement shall be *pari passu*, except that (1) in a registration requested by any Covered Holder, the priority set forth in Section 2(a)(ii) shall apply, (2) in a registration requested by any MAC Holder, the priority set forth in Section 2(a)(ii) of the MAC Registration Rights Agreement shall apply and (3) in a take-down under a shelf registration statement (including the Shelf S-1 Resale Registration Statement) requested by a Participating Covered Holder, Private Placement Holder or MAC Holder, such requesting holder shall have a priority greater to the priority of the non-requesting holders.

(iv) If as a result of the proration provisions of this Section 2(b), the Participating Covered Holders are not entitled to include all Registrable Securities that they have requested to include in such registration, any Participating Covered Holder may elect to withdraw its request to include any Registrable Securities in such registration.

(v) If any Participating Covered Holder decides not to include all of its Registrable Securities in any Registration Statement filed by the Company but before such Registration Statement becomes effective, such Participating Covered Holder shall nevertheless continue to have the right under this Section 2(b) to include any Registrable Securities then held by it in any subsequent Registration Statement as may be filed by the Company with respect to offerings of its Common Shares.

(vi) Notwithstanding the foregoing, the Company shall have no obligations under this Section 2(b) at any time that the Registrable Securities that the Participating Covered Holders seek to include in a Registration Statement are the subject of an effective registration statement.

(c) Blackout Period.

(i) Subject to the provisions of this Section 2(c) and a good faith determination by a majority of the independent members of the Board of Directors of the Company that it is in the best interests of the Company to suspend the use of the Registration Statement, following the effectiveness of a Registration Statement (and the filings with any foreign, federal or state securities commissions), the Company, by written notice to managing underwriter (if any) and the Participating Covered Holders, may direct the Participating Covered Holders to suspend sales of the Registrable Securities pursuant to a Registration Statement for such times as the Company reasonably may determine is necessary and advisable (but in no event for more than (x) an aggregate of ninety (90) days in any rolling twelve (12)-month period commencing on the Closing Date or (y) more than sixty (60) days in any rolling 90-day period), if any of the following events shall occur: (1) the representative of the underwriters of an Underwritten Offering of primary shares by the Company has advised the Company that the sale of Registrable Securities pursuant to the Registration Statement would have a material adverse effect on the Company's primary offering; (2) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith that (A) either (I) the offer or sale of any Registrable Securities would materially impede, delay or interfere with any proposed financing, offer or sale of securities, acquisition, merger, tender offer, business combination, corporate reorganization or other significant transaction involving the Company or (II) after the advice of counsel, the sale of Registrable Securities pursuant to the Registration Statement would require disclosure of non-public material information not otherwise required to be disclosed under applicable law, and (B) (x) the Company has a bona fide business purpose for preserving the confidentiality of such proposed transaction or information, (y) disclosure would have a material adverse effect on the Company or the Company's ability to consummate the proposed transaction, or (z) the proposed transaction renders the Company unable to comply with Commission requirements, in each case under circumstances that would make it impractical or inadvisable to cause the Registration Statement (or such filings) to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis, as applicable; or (3) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith, after the advice of counsel, that the Company is required by law, rule or regulation or that it is in the best interests of the Company to supplement the Registration Statement or file a post-effective amendment to the Registration Statement in order to incorporate information into the Registration Statement for the purpose of (A) including in the Registration Statement any prospectus required under Section 10(a)(3) of the Securities Act; (B) reflecting in the prospectus included in the Registration Statement any facts or events arising after the effective date of the Registration Statement or any misstatement or omission in the prospectus (or of the most recent post-effective amendment) that, individually or in the aggregate, represents a fundamental change in the information set forth therein; or (C) including in the prospectus included in the Registration Statement any material information with respect to the plan of distribution not disclosed in the Registration Statement or any material change to such information. Any period in which the use of the Registration Statement has been suspended in accordance with this Section 2(c) is sometimes referred to herein as a "Blackout Period." Upon the occurrence of any such suspension, the Company shall use all reasonable efforts to cause the Registration Statement to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis or to take such action as is necessary to make resumed use of the Registration Statement compatible with the Company's best interests, as

applicable, so as to permit the Participating Covered Holders to resume sales of the Registrable Securities as soon as possible.

(ii) In the case of an event that causes the Company to suspend the use of a Registration Statement (a "Suspension Event"), the Company shall give written notice (a "Suspension Notice") to the managing underwriter (if any) and the Participating Covered Holders to suspend sales of the Registrable Securities and such notice shall state generally the basis for the notice and that such suspension shall continue only for so long as the Suspension Event or its effect is continuing (but in no event longer than the periods specified in Section 2(c)(i)) and that the Company is using all reasonable efforts and taking all reasonable steps to terminate suspension of the use of the Registration Statement as promptly as possible. Such Participating Covered Holders shall not effect any sales of their Registrable Securities pursuant to such Registration Statement (or such filings) at any time after they have received a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice (as defined below). If so directed by the Company, such Participating Covered Holders shall deliver to the Company (at the expense of the Company) or destroy, all copies (other than permanent file copies) then in such Participating Covered Holders' possession of the Prospectus covering the Registrable Securities at the time of receipt of the Suspension Notice. Such Participating Covered Holders may recommence effecting sales of the Registrable Securities pursuant to the Registration Statement (or such filings) following further notice to such effect (an "End of Suspension Notice") from the Company, which End of Suspension Notice shall be given by the Company to such Participating Covered Holders and the managing underwriter in the manner described above promptly following the conclusion of any Suspension Event and its effect.

(iii) Notwithstanding any provision herein to the contrary, if the Company shall give a Suspension Notice pursuant to this Section 2(c), the Company agrees that it shall extend the period of time during which the applicable Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from the date of receipt by such Participating Covered Holders of the Suspension Notice to and including the date of receipt by such Participating Covered Holders of the End of Suspension Notice and copies of the supplemented or amended Prospectus necessary to resume sales.

3. Obligations of the Company. In connection with the registration of the Registrable Securities, the Company shall use commercially reasonable efforts to:

(a) Prepare and file with the Commission such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; and cause each Prospectus to be supplemented by any required prospectus supplement or Issuer Free Writing Prospectus, and cause the Prospectus as so supplemented or any such Issuer Free Writing Prospectus, as the case may be, to be filed pursuant to Rule 424 or Rule 433, respectively (or any similar provision then in force) under the Securities Act and comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations thereunder applicable to it with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the Participating Covered Holders thereof (including sales by any broker-dealer);

(b) Not prepare, use or file any Issuer Free Writing Prospectus which refers to the Registrable Securities unless such Issuer Free Writing Prospectus has been approved by the Participating Covered Holders holding a majority of the Registrable Securities included in such Registration Statement (which approval shall not be unreasonably withheld);

(c) During such time as a Registration Statement is effective or such shorter period that will terminate when all the Registrable Securities included therein have been sold (the "Registration Period"), comply with the provisions of the Securities Act in all material respects with respect to the Registrable Securities covered by the Registration Statement;

(d) Prior to the filing with the Commission of any Registration Statement (including any amendments thereto) and the distribution or delivery of any Prospectus (including any supplements thereto) or Issuer Free Writing Prospectus, provide draft copies thereof (including a copy of the accountant's consent letter to be included in the filing) to one firm of counsel ("Participating Covered Holders Counsel") selected by the Participating Covered Holders holding a majority of the Registrable Securities included in such Registration Statement and such drafts shall be subject to the reasonable review of such counsel (which review shall be reasonably prompt); provided that the Company shall not file any Registration Statement, amendment or post-effective amendment or supplement thereto, Prospectus or Issuer Free Writing Prospectus to which such counsel shall have reasonably objected on the grounds that such Registration Statement, amendment or post-effective amendment or supplement thereto, Prospectus or Issuer Free Writing Prospectus, as applicable, does not comply in all material respects with the requirements of the Securities Act (any such objection to include an explanation of the reasons therefor);

(e) Furnish to the Participating Covered Holders, without charge, (A) promptly after the same is prepared and publicly distributed, filed with the Commission or received by the Company, one copy of the Registration Statement, each Prospectus, each Issuer Free Writing Prospectus and each amendment or supplement to any of the foregoing and (B) such number of copies of each Prospectus, each Issuer Free Writing Prospectus, and all amendments and supplements thereto and such other documents as such Participating Covered Holders may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by them;

(f) (i) Register or qualify, or obtain exemption from registration or qualification for, the Registrable Securities covered by a Registration Statement under such securities or "blue sky" laws of such jurisdictions as any Participating Covered Holder shall reasonably request in writing; (ii) prepare and file in such jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof at all times during the Registration Period; (iii) take all such other lawful actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period; and (iv) take all such other lawful actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection with any of its obligations under this Section 3(f) (A) to qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(f), (B) to subject itself to

general taxation in any such jurisdiction or (C) to file a general consent to service of process in any such jurisdiction;

(g) Cause all Registrable Securities covered by such Registration Statement to be registered and approved by such other governmental agencies or authorities as may be necessary to enable the Participating Covered Holders to consummate the disposition of such Registrable Securities; provided, however, that the Company shall not be required (A) to qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(g), (B) to subject itself to general taxation in any such jurisdiction or (C) to file a general consent to service of process in any such jurisdiction;

(h) Notify each Participating Covered Holder promptly and, if requested by any Participating Covered Holder, confirm such advice in writing (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iii) of any request by the Commission or any other federal, state or foreign governmental authority for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iv) of the happening of any event during the period a Registration Statement is effective as a result of which such Registration Statement or the related Prospectus or any document incorporated by reference therein or any Issuer Free Writing Prospectus relating to the Registrable Securities contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which information shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) and (v) at the request of any Participating Covered Holder, promptly to furnish to such Participating Covered Holder a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchaser of such securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) Avoid the issuance of, or if issued, obtain the withdrawal of, any order enjoining or suspending the use or effectiveness of a Registration Statement or suspending of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, as promptly as practicable;

(j) Upon the effectiveness of the first Registration Statement filed by the Company, cause all such Registrable Securities to be listed on each securities exchange, or authorized for trading in each market, on which or in which similar securities issued by the Company are then listed or traded;

(k) Enter into and perform customary agreements (including in the case of an Underwritten Offering, an underwriting agreement in customary form) and take all other action in connection therewith in order to expedite or facilitate the distribution of the Registrable Securities included in such Registration Statement and, in the case of an Underwritten Offering,

make representations and warranties to the Participating Covered Holders covered by such Registration Statement and to the underwriters in such form and scope as are customarily made by issuers to underwriters in underwritten offerings and confirm the same to the extent customary if and when requested;

(l) Provide and cause to be maintained a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the first Registration Statement;

(m) Cooperate with the Participating Covered Holders to facilitate (unless the Registrable Securities are in book-entry form) the timely preparation and delivery of certificates for the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates for the Registrable Securities to be in such denominations or amounts, as the case may be, as such Participating Covered Holders reasonably may request and registered in such names as such Participating Covered Holders may request; and, within three (3) business days after a Registration Statement which includes Registrable Securities is declared effective by the Commission, deliver to the transfer agent for the Registrable Securities (with copies to such Participating Covered Holders) an appropriate instruction and, to the extent necessary, cause legal counsel selected by the Company to deliver an opinion of such counsel to such transfer agent;

(n) Take all such other lawful actions reasonably necessary to expedite and facilitate the disposition by such Participating Covered Holders of their Registrable Securities in accordance with the intended methods therefor provided in the Prospectus which are customary under the circumstances, including by making senior management available to participate in road shows and meeting with potential investors as such Participating Covered Holders shall reasonably request; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Section 3(p) and except as may be required by the Securities Act, (ii) subject itself to taxation in any such jurisdiction, or (iii) submit to the general service of process in any such jurisdiction;

(o) Make available for reasonable inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter (each, an "Inspector" and collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any Inspector in connection with such registration statement; provided that any such underwriter, attorney, accountant or other agent use commercially reasonable efforts to coordinate their efforts so as not to disrupt the business operations of the Company. Records that the Company determines, in good faith, to be confidential or protected by attorney- client privilege and which it notifies the Inspectors are confidential or protected by attorney- client privilege shall not be disclosed by the Inspectors (and the Inspectors shall confirm their agreement in writing in advance to the Company if the Company shall so request) unless (i) the disclosure of such Records is necessary, in the Company's reasonable judgment, to avoid or correct a misstatement or omission in the Registration Statement, (ii) the release of such Records

is ordered pursuant to a subpoena or other order from a court of competent jurisdiction after exhaustion of all appeals therefrom or (iii) the information in such Records was known to the Inspectors on a non-confidential basis prior to its disclosure by the Company or has been made generally available to the public. Each Covered Holder agrees that it shall, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give prompt notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential, and the Covered Holder shall cooperate with the Company in such actions to the extent reasonably requested by the Company. In the event that the Company fails to prevent disclosure of such Records reasonably before the deadline by which such Covered Holder is required to produce such Records, then such Covered Holder agrees that it shall furnish only such portion of those Records which it is advised by their counsel, whether in-house or otherwise ("Counsel"), is legally required and shall use commercially reasonable efforts to obtain assurance that confidential treatment, if available, will be accorded to those Records; and

(p) In the case of an Underwritten Offering, cooperate and assist in any filings required to be made with FINRA and in the performance of any due diligence investigation by any underwriter and its counsel (including an "qualified independent underwriter," if applicable) that is required to be retained in accordance with the rules and regulations of FINRA.

4. Obligations of the Covered Holders. In connection with the registration of the Registrable Securities, the Participating Covered Holders shall have the following obligations:

(a) It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities that the Participating Covered Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of the Registrable Securities held by them as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least ten (10) business days prior to the first anticipated filing date of a Registration Statement (which anticipated date shall be set forth in the notice), the Company shall notify such Participating Covered Holders and Participating Covered Holders Counsel of the information relating to such Covered Holders and the Registrable Securities the Company requires from such Participating Covered Holders in order to prepare and file a Registration Statement that complies with the Securities Act (the "Requested Information"). If two (2) business days prior to the anticipated filing date the Company still has not received the Requested Information from any such Participating Covered Holder (either directly or through Participating Covered Holders Counsel), then the Company may file the Registration Statement without including Registrable Securities of such Participating Covered Holder.

(b) Each Covered Holder agrees to cooperate with the Company in connection with the preparation and filing of such Registration Statement hereunder, unless such Covered Holder has notified the Company in writing of its election in accordance with the terms and conditions of this Agreement to exclude all of its Registrable Securities from such Registration Statement.

(c) The Covered Holders shall not prepare or use any Free Writing Prospectus (as such term is defined in Rule 405 under the Securities Act) unless any and all issuer information included therein has been approved by the Company.

(d) As promptly as practicable after becoming aware of such event, each Participating Covered Holder shall notify the Company of the occurrence of any event, as a result of which the Prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 3(h), the Participating Covered Holders shall immediately discontinue their disposition of Registrable Securities pursuant to a Registration Statement covering such Registrable Securities until the Participating Covered Holders' receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(h) and, if so directed by the Company, the Participating Covered Holders shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies (other than permanent file copies) in their possession of the Prospectus covering such Registrable Securities current at the time of receipt of such notice.

5. Expenses of Registration. All Registration Expenses shall be paid by the Company. The Participating Covered Holders selling Registrable Securities shall pay the underwriting discount attributable to their Registrable Securities, any transfer taxes payable with respect thereto and all fees and expenses, including fees and expenses of such Participating Covered Holders' counsel, incurred by the Participating Covered Holders.

6. Market Stand-off Agreement. Each Covered Holder hereby agrees that it shall not, to the extent requested by the Company or an underwriter of securities of the Company, directly or indirectly sell, offer to sell (including without limitation any short sale), grant any option or otherwise transfer or dispose of any Registrable Securities or other Common Shares of the Company or any securities convertible into or exchangeable or exercisable for Common Shares of the Company then owned by such Covered Holder (other than to donees or partners of the Covered Holder who agree to be similarly bound) (i) in the case of Participating Covered Holders selling Registrable Securities pursuant to the IPO Registration Statement (as defined in the Private Placement Registration Rights Agreement), for a period beginning thirty (30) days prior to the effective date of, and continuing for one hundred eighty (18) days following, the effective date of such IPO Registration Statement and (ii) in the case of all other Covered Holders, for a period of sixty (60) days following the effective date of such IPO Registration Statement; provided, however, that if (A) during the last 17 days of the 180-day (in the case of clause (i)) or 60-day (in the case of clause (ii)) period following the effective date of the IPO Registration Statement, the Company releases earnings results or material news or a material event relating to the Company occurs or (B) prior to the expiration of such period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of such 60-day period, then in each case the such period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event,

as applicable, unless the managing underwriter(s) waive(s), in writing, such extension; provided, further, however, that:

(a) the restrictions above shall not apply to Registrable Securities sold pursuant to the IPO Registration Statement;

(b) all executive officers and directors of the Company then holding Common Shares of the Company or securities convertible into or exchangeable or exercisable for Common Shares of the Company enter into agreements that are no less restrictive;

(c) the Covered Holders shall be allowed any concession or proportionate release allowed to any officer or director that entered into agreements that are no less restrictive (with such proportion being determined by dividing the number of shares being released with respect to such officer or director by the total number of issued and outstanding shares held by such officer or director); provided, that nothing in this Section 6(c) shall be construed as a right to proportionate release for the executive officers and directors of the Company upon the expiration of the periods applicable to all Covered Holders other than the executive officers and directors of the Company as set forth in clauses (i) and (ii) above; and

(d) this Section 6 shall not be applicable if the Shelf S-1 Resale Registration Statement of the Company filed under the Securities Act has been declared effective prior to the filing of an IPO Registration Statement.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the securities subject to this Section 6 and to impose stop transfer instructions with respect to the Registrable Securities and such other securities of each Covered Holder (and the securities of every other Person subject to the foregoing restriction) until the end of such period.

7. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless (i) the Covered Holders, (ii) each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act), any such Person described in clause (i) (any of the Persons referred to in this clause (ii) being hereinafter referred to as a "Controlling Person"), and (iii) the respective officers, directors, partners, employees, representatives and agents of any such Person or any Controlling Person (any Person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as a "Purchaser Indemnitee"), to the fullest extent lawful, from and against any and all losses, claims, damages, judgments, actions, out-of-pocket expenses, and other liabilities (the "Liabilities"), including, as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Purchaser Indemnitee, joint or several, directly or indirectly related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto), any Prospectus (or any amendment or supplement thereto) or any Issuer Free Writing Prospectus (or any amendment or supplement thereto), or any preliminary Prospectus or any other document

used to sell the Registrable Securities, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that (A) the Company shall not be liable in any such case to the extent that such Liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or alleged omission made in reliance upon and in conformity with information relating to any Purchaser Indemnitee furnished to the Company or any underwriter in writing by or on behalf of such Purchaser Indemnitee expressly for use therein and (B) in the case of a Suspension Event for which a Suspension Notice is delivered in accordance with Section 2(c)(ii) and actually received by such Covered Holder (provided that a Covered Holder shall be deemed to have received such Suspension Notice (I) when sent by the Company by confirmed electronic email or facsimile if sent during normal business hours of the recipient (or, if not so confirmed or if sent outside normal business hours, on the next business day) and (II) if delivered by mail, upon delivery at the address of the Covered Holder as it appears in the records of the Company), the Company shall not be liable for any Liabilities resulting from a sale of Registrable Securities by any Holder occurring after receipt by such Holder of the Suspension Notice and prior to delivery by the Company of an End of Suspension Notice (or, if earlier, the time that the suspension period is required to end pursuant to Section 6). The Company shall notify the Covered Holders promptly of the institution, threat or assertion of any claim, proceeding (including any governmental investigation), or litigation of which it shall have become aware in connection with the matters addressed by this Agreement which involves the Company or a Purchaser Indemnitee. The indemnity provided for herein shall remain in full force and effect regardless of any investigation made by or on behalf of any Purchaser Indemnitee.

(b) Indemnification by the Covered Holders. In connection with any Registration Statement that includes Registrable Securities of a Participating Covered Holder, each Participating Covered Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, each Person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act and the respective partners, directors, officers, members, representatives, employees and agents of such Person or Controlling Person to the same extent as the foregoing indemnity from the Company to each Purchaser Indemnitee, but only with reference to untrue statements or omissions or alleged untrue statements or omissions made in reliance upon and in strict conformity with information relating to such Participating Covered Holder furnished to the Company in writing by such Participating Covered Holder expressly for use in any Registration Statement or Prospectus, any amendment or supplement thereto or any preliminary Prospectus or Issuer Free Writing Prospectus. The liability of any Participating Covered Holder pursuant to this paragraph shall in no event exceed the net proceeds received by such Participating Covered Holder from sales of Registrable Securities giving rise to such obligations.

(c) Notice of Claims, etc. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any Person in respect of which indemnity may be sought pursuant to paragraph (a) or (b) above, such Person (the "Indemnified Party"), shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing of the commencement thereof (but the failure to so notify an Indemnifying Party shall not relieve it from any liability which it may have under this Section 7, except to the extent the Indemnifying Party is materially prejudiced by the failure

to give notice), and the Indemnifying Party, upon request of the Indemnified Party(ies), shall retain a single counsel (and a single local counsel) reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party(ies) may reasonably designate in such suit, action, proceeding, claim or demand and shall pay the reasonable fees and expenses actually incurred by such counsel related to such proceeding. Notwithstanding the foregoing, in any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party, unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed in writing to the contrary, (ii) the Indemnifying Party failed within a reasonable time after notice of commencement of the action to assume the defense and employ counsel reasonably satisfactory to the Indemnified Party, or (iii) the named parties to any such action (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, or any Affiliate of the Indemnifying Party, and such Indemnified Party shall have been reasonably advised by counsel that either (x) there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party or such Affiliate of the Indemnifying Party or (y) a conflict may exist between such Indemnified Party and the Indemnifying Party or such Affiliate of the Indemnifying Party (in which case the Indemnifying Party shall not have the right to assume nor direct the defense of such action on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel), for all such Indemnified Parties, and any such separate firm for the Indemnifying Party, the directors, the officers and such control Persons of the Indemnified Party as shall be designated in writing by the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify any Indemnified Party from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement (i) includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to or an admission of, fault culpability or a failure to act by or on behalf of the Indemnified Party.

(d) Contribution. If the indemnification provided for in paragraphs (a) and (b) of this Section 7 is for any reason held to be unavailable to an Indemnified Party in respect of any Liabilities referred to therein (other than by reason of the exceptions provided therein) or is insufficient to hold harmless a party indemnified thereunder, then each Indemnifying Party under such paragraphs, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities (i) in such proportion as is appropriate to reflect the relative benefits of the Indemnified Party on the one hand and the Indemnifying Party(ies) on the other hand in connection with the statements or omissions that resulted in such Liabilities, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Indemnifying

Party(ies) and the Indemnified Party, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and any Purchaser Indemnitees on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by such Purchaser Indemnitees (or the related Covered Holder) and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The parties agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by *pro rata* allocation (even if such Indemnified Parties were treated as one entity for such purpose), or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(d) above. The amount paid or payable by an Indemnified Party as a result of any Liabilities referred to in Section 7(d) shall be deemed to include, subject to the limitations set forth in this Section 7, any reasonable legal or other expenses actually incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, in no event shall a Purchaser Indemnitee be required to contribute any amount in excess of the amount by which proceeds received by such Purchaser Indemnitee from sales of Registrable Securities exceeds the amount of any damages that such Purchaser Indemnitee has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. For purposes of this Section 7, each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act) any Covered Holder shall have the same rights to contribution as the Covered Holders and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act) the Company, and each officer, director, partner, employee, representative, agent or manager of the Company shall have the same rights to contribution as the Company. Any party entitled to contribution shall, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties, notify each party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 7 or otherwise, except to the extent that any party is materially prejudiced by the failure to give notice. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) The indemnity and contribution agreements contained in this Section 7 shall be in addition to any liability which the Indemnifying Parties may otherwise have to the Indemnified Parties referred to above. The Covered Holders' obligations to contribute pursuant to this Section 7 are several in proportion to the respective number of Common Shares sold by each of the Covered Holders hereunder and not joint.

8. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, including and with the need for an express assignment or assumption, subsequent holders of Original Shares, Warrant Shares, Retained Shares, the Purchased Shares or Warrants. The Company agrees that each Covered Holder shall be third party beneficiaries to the agreements made hereunder, and each

such Covered Holder shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights hereunder; provided, however, that such Covered Holder (and its successors and assigns) fulfills all of its obligations hereunder.

9. Amendment and Waiver. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, without the written consent of the Company and Covered Holders beneficially owning not less than a majority of the then outstanding Registrable Securities (including any Registrable Securities issuable pursuant to then outstanding Warrants); provided, however, that, for purposes of this Section 9, Registrable Securities that are owned, directly or indirectly, by the Company shall not be deemed to be outstanding. No amendment shall be deemed effective (i) unless it uniformly applies or (ii) if by its terms it expressly discriminates against a Covered Holder that has not given its written consent. Notwithstanding the foregoing, a waiver or consent to or departure from the provisions hereof with respect to a matter that relates exclusively to the rights of a Covered Holder whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Covered Holders may be given by such Covered Holder; provided that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence.

10. Miscellaneous.

(a) Remedies; Specific Performance. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law. In the event of a breach by the Company of any of its obligations under this Agreement, each Covered Holder, in addition to being entitled to exercise all rights provided herein, or granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. Subject to Section 7, the Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agree that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) Notices. Except as may be otherwise provided herein, any notice or other communication or delivery required or permitted hereunder shall be in writing and shall be delivered personally or sent by certified mail, postage prepaid, by a nationally recognized overnight courier service or by facsimile as follows, and shall be deemed given when actually received.

If to the Company, to: NMI Holdings, Inc.

1001 19th Street North
Arlington, Virginia 22209
Attention: John M. Sherwood

with copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York
Attention: David E. Shapiro/Alison M. Zieske
Facsimile: (212) 403-2316/(212) 403-2107

If to any Covered Holder, to it at the address set forth below its name on the signature page of this Agreement or, in the case of a Covered Holder who becomes such as a result of an assignment in accordance with Section 8, on the instrument by which such Person agrees to be bound by the provisions contained herein.

The Company or any Covered Holder may, by notice given pursuant to this Section 10(b), change the address for notices to it.

(c) Persons Bound. Subject to the requirements of Section 8 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

(d) Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Signatures delivered by facsimile shall be deemed to be original signatures.

(e) Interpretation; Headings. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(f) **Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE COURT IN THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING IN NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.**

(g) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use good faith efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(h) Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein. This Agreement supersedes all prior agreements and undertakings among the parties hereto with respect to the subject matter hereof.

(i) Registrable Securities Held by the Company or its Affiliates. Whenever the consent or approval of Covered Holders holding a specified percentage of Registrable Securities is required hereunder, Registrable Securities held directly or indirectly by the Company shall not be counted in determining whether such consent or approval was given by Covered Holders holding such required percentage.

(j) Adjustment for Stock Splits, etc. Wherever in this Agreement there is a reference to a specific number of shares or liquidated damages payable with respect to any Registrable Securities, then upon the occurrence of any subdivision, combination, or stock dividend of such shares, the specific number of shares or amount of liquidated damages payable with respect to any Registrable Securities so referenced in this Agreement shall automatically be proportionally adjusted to reflect the effect on the outstanding shares of such class or series of stock by such subdivision, combination, or stock dividend.

(k) Survival. The indemnification and contribution obligations under Section 7 of this Agreement shall survive the termination of the Company's obligations under Section 2 of this Agreement.

(l) Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, shall be entitled to recover is reasonable attorneys' fees in addition to any other available remedy.

(m) Implied Waivers. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NMI HOLDINGS, INC.

By: /s/ Bradley M. Shuster
Name: Bradley M. Shuster
Title: President and Chief Executive Officer

FBR & CO.

By: /s/ Richard Hendrix
Name: Richard Hendrix
Title: President, CEO

FBR CAPITAL MARKETS LT, INC.

By: /s/ Richard Hendrix
Name: Richard Hendrix
Title: President, CEO

FBR CAPITAL MARKETS & CO

By: /s/ Paul Dellisola
Name: Paul Dellisola
Title: Senior Managing Director

FBR CAPITAL MARKETS PT, INC.

By: /s/ Richard Hendrix
Name: Richard Hendrix
Title: President, CEO

NEITHER THIS WARRANT (NOR THE SHARES OF COMMON STOCK TO BE ISSUED UPON EXERCISE HEREOF, EXCEPT AS PROVIDED FOR HEREIN) HAVE BEEN REGISTERED UNDER THE SECURITIES ACT, AS AMENDED, OR ANY STATE SECURITIES OR "BLUE SKY" LAWS, AND THE HOLDER OF THIS WARRANT REPRESENTS AND WARRANTS THAT THIS WARRANT HAS BEEN, AND THE SHARES OF COMMON STOCK TO BE ISSUED UPON EXERCISE HEREOF WILL BE, ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR FOR RELEASE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF. NO SALE, ASSIGNMENT, TRANSFER, GIFT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF SUCH WARRANT OR SHARES MAY BE MADE (i) EXCEPT IN COMPLIANCE WITH ALL APPLICABLE FEDERAL AND STATE SECURITIES LAWS AND (ii) UNLESS (A) SUCH WARRANT OR SHARES ARE COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (B) AN EXEMPTION FROM SUCH A REGISTRATION IS AVAILABLE.

Warrant No. 1

WARRANT

to Purchase

Common Stock

of

NMI HOLDINGS, INC.

Date: June 13, 2013

This certifies that, for value received, FBR Capital Markets & Co.. is entitled, at any time and from time to time, beginning on the date hereof until 5:00 P.M., New York City time, on the Expiration Date (the "Warrant Exercise Period") to purchase from NMI Holdings, Inc., a Delaware corporation, and any successor thereto (the "Company"), up to 313,870 Warrant Shares at the Exercise Price on the terms and conditions and pursuant to the provisions hereinafter provided. This Warrant is issued pursuant to Article IV of the Credit Agreement (as defined below) as partial consideration for the loans granted thereunder.

1. Definitions. The terms defined in this Section 1, whenever used in this Warrant, shall, unless the context otherwise requires, have the respective meanings hereinafter specified.

"Business Day" means a day other than a Saturday, a Sunday or a day on which commercial banks in the Commonwealth of Virginia or the State of New York are open for business.

"Commission" means the Securities and Exchange Commission or any other governmental body then administering the Securities Act.

"Common Stock" means common stock, par value $0.01 per share, of the Company.

"Credit Agreement" means that certain Uncommitted Line of Credit, dated as of August 19, 2011, by and between FBR Capital Markets LT, Inc. and the Company.

"date hereof", "date of original issuance of this Warrant" and similar references mean the date identified on the first page of this Warrant.

"Exercise Price" means $10.00 per Warrant Share.

"Expiration Date" means April 24, 2022.

"Fair Market Value" means the fair market value of a share of Common Stock as of a particular date, as determined in accordance with the following:

(i) if the Common Stock is listed or admitted for trading on a national securities exchange, the average of the closing prices of the Common Stock for the five consecutive trading days immediately prior to (but excluding) the date in question; or

(ii) if the foregoing clause (i) does not apply and the Common Stock is traded on the OTC Bulletin Board, the average of the closing prices of the Common Stock for the five consecutive trading days immediately prior to (but excluding) the date in question; or

(iii) if the foregoing clauses (i) and (ii) do not apply and the Common Stock is quoted in the over-the-counter market as reported in the "pink sheets", the average of the closing prices of the Common Stock for the five consecutive trading days immediately prior to (but excluding) the date in question; or

(iv) if the foregoing clauses (i), (ii) and (iii) do not apply and actual transactions in the Common Stock are reported through The PORTAL Market, which is operated by the Nasdaq Stock Market, Inc., or through the FBR PLUS System, which is operated by FBR Capital Markets & Co., the last sale price of the Common Stock on such market or system immediately prior to (but excluding) the date in question (provided such last sale price was not on a trading day in excess of 10 trading days prior to the date in question); or

(v) if the Fair Market Value cannot be calculated for the Common Stock on a particular date on any of the foregoing bases, the Fair Market Value of the Common Stock on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of the Common Stock under this clause (v), then such dispute shall be resolved pursuant to Section 16.

All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

"Form of Assignment" means the warrant assignment form attached to this Warrant as Exhibit B.

"Form of Subscription" means the exercise subscription form attached to this Warrant as Exhibit A.

"Holder" means a holder of this Warrant.

"Registrable Securities" means this Warrant and the Warrant Shares issuable under this Warrant. Registrable Securities shall continue to be Registrable Securities (whether they continue to be held by FBR Capital Markets & Co. or they are sold) until (a) they are sold pursuant to an effective registration statement under the Securities Act or (b) they shall have otherwise been transferred (including pursuant to Rule 144 under the Securities Act) and new securities not subject to transfer restrictions under any federal securities laws and not bearing any legend restricting further transfer shall have been delivered by the Company, all applicable holding periods shall have expired, and no other applicable and legally binding restriction on transfer by the holder thereof shall exist.

"Rights to Purchase Voting Securities" means options, warrants and rights issued by the Company (whether presently exercisable or not) to purchase Voting Securities or securities of the Company that are convertible or exchangeable (whether presently convertible or exchangeable or not) into or exercisable (whether presently exercisable or not) for Voting Securities but, for the avoidance of doubt, not including a stockholders rights plan.

"Securities Act" means the Securities Act of 1933 (including any rules and regulations promulgated thereunder), as the same shall be amended and in effect from time to time.

"Voting Securities" means the Common Stock and any other securities of the Company of any kind or class having power generally to vote in the election of directors.

"Warrant" means this warrant and each warrant issued in replacement of or substitution therefor in accordance herewith or therewith, whether as a result of transfer, division or combination.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of this Warrant, including, at any time, any shares that have already been issued as a result of the exercise of this Warrant.

2. Exercise of Warrant; Manner of Exercise.

(a) Exercise of Warrant. Subject to the terms of this Warrant, including the transfer restrictions at the beginning of this Warrant, the Holder shall be entitled to exercise this Warrant, in whole or in part, subject to Section 2(d), on any Business Day (each, an "Exercise Date") during the Warrant Exercise Period to, purchase up to the number of Warrant Shares set forth in the first paragraph of this Warrant at the Exercise Price, subject to all adjustments made on or prior to the date of exercise hereof as herein provided; provided that the Holder shall not be entitled to exercise any portion of this Warrant prior to the receipt of any required regulatory approvals or consents to the extent required. To exercise this Warrant, the Holder shall provide notice to the Company of such Exercise Date at least two Business Days prior to such Exercise Date, which notice requirement may be waived by the Company in its sole discretion (except that if the Holder has elected to receive payment of the Exercise Price as provided in Section 2(b)(i) below and the Holder and the Company have implemented or intend to implement the procedures set forth in Section 16 hereof to resolve a dispute over the Fair Market Value of the Common Stock , the notice period shall be 45 calendar days).

(b) Method of Exercise; Payment of Exercise Price. In order to exercise this Warrant, the Holder hereof must surrender this Warrant to the Company, with the Form of Subscription duly executed. With respect to payment of the Exercise Price, the Holder shall have two options: (i) having the Company withhold, from the Warrant Shares that would otherwise be delivered to the Holder upon such exercise, Warrant Shares issuable upon exercise of this Warrant with an aggregate Fair Market Value as of the last Business Day prior to such exercise equal to the aggregate Exercise Price that would otherwise be payable by the Holder upon such exercise or (ii) payment in full of the Exercise Price then in effect for the Warrant Shares as to which this Warrant is submitted for exercise. Any such payment of the Exercise Price pursuant to clause (ii) above shall be payable in cash or other same-day funds. Upon the surrender of this Warrant following one or more partial exercises, unless this Warrant has expired, a new Warrant of the same tenor representing the number of Warrant Shares, if any, with respect to which this Warrant shall not then have been exercised, shall promptly be issued and delivered to the Holder. In the event of exercise of this Warrant, the Company shall promptly thereafter, (1) deliver the Warrant Shares issuable upon such exercise in book-entry form through the facilities of The Depositary Trust Company at the Company's expense to the Holder or its designee or (2) execute and deliver to the Holder a certificate or certificates representing the aggregate number of Warrant Shares issuable upon such exercise registered in the name of the Holder or its designee and, unless otherwise specified in such notice, one certificate representing the aggregate number of Warrant Shares issued upon such exercise shall be so delivered. Such Warrant Shares shall be free of restrictive legends unless (A) a registration statement covering the resale of the Warrant Shares by the Holder is not then effective and (B) the Warrant Shares are not eligible for sale pursuant to Rule 144 under the Securities Act, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such shares and without volume or manner-of-sale restrictions.

(c) Effectiveness of Exercise. This Warrant shall be deemed to have been exercised and such Warrant Shares shall be deemed to have been issued and delivered, and the Holder or any other person so designated to be named shall be deemed to have become a holder of record of such shares for all purposes immediately prior to the close of business on the Business Day on which (i) the Company shall have received a duly executed Form of Subscription and (ii) the Company shall have received payment of the Exercise Price in respect of the Warrant Shares being purchased (including payment in the form of a "cashless exercise" in accordance with Section 2(b)).

(d) Fractional Shares. No fractional shares shall be issued upon exercise of this Warrant. Instead, the Company shall pay to the Holder, in lieu of issuing any fractional share, a sum in cash equal to such fraction multiplied by the Fair Market Value of a share of Common Stock, as determined by the Company's chief executive officer, chief financial officer or board of directors, on the Business Day or, if applicable, trading day immediately prior to the date of exercise.

(e) Payment of Taxes, etc. The Company shall pay all expenses in connection with, and governmental charges that may be imposed in respect of, the issuance or delivery thereof. The Holder shall pay all income, franchise and transfer taxes (other than any issuance taxes, which shall be paid by the Company) in connection with such issuance and delivery. The Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in

the issuance of any certificate for Warrant Shares in any name other than that of the registered Holder of this Warrant (or any Affiliate thereof), and in such case the Company shall not be required to issue or deliver any stock certificate, if any, until such tax or other charge has been paid or it has been established to the Company's reasonable satisfaction that no such tax or other charge is due.

3. Expiration of Warrant. This Warrant shall expire at, and shall no longer be exercisable after, 5:00 p.m., New York City time, on the Expiration Date.

4. Transfer, Division and Combination.

(a) Subject to the transfer restrictions set forth on the cover of this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part (but not in denominations such that a replacement Warrant is exercisable for a non-integral number of Warrant Shares), on the books of the Company to be maintained for such purpose, upon surrender of this Warrant to the Company, together with the Form of Assignment (in whole or in part) of this Warrant duly executed by the Holder or its agent or attorney. Upon such surrender, the Company shall execute and deliver a new warrant or warrants in the name of the assignee or assignees (including, if such assignment is only a partial assignment by the Holder, in the name of the Holder), and each such warrant shall be identical in form and substance (including its date) to this Warrant except for the warrant number (which shall be as determined by the Company), the name of the named holder of the warrant (if an assignee of the Holder), and the actual number of Warrant Shares (each of which shall be as specified by the Holder), and this Warrant shall promptly be canceled.

(b) This Warrant may be divided or combined with other Warrants upon surrender of this Warrant (and thereof, in the case of combination) to the Company, together with a written notice specifying the names and denominations in which new warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with the preceding paragraph as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new warrant or warrants in exchange for the warrant or warrants to be divided or combined in accordance with such notice. Each such new warrant issued shall be issued in a denomination representing an integral number of Warrant Shares as of the date of issuance of the new warrant (except if this Warrant represents a non-integral number of Warrant Shares, then one new warrant may e issued for a non-integral number of Warrant Shares).

(c) The Company shall pay all expenses and other charges payable in connection with the preparation, issuance and delivery of Warrants under this Section 4. The Holder shall pay all taxes (other than any issuance taxes, which shall be paid by the Company) in connection with such issuance and delivery.

(d) The Company agrees to maintain books for the registration and transfer of the Warrant.

(e) Any Warrant issued in replacement of this Warrant, or as a result of combination, division, transfer or partial exercise, shall bear the legend set forth on the cover of this Warrant.

5. Anti-Dilution Adjustments. The Exercise Price and the number of Warrant Shares as to which this Warrant may be exercised are subject to adjustment from time to time upon the occurrence of the events set forth in this Section 5.

(a) Adjustment for Change in Capital Stock.

During the Warrant Exercise Period, if the Company (1) pays a dividend or makes a distribution on its Common Stock, in either case, in shares of capital stock; (2) forward splits or subdivides its outstanding Common Stock into a greater number of Shares; or (3) reverse splits or combines its outstanding Common Stock into a small number of Shares; then (x) the Warrant will become exercisable for the aggregate number and kind of shares of capital stock of the Company which the Holder would have owned immediately following such action if the Warrant had been exercised immediately prior to such action and (y) the Exercise Price in effect immediately prior to such action shall be proportionately adjusted.

An adjustment made pursuant to this Section 5(a) shall become effective on the effective date of an event referred to in clauses (1), (2) and (3) above, retroactive to the record date (if any) for such event.

If, after an adjustment, the Holder of the Warrant upon exercise of it may receive shares of two or more classes of capital stock of the Company, the Board shall determine in good faith the allocation of the adjusted Exercise Price between the classes of capital stock. After such allocation, the exercise privilege and the Exercise Price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to the Warrant Shares in this Section.

Such adjustment shall be made successively whenever any event listed above shall occur.

(b) Adjustment for Rights Issue. During the Warrant Exercise Period, if the Company distributes (other than in a transaction referred to in Section 5(a)) any rights, options or warrants to all holders of its Common Stock entitling them to purchase Common Stock at a price per share which, together with the consideration (if any) paid to the Company for such right, option or warrant, is less than the Exercise Price in effect as of the record date established for such distribution, the Exercise Price shall be adjusted in accordance with the formula:

$$E' = E \times \frac{O + \frac{N \times P}{E}}{O+N}$$

where:

E’ = the adjusted Exercise Price.

E = the Exercise Price in effect as of the record date established for such distribution.

O = the number of Shares outstanding on the record date on a fully-diluted basis.

N = the number of Shares issuable upon exercise of such rights, options or warrants.

P = the exercise price per Share of the Shares issuable upon exercise of such rights, options or warrants plus the aggregate consideration received in respect of such rights, options or warrants for each Share issuable upon exercise of such rights, options or warrants.

Simultaneously with any adjustment of the Exercise Price pursuant to this Section 5(b), the number of Warrant Shares purchaseable upon the exercise hereof shall be increased by multiplying the number of Warrant Shares purchaseable upon exercise hereof immediately prior to such adjustment by the fraction equal to E/ E'. An adjustment made pursuant to this Section 5(b) shall become effective when any such rights, options, or warrants are issued, retroactive to the record date for such issuance.

(c) Adjustment for Issuance of Shares.

(1) During the Warrant Exercise Period, if the Company, at any time and from time to time, issues or sells Common Stock for a consideration per share less than the Exercise Price then in effect as of the date the Company fixes the offering price of such additional shares, each Exercise Price shall be adjusted in accordance with the formula:

$$E' = E \times \frac{O + \frac{P}{E}}{A}$$

where:

E' = the adjusted Exercise Price.

E = the Exercise Price in effect immediately before such issuance.

O = the number of Shares outstanding on a fully-diluted basis immediately prior to the issuance of such additional Shares.

P = the aggregate consideration received for the issuance of such additional Shares.

A = the number of Shares outstanding on a fully-diluted basis immediately after the issuance of such additional Shares.

Simultaneously with any adjustment of the Exercise Price pursuant to this Section 5(c)(1), the number of Warrant Shares purchaseable upon the exercise hereof shall be increased by multiplying the number of Warrant Shares purchaseable upon exercise hereof immediately prior to such adjustment by the fraction equal to E/ E'. Adjustments pursuant to this Section 5(c)(1) shall be made successively whenever any such issuance is made and shall become effective immediately after such issuance. No adjustment shall be made under this Section 5(c)(1) upon the issuance of shares of Common Stock pursuant to the exercise, conversion or exchange of any Common Stock Equivalents if an adjustment was made pursuant to Section 5(c)(2) in connection with the issuance of such Common Stock Equivalents.

(2) If the Company, at any time and from time to time, issues or sells any securities convertible into or exchange for, directly or indirectly, Common Stock ("Convertible Securities") or any rights or warrants or options to purchase any such Common Stock or Convertible Securities, shall be issued or sold (collectively, "Common Stock Equivalents"), and the aggregate of the price per share for which shares of common Stock may be issuable thereafter pursuant to such Common Stock Equivalent, plus the consideration received by the Company for issuance of such Common Stock Equivalent divided by the number of shares of Common Stock issuable pursuant to such Common Stock Equivalent (the "Aggregate Per Common Share Price") shall be less than the Exercise price then in effect, or if, after any such issuance of Convertible Securities or Common Stock Equivalents, the price per share for which shares of Common Stock may be issuable thereafter is amended or adjusted, and such price as so amended or adjusted shall make the Aggregate Per Common Share Price less than the Exercise Price in effect at the time of such amendment or adjustment, then the Exercise Price then in effect shall be adjusted pursuant to the formula set forth in Section 5(c)(1) above assuming that all shares of Common Stock have been issued pursuant to the Convertible Securities or Common Stock Equivalents for a purchase price equal to the Aggregate Per Common Share Price.

Simultaneously with any adjustment of the Exercise Price pursuant to this Section 5(c)(2), the number of Warrant Shares purchaseable upon the exercise hereof shall be increased by multiplying the number of Warrant Shares purchaseable upon exercise hereof immediately prior to such adjustment by the fraction equal to E/ E'. Adjustments pursuant to this Section 5(c)(2) shall be made successively whenever any such issuance is made and shall become effective immediately after such issuance.

Sections 5(b) and 5(c) do not apply to:

(1) any of the transactions described in subsection (a) of this Section 5;

(2) the exercise of warrants, or the conversion or exchange of other securities convertible or exchangeable for Shares, which warrants or other securities are outstanding on the date hereof;

(3) Shares issued to (x) shareholders of any person that merges with or into the Company, or with or into a subsidiary of the Company, in proportion to the stock holdings of such person immediately prior to such merger, upon such merger or (y) to any person in exchange for assets sold by such person to the Company;

(4) Shares of Common Stock issued in a bona fide public offering pursuant to a firm commitment underwriting in an aggregate offering amount of at least $50,000,000; or

(5) Shares of Common Stock issuable to employees, directors or consultants of the Company under or pursuant to bona fide compensation plans approved by either the board of directors or stockholders of the Company.

(d) Consideration Received, Occurrence of Transactions. For purposes of any computation respecting consideration received pursuant to Section 5(c), the following shall apply:

(1) In the case of the issuance of Common Stock or Common Stock Equivalents for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any underwriting commissions or discounts incurred by the Company for any underwriting of the issue;

(2) in the case of the issuance of Common Stock or Common Stock Equivalents for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the Fair Market Value thereof, as determined in good faith by the board of directors of the Company;

For the purpose of any adjustment made pursuant to this Section 5, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(e) When De Minimis Adjustment May be Deferred. No adjustment of the Exercise Price need be made unless the adjustment would require an increase or decrease of at least 1.00% in the Exercise Price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 5 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(f) Notice of Pending and Actual Adjustments. The Company shall give notice to the Holder at least five Business Days prior to the date of any event that will cause any adjustment to the Exercise Price and, if such event is a dividend or other event as to which a record date for the holders of Common Stock is established, at least five Business Days prior to any such record date. Whenever any Exercise Price is adjusted, the Company, at its own expense, shall as promptly as reasonably practicable cause its Chief Financial Officer (or similar officer) to compute such adjustment and prepare a certificate setting forth such adjustment (including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant, as applicable), setting forth in reasonable detail the acts requiring such adjustment, and stating such other facts as shall be necessary to show the manner and figures used to compute such adjustment. As promptly as reasonably practicable (but in no event more than 10 days) after each such adjustment, the Company shall give a copy of such certificate by certified mail to the Holder.

(g) When Adjustment Not Required. If the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or

distribution or subscription or purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

(h) Superseding Adjustment. If at any time after an adjustment of the Exercise Price and/or Warrant shares shall have been made pursuant to Section 5(b) and the options, warrants or rights shall expire, or the right of exercise in respect of a portion of such securities shall expire, then to the extent that such options, warrants or rights shall have not been exercised, a recomputation shall be made of the effect of such options, warrants or rights on the basis of the issuance of only the number of shares of Common Stock, if any, theretofore actually issued or issuable pursuant to the previous exercise of such right of conversion, exercise or exchange and for the consideration actually received and receivable therefor; and if and to the extent called for by the foregoing provisions of this Section on the basis aforesaid, a new adjustment shall be made, which new adjustment shall supersede the previous adjustment so rescinded and annulled.

(i) Reorganization, Reclassification, Consolidation, Merger or Sale. If any reorganization or reclassification of outstanding shares of Common Stock, or any consolidation or merger of the Company with or into another entity, or the sale of all or substantially all of the Company's assets to another entity (an "Extraordinary Transaction") shall be effected in such a way that holders of Common Stock shall be entitled to receive cash, stock, securities or assets with respect to or in exchange therefor, then, as a condition of such Extraordinary Transaction, lawful and adequate provision shall be made whereby the Holder shall thereafter have the right upon the terms and conditions specified in this Warrant to receive, in lieu of Warrant Shares upon the payment of the Exercise Price, solely such cash, stock, securities or assets as would have been issued or payable with respect to or in exchange for Warrant Shares pursuant to the terms hereof had the Holder exercised the Warrant in full immediately prior to the effective date of such Extraordinary Transaction, and in any such case appropriate provision shall be made with respect to the rights and interests of the Holder to the end that the provisions hereof shall thereafter be applicable, as nearly as may be possible and pertinent, in relation to any stock, securities or assets thereafter deliverable upon the exercise hereof, and appropriate adjustment shall be made to determine and provide for the price per Warrant Share, shares of stock or other security or asset deliverable hereunder, as well as the number of Warrant Shares, shares of stock or other securities, or the amount of assets, deliverable hereunder. In the event that in such Extraordinary Transaction holders of shares of Common Stock are entitled to elect to receive differing forms of consideration, the consideration that the Holder shall be entitled to receive upon payment of the Exercise Price shall be the kind and amount of consideration received by a majority of shares of Common Stock in such Extraordinary Transaction.

6. Reservation and Authorization. The Company shall at all times reserve and keep available for issuance upon the exercise of this Warrant such number of its authorized but unissued shares of Common Stock as will be sufficient to permit the exercise in full of this Warrant. All shares of Common Stock which shall be so issuable, when issued upon exercise of this Warrant, shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens,

security interests, charges and other encumbrances or restrictions (other than encumbrances or restrictions imposed by this Warrant or Warrants issued in connection with divisions, combinations, transfers or replacements of this Warrant, and not including any liens granted by the Holder of this Warrant) and requirements of federal and state securities laws respecting restrictions on the subsequent transfer thereof.

7. Registration. If at any time the Company registers or intends to register shares of Common Stock, Rights to Purchase Voting Securities or any other securities convertible, exchangeable or exercisable for shares of Voting Securities on a registration statement under the Securities Act, or grants any demand or piggyback registration rights to any other holder of shares of Common Stock, Rights to Purchase Voting Securities or any other securities convertible, exchangeable or exercisable for shares of Voting Securities, the Company shall offer to the Holder of this Warrant to register the Registrable Securities of such Holder on no less favorable terms and conditions and/or enter into an agreement on customary terms and conditions with the Holder of this Warrant granting to such Holder *pari passu* registration rights with other holders of Common Stock with respect to the Registrable Securities of such Holder, as applicable.

8. Warrant Holder.

(a) No Stockholder Rights. Nothing contained in this Warrant shall be construed as conferring upon the Holder any voting rights or any other rights as a stockholder of the Company (except to the extent that this Warrant has been duly exercised or such Holder otherwise owns any Warrant Shares) or as imposing any liabilities on such Holder to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

(b) Limitation of Liability. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder hereof, shall give rise to any liability of the Holder for the purchase price or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company or by anyone else.

9. Taking of Record; Stock and Warrant Transfer Books. In case of all dividends or other distributions by the Company to the holders of its Common Stock, the Company will in each such case take such a record and will take such record as of the close of business on a Business Day. The Company will not at any time, except upon dissolution, liquidation or winding up of the Company, close its stock transfer books or warrant transfer books so as to result in preventing or delaying the exercise or transfer of this Warrant.

10. Loss or Mutilation. Upon receipt by the Company of evidence satisfactory to it (in the exercise of reasonable discretion) of the ownership of and the loss, theft, destruction or mutilation of this Warrant and (in case of loss, theft or destruction) of indemnity satisfactory to it, and in case of mutilation, upon surrender and cancellation hereof, the Company will execute and deliver in lieu hereof a new warrant of like tenor and date.

11. Office of the Company. As long as this Warrant remains outstanding and subject to the following sentence, the Company shall maintain an office or agent at a location notice of which shall have been furnished to the Holder in writing where this Warrant may be presented for exercise, registration, transfer, division or combination as in this Warrant provided. Such office or agent shall be maintained at said address unless and until the Company shall designate and maintain another office or agent for such purposes and give written notice thereof to the Holder in accordance with Section 12.

12. Notices Generally. No notice or other communication shall be deemed given hereunder unless sent in any of the manners, and to the persons, specified in this Section 12. All notices and other communications hereunder will be in writing and will be deemed given (a) upon receipt if delivered personally, mailed by registered or certified mail, or sent by overnight courier or (b) upon dispatch if transmitted by facsimile, in any case to the Holder at the Holder's last known address appearing on the books of the Company or to the Company at the following address (or at such other address for a party as specified in such a notice):

If to the Company to:

NMI Holdings, Inc.
2100 Powell Street, 12th Floor
Emeryville, CA 94608
Attention: John M. Sherwood
Facsimile: [●]

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019-6150
Attention: David E. Shapiro
Facsimile: (212) 403-2314
Attention: Alison M. Zieske
Facsimile: (212) 403-2107

If to the Holder to:

FBR Capital Markets & Co.
1001 19th Street North, 11th Floor
Arlington, VA 22209
Attention: Joseph Kavanagh
Facsimile: (703) 312-1809

13. Removal of Legend. The Holder may surrender this Warrant or certificates evidencing Warrant Shares, if any, to the Company, which shall exchange such certificate for a certificate without the legend which appears on this Warrant; provided that the Holder has delivered evidence reasonably acceptable to the Company to the effect that this Warrant or the Warrant Shares,

as the case may be, represented by this certificate are freely transferable under the Securities Act, as the case may be.

14. Survival. All covenants and agreements of the Company, and all rights and duties of the Holder from time to time of this Warrant or any Common Stock issued pursuant to exercise of this Warrant (other than the right to receive Common Stock in exchange for this Warrant), shall be deemed to survive any surrender hereof to the Company upon exercise hereof by the Holder as contemplated by Section 2 or expiration of the right of the Holder to exercise any unexercised balance hereof on the Warrant Expiration Date.

15. Certain Warrants Deemed Not Outstanding; Warrant Stock in Calls. For the purposes of determining whether the Holder entitled to purchase a requisite number of Warrant Shares at any time has taken any action, any Warrants owned by the Company shall be deemed not to be outstanding.

16. Dispute Resolution. In the case of a dispute as to the determination of the Exercise Price or the Fair Market Value or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two business days of receipt of the Form of Subscription giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Warrant Price, Fair Market Value or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall within two business days submit via facsimile (a) the disputed determination of the Warrant Price or the Fair Market Value to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than 10 Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

17. Governing Law. This Warrant and all rights arising hereunder shall be governed by the internal laws of the State of Delaware.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed and issued by its officers thereunto duly authorized as of the date first written above.

NMI HOLDINGS, INC.

By: _____/s/ Bradley M. Shuster_____
Bradley M. Shuster

Chairman, President and Chief Executive Officer

FORM OF SUBSCRIPTION

(to be signed only upon payment of the Exercise Price
pursuant to the Warrant)

To the Company:

1. The undersigned, the holder of the within Warrant, hereby irrevocably elects to purchase _____ shares of Common Stock pursuant to the terms of the Warrant.

2. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as (check applicable ones):

_____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares.

3. Payment of Exercise Price. In the event that the Holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the Holder shall pay the aggregate Exercise Price in the sum of $_____ to the Company in accordance with the terms of the Warrant.

4. Delivery of Warrant Shares. The Company shall deliver to the Holder, or its designee or agent as specified below, _____ Warrant Shares in book-entry form through the facilities of The Depositary Trust Company or certificate form in accordance with the terms of the Warrant.

_____
_____
_____

The undersigned represents (a) that it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the Common Stock; and (b) that it can bear the economic risk of its investment in the Common Stock and can afford to lose its entire investment in the Common Stock. The undersigned agrees that the Common Stock may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act, except pursuant to an exemption from such act.

The undersigned represents that it has tendered payment for such shares of Common Stock to the Company in the form indicated above.

If the number of shares of Common Stock purchased is less than all of the Warrant Shares evidenced hereby, and the undersigned is surrendering the Warrant in connection with the exercise hereof, the undersigned requests that a new Warrant representing the remaining shares of Common Stock subject to the Warrant be issued and delivered to the undersigned.

If the original Warrant is not surrendered in connection with the exercise hereof: (a) the undersigned represents that it has not sold, assigned, pledged, transferred, hypothecated, or otherwise disposed of the original Warrant or any interest therein or represented thereby and hereby agrees to fully and forever indemnify and hold harmless the Company and each of its successors, assigns and

affiliates from any loss, cost, damages or expense (including reasonable attorneys' fees) of any kind or nature whatsoever it may hereinafter suffer or incur in connection with or as a result of the undersigned's failure to surrender the original Warrant in connection with such exercise; and (b) the undersigned will as promptly as reasonably practicable after the delivery of this Subscription to the Company (and in any event within five Business Days), deliver, or cause to be delivered, the original Warrant to the Company.

DATED:

____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

__

__

(Address)

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned, the holder of the attached Warrant, hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant unto:

Name of Assignee	Address

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

[Holder]

By: ____
Name:
Title:

NEITHER THIS WARRANT (NOR THE SHARES OF COMMON STOCK TO BE ISSUED UPON EXERCISE HEREOF, EXCEPT AS PROVIDED FOR HEREIN) HAVE BEEN REGISTERED UNDER THE SECURITIES ACT, AS AMENDED, OR ANY STATE SECURITIES OR "BLUE SKY" LAWS, AND THE HOLDER OF THIS WARRANT REPRESENTS AND WARRANTS THAT THIS WARRANT HAS BEEN, AND THE SHARES OF COMMON STOCK TO BE ISSUED UPON EXERCISE HEREOF WILL BE, ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR FOR RELEASE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF. NO SALE, ASSIGNMENT, TRANSFER, GIFT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF SUCH WARRANT OR SHARES MAY BE MADE (i) EXCEPT IN COMPLIANCE WITH ALL APPLICABLE FEDERAL AND STATE SECURITIES LAWS AND (ii) UNLESS (A) SUCH WARRANT OR SHARES ARE COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (B) AN EXEMPTION FROM SUCH A REGISTRATION IS AVAILABLE.

Warrant No. 2

WARRANT to Purchase Common Stock of

NMI HOLDINGS, INC.

Date: April 24, 2012

This certifies that, for value received, MAC Financial Ltd. is entitled, at any time and from time to time, beginning on the date hereof until 5:00 P.M., New York City time, on the Expiration Date (the "Warrant Exercise Period") to purchase from NMI Holdings, Inc., a Delaware corporation, and any successor thereto (the "Company"), up to 678,295 Warrant Shares at the Exercise Price on the terms and conditions and pursuant to the provisions hereinafter provided. This Warrant is issued pursuant to Section 2.1(a) of the Purchase Agreement (as defined below) as partial consideration for the sale of the Purchased Shares (as defined in the Purchase Agreement).

1. Definitions. The terms defined in this Section 1, whenever used in this Warrant, shall, unless the context otherwise requires, have the respective meanings hereinafter specified.

"Business Day" means a day other than a Saturday, a Sunday or a day on which commercial banks in the Commonwealth of Virginia or the State of New York are open for business.

"Commission" means the Securities and Exchange Commission or any other governmental body then administering the Securities Act.

"Common Stock" means common stock, par value $0.01 per share, of the Company.

"date hereof", "date of original issuance of this Warrant" and similar references mean the date identified on the first page of this Warrant.

"Exercise Price" means $10.00 per Warrant Share. "Expiration Date" means April 24, 2022.

"Fair Market Value" means the fair market value of a share of Common Stock as of a particular date, as determined in accordance with the following:

(i) if the Common Stock is listed or admitted for trading on a national securities exchange, the average of the closing prices of the Common Stock for the five consecutive trading days immediately prior to (but excluding) the date in question; or

(ii) if the foregoing clause (i) does not apply and the Common Stock is traded on the OTC Bulletin Board, the average of the closing prices of the Common Stock for the five consecutive trading days immediately prior to (but excluding) the date in question; or

(iii) if the foregoing clauses (i) and (ii) do not apply and the Common Stock is quoted in the over-the-counter market as reported in the "pink sheets", the average of the closing prices of the Common Stock for the five consecutive trading days immediately prior to (but excluding) the date in question; or

(iv) if the foregoing clauses (i), (ii) and (iii) do not apply and actual transactions in the Common Stock are reported through The PORTAL Market, which is operated by the Nasdaq Stock Market, Inc., or through the FBR PLUS System, which is operated by FBR Capital Markets & Co., the last sale price of the Common Stock on such market or system immediately prior to (but excluding) the date in question (provided such last sale price was not on a trading day in excess of 10 trading days prior to the date in question); or

(v) if the Fair Market Value cannot be calculated for the Common Stock on a particular date on any of the foregoing bases, the Fair Market Value of the Common Stock on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of the Common Stock under this clause (v), then such dispute shall be resolved pursuant to Section 16.

All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

"Form of Assignment" means the warrant assignment form attached to this Warrant as Exhibit B.

"Form of Subscription" means the exercise subscription form attached to this Warrant as Exhibit A.

"Holder" means a holder of this Warrant.

"Purchase Agreement" means that certain Stock Purchase Agreement, dated as of November 30, 2011, by and between the Company and MAC Financial Ltd.

"Registrable Securities" means this Warrant and the Warrant Shares issuable under this Warrant. Registrable Securities shall continue to be Registrable Securities (whether they continue to be held by MAC Financial Ltd. or they are sold) until (a) they are sold pursuant to an effective registration statement under the Securities Act or (b) they shall have otherwise been transferred (including pursuant to Rule 144 under the Securities Act) and new securities not subject to transfer restrictions under any federal securities laws and not bearing any legend restricting further transfer shall have been delivered by the Company, all applicable holding periods shall have expired, and no other applicable and legally binding restriction on transfer by the holder thereof shall exist.

"Rights to Purchase Voting Securities" means options, warrants and rights issued by the Company (whether presently exercisable or not) to purchase Voting Securities or securities of the Company that are convertible or exchangeable (whether presently convertible or exchangeable or not) into or exercisable (whether presently exercisable or not) for Voting Securities but, for the avoidance of doubt, not including a stockholders rights plan.

"Securities Act" means the Securities Act of 1933 (including any rules and regulations promulgated thereunder), as the same shall be amended and in effect from time to time.

"Voting Securities" means the Common Stock and any other securities of the Company of any kind or class having power generally to vote in the election of directors.

"Warrant" means this warrant and each warrant issued in replacement of or substitution therefor in accordance herewith or therewith, whether as a result of transfer, division or combination.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of this Warrant, including, at any time, any shares that have already been issued as a result of the exercise of this Warrant.

2. Exercise of Warrant; Manner of Exercise.

(a) Exercise of Warrant. Subject to the terms of this Warrant, including the transfer restrictions at the beginning of this Warrant, the Holder shall be entitled to exercise this Warrant, in whole or in part, subject to Section 2(d), on any Business Day (each, an "Exercise Date") during the Warrant Exercise Period to, purchase up to the number of Warrant Shares set forth in the first paragraph of this Warrant at the Exercise Price, subject to all adjustments made on or prior to the date of exercise hereof as herein provided; provided that the Holder shall not be entitled to exercise any portion of this Warrant prior to the receipt of any required regulatory approvals or consents to the extent required. To exercise this Warrant, the Holder shall provide notice to the Company of such Exercise Date at least two Business Days prior to such Exercise Date, which notice requirement may be waived by the Company in its sole discretion (except that if the Holder has elected to receive payment of the Exercise Price as provided in Section 2(b)(i) below and the Holder and the Company have implemented or intend to implement the

procedures set forth in Section 16 hereof to resolve a dispute over the Fair Market Value of the Common Stock , the notice period shall be 45 calendar days).

(b) Method of Exercise; Payment of Exercise Price. In order to exercise this Warrant, the Holder hereof must surrender this Warrant to the Company, with the Form of Subscription duly executed. With respect to payment of the Exercise Price, the Holder shall have two options: (i) having the Company withhold, from the Warrant Shares that would otherwise be delivered to the Holder upon such exercise, Warrant Shares issuable upon exercise of this Warrant with an aggregate Fair Market Value as of the last Business Day prior to such exercise equal to the aggregate Exercise Price that would otherwise be payable by the Holder upon such exercise or (ii) payment in full of the Exercise Price then in effect for the Warrant Shares as to which this Warrant is submitted for exercise. Any such payment of the Exercise Price pursuant to clause (ii) above shall be payable in cash or other same-day funds. Upon the surrender of this Warrant following one or more partial exercises, unless this Warrant has expired, a new Warrant of the same tenor representing the number of Warrant Shares, if any, with respect to which this Warrant shall not then have been exercised, shall promptly be issued and delivered to the Holder. In the event of exercise of this Warrant, the Company shall promptly thereafter, (1) deliver the Warrant Shares issuable upon such exercise in book-entry form through the facilities of The Depositary Trust Company at the Company's expense to the Holder or its designee or (2) execute and deliver to the Holder a certificate or certificates representing the aggregate number of Warrant Shares issuable upon such exercise registered in the name of the Holder or its designee and, unless otherwise specified in such notice, one certificate representing the aggregate number of Warrant Shares issued upon such exercise shall be so delivered. Such Warrant Shares shall be free of restrictive legends unless (A) a registration statement covering the resale of the Warrant Shares by the Holder is not then effective and (B) the Warrant Shares are not eligible for sale pursuant to Rule 144 under the Securities Act, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such shares and without volume or manner-of-sale restrictions.

(c) Effectiveness of Exercise. This Warrant shall be deemed to have been exercised and such Warrant Shares shall be deemed to have been issued and delivered, and the Holder or any other person so designated to be named shall be deemed to have become a holder of record of such shares for all purposes immediately prior to the close of business on the Business Day on which (i) the Company shall have received a duly executed Form of Subscription and (ii) the Company shall have received payment of the Exercise Price in respect of the Warrant Shares being purchased (including payment in the form of a "cashless exercise" in accordance with Section 2(b)).

(d) Fractional Shares. No fractional shares shall be issued upon exercise of this Warrant. Instead, the Company shall pay to the Holder, in lieu of issuing any fractional share, a sum in cash equal to such fraction multiplied by the Fair Market Value of a share of Common Stock, as determined by the Company's chief executive officer, chief financial officer or board of directors, on the Business Day or, if applicable, trading day immediately prior to the date of exercise.

(e) Payment of Taxes, etc. The Company shall pay all expenses in connection with, and governmental charges that may be imposed in respect of, the issuance or delivery thereof. The Holder shall pay all income, franchise and transfer taxes (other than any issuance taxes, which shall be paid by the Company) in connection with such issuance and delivery. The Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issuance of any certificate for Warrant Shares in any name other than that of the registered Holder of this Warrant (or any Affiliate thereof), and in such case the Company shall not be required to issue or deliver any stock certificate, if any, until such tax or other charge has been paid or it has been established to the Company's reasonable satisfaction that no such tax or other charge is due.

3. Expiration of Warrant. This Warrant shall expire at, and shall no longer be exercisable after, 5:00 p.m., New York City time, on the Expiration Date.

4. Transfer, Division and Combination.

(a) Subject to the transfer restrictions set forth on the cover of this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part (but not in denominations such that a replacement Warrant is exercisable for a non-integral number of Warrant Shares), on the books of the Company to be maintained for such purpose, upon surrender of this Warrant to the Company, together with the Form of Assignment (in whole or in part) of this Warrant duly executed by the Holder or its agent or attorney. Upon such surrender, the Company shall execute and deliver a new warrant or warrants in the name of the assignee or assignees (including, if such assignment is only a partial assignment by the Holder, in the name of the Holder), and each such warrant shall be identical in form and substance (including its date) to this Warrant except for the warrant number (which shall be as determined by the Company), the name of the named holder of the warrant (if an assignee of the Holder), and the actual number of Warrant Shares (each of which shall be as specified by the Holder), and this Warrant shall promptly be canceled.

(b) This Warrant may be divided or combined with other Warrants upon surrender of this Warrant (and thereof, in the case of combination) to the Company, together with a written notice specifying the names and denominations in which new warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with the preceding paragraph as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new warrant or warrants in exchange for the warrant or warrants to be divided or combined in accordance with such notice. Each such new warrant issued shall be issued in a denomination representing an integral number of Warrant Shares as of the date of issuance of the new warrant (except if this Warrant represents a non-integral number of Warrant Shares, then one new warrant may e issued for a non-integral number of Warrant Shares).

(c) The Company shall pay all expenses and other charges payable in connection with the preparation, issuance and delivery of Warrants under this Section 4. The Holder shall pay all taxes (other than any issuance taxes, which shall be paid by the Company) in connection with such issuance and delivery.

(d) The Company agrees to maintain books for the registration and transfer of the Warrant.

(e) Any Warrant issued in replacement of this Warrant, or as a result of combination, division, transfer or partial exercise, shall bear the legend set forth on the cover of this Warrant.

5. Anti-Dilution Adjustments. The Exercise Price and the number of Warrant Shares as to which this Warrant may be exercised are subject to adjustment from time to time upon the occurrence of the events set forth in this Section 5.

(a) Adjustment for Change in Capital Stock.

During the Warrant Exercise Period, if the Company (1) pays a dividend or makes a distribution on its Common Stock, in either case, in shares of capital stock; (2) forward splits or subdivides its outstanding Common Stock into a greater number of Shares; or (3) reverse splits or combines its outstanding Common Stock into a small number of Shares; then (x) the Warrant will become exercisable for the aggregate number and kind of shares of capital stock of the Company which the Holder would have owned immediately following such action if the Warrant had been exercised immediately prior to such action and (y) the Exercise Price in effect immediately prior to such action shall be proportionately adjusted.

An adjustment made pursuant to this Section 5(a) shall become effective on the effective date of an event referred to in clauses (1), (2) and (3) above, retroactive to the record date (if any) for such event.

If, after an adjustment, the Holder of the Warrant upon exercise of it may receive shares of two or more classes of capital stock of the Company, the Board shall determine in good faith the allocation of the adjusted Exercise Price between the classes of capital stock. After such allocation, the exercise privilege and the Exercise Price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to the Warrant Shares in this Section.

Such adjustment shall be made successively whenever any event listed above shall occur.

(b) Adjustment for Rights Issue. During the Warrant Exercise Period, if the Company distributes (other than in a transaction referred to in Section 5(a)) any rights, options or warrants to all holders of its Common Stock entitling them to purchase Common Stock at a price per share which, together with the consideration (if any) paid to the Company for such right, option or warrant, is less than the Exercise Price in effect as of the record date established for such distribution, the Exercise Price shall be adjusted in accordance with the formula:

$$E' = E \times \frac{O + \frac{N \times P}{E}}{O + N}$$

where:

E’ = the adjusted Exercise Price.

E = the Exercise Price in effect as of the record date established for such distribution

O = the number of Shares outstanding on the record date on a fully-diluted basis.

N = the number of Shares issuable upon exercise of such rights, options or warrants.

P = the exercise price per Share of the Shares issuable upon exercise of such rights, options or warrants plus the aggregate consideration received in respect of such rights, options or warrants for each Share issuable upon exercise of such rights, options or warrants.

Simultaneously with any adjustment of the Exercise Price pursuant to this Section 5(b), the number of Warrant Shares purchaseable upon the exercise hereof shall be increased by multiplying the number of Warrant Shares purchaseable upon exercise hereof immediately prior to such adjustment by the fraction equal to E/ E’. An adjustment made pursuant to this Section 5(b) shall become effective when any such rights, options, or warrants are issued, retroactive to the record date for such issuance.

(c) Adjustment for Issuance of Shares.

(1) During the Warrant Exercise Period, if the Company, at any time and from time to time, issues or sells Common Stock for a consideration per share less than the Exercise Price then in effect as of the date the Company fixes the offering price of such additional shares, each Exercise Price shall be adjusted in accordance with the formula:

$$E' = E \times \frac{O + \frac{P}{E}}{A}$$

where:

E’ = the adjusted Exercise Price.

E = the Exercise Price in effect immediately before such issuance.

O = the number of Shares outstanding on a fully-diluted basis immediately prior to the issuance of such additional Shares.

P = the aggregate consideration received for the issuance of such additional Shares.

A = the number of Shares outstanding on a fully-diluted basis immediately after the issuance of such additional Shares.

Simultaneously with any adjustment of the Exercise Price pursuant to this Section 5(c)(1), the number of Warrant Shares purchaseable upon the exercise hereof shall be increased by multiplying the number of Warrant Shares purchaseable upon exercise hereof immediately prior to such adjustment by the fraction equal to E/ E'. Adjustments pursuant to this Section 5(c)(1) shall be made successively whenever any such issuance is made and shall become effective immediately after such issuance. No adjustment shall be made under this Section 5(c)(1) upon the issuance of shares of Common Stock pursuant to the exercise, conversion or exchange of any Common Stock Equivalents if an adjustment was made pursuant to Section 5(c)(2) in connection with the issuance of such Common Stock Equivalents.

(2) If the Company, at any time and from time to time, issues or sells any securities convertible into or exchange for, directly or indirectly, Common Stock ("Convertible Securities") or any rights or warrants or options to purchase any such Common Stock or Convertible Securities, shall be issued or sold (collectively, "Common Stock Equivalents"), and the aggregate of the price per share for which shares of common Stock may be issuable thereafter pursuant to such Common Stock Equivalent, plus the consideration received by the Company for issuance of such Common Stock Equivalent divided by the number of shares of Common Stock issuable pursuant to such Common Stock Equivalent (the "Aggregate Per Common Share Price") shall be less than the Exercise price then in effect, or if, after any such issuance of Convertible Securities or Common Stock Equivalents, the price per share for which shares of Common Stock may be issuable thereafter is amended or adjusted, and such price as so amended or adjusted shall make the Aggregate Per Common Share Price less than the Exercise Price in effect at the time of such amendment or adjustment, then the Exercise Price then in effect shall be adjusted pursuant to the formula set forth in Section 5(c)(1) above assuming that all shares of Common Stock have been issued pursuant to the Convertible Securities or Common Stock Equivalents for a purchase price equal to the Aggregate Per Common Share Price.

Simultaneously with any adjustment of the Exercise Price pursuant to this Section 5(c)(2), the number of Warrant Shares purchaseable upon the exercise hereof shall be increased by multiplying the number of Warrant Shares purchaseable upon exercise hereof immediately prior to such adjustment by the fraction equal to E/ E'. Adjustments pursuant to this Section 5(c)(2) shall be made successively whenever any such issuance is made and shall become effective immediately after such issuance.

Sections 5(b) and 5(c) do not apply to:

(1) any of the transactions described in subsection (a) of this Section 5;

(2) the exercise of warrants, or the conversion or exchange of other securities convertible or exchangeable for Shares, which warrants or other securities are outstanding on the date hereof;

(3) Shares issued to (x) shareholders of any person that merges with or into the Company, or with or into a subsidiary of the Company, in proportion to the stock holdings of such person immediately prior to such merger, upon such merger or (y) to any person in exchange for assets sold by such person to the Company;

(4) Shares of Common Stock issued in a bona fide public offering pursuant to a firm commitment underwriting in an aggregate offering amount of at least $50,000,000; or

(5) Shares of Common Stock issuable to employees, directors or consultants of the Company under or pursuant to bona fide compensation plans approved by either the board of directors or stockholders of the Company.

(d) Consideration Received, Occurrence of Transactions. For purposes of any computation respecting consideration received pursuant to Section 5(c), the following shall apply:

(1) In the case of the issuance of Common Stock or Common Stock Equivalents for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any underwriting commissions or discounts incurred by the Company for any underwriting of the issue;

(2) in the case of the issuance of Common Stock or Common Stock Equivalents for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the Fair Market Value thereof, as determined in good faith by the board of directors of the Company;

For the purpose of any adjustment made pursuant to this Section 5, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(e) When De Minimis Adjustment May be Deferred. No adjustment of the Exercise Price need be made unless the adjustment would require an increase or decrease of at least 1.00% in the Exercise Price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 5 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(f) Notice of Pending and Actual Adjustments. The Company shall give notice to the Holder at least five Business Days prior to the date of any event that will cause any adjustment to the Exercise Price and, if such event is a dividend or other event as to which a record date for the holders of Common Stock is established, at least five Business Days prior to any such record date. Whenever any Exercise Price is adjusted, the Company, at its own expense, shall as promptly as reasonably practicable cause its Chief Financial Officer (or similar officer) to compute such adjustment and prepare a certificate setting forth such adjustment (including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant, as applicable), setting forth in reasonable detail the acts requiring such adjustment, and stating such other facts as shall be necessary to show the manner and figures used to compute such adjustment. As promptly as reasonably practicable (but in no event more than 10 days) after each such adjustment, the Company shall give a copy of such certificate by certified mail to the Holder.

(g) When Adjustment Not Required. If the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution,

subscription or purchase rights, then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

(h) Superseding Adjustment. If at any time after an adjustment of the Exercise Price and/or Warrant shares shall have been made pursuant to Section 5(b) and the options, warrants or rights shall expire, or the right of exercise in respect of a portion of such securities shall expire, then to the extent that such options, warrants or rights shall have not been exercised, a recomputation shall be made of the effect of such options, warrants or rights on the basis of the issuance of only the number of shares of Common Stock, if any, theretofore actually issued or issuable pursuant to the previous exercise of such right of conversion, exercise or exchange and for the consideration actually received and receivable therefor; and if and to the extent called for by the foregoing provisions of this Section on the basis aforesaid, a new adjustment shall be made, which new adjustment shall supersede the previous adjustment so rescinded and annulled.

(i) Reorganization, Reclassification, Consolidation, Merger or Sale. If any reorganization or reclassification of outstanding shares of Common Stock, or any consolidation or merger of the Company with or into another entity, or the sale of all or substantially all of the Company's assets to another entity (an "Extraordinary Transaction") shall be effected in such a way that holders of Common Stock shall be entitled to receive cash, stock, securities or assets with respect to or in exchange therefor, then, as a condition of such Extraordinary Transaction, lawful and adequate provision shall be made whereby the Holder shall thereafter have the right upon the terms and conditions specified in this Warrant to receive, in lieu of Warrant Shares upon the payment of the Exercise Price, solely such cash, stock, securities or assets as would have been issued or payable with respect to or in exchange for Warrant Shares pursuant to the terms hereof had the Holder exercised the Warrant in full immediately prior to the effective date of such Extraordinary Transaction, and in any such case appropriate provision shall be made with respect to the rights and interests of the Holder to the end that the provisions hereof shall thereafter be applicable, as nearly as may be possible and pertinent, in relation to any stock, securities or assets thereafter deliverable upon the exercise hereof, and appropriate adjustment shall be made to determine and provide for the price per Warrant Share, shares of stock or other security or asset deliverable hereunder, as well as the number of Warrant Shares, shares of stock or other securities, or the amount of assets, deliverable hereunder. In the event that in such Extraordinary Transaction holders of shares of Common Stock are entitled to elect to receive differing forms of consideration, the consideration that the Holder shall be entitled to receive upon payment of the Exercise Price shall be the kind and amount of consideration received by a majority of shares of Common Stock in such Extraordinary Transaction.

6. Reservation and Authorization. The Company shall at all times reserve and keep available for issuance upon the exercise of this Warrant such number of its authorized but unissued shares of Common Stock as will be sufficient to permit the exercise in full of this Warrant. All shares of Common Stock which shall be so issuable, when issued upon exercise of this Warrant, shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions (other than encumbrances or restrictions imposed by this Warrant or Warrants issued in connection with divisions, combinations, transfers or replacements of this Warrant, and not including any liens

granted by the Holder of this Warrant) and requirements of federal and state securities laws respecting restrictions on the subsequent transfer thereof.

7. Registration. If at any time the Company registers or intends to register shares of Common Stock, Rights to Purchase Voting Securities or any other securities convertible, exchangeable or exercisable for shares of Voting Securities on a registration statement under the Securities Act, or grants any demand or piggyback registration rights to any other holder of shares of Common Stock, Rights to Purchase Voting Securities or any other securities convertible, exchangeable or exercisable for shares of Voting Securities, the Company shall offer to the Holder of this Warrant to register the Registrable Securities of such Holder on no less favorable terms and conditions and/or enter into an agreement on customary terms and conditions with the Holder of this Warrant granting to such Holder *pari passu* registration rights with other holders of Common Stock with respect to the Registrable Securities of such Holder, as applicable.

8. Warrant Holder.

(a) No Stockholder Rights. Nothing contained in this Warrant shall be construed as conferring upon the Holder any voting rights or any other rights as a stockholder of the Company (except to the extent that this Warrant has been duly exercised or such Holder otherwise owns any Warrant Shares) or as imposing any liabilities on such Holder to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

(b) Limitation of Liability. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder hereof, shall give rise to any liability of the Holder for the purchase price or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company or by anyone else.

9. Taking of Record; Stock and Warrant Transfer Books. In case of all dividends or other distributions by the Company to the holders of its Common Stock, the Company will in each such case take such a record and will take such record as of the close of business on a Business Day. The Company will not at any time, except upon dissolution, liquidation or winding up of the Company, close its stock transfer books or warrant transfer books so as to result in preventing or delaying the exercise or transfer of this Warrant.

10. Loss or Mutilation. Upon receipt by the Company of evidence satisfactory to it (in the exercise of reasonable discretion) of the ownership of and the loss, theft, destruction or mutilation of this Warrant and (in case of loss, theft or destruction) of indemnity satisfactory to it, and in case of mutilation, upon surrender and cancellation hereof, the Company will execute and deliver in lieu hereof a new warrant of like tenor and date.

11. Office of the Company. As long as this Warrant remains outstanding and subject to the following sentence, the Company shall maintain an office or agent at a location notice of which shall have been furnished to the Holder in writing where this Warrant may be

presented for exercise, registration, transfer, division or combination as in this Warrant provided. Such office or agent shall be maintained at said address unless and until the Company shall designate and maintain another office or agent for such purposes and give written notice thereof to the Holder in accordance with Section 12.

12. Notices Generally. No notice or other communication shall be deemed given hereunder unless sent in any of the manners, and to the persons, specified in this Section 12. All notices and other communications hereunder will be in writing and will be deemed given (a) upon receipt if delivered personally, mailed by registered or certified mail, or sent by overnight courier or (b) upon dispatch if transmitted by facsimile, in any case to the Holder at the Holder's last known address appearing on the books of the Company or to the Company at the following address (or at such other address for a party as specified in such a notice):

If to the Company to:

NMI Holdings, Inc.
c/o FBR & Co.
1001 19th Street North, 11th Floor
Arlington, VA 22209
Attention: John M. Sherwood
Facsimile: (703) 312-9588 with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019-6150
Attention: David E. Shapiro
Facsimile: (212) 403-2314
Attention: Alison M. Zieske
Facsimile: (212) 403-2107

If to the Holder to:

MAC Financial Ltd.
c/o Skadden, Arps, Slate Meagher & Flom LLP
155 North Wacker Drive
Chicago, Illinois 60606
Attention: Peter C. Krupp
Facsimile: (312) 402-8513

13. Removal of Legend. The Holder may surrender this Warrant or certificates evidencing Warrant Shares, if any, to the Company, which shall exchange such certificate for a certificate without the legend which appears on this Warrant; provided that the Holder has delivered evidence reasonably acceptable to the Company to the effect that this Warrant or the Warrant Shares, as the case may be, represented by this certificate are freely transferable under the Securities Act, as the case may be.

14. Survival. All covenants and agreements of the Company, and all rights and duties of the Holder from time to time of this Warrant or any Common Stock issued pursuant to exercise of this Warrant (other than the right to receive Common Stock in exchange for this Warrant), shall be deemed to survive any surrender hereof to the Company upon exercise hereof by the Holder as contemplated by Section 2 or expiration of the right of the Holder to exercise any unexercised balance hereof on the Warrant Expiration Date.

15. Certain Warrants Deemed Not Outstanding; Warrant Stock in Calls. For the purposes of determining whether the Holder entitled to purchase a requisite number of Warrant Shares at any time has taken any action, any Warrants owned by the Company shall be deemed not to be outstanding.

16. Dispute Resolution. In the case of a dispute as to the determination of the Exercise Price or the Fair Market Value or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two business days of receipt of the Form of Subscription giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Warrant Price, Fair Market Value or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall within two business days submit via facsimile (a) the disputed determination of the Warrant Price or the Fair Market Value to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than 10 Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

17. Governing Law. This Warrant and all rights arising hereunder shall be governed by the internal laws of the State of Delaware.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed and issued by its officers thereunto duly authorized as of the date first written above.

NMI HOLDINGS, INC.

By: /s/ Bradley M. Shuster
Name: Bradley M. Shuster
Title: President and Chief Executive Officer

Exhibit A

FORM OF SUBSCRIPTION

(to be signed only upon payment of the Exercise Price pursuant to the Warrant)

To the Company:

1. The undersigned, the holder of the within Warrant, hereby irrevocably elects to purchase shares of Common Stock pursuant to the terms of the Warrant.

2. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as (check applicable ones):

a "Cash Exercise" with respect to __ Warrant Shares; and/or

a "Cashless Exercise" with respect to __ Warrant Shares.

3. Payment of Exercise Price. In the event that the Holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the Holder shall pay the aggregate Exercise Price in the sum of $ to the Company in accordance with the terms of the Warrant.

4. Delivery of Warrant Shares. The Company shall deliver to the Holder, or its designee or agent as specified below, Warrant Shares in book-entry form through the facilities of The Depositary Trust Company or certificate form in accordance with the terms of the Warrant.

_____

_____

_____

The undersigned represents (a) that it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the Common Stock; and (b) that it can bear the economic risk of its investment in the Common Stock and can afford to lose its entire investment in the Common Stock. The undersigned agrees that the Common Stock may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act, except pursuant to an exemption from such act.

The undersigned represents that it has tendered payment for such shares of Common Stock to the Company in the form indicated above.

If the number of shares of Common Stock purchased is less than all of the Warrant Shares evidenced hereby, and the undersigned is surrendering the Warrant in connection with the exercise hereof, the undersigned requests that a new Warrant representing the remaining shares of Common Stock subject to the Warrant be issued and delivered to the undersigned.

If the original Warrant is not surrendered in connection with the exercise hereof: (a) the undersigned represents that it has not sold, assigned, pledged, transferred, hypothecated, or otherwise disposed of the original Warrant or any interest therein or represented thereby and hereby agrees to fully and forever indemnify and hold harmless the Company and each of its successors, assigns and affiliates from any loss, cost, damages or expense (including reasonable attorneys' fees) of any kind or nature whatsoever it may hereinafter suffer or incur in connection with or as a result of the undersigned's failure to surrender the original Warrant in connection with such exercise; and (b) the undersigned will as promptly as reasonably practicable after the delivery of this Subscription to the Company (and in any event within five Business Days), deliver, or cause to be delivered, the original Warrant to the Company.

DATED: _____

_____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

_____

_____

(Address)

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned, the holder of the attached Warrant, hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant unto:

Name of Assignee	Address
_____	_____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

[Holder]

By: _____

Name:

Title:

NMI HOLDINGS, INC.
2012 STOCK INCENTIVE PLAN

(Effective as of April 24, 2012)

1. Purpose

The purpose of the Plan is to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide a means whereby officers, employees, directors and/or consultants of the Company and its Affiliates can acquire and maintain Common Stock ownership, or be paid incentive compensation measured by reference to the value of Common Stock, thereby strengthening their commitment to the welfare of the Company and its Affiliates and promoting an identity of interest between stockholders and these persons.

So that the appropriate incentive can be provided, the Plan provides for granting Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Unit Awards, Stock Awards and Stock Bonus Awards, or any combination of the foregoing.

2. Definitions

For purposes of this Plan, the following terms are defined as set forth below:

(a) "162(m) Effective Date" means the first date on which Awards granted under the Plan do not qualify for an exemption from the deduction limitations of Section 162(m) of the Code on account of an exemption, or a transition or grandfather rule.

(b) "Affiliate" means, with respect to any specified entity, any other entity that directly or indirectly is controlled by, controls, or is under common control with such specified entity.

(c) "Applicable Exchange" means the Nasdaq or such other nationally recognized securities exchange as may at the applicable time be the principal market for the Common Stock.

(d) "Award" means, individually or collectively, any Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Stock Award or Stock Bonus Award granted pursuant to the terms of this Plan.

(e) "Award Agreement" means a written or electronic document or agreement setting forth the terms and conditions of a specific Award.

(f) "Beneficial Ownership" shall have the meaning given in Rule 13d-3 promulgated under the Exchange Act.

(g) "Board" means the Board of Directors of the Company.

(h) "Cause" means, unless otherwise provided in an Award Agreement, (i) "Cause" as defined in any employment, consulting or similar agreement with the Company or any of its Affiliates to which the applicable Participant is a party (an "Individual Agreement"), or (ii) if there is no such Individual Agreement or if it does not define Cause: (A) the willful or gross neglect by a Participant of his or her employment duties (other than as a result of his or her incapacity due to physical or mental illness or injury) as determined by the Committee; (B) the plea of guilty or *nolo contendere* to, or conviction for, the commission of a felony offense by a Participant; (C) conduct by a Participant that is injurious to the Company or an Affiliate, or an act of fraud, embezzlement, misrepresentation or breach of a fiduciary duty against the Company or any of its Subsidiaries, as determined by the Committee; (D) a breach by a Participant of any nondisclosure, non-solicitation or noncompetition obligation owed to the Company or any of its Affiliates; or (E) the failure of a Participant to follow instructions of the Board or his or her direct superiors. Notwithstanding anything in Section 4(d) of this Plan, following a Change in Control, any determination by the Committee as to whether "Cause" exists shall be subject to de novo review.

(i) "Change in Control" shall, unless in the case of a particular Award where the applicable Award Agreement states otherwise or contains a different definition of "Change in Control," for the purpose of this Plan, be the first to occur following the Effective Date of:

(i) the acquisition by any individual, entity or Group (a "Person" of Beneficial Ownership of 35% or more (on a fully diluted basis) of either (A) the then outstanding shares of Common Stock of the Company, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise or settlement of any similar right to acquire such common stock (the "Outstanding Company Common Stock"), or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Agreement, the following acquisitions shall not constitute a Change in Control: (I) any acquisition by the Company or any Affiliate, (II) any acquisition directly from the Company, (III) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliate or (IV) any acquisition by any Person that complies with clauses (A), (B) and (C) of subsection (iv) of this Section 2(i);

(ii) individuals who, on the date hereof, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination), shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election

contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director; and provided, further, that any directors elected at the Directors Election Meeting (as defined in the Company's By-Laws) shall be considered "Incumbent Directors" for purposes of this Section 2(i)(ii);

(iii) approval by the stockholders of the Company of a complete dissolution or liquidation of the Company; or

(iv) the consummation of a merger, consolidation, statutory share exchange, a sale or other disposition of all or substantially all of the assets of the Company or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), in each case, unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Company") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the directors of the Surviving Company (the "Parent Company") is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company), is or becomes the beneficial owner, directly or indirectly, of 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) and (C) at least two-thirds of the members of the board of directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

For the avoidance of doubt, in no event shall (w) the Private Offering, (x) the Company's public offering of Common Stock pursuant to a registration statement declared effective under the Securities Act, (y) any change in the composition of the Board resulting from a Special Election Meeting referred to in Section 2.2(b) of the Company's By-Laws or from a Director Election Meeting referred to in Section 2.2(c) of the Company's By- Laws or (z) any transactions relating to the dissolution or liquidation of the Company resulting from the failure to receive GSE Approval, in the case of each of clause (i), (ii), (iii) or (iv), constitute or be deemed to constitute a Change in Control nor shall it be taken into account in determining whether a Change in Control occurred for purposes of this Plan or any Award Agreement.

(j) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference in the Plan to any specific section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations and guidance under such section.

(k) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board. On and after the time that the Company becomes subject to the Exchange Act, unless the Board is acting as the Committee or the Board specifically determines otherwise, each member of the Committee shall, at the time he takes any action with respect to an Award under the Plan, be an Eligible Director; provided that the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award granted by the Committee which Award is otherwise validly granted under the Plan.

(l) "Common Stock" means the common stock, par value $0.01 per share, of the Company (other than the Company's Class B Common Stock), and any stock into which such common stock may be converted or into which it may be exchanged.

(m) "Company" means NMI Holdings, Inc., or its successor.

(n) "Date of Grant" means the date on which the granting of an Award is authorized, or such other date as may be specified in such authorization or, if there is no such date, the date indicated on the applicable Award Agreement.

(o) "Disability" means, unless otherwise provided in an Award Agreement, the Company or an Affiliate having cause to terminate a Participant's employment or service on account of "disability," as defined in any existing Individual Agreement, or, in the absence of such an Individual Agreement, a condition entitling the Participant to receive benefits under a long-term disability plan of the Company or an Affiliate or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a Participant was employed or served when such disability commenced or, as determined by the Committee, based upon medical evidence acceptable to it. Notwithstanding the above, with respect to each Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, the foregoing definition shall apply for purposes of vesting of such Award, provided that such Award shall not be settled until the earliest of: (i) the Participant's "disability" within the meaning of Section 409A of the Code, (ii) the Participant's "separation from service" within the meaning of Section 409A of the Code and (iii) the date such Award would otherwise be settled pursuant to the terms of the Award Agreement.

(p) "Disaffiliation" means a Subsidiary's or Affiliate's ceasing to be a Subsidiary or Affiliate for any reason (including, without limitation, as a result of a public offering, or a spin-off or sale by the Company, of the stock of the Subsidiary or Affiliate or a sale of a division of the Company and its Affiliates).

(q) "Effective Date" means April 24, 2012.

(r) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, or a person meeting any similar requirement under any successor rule or regulation and (ii) an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder; provided, however, that clause (ii) shall apply only on and after the 162(m) Effective Date and only with respect to grants of Awards with respect to which the Company's tax deduction could be limited by Section 162(m) of the Code if such clause did not apply.

(s) "Eligible Person" means any director, officer, employee or consultant of the Company or any of its Subsidiaries or Affiliates, or any prospective employee and consultant who has accepted an offer of employment or consultancy from the Company or its Subsidiaries or Affiliates, who are or will be responsible for, or contribute to, the management, growth or profitability of the business of the Company or its Subsidiaries or Affiliates.

(t) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(u) "Fair Market Value" means (i) on the Effective Date, the price per share of Common Stock paid by investors in the Company and (ii) as of any subsequent date, the closing price of the Common Stock on any national securities exchange or any national market system (including, but not limited to, The NASDAQ National Market) on that date, or if no prices are reported on that date, on the last preceding date on which such prices of the Common Stock are so reported. If the Common Stock is not then listed on any national securities exchange but is traded over the counter at the time determination of its Fair Market Value is required to be made, its Fair Market Value shall be deemed to be equal to the average between the reported high and low sales prices of Common Stock on the most recent date on which the Common Stock was publicly traded. If the Common Stock is not publicly traded at the time a determination of its Fair Market Value is made, the Committee shall determine its Fair Market Value in such manner as it deems appropriate (such determination to be made in a manner that satisfies Section 409A of the Code (to the extent applicable) and in good faith as required by Section 422(c)(1) of the Code), which may be based on the advice of an independent investment banker or appraiser recognized to be an expert in making such valuations, on recent trades on a non-public exchange or any other material information available to the Board.

(v) "Group" shall have the meaning given in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

(w) "GSE Approval" means the conditional approval by either Fannie Mae or Freddie Mac necessary to permit the Company to write private mortgage insurance on terms and in a form acceptable to the Company.

(x) "GSE Approval Deadline" means the date that is nine months immediately following the consummation of the offering, or such later date as may be approved by a majority of the holders of the Common Stock purchased in the Private Offering.

(y) "Nonqualified Stock Option" means an Option granted by the Committee to a Participant under the Plan.

(z) "Option" means an Award granted under Section 7.

(aa) "Option Period" means the period described in Section 7(c).

(bb) "Option Price" means the exercise price for an Option as described in Section 7(a).

(cc) "Participant" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Award pursuant to Section 6.

(dd) "Performance-Based Restricted Awards" means Awards of Restricted Stock or Restricted Stock Units awarded to a Participant pursuant to Section 9, the grant of which is contingent upon the attainment of specified Performance Goals, or the vesting of which is subject to a risk of forfeiture if the specified Performance Goals are not met within the Performance Period.

(ee) "Performance Goals" means the performance objectives of the Company or an Affiliate during a Performance Period or Restricted Period established for the purpose of determining whether, and to what extent, Awards will be earned for an Award Period or a Restricted Period. To the extent an Award is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, (i) the Performance Goals shall be established with reference to one or more of the following, either on a Company-wide basis or, as relevant, in respect of one or more Affiliates, Subsidiaries, divisions, departments or operations of the Company: earnings (gross, net, pre-tax, post-tax or per share), net profit after tax, EBITDA, gross profit, cash generation, unit volume, market share, sales, asset quality, earnings per share, operating income, revenues, return on assets, return on operating assets, book value per share, return on equity, profits, total shareholder return (measured in terms of stock price appreciation or dividend growth), cost saving levels, premiums, losses, expenses, marketing spending efficiency, core non-interest income, change in working capital, return on capital, strategic development or stock price, with respect to the Company or any Subsidiary, Affiliate, division or department of the Company and (ii) such Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations. Such Performance Goals also may be based upon the attaining of specified levels of Company, Subsidiary, Affiliate or divisional performance under one or more of the measures described above relative to the performance of other entities, divisions or subsidiaries.

(ff) "Performance Period" means that period of time determined by the Committee over which performance is measured for the purpose of determining a Participant's right to, and the payment value of, any Performance-Based Restricted Award.

(gg) "Person" shall mean an individual or a corporation, association, partnership, limited liability company, joint venture, organization, business, trust, or any other entity or organization, including a government or any subdivision or agency thereof.

(hh) "Plan" means this NMI Holdings, Inc. 2012 Stock Incentive Plan.

(ii) "Private Offering" means the private offering of the Common Stock pursuant to the Company's Offering Memorandum dated March , 2012.

(jj) "Restricted Period" means, with respect to any share of Restricted Stock or any Restricted Stock Unit, the period of time determined by the Committee during which such Award is subject to the restrictions set forth in Section 9.

(kk) "Restricted Stock" means shares of Stock issued or transferred to a Participant subject to forfeiture and the other restrictions set forth in Section 9.

(ll) "Restricted Stock Award" means an Award of Restricted Stock granted under Section 9.

(mm) "Restricted Stock Unit" means a hypothetical investment equivalent to one share of Stock granted in connection with an Award made under Section 9.

(nn) "Securities Act" means the Securities Act of 1933, as amended.

(oo) "Stock" means the Common Stock or such other authorized shares of stock of the Company as the Committee may from time to time authorize for use under the Plan.

(pp) "Stock Appreciation Right" or "SAR" means an Award granted under Section 8 of the Plan.

(qq) "Stock Award" means an Award of the right to purchase Stock under Section 11 of the Plan.

(rr) "Stock Bonus" means an Award granted under Section 10 of the Plan.

(ss) "Stock Option Agreement" means the agreement between the Company and a Participant who has been granted an Option pursuant to Section 7 that defines the rights and obligations of the parties as required in Section 7(d).

(tt) "Strike Price" means, in respect of an SAR, (i) in the case of a Tandem SAR, the Option Price of the related Option, or (ii) in the case of a Free- Standing SAR, the Fair Market Value on the Date of Grant.

(uu) "Subsidiary" means any corporation, partnership, joint venture, limited liability company or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company or any successor to the Company.

(vv) "Termination of Service" means the termination of the applicable Participant's employment with, or performance of services for, the Company and any of its Subsidiaries or Affiliates. Unless otherwise determined by the Committee, if a Participant's employment with, or membership on a board of directors of the Company and its Affiliates terminates but such Participant continues to provide services to the Company and its Affiliates in a nonemployee director capacity or as an employee, as applicable, such change in status shall not be deemed a Termination of Service. A Participant employed by, or performing services for, a Subsidiary or an Affiliate or a division of the Company and its Affiliates shall not be deemed to incur a Termination of Service if, as a result of a Disaffiliation, such Subsidiary, Affiliate, or division ceases to be a Subsidiary, Affiliate or division, as the case may be, and the Participant immediately thereafter becomes an employee of (or service provider for), or member of the Board of, the Company or another Subsidiary or Affiliate. Approved temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and its Subsidiaries and Affiliates shall not be considered Terminations of Employment. Notwithstanding the foregoing, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, "Termination of Service" shall mean a "separation from service" as defined under Section 409A of the Code.

(ww) "Vested Unit" shall have the meaning ascribed thereto in Section 9(d).

3. Effective Date, Duration and Stockholder Approval

The Plan is effective as of the Effective Date. The validity and exercisability of any and all Awards granted pursuant to the Plan on and after the 162(m) Effective Date is contingent upon approval of the Plan by the stockholders of the Company in a manner intended to comply with the stockholder approval requirements of Section 162(m) of the Code.

The expiration date of the Plan, on and after which no Awards may be granted hereunder, shall be the tenth anniversary of the Effective Date (the "Expiration Date"); provided, however, that the administration of the Plan shall continue in effect until all matters relating to Awards previously granted have been settled. Awards outstanding as of the Expiration Date shall not be affected or impaired by termination of the Plan.

4. Administration

(a) The Plan shall be administered by the Committee or such other committee of the Board as the Board may from time to time designate. The Committee may only act by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Applicable Exchange,

allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it.

(b) Subject to the terms and conditions of the Plan and applicable law, including, without limitation, Section 409A of the Code, the Committee shall have, in addition to other express powers and authorizations conferred on the Committee by the Plan, the power to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of shares of Stock to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, shares of Stock, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances the delivery of cash, Stock, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret, administer, reconcile any inconsistency, correct any defect and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) establish any "blackout" period that the Committee in its sole discretion deems necessary or advisable; (x) determine Fair Market Value; and (xi) make any other determination and take any other action specified under the Plan or that the Committee deems necessary or desirable for the administration of the Plan.

(c) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award or any documents evidencing Awards granted pursuant to the Plan shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all parties, including, without limitation, the Company, any Affiliate, any Participant, any holder or beneficiary of any Award and any stockholder.

(d) The terms and conditions of each Award, as determined by the Committee, shall be set forth in an Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. The effectiveness of an Award shall not be subject to the Award Agreement's being signed by the Company and/or the Participant's receiving the Award unless specifically so provided in the Award Agreement. Award Agreements may be amended only in accordance with Section 16 hereof. Notwithstanding any provision of the Plan or an Award Agreement to the contrary, in the event that any term of an Award Agreement conflicts with any provision of the Plan that specifically pertains to Section 409A of the Code, the provision of the Plan shall govern.

(e) No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award hereunder.

5. Grant of Awards; Shares Subject to the Plan

The Committee may, from time to time, grant Awards of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Stock Awards and/or Stock Bonuses to one or more Eligible Persons; provided, however, that:

(a) Subject to Section 13, the aggregate number of shares of Stock in respect of which Awards may be granted under the Plan is 5,500,000 shares. The maximum number of shares of Stock that may be granted pursuant to Options is 3,850,000. The maximum number of shares of Stock that may be granted pursuant to Restricted Stock and Restricted Stock Units is 1,650,000;

(b) To the extent that any Award is forfeited, or any Option and the related Tandem SAR (if any) or Free-Standing SAR terminates, expires or lapses without being exercised, or any Award is settled for cash, the shares of Stock subject to such Award not delivered as a result thereof shall again be available for Awards under the Plan;

(c) If the Option Price of any Option and/or the tax withholding obligations relating to any Award are satisfied by delivering shares of Stock to the Company (by either actual delivery or by attestation), only the number of shares of Stock issued net of the shares of Stock delivered or attested to shall be deemed delivered for purposes of determining the maximum numbers of shares of Stock available for delivery under the Plan. To the extent any shares of Stock subject to an Award are not delivered because such shares are withheld to satisfy the Option Price (in the case of an Option) and/or the tax withholding obligations relating to such Award, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan;

(d) Stock delivered by the Company in settlement of Awards may be authorized and unissued Stock, Stock held in the treasury of the Company, Stock purchased on the open market or by private purchase or a combination of the foregoing;

(e) On and after the 162(m) Effective Date, no person may be granted Options or SARs under the Plan during any calendar year with respect to more than 3,850,000 shares of Stock; provided that such number shall be adjusted pursuant to Section 13, and shares otherwise counted against such number, only in a manner that will not cause the Awards granted under the Plan to fail to qualify as “performance-based compensation” for purposes of Section 162(m) of the Code; and

(f) On and after the 162(m) Effective Date, with respect to awards of Performance-Based Restricted Awards, and other Restricted Stock or Restricted Stock Unit Awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code, no person may be granted Performance-Based Restricted Awards, Restricted Stock or Restricted Stock Units under the Plan during any calendar year with respect to more than 1,650,000 shares of Stock; provided that such number shall be adjusted pursuant to Section 13, and shares otherwise counted against such number, only in a manner that will not cause such Performance-Based Restricted Awards, Restricted Stock or Restricted Stock Units

granted under the Plan to fail to qualify as "performance- based compensation" under Section 162(m) of the Code.

6. Eligibility

Participation shall be limited to Eligible Persons who have entered into an Award Agreement or who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to participate in the Plan.

7. Options

The Committee is authorized to grant one or more Nonqualified Stock Options to any Eligible Person. Each Option so granted shall be subject to the following conditions, or to such other conditions as may be reflected in the applicable Stock Option Agreement.

(a) **Option Price.** The Option Price per share of Stock for each Option shall be set by the Committee at the time of grant but shall not be less than the Fair Market Value of a share of Stock at the Date of Grant.

(b) **Manner of Exercise and Form of Payment.** No shares of Stock shall be delivered pursuant to any exercise of an Option until payment in full of the Option Price therefor is received by the Company. Options that have become exercisable shall be exercised by delivery of written notice of exercise to the Committee accompanied by payment of the Option Price. The Option Price shall be payable in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised (including by means of attestation of ownership of a sufficient number of shares of Stock in lieu of actual delivery of such shares to the Company); provided that such shares of Stock are not subject to any pledge or other security interest, and have such other characteristics as may be determined in the sole discretion of the Committee. In addition, the Option Price may be payable by such other method as the Committee may allow, including by way of a "net exercise" pursuant to which a Participant, without tendering the Option Price, is paid shares of Stock representing the excess of (i) the Fair Market Value on the date of exercise of the shares of Stock as to which the Option is being exercised over (ii) the aggregate Option Price.

(c) Vesting, Option Period and Expiration. Options shall vest and become exercisable in such manner and on such date or dates determined by the Committee and shall expire after such period, not to exceed ten years, as may be determined by the Committee (the "Option Period"); provided, however, that notwithstanding any vesting dates set by the Committee, the Committee may in its sole discretion accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of any such Option other than with respect to exercisability. If an Option is exercisable in installments, such installments or portions thereof which become exercisable shall remain exercisable until the Option expires.

(d) **Stock Option Agreement — Other Terms and Conditions.** Each Option granted under the Plan shall be evidenced by a Stock Option Agreement. Except as specifically provided otherwise in such Stock Option Agreement, each Option granted under the Plan shall be subject to the following terms and conditions:

(v) Each Option or portion thereof that is exercisable shall be exercisable for the full amount or for any part thereof.

(vi) The Option Price for each Option exercised shall be paid for in full at the time of the exercise. Each Option shall cease to be exercisable, as to any share of Stock, when the Participant purchases the share or exercises a related SAR or when the Option expires.

(vii) Subject to Section 12(l), Options shall not be transferable by the Participant except by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by him.

(viii) Each Option shall vest and become exercisable by the Participant in accordance with the vesting schedule established by the Committee and set forth in the Stock Option Agreement.

(ix) At the time of any exercise of an Option, the Committee may, in its sole discretion, require a Participant to deliver to the Committee a written representation that the shares of Stock to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof and any other representation deemed necessary by the Committee to ensure compliance with all applicable federal and state securities laws. Upon such a request by the Committee, delivery of such representation(s) prior to the delivery of any shares issued upon exercise of an Option shall be a condition precedent to the right of the Participant or such other person to purchase any shares. In the event certificates for Stock are delivered under the Plan with respect to which such investment representation has been obtained, the Committee may cause a legend or legends to be placed on such certificates to make appropriate reference to such representation and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

8. Stock Appreciation Rights

Any Option granted under the Plan may include SARs, either at the Date of Grant or by subsequent amendment (SARS that are granted in conjunction with an Option are referred to in this Plan as "Tandem SARs"). The Committee also may award SARs to Eligible Persons independent of any Option (SARS that are granted independent of any Option are referred to in this Plan as "Free-Standing SARs"). An SAR shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose as set forth in an Award Agreement, including, but not limited to, the following:

(a) **Vesting, Transferability and Expiration.** Tandem SARs shall become exercisable, be transferable and shall expire according to the same vesting schedule, transferability rules and expiration provisions as the corresponding Option. Free-Standing SARs shall become exercisable, be transferable and shall expire in accordance with a vesting schedule, transferability rules and expiration provisions as established by the Committee and reflected in an Award Agreement.

(b) **Payment.** Upon the exercise of an SAR, the Company shall pay to the Participant an amount equal to the number of shares subject to the SAR multiplied by the excess, if any, of the Fair Market Value of one share of Stock on the exercise date over the Strike Price. The Company shall pay such excess in cash, in shares of Stock valued at Fair Market Value, or any combination thereof, as determined by the Committee. Fractional shares shall be settled in cash.

(c) **Method of Exercise.** A Participant may exercise an SAR at such time or times as may be determined by the Committee at the time of grant by filing an irrevocable written notice with the Committee or its designee, specifying the number of SARs to be exercised and the date on which such SARs were awarded.

(d) **Expiration.** Except as otherwise provided in the case of Tandem SARs, a SAR shall expire on a date designated by the Committee that is not later than ten years after the Date of Grant of the SAR.

9. Restricted Stock Awards and Restricted Stock Units

(a) Award of Restricted Stock and Restricted Stock Units.

(i) The Committee shall have the authority (A) to grant Restricted Stock and Restricted Stock Units to Eligible Persons, (B) to issue or transfer Restricted Stock to Participants and (C) to establish terms, conditions and restrictions applicable to such Restricted Stock and Restricted Stock Units, including (i) the Restricted Period, (ii) the time or times at which Restricted Stock or Restricted Stock Units shall be granted or become vested, including upon the attainment of performance conditions (whether or not such conditions are Performance Goals) or upon both the attainment of performance conditions (whether or not such conditions are Performance Goals) and the continued service of the applicable Participant and (iii) the number of shares or units to be covered by each grant.

(ii) Subject to the restrictions set forth in Section 9(b), the Participant generally shall have the rights and privileges of a stockholder as to such Restricted Stock, including the right to vote such Restricted Stock. The Award Agreement for Restricted Stock shall specify whether, to what extent and on what terms and conditions the applicable Participant shall be entitled to receive current or deferred payments of cash and/or Stock dividends on the class or series

of Stock that is subject to the Restricted Stock, including whether any such dividends will be held subject to the vesting of the underlying Restricted Stock or held subject

to meeting Performance Goals, subject to Section 12(e) below in the case of dividends settled in Stock.

(iii) Awards of Restricted Stock shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of shares of Restricted Stock shall be registered in the name of the applicable Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

> Transfer of this certificate and the shares represented hereby is restricted pursuant to the terms of the NMI Holdings, Inc. 2012 Stock Incentive Plan and a Restricted Stock Award Agreement, dated as of _____, between NMI Holdings, Inc. and _____. A copy of such Restricted Stock Award Agreement is on file at the offices of NMI Holdings, Inc.

The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the applicable Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(iv) No shares of Stock shall be issued at the time a Restricted Stock Unit is granted and the Company will not be required to set aside a fund for the payment of any such Award. The Award Agreement for Restricted Stock Units shall specify whether, to what extent and on what terms and conditions the applicable Participant shall be entitled to receive current or deferred payments of cash, Stock or other property corresponding to the dividends payable on the Stock, including whether any such dividends will be held subject to the vesting of the underlying Restricted Stock Units or held subject to meeting Performance Goals, subject to Section 12(e) below in the case of dividends settled in Stock.

(b) Restrictions.

(x) Restricted Stock awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period, and to such other terms and conditions as may be set forth in the applicable Award Agreement: (A) the shares shall be subject to the restrictions on transferability set forth in the Award Agreement and (B) the shares shall be subject to forfeiture to the extent provided in the applicable Award Agreement, and satisfaction of any applicable Performance Goals during such period, to the extent provided in the applicable Award Agreement and, to the extent such shares are forfeited, the stock certificates shall be returned to the Company and all rights of the Participant to such shares and as a stockholder shall terminate without further obligation on the part of the Company.

(xi) Restricted Stock Units awarded to any Participant shall be subject to (A) forfeiture until the expiration of the Restricted Period, and satisfaction

of any applicable Performance Goals during such period, to the extent provided in the applicable Award Agreement, and to the extent such Restricted Stock Units are forfeited, all rights of the Participant to such Restricted Stock Units shall terminate without further obligation on the part of the Company and (B) such other terms and conditions as may be set forth in the applicable Award Agreement.

(xii) The Committee shall have the authority to remove any or all of the restrictions on the Restricted Stock and Restricted Stock Units whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the date that the Restricted Stock or Restricted Stock Units are granted, such action is appropriate.

(c) **Restricted Period.** The Restricted Period of Restricted Stock and Restricted Stock Units shall commence on the Date of Grant and shall expire from time to time as to that part of the Restricted Stock and Restricted Stock Units indicated in a schedule established by the Committee in the applicable Award Agreement.

(d) Delivery of Restricted Stock and Settlement of Restricted Stock Units.

(i) Restricted Stock. Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock and/or the satisfaction of any applicable Performance Goals, the restrictions set forth in Section 9(b) and the applicable Award Agreement shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award Agreement.

(ii) Restricted Stock Units. Upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units the Company shall deliver to the Participant, or his or her beneficiary, without charge, one share of Stock for each such outstanding Restricted Stock Unit ("Vested Unit"); provided, however, that, if explicitly provided in the applicable Award Agreement, the Committee may, in its sole discretion, elect to (A) pay cash or part cash and part Stock in lieu of delivering only shares of Stock for Vested Units or (B) delay the delivery of Stock (or cash or part Stock and part cash, as the case may be) beyond the expiration of the Restricted Period. If a cash payment is made in lieu of delivering shares of Stock, the amount of such payment shall be equal to the Fair Market Value of the Stock as of the date on which the Restricted Period lapsed with respect to such Vested Unit.

(e) **Applicability of Section 162(m).** With respect to Performance- Based Restricted Awards made on and after the 162(m) Effective Date and intended to qualify as "performance-based compensation" under Section 162(m) of the Code, this

Section 9 (including the substance of the Performance Goals, the timing of establishment of the Performance Goals, the adjustment of the Performance Goals and determination of the Award) shall be implemented by the Committee in a manner designed to preserve such Awards as "performance-based compensation."

10. Stock Bonus Awards

The Committee may issue unrestricted Stock, or other Awards denominated in Stock (valued at Fair Market Value as of the date of payment), under the Plan to Eligible Persons, alone or in tandem with other Awards, in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine. Stock Bonus Awards under the Plan shall be granted as, or in payment of, a bonus, or to provide incentives or recognize special achievements or contributions. With respect to Stock Bonus Awards made on and after the 162(m) Effective Date and intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall establish and administer Performance Goals in the manner described in Section 9 as an additional condition to the vesting and payment of such Stock Bonus Awards. The Stock Bonus Award for any Performance Period to any Participant may be reduced or eliminated by the Committee in its discretion.

11. Stock Awards

(a) **General.** Stock Awards may be granted under the Plan at any time and from time to time on or prior to the Expiration Date. Each Stock Award shall be evidenced by an Award Agreement that shall be executed by the Company and the Participant. The Award Agreement shall specify the terms and conditions of the Stock Award, including, without limitation, the number of shares of Common Stock covered by the Stock Award, the purchase price for such shares of Common Stock and the deadline for the purchase of such shares of Common Stock.

(b) **Purchase Price; Payment.** The price (the "Purchase Price") at which each share of Common Stock covered by the Stock Award may be purchased upon exercise of a Stock Award shall be determined by the Committee and set forth in the applicable Award Agreement. The Company will not be obligated to issue certificates evidencing Stock purchased under this Section 11 unless and until it receives full payment of the aggregate Purchase Price therefor and all other conditions to the purchase, as determined by the Committee, have been satisfied. The Purchase Price of any shares of Common Stock subject to a Stock Award must be paid in full at the time of the purchase.

12. General

(a) **Additional Provisions of an Award.** Awards to a Participant under the Plan also may be subject to such other provisions (whether or not applicable to Awards granted to any other Participant) as the Committee determines appropriate including, without limitation, (i) provisions for the forfeiture of or restrictions on resale or other disposition of shares of Stock acquired under any Award, (ii) provisions giving

the Company the right to repurchase shares of Stock acquired under any Award in the event the Participant elects to dispose of such shares, (iii) provisions allowing the Participant to elect to defer the receipt of payment in respect of Awards for a specified period or until a specified event, provided such provisions comply with Section 409A of the Code and (iv) provisions to comply with federal and state securities laws and federal and

state tax withholding requirements. Any such provisions shall be reflected in the applicable Award Agreement.

(b) **Privileges of Stock Ownership.** Except as otherwise specifically provided in the Plan, no person shall be entitled to the privileges of ownership in respect of shares of Stock that are subject to Awards hereunder until such shares have been issued to that person.

(c) **Conditions for Issuance.** The obligation of the Company to settle Awards in Stock or otherwise shall be subject to all applicable laws, rules and regulations and to such approvals by governmental agencies as may be required. Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for Stock under the Plan prior to fulfillment of all of the following conditions: (i) listing or approval for listing upon notice of issuance, of such Stock on the Applicable Exchange; (ii) any registration or other qualification of such Stock of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification that the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and (iii) obtaining any other consent, approval or permit from any state or federal governmental agency that the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable. The Company shall be under no obligation to register for sale under the Securities Act any of the shares of Stock to be offered or sold under the Plan. If the shares of Stock offered for sale or sold under the Plan are offered or sold pursuant to an exemption from registration under the Securities Act, the Company may restrict the transfer of such shares and may legend the Stock certificates representing such shares in such manner as it deems advisable to ensure the availability of any such exemption.

(d) Tax Withholding.

(i) A Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any shares of Stock or other property deliverable under any Award or from any compensation or other amounts owing to a Participant the amount (in cash, Stock or other property) of any required income tax withholding and payroll taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such withholding and taxes.

(ii) Without limiting the generality of clause (i) above, the Committee may, in its sole discretion, permit a Participant to satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by (A) delivery of shares of Stock owned by the Participant, provided that such shares of Stock are not subject to any pledge or other security interest and have such other characteristics as may be determined in the sole discretion of the Committee) with a Fair Market Value equal to such withholding

liability or (B) having the Company withhold from the number of shares of Stock otherwise issuable pursuant to the exercise or settlement of the Award, a number of shares of Common Stock with a Fair Market Value equal to such withholding liability.

(e) **Limitation on Dividend Reinvestment and Dividend Equivalents.** Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of Stock with respect to dividends to Participants holding Awards of Restricted Stock Units, shall only be permissible if sufficient shares of Stock are available under Section 5 for such reinvestment or payment (taking into account then-outstanding Awards). In the event that sufficient shares of Stock are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of Restricted Stock Units equal in number to the shares of Stock that would have been obtained by such payment or reinvestment, the terms of which Restricted Stock Units shall provide for settlement in cash and for dividend equivalent reinvestment in further Restricted Stock Units on the terms contemplated by this Section 12(e).

(f) **Claim to Awards and Employment Rights.** No employee of the Company, Subsidiary or Affiliate, or other person, shall have any claim or right to be granted an Award under the Plan or, having been selected for the grant of an Award, to be selected for a grant of any other Award. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ or service of the Company or an Affiliate.

(g) **Designation and Change of Beneficiary.** Each Participant may file with the Company a written designation of one or more persons as the beneficiary who shall be entitled to receive the amounts payable with respect to an Award, if any, due under the Plan upon his or her death. A Participant may, from time to time, revoke or change his or her beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by a Participant, the beneficiary shall be determined by the laws of descent and distribution.

(h) **Payments to Persons Other Than Participants.** If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Company, be paid to his or her guardian or legal representative or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(i) **No Liability of Committee Members.** No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for

any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Committee and each other employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or willful bad faith; provided, however, that approval of the Board shall be required for the payment of any amount in settlement of a claim against any such person. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(j) **Governing Law.** The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(k) **Funding.** No provision of the Plan shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law. Notwithstanding any other provision of this Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, no trust shall be funded with respect to any such Award if such funding would result in taxable income to the Participant by reason of Section 409A(b) of the Code and in no event shall any such trust assets at any time be located or transferred outside of the United States, within the meaning of Section 409A(b) of the Code.

(l) Nontransferability.

(i) Each Award shall be exercisable only by the Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's legal guardian or representative. No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, Subsidiary or Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(ii) Notwithstanding the foregoing, the Committee may, in its sole discretion, permit Awards to be transferred by a Participant without consideration,

subject to such rules as the Committee may adopt consistent with any applicable Award Agreement to preserve the purposes of the Plan, to:

(A) any person who is a "family member" of the Participant, as such term is used in the instructions to Form S-8 (collectively, the "Immediate Family Members");

(B) a trust solely for the benefit of the Participant and his or her Immediate Family Members;

(C) a partnership or limited liability company whose only partners or shareholders are the Participant and his or her Immediate Family Members; or

(D) any other transferee as may be approved either (1) by the Board or the Committee in its sole discretion or (2) as provided in the applicable Award Agreement;

(each transferee described in clauses (A), (B), (C) and (D) above is hereinafter referred to as a "Permitted Transferee"); provided that the Participant gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Participant in writing that such a transfer would comply with the requirements of this Plan and any applicable Award Agreement.

(iii) The terms of any Award transferred in accordance with the immediately preceding sentence shall apply to the Permitted Transferee and any reference in this Plan, or in any applicable Award Agreement, to a Participant shall be deemed to refer to the Permitted Transferee, except that (A) Permitted Transferees shall not be entitled to transfer any Award, other than by will or the laws of descent and distribution; (B) Permitted Transferees shall not be entitled to exercise any transferred Option unless there shall be in effect a registration statement on an appropriate form covering the shares of Stock to be acquired pursuant to the exercise of such Option if the Committee determines, consistent with any applicable Award Agreement, that such a registration statement is necessary or appropriate; (C) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Participant under the Plan or otherwise; and (D) the consequences of the termination of the Participant's employment by, or services to, the Company, or an Affiliate under the terms of the Plan and the applicable Award Agreement shall continue to be applied with respect to the Participant, including, without limitation, that an Option shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in the Plan and the applicable Award Agreement.

(m) **Section 409A of the Code.** It is the intention of the Company that no Award shall be "deferred compensation" subject to Section 409A of the Code, unless and

to the extent that the Committee specifically determines otherwise as provided in this Section 12(m), and the Plan and the terms and conditions of all Awards shall be interpreted accordingly. The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or Shares pursuant thereto and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement and shall comply in all respects with Section 409A of the Code. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" subject to Section 409A of the Code that has been granted to a Participant who is a "specified employee" (within the meaning of Section 409A) on the date of the Participant's Termination of Service, any payments (whether in cash, Shares or other property) to be made with respect to such Award upon the Participant's Termination of Service shall be delayed until the earlier of (i) the first day of the seventh month following the Participant's Termination of Service and (ii) the Participant's death.

(n) **Reliance on Reports.** Each member of the Committee and each member of the Board shall be fully justified in acting or failing to act, as the case may be, and shall not be liable for having so relied, acted or failed to act in good faith, in reliance upon any report made by the independent public accountant of the Company and its Affiliates and/or any other information furnished in connection with the Plan by any person or persons other than himself.

(o) **Relationship to Other Benefits.** No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company or any Subsidiary except as otherwise specifically provided in such other plan.

(p) **Additional Compensation Arrangements.** Nothing contained in the Plan shall prevent the company or any Subsidiary or Affiliate from adopting other or additional compensation arrangements for its employees.

(q) **Subsidiary Employee.** In the case of a grant of an Award to any employee of a Subsidiary of the Company, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the Shares to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of the Plan. All Shares underlying Awards that are forfeited or canceled should revert to the Company.

(r) **Foreign Employees and Foreign Law Considerations.** The Committee may grant Awards to Eligible Persons who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Committee may make such

modifications, amendments, procedures or subplans as may be necessary or advisable to comply with such legal or regulatory.

(s) **No Contract of Employment.** The Plan shall not constitute a contract of employment, and adoption of the Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate the employment of any employee at any time.

(t) **Expenses.** The expenses of administering the Plan shall be borne by the Company and its Affiliates.

(u) **Pronouns.** Masculine or neuter pronouns and other words of masculine gender shall refer to both men and women.

(v) **Titles and Headings.** The titles and headings of the sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

(w) **Severability.** If any provision of the Plan or any Award Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

13. Changes in Capital Structure

(a) In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, Disaffiliation, or similar event affecting the Company or any of its Subsidiaries (each, a “Corporate Transaction”), the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Stock or other securities reserved for issuance and delivery under the Plan, (B) the various maximum limitations set forth in Section 5 upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of Stock or other securities subject to outstanding Awards and (D) the exercise price of outstanding Options and Stock Appreciation Rights. In the case of Corporate Transactions, such adjustments may include, without limitation, (1) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which stockholders of common stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of an Option or Stock Appreciation Right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Transaction over

the exercise price of such Option or Stock Appreciation Right shall conclusively be deemed valid); (2) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Stock subject to outstanding Awards; and (3) in connection with any Disaffiliation, arranging for the assumption of Awards, or replacement of Awards with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected Subsidiary, Affiliate or division or by the entity that controls such Subsidiary, Affiliate or division following such Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company securities).

(b) In the event of a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination, or recapitalization or similar event affecting the capital structure of the Company (each, a "Stock Change"), the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (i) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under the Plan, (ii) the various maximum limitations set forth in Section 5 upon certain types of Awards and upon the grants to individuals of certain types of Awards, (iii) the number and kind of Shares or other securities subject to outstanding Awards and (iv) the exercise price of outstanding Options and Stock Appreciation Rights.

(c) The Committee may adjust in its sole discretion the Performance Goals applicable to any Awards to reflect any Stock Change and any Corporate Transaction and any unusual or nonrecurring events and other extraordinary items, impact of charges for restructurings, discontinued operations and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or the Company's other SEC filings; provided that with respect to Awards granted on and after the 162(m) Effective Date that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without causing the Company to be denied a tax deduction on account of Section 162(m) of the Code. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

(d) Any adjustment under this Section 13 need not be the same for all Participants.

(e) Notwithstanding the foregoing: (i) any adjustments made pursuant to this Section 13 to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (ii) any adjustments made pursuant to this Section 13 to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that, after such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section

409A of the Code; and (iii) in any event, neither the Committee nor the Board shall have the authority to make any adjustments pursuant to this Section 13 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code to be subject thereto.

14. Effect of Change in Control

(a) **Impact of Event/Single Trigger.** Unless otherwise provided in the applicable Award Agreement and subject to Sections 12(l) and 13, notwithstanding any other provision of the Plan to the contrary, immediately upon the occurrence of a Change in Control that occurs following GSE Approval:

(i) any Options and Stock Appreciation Rights outstanding that are not then exercisable and vested shall become fully exercisable and vested;

(ii) the restrictions, including the Restricted Period, which may differ with respect to each grantee, and deferral limitations applicable to any Restricted Stock shall lapse and such Restricted Stock shall become free of all restrictions and become fully vested and transferable;

(iii) all Awards (other than Options, Stock Appreciation Rights and Restricted Stock) shall be considered to be earned and payable in full, and any restrictions shall lapse and such Restricted Stock Units shall be settled as promptly as is practicable in the form set forth in the applicable Award Agreement; provided, however, that with respect to any such Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, the settlement of each such Award pursuant to this Section 14(a)(iii) shall not occur until the earliest of (A) the Change in Control if such Change in Control constitutes a "change in the ownership of the corporation," a "change in effective control of the corporation" or a "change in the ownership of a substantial portion of the assets of the corporation," within the meaning of Section 409A(a)(2)(A)(v) of the Code (each, a "409A Change in Control") and (B) the date such Award would otherwise be settled pursuant to the terms of the Award Agreement; and

(iv) with respect to Performance-Based Restricted Awards, the Committee shall (A) determine the extent to which Performance Goals with respect to each Performance Period have been met based upon such audited or unaudited financial information or other inputs deemed relevant or appropriate in the discretion of the Committee then available as it deems relevant and (B) cause to be paid to each Participant in accordance with paragraphs (i) through (iii) of this Section 14(a) partial or full Awards with respect to Performance Goals for each such Performance Period based upon the Committee's determination of the degree of attainment of Performance Goals; provided, however, that with respect to any Performance-Based Restricted Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, the payment of each such Award pursuant to this Section 14(a)(iv) shall not occur until the earliest of (1) the Change in Control if such Change in Control constitutes a 409A Change in Control and (2)

the date such Award would otherwise be settled pursuant to the terms of the Award Agreement;

(v) the Committee may in its discretion, and upon at least 10 days' advance notice to the affected persons, cancel any outstanding Awards and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per share of Stock received or to be received by other stockholders of the Company in the event, but only to the extent such payment is permitted under Section 409A of the Code; and

(vi) the Committee may also make additional adjustments and/or settlements of outstanding Awards as it deems appropriate and consistent with the Plan's purposes.

(b) The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of Participants' rights under the Plan in any agreement or plan that it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

15. Nonexclusivity of the Plan

Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

16. Amendments and Termination

(a) **Amendment and Termination of the Plan.** The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan (including as necessary to prevent Awards granted under the Plan on and after the 162(m) Effective Date from failing to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code); and provided further that any such amendment, alteration, suspension, discontinuance or termination that would impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary, except such an amendment made to comply with applicable law, including, without limitation, Section 409A of the Code, Applicable Exchange rules or accounting rules. On and after the 162(m) Effective Date, in no event may any Option or Free-Standing SAR granted under this Plan be amended, other than

pursuant to Section 13, to decrease the exercise price thereof, cancelled in conjunction with the grant of any new Option or Free-Standing SAR with a lower exercise price, or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Option or Free-Standing SAR, unless such amendment, cancellation or action is approved by the Company's stockholders. Prior to the listing of the Company's Common Stock on the NYSE or The Nasdaq Global Market, no amendment to the Plan that would increase the number of Reserved Shares shall be made without prior stockholder approval.

(b) **Amendment of Award Agreements.** The Committee may, to the extent consistent with the terms of any applicable Award Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted or the associated Award Agreement, prospectively or retroactively; provided that (i) any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary and (ii) no such amendment shall cause any Award that is intended to qualify as "performance-based compensation" under Section 162(m) to fail to qualify as "performance-based compensation" under Section 162(m) of the Code.

* * *

As adopted by the Board of Directors of NMI Holdings, Inc. as of
April 16, 2012.

NMI HOLDINGS, INC.
2012 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
(FOR CEO/CFO)

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of [●] (the "Date of Grant"), is made by and between NMI Holdings, Inc., a Delaware corporation (the "Company"), and [NAME] ("Participant").

WHEREAS, the Company has adopted the NMI Holdings, Inc. 2012 Stock Incentive Plan (the "Plan"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant Participant restricted stock units with respect to a number of shares of the Company's Common Stock (the "Shares") on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Unit Award.

(a) Grant. The Company hereby grants to Participant an award of [●] restricted stock units (the "RSUs") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

2. Vesting. (a) Except as may otherwise be provided herein, the RSUs shall vest based on the achievement of certain Stock Price Goals (as set forth in each of clauses 2(a)(i), 2(a)(ii) and 2(a)(iii) below). Subject to Participant's continued employment and the Company achieving GSE Approval prior to the GSE Approval Deadline:

(i) one-third of the RSUs (rounded up to the nearest whole share) shall vest upon the Stock Price (as defined in Section 2(b) below) of a Share equaling or exceeding $12.50 per Share;

(ii) one-third of the RSUs (rounded up to the nearest whole share) shall vest upon the Stock Price of a Share equaling or exceeding $14.00 per Share; and

(iii) the remainder of the RSUs shall vest upon the Stock Price of a Share equaling or exceeding $16.00 per Share.

(b) Determination of Stock Price. The "Stock Price" per Share, for purposes of determining whether the RSUs vest, shall be determined as follows:

(i) If the Shares are traded on an Applicable Exchange, the Stock Price shall be the average closing price of the Shares on such exchange for any consecutive 30-day trading period;

(ii) If the Shares are actively traded over-the-counter, the Stock

(iii) Price shall be the average of the closing bid price over any consecutive 30-day trading period;

(iv) If the Shares are traded on the FBR Plus™ System, the Stock Price shall be the average sales price reported on the FBR Plus™ System over any consecutive 30-day trading period; and

(v) If the Shares are not traded on any market identified in this Section 2(b), the Stock Price shall be the fair market value of the Shares determined based on the procedures prescribed by Treas. Reg. Section 1.409A-1(b)(5)(iv)(B).

(c) Termination of Service. Except as provided in the immediately following sentence, in the event that Participant incurs a Termination of Service, unvested RSUs shall be forfeited without consideration by Participant. Notwithstanding the foregoing, in the event that Participant incurs a Termination of Service without "Cause" (as defined in Participant's employment agreement with the Company) or for "Good Reason" (as defined in Participant's employment agreement with the Company), unvested RSUs shall remain outstanding and shall vest upon the later of (i) GSE Approval and (ii) the achievement of the Stock Price Goals as determined in a manner consistent with Sections 2(a) and 2(b) above; provided that, any RSUs granted pursuant to this Agreement that remain unvested as of the tenth anniversary of the Date of Grant shall be forfeited.

(d) GSE Approval. Notwithstanding the foregoing provisions of this Section 2, no RSUs shall vest prior to the Company's achievement of GSE Approval and, in the event that the Company does not achieve GSE Approval prior to the GSE Approval Deadline, any RSUs held by Participant shall be forfeited without any consideration.

3. Settlement. As soon as practicable after any RSUs have vested (and in any event, no later than fifteen business days immediately following such vesting), such RSUs shall be settled. Subject to Section 4 (pertaining to the withholding of taxes), for each vested RSU settled pursuant to this Section 3, the Company shall issue to Participant one Share.

4. Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law,

rule or regulation with respect to the RSUs and, if Participant fails to do so, the Company may otherwise refuse to issue or transfer any Shares otherwise required to be issued pursuant to this Agreement. Any statutorily required withholding obligation with regard to Participant may be satisfied, at the discretion of the Company, by reducing the amount of Shares otherwise deliverable to Participant hereunder.

5. No Rights as Stockholder. Until such time as the RSUs have been settled and the underlying Shares have been delivered to Participant and Participant has become the holder of record of such Shares, Participant shall have no rights as a stockholder, including, without limitation, the right to dividends and the right vote.

6. Transferability. The RSUs may not, at any time prior to becoming vested, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiary or Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. Prior to the Shares becoming listed on an Applicable Exchange, any Shares received by Participant in settlement of the RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant without the prior written approval of the Board, such approval not to be unreasonably withheld.

7. Securities Law Representations. Participant acknowledges that the Shares underlying the RSUs are not being registered under the Securities Act, based, in part, on reliance upon an exemption from registration under Rule 701 or Regulation D promulgated under the Securities Act and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. Participant, by executing this Agreement, hereby makes the following representations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- Participant is acquiring the RSUs solely for Participant's own account, for investment purposes only, and not with a view or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.

- Participant is an "accredited investor," as that term is defined in Rule 501(a)(1), (2) or (3) of Regulation D promulgated under the Securities Act.

- Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the RSUs. Participant has been furnished with, and/or has access to, such information as Participant considers necessary or appropriate for deciding whether to purchase the Shares underlying the RSUs. However, in evaluating the merits and risks of an investment in the

Shares underlying the RSUs, Participant has and will rely only upon the advice of Participant's own legal counsel, tax advisors and/or investment advisors.

- Participant is aware that any value the RSUs may have depends on vesting and certain other factors, and that any investment in common shares of a closely held corporation such as the Company is non-marketable, nontransferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

- Participant understands that the RSUs will be characterized as "restricted securities" under the federal securities laws and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect. Participant acknowledges receiving a copy of Rule 144 promulgated under the Securities Act, as presently in effect, and represents that Participant is familiar with such rule and understands the resale limitations imposed thereby and by the Securities Act and the applicable state securities law.

- Participant has read and understands the restrictions, limitations and the Company's rights set forth in the Plan and this Agreement that will be imposed on the RSUs (including those restrictions and limitations that will continue after the RSUs have vested).

- Participant has not relied upon any oral representation made to Participant relating to the Shares or upon information presented in any promotional meeting or material relating to the RSUs.

- Participant understands and acknowledges that (a) any certificate evidencing the RSUs (or evidencing any other securities issued with respect thereto pursuant to any stock split, stock dividend, merger or other form of reorganization or recapitalization) when issued shall bear any legends that may be required by applicable federal and state securities laws, this Agreement or the Plan and (b) the Company has no obligation to register the Shares or file any registration statement under federal or state securities laws. The Committee reserves the right to account for Shares through book entry or other electronic means rather than the issuance of stock certificates.

8. Adjustment. Upon any event described in Section 13 of the Plan occurring after the Date of Grant, the adjustment provisions as provided for under Section 13 of the Plan shall apply to the RSUs, both with respect to the number of RSUs and with respect to the Stock Price Goals.

9. Change in Control. In the event of a Change in Control of the Company occurring after the Date of Grant, the Committee shall (A) determine the extent to which the Stock Price Goals with respect to the RSUs have been met based upon such audited or unaudited

financial information or other inputs deemed relevant or appropriate in the discretion of the Committee then available as it deems relevant and (B) provide for the vesting of the applicable number of RSUs, if any, based upon the Committee's determination of the degree of attainment of the Stock Price Goals. Any RSUs that vest in connection with this Section 9 shall be settled in a manner consistent with Section 3 of this Agreement.

10. Miscellaneous.

(a) Confidentiality of this Agreement. Participant agrees to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by Participant of this covenant. This provision does not prohibit Participant from providing this information on a confidential and privileged basis to Participant's attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

(b) Waiver and Amendment. The Committee may waive any conditions or rights under, or amend any terms of, this Agreement and the RSUs granted thereunder; provided that any such waiver or amendment that would impair the rights of any Participant or any holder or beneficiary of any RSUs theretofore granted shall not to that extent be effective without the consent of Participant. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Unsecured Obligation. This Award is unfunded, and even as to any RSUs which vest, Participant shall be considered an unsecured creditor of the Company with respect to the Company's obligations, if any, to issue Shares pursuant to this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between Participant and the Company or any other person.

(d) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first- class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company:

NMI Holdings, Inc.
[ADDRESS]
Facsimile: [●]
Attention: [NAME]

if to Participant: at the address last on the records of the Company.

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if by facsimile.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(f) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(g) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his spouse or, if Participant is unmarried at the time of death, his estate.

(h) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(i) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

(j) Bound by the Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(k) Section 409A. It is intended that the Awards granted pursuant to this Agreement and the provisions of this Agreement be exempt from or comply with Section 409A of the Code, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code.

(l) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to

principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. Compliance with Legal Requirements. The grant of the RSUs, and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

NMI HOLDINGS, INC.

By:
Title:

PARTICIPANT

NMI HOLDINGS, INC.
2012 STOCK INCENTIVE PLAN RESTRICTED
STOCK UNIT AWARD AGREEMENT
(FOR MANAGEMENT)

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of [●] (the "Date of Grant"), is made by and between NMI Holdings, Inc., a Delaware corporation (the "Company"), and [NAME] ("Participant").

WHEREAS, the Company has adopted the NMI Holdings, Inc. 2012 Stock Incentive Plan (the "Plan"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant Participant restricted stock units with respect to a number of shares of the Company's Common Stock (the "Shares") on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Unit Award.

(a) Grant. The Company hereby grants to Participant an award of [●] restricted stock units (the "RSUs") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

2. Vesting. (a) Except as may otherwise be provided herein, the RSUs shall vest based on the achievement of certain Stock Price Goals (as set forth in each of clauses 2(a)(i), 2(a)(ii) and 2(a)(iii) below). Subject to Participant's continued employment and the Company achieving GSE Approval prior to the GSE Approval Deadline:

(i) one-third of the RSUs (rounded up to the nearest whole share) shall vest upon the Stock Price (as defined in Section 2(b) below) of a Share equaling or exceeding $12.50 per Share;

(ii) one-third of the RSUs (rounded up to the nearest whole share) shall vest upon the Stock Price of a Share equaling or exceeding $14.00 per Share; and

(iii) the remainder of the RSUs shall vest upon the Stock Price of a Share equaling or exceeding $16.00 per Share.

(b) Determination of Stock Price. The "Stock Price" per Share, for purposes of determining whether the RSUs vest, shall be determined as follows:

(i) If the Shares are traded on an Applicable Exchange, the Stock Price shall be the average closing price of the Shares on such exchange for any consecutive 30-day trading period;

(ii) If the Shares are actively traded over-the-counter, the Stock Price shall be the average of the closing bid price over any consecutive 30-day trading period;

(iii) If the Shares are traded on the FBR Plus™ System, the Stock Price shall be the average sales price reported on the FBR Plus™ System over any consecutive 30-day trading period; and

(iv) If the Shares are not traded on any market identified in this Section 2(b), the Stock Price shall be the fair market value of the Shares determined based on the procedures prescribed by Treas. Reg. Section 1.409A-1(b)(5)(iv)(B).

(c) Termination of Service. In the event that Participant incurs a Termination of Service for any reason, unvested RSUs shall be forfeited without consideration by Participant.

(d) GSE Approval. Notwithstanding the foregoing provisions of this Section 2, no RSUs shall vest prior to the Company's achievement of GSE Approval and, in the event that the Company does not achieve GSE Approval prior to the GSE Approval Deadline, any RSUs held by Participant shall be forfeited without any consideration.

3. Settlement. As soon as practicable after any RSUs have vested (and in any event, no later than fifteen business days immediately following such vesting), such RSUs shall be settled. Subject to Section 4 (pertaining to the withholding of taxes), for each vested RSU settled pursuant to this Section 3, the Company shall issue to Participant one Share.

4. Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the RSUs and, if Participant fails to do so, the Company may otherwise refuse to issue or transfer any Shares otherwise required to be issued pursuant to this Agreement. Any statutorily required withholding obligation with regard to Participant may be satisfied, at the discretion of the Company, by reducing the amount of Shares otherwise deliverable to Participant hereunder.

5. No Rights as Stockholder. Until such time as the RSUs have been settled and the underlying Shares have been delivered to Participant and Participant has become the

holder of record of such Shares, Participant shall have no rights as a stockholder, including, without limitation, the right to dividends and the right vote.

6. Transferability. The RSUs may not, at any time prior to becoming vested, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiary or Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. Prior to the Shares becoming listed on an Applicable Exchange, any Shares received by Participant in settlement of the RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant without the prior written approval of the Board, such approval not to be unreasonably withheld.

7. Securities Law Representations. Participant acknowledges that the Shares underlying the RSUs are not being registered under the Securities Act, based, in part, on reliance upon an exemption from registration under Rule 701 or Regulation D promulgated under the Securities Act and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. Participant, by executing this Agreement, hereby makes the following representations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- Participant is acquiring the RSUs solely for Participant's own account, for investment purposes only, and not with a view or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.

- Participant is an "accredited investor," as that term is defined in Rule 501(a)(1), (2) or (3) of Regulation D promulgated under the Securities Act.

- Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the RSUs. Participant has been furnished with, and/or has access to, such information as Participant considers necessary or appropriate for deciding whether to purchase the Shares underlying the RSUs. However, in evaluating the merits and risks of an investment in the Shares underlying the RSUs, Participant has and will rely only upon the advice of Participant's own legal counsel, tax advisors and/or investment advisors.

- Participant is aware that any value the RSUs may have depends on vesting and certain other factors, and that any investment in common shares of a closely held corporation such as the Company is non-marketable, nontransferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

- Participant understands that the RSUs will be characterized as "restricted securities" under the federal securities laws and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect. Participant acknowledges receiving a copy of Rule 144 promulgated under the Securities Act, as presently in effect, and represents that Participant is familiar with such rule and understands the resale limitations imposed thereby and by the Securities Act and the applicable state securities law.

- Participant has read and understands the restrictions, limitations and the Company's rights set forth in the Plan and this Agreement that will be imposed on the RSUs (including those restrictions and limitations that will continue after the RSUs have vested).

- Participant has not relied upon any oral representation made to Participant relating to the Shares or upon information presented in any promotional meeting or material relating to the RSUs.

- Participant understands and acknowledges that (a) any certificate evidencing the RSUs (or evidencing any other securities issued with respect thereto pursuant to any stock split, stock dividend, merger or other form of reorganization or recapitalization) when issued shall bear any legends that may be required by applicable federal and state securities laws, this Agreement or the Plan and (b) the Company has no obligation to register the Shares or file any registration statement under federal or state securities laws. The Committee reserves the right to account for Shares through book entry or other electronic means rather than the issuance of stock certificates.

8. Adjustment. Upon any event described in Section 13 of the Plan occurring after the Date of Grant, the adjustment provisions as provided for under Section 13 of the Plan shall apply to the RSUs, both with respect to the number of RSUs and with respect to the Stock Price Goals.

9. Change in Control. In the event of a Change in Control of the Company occurring after the Date of Grant, the Committee shall (A) determine the extent to which the Stock Price Goals with respect to the RSUs have been met based upon such audited or unaudited financial information or other inputs deemed relevant or appropriate in the discretion of the Committee then available as it deems relevant and (B) provide for the vesting of the applicable number of RSUs, if any, based upon the Committee's determination of the degree of attainment of the Stock Price Goals. Any RSUs that vest in connection with this Section 9 shall be settled in a manner consistent with Section 3 of this Agreement.

10. Miscellaneous.

(a) Confidentiality of this Agreement. Participant agrees to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by Participant of this covenant. This provision does not prohibit Participant from providing this information on a confidential and privileged basis to Participant's attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

(b) Waiver and Amendment. The Committee may waive any conditions or rights under, or amend any terms of, this Agreement and the RSUs granted thereunder; provided that any such waiver or amendment that would impair the rights of any Participant or any holder or beneficiary of any RSUs theretofore granted shall not to that extent be effective without the consent of Participant. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Unsecured Obligation. This Award is unfunded, and even as to any RSUs which vest, Participant shall be considered an unsecured creditor of the Company with respect to the Company's obligations, if any, to issue Shares pursuant to this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between Participant and the Company or any other person.

(d) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first- class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company:

NMI Holdings, Inc.
[ADDRESS]
Facsimile: [●]
Attention: [NAME]

if to Participant: at the address last on the records of the Company.

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if by facsimile.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(f) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(g) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company.

The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his spouse or, if Participant is unmarried at the time of death, his estate.

(h) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(i) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

(j) Bound by the Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(k) Section 409A. It is intended that the Awards granted pursuant to this Agreement and the provisions of this Agreement be exempt from or comply with Section 409A of the Code, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code.

(l) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. Compliance with Legal Requirements. The grant of the RSUs, and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

NMI HOLDINGS, INC.

By:
Title:

PARTICIPANT

[Signature Page to Restricted Stock Unit Award Agreement]

NMI HOLDINGS, INC.
2012 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
(FOR NON-EMPLOYEE DIRECTORS)

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of [●] (the "Date of Grant"), is made by and between NMI Holdings, Inc., a Delaware corporation (the "Company"), and [NAME] ("Participant").

WHEREAS, the Company has adopted the NMI Holdings, Inc. 2012 Stock Incentive Plan (the "Plan"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant Participant restricted stock units with respect to a number of shares of the Company's Common Stock (the "Shares") on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Unit Award.

(a) Grant. The Company hereby grants to Participant an award of 61,875 restricted stock units (the "RSUs") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

2. Vesting.

(a) General. Except as may otherwise be provided herein, (i) one-half of the RSUs shall vest on the second anniversary of the Date of Grant and (ii) one-half of the RSUs shall vest on the third anniversary of the Date of Grant, in each case, subject to the achievement of GSE Approval and Participant not having incurred a Termination of Service as of the applicable vesting date.

(b) Termination of Service. Except as provided in the immediately following sentence, in the event that Participant incurs a Termination of Service, unvested RSUs shall be forfeited without consideration by Participant. Notwithstanding the foregoing, in the event that Participant incurs a Termination of Service due to Participant's death or Disability,

any unvested RSUs shall accelerate and vest in full as of the date of Termination of Service. For purposes of this Agreement, "Disability" shall mean Participant's total and permanent disability as determined by the Board.

(c) GSE Approval. Notwithstanding the foregoing provisions of this Section 2, no RSUs shall vest prior to the Company's achievement of GSE Approval and, in the event that the Company does not achieve GSE Approval prior to the GSE Approval Deadline, any RSUs held by Participant shall be forfeited without any consideration.

3. Settlement. As soon as practicable after any RSUs have vested (and in any event, no later than fifteen business days immediately following such vesting), such RSUs shall be settled. Subject to Paragraph 4 (pertaining to the withholding of taxes), for each vested RSU settled pursuant to this Paragraph 3, the Company shall issue to Participant one Share.

4. Tax Withholding. No later than the date as of which an amount first becomes includible in the gross income of the Participant for federal, state or local income tax purposes with respect to any RSUs, the Participant (i) shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state and local taxes of any kind required by law to be withheld with respect to such amount and (ii) shall provide to the Company a properly completed and duly executed Form W-9 or W-8, as applicable, prior to the date as of which an amount first becomes includible in the gross income of the Participant for income tax purposes. The obligations of the Company under this Agreement shall be conditioned on compliance by the Participant with this Section 4, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant, including deducting such amount from the delivery of shares issued upon settlement of RSUs that gives rise to the withholding requirement.

5. No Rights as Stockholder. Until such time as the RSUs have been settled and the underlying Shares have been delivered to Participant and Participant has become the holder of record of such Shares, Participant shall have no rights as a stockholder, including, without limitation, the right to dividends and the right vote.

6. Transferability. The RSUs may not, at any time prior to becoming vested, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiary or Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. Prior to the Shares becoming listed on an Applicable Exchange, any Shares received by Participant in settlement of the RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant without the prior written approval of the Board, such approval not to be unreasonably withheld.

7. Securities Law Representations. Participant acknowledges that the Shares underlying the RSUs are not being registered under the Securities Act, based, in part, on reliance upon an exemption from registration under Rule 701 or Regulation D promulgated under the

Securities Act and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. Participant, by executing this Agreement, hereby makes the following representations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- Participant is acquiring the RSUs solely for Participant's own account, for investment purposes only, and not with a view or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.

- Participant is an "accredited investor," as that term is defined in Rule 501(a)(1), (2) or (3) of Regulation D promulgated under the Securities Act.

- Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the RSUs. Participant has been furnished with, and/or has access to, such information as Participant considers necessary or appropriate for deciding whether to purchase the Shares underlying the RSUs. However, in evaluating the merits and risks of an investment in the Shares underlying the RSUs, Participant has and will rely only upon the advice of Participant's own legal counsel, tax advisors and/or investment advisors.

- Participant is aware that any value the RSUs may have depends on vesting and certain other factors, and that any investment in common shares of a closely held corporation such as the Company is non-marketable, nontransferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

- Participant understands that the RSUs will be characterized as "restricted securities" under the federal securities laws and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect. Participant acknowledges receiving a copy of Rule 144 promulgated under the Securities Act, as presently in effect, and represents that Participant is familiar with such rule and understands the resale limitations imposed thereby and by the Securities Act and the applicable state securities law.

- Participant has read and understands the restrictions, limitations and the Company's rights set forth in the Plan and this Agreement that will be imposed on the RSUs (including those restrictions and limitations that will continue after the RSUs have vested, if any).

- Participant has not relied upon any oral representation made to Participant relating to the Shares or upon information presented in any promotional meeting or material relating to the RSUs.

- Participant understands and acknowledges that (a) any certificate evidencing the RSUs (or evidencing any other securities issued with respect thereto pursuant to any stock split, stock dividend, merger or other form of reorganization or recapitalization) when issued shall bear any legends that may be required by applicable federal and state securities laws, this Agreement or the Plan and (b) the Company has no obligation to register the Shares or file any registration statement under federal or state securities laws. The Committee reserves the right to account for Shares through book entry or other electronic means rather than the issuance of stock certificates.

8. Adjustment. Upon any event described in Section 13 of the Plan occurring after the Date of Grant, the adjustment provisions as provided for under Section 13 of the Plan shall apply to the RSUs with respect to the amount of Shares.

9. Change in Control. In the event of a Change in Control of the Company occurring after the Date of Grant, any outstanding RSUs that are not then vested shall become vested immediately upon the occurrence of a Change in Control. Any RSUs that vest in connection with this Section 9 shall be settled in a manner consistent with Section 3 of this Agreement.

10. Miscellaneous.

(a) Confidentiality of this Agreement. Participant agrees to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by Participant of this covenant. This provision does not prohibit Participant from providing this information on a confidential and privileged basis to Participant's attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

(b) Waiver and Amendment. The Committee may waive any conditions or rights under, or amend any terms of, this Agreement and the RSUs granted thereunder; provided that any such waiver or amendment that would impair the rights of any Participant or any holder or beneficiary of any RSUs theretofore granted shall not to that extent be effective without the consent of Participant. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Unsecured Obligation. This Award is unfunded, and even as to any RSUs which vest, Participant shall be considered an unsecured creditor of the Company with respect to the Company's obligations, if any, to issue Shares pursuant to this Agreement.

Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between Participant and the Company or any other person.

(d) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first- class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company:

NMI Holdings, Inc.
[ADDRESS]
Facsimile: [●]
Attention: [NAME]

if to Participant: at the address last on the records of the Company.

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if by facsimile.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(f) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(g) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his spouse or, if Participant is unmarried at the time of death, his estate.

(h) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(i) Section 409A. It is intended that the Awards granted pursuant to this Agreement and the provisions of this Agreement be exempt from or comply with Section 409A of the Code, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code.

(j) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

(k) Bound by the Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(l) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. Compliance with Legal Requirements. The grant of the RSUs, and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

NMI HOLDINGS, INC.

By:
Title:

PARTICIPANT

[Signature Page to Director RSU Award Agreement]

NMI HOLDINGS, INC.
2012 STOCK INCENTIVE PLAN NONQUALIFIED STOCK OPTION AGREEMENT (FOR CEO/CFO)

THIS OPTION AGREEMENT (this "Agreement"), dated as of [●] (the "Date of Grant"), is made by and between NMI Holdings, Inc., a Delaware corporation (the "Company"), and [NAME] ("Participant").

WHEREAS, the Company has adopted the NMI Holdings, Inc. 2012 Stock Incentive Plan (the "Plan"), pursuant to which nonqualified stock options may be granted to purchase shares of the Company's common stock, par value $0.01 per share ("Common Stock"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant Participant non qualified stock options on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Company hereby grants to Participant a nonqualified stock option (the "Option" and any portion thereof, the "Options") to purchase [●] shares of Common Stock (such shares of Common Stock, the "Shares"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code (the "Code").

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

2. Option; Option Price.

(a) Option Price. The option price, being the price at which Participant shall be entitled to purchase the Shares upon the exercise of all or any of the Options, shall be $10.00 per Share (the "Option Price").

(b) Payment of the Option Price. The Option may be exercised only by written notice, substantially in the form provided by the Company, delivered in person or by mail in accordance with Section 11(c) hereof and accompanied by payment of the Option Price. The Option Price shall be payable in cash, or, to the extent permitted by the Committee, by any of the other methods permitted under Section 6(b) of the Plan.

3. Vesting. Except as may otherwise be provided herein, the Option shall become non-forfeitable (any Options that shall have become non forfeitable pursuant to this Section 3, the "Vested

Options") and shall become exercisable according to the following provisions, subject to Participant's continued employment with the Company as of any such date:

(a) General Vesting. (i) One-third of the Options (rounded up to the nearest whole Share) shall become Vested Options and shall become exercisable on the later of (x) the first anniversary of the Date of Grant and (y) the achievement of GSE Approval, subject to Participant not having incurred a Termination of Service prior to such later date, (ii) one-third of the Options (rounded up to the nearest whole Share) shall become Vested Options and shall become exercisable on the later of (x) the second anniversary of the Date of Grant and (y) the achievement of GSE Approval, subject to Participant not having incurred a Termination of Service prior to such later date and (iii) the remainder of the Options shall become Vested Options and shall become exercisable on the later of (x) the third anniversary of the Date of Grant and (y) the achievement of GSE Approval, subject to Participant not having incurred a Termination of Service prior to such later date.

(b) Termination of Service. Except as provided in the immediately following sentence, in the event that Participant incurs a Termination of Service, any Options that have not theretofore become Vested Options (such Options, the "Unvested Options") shall be forfeited without consideration by Participant. Notwithstanding the foregoing, in the event Participant incurs a Termination of Service without "Cause" (as defined in Participant's employment agreement) or for "Good Reason" (as defined in Participant's employment agreement) any Unvested Option that is outstanding immediately prior to such Termination of Service shall vest in full effective as of the later of (i) the date of the achievement of GSE Approval and (ii) the date of Termination of Service.

(c) GSE Approval. Notwithstanding the foregoing provisions of this Section 3, no Options shall vest or become exercisable prior to the Company's achievement of GSE Approval and in the event that the Company does not achieve GSE Approval by the GSE Approval Deadline, any Options held by Participant shall be forfeited without any consideration.

4. Termination.

(a) The Option shall automatically terminate and shall become null and void, be unexercisable and be of no further force and effect upon the earliest of:

(i) the tenth anniversary of the Date of Grant;

(ii) the first anniversary following Participant's Termination of Service, in the case of a Termination of Service due to death or Disability (as defined in the Plan);

(iii) the 90th day following Participant's Termination of Servicein the case of a Termination of Service without Cause or for Good Reason; and

(iv) the day of Participant's Termination of Service in the case of a Termination of Service for Cause or without Good Reason.

(b) Notwithstanding the provisions of Section 4(a) to the contrary, in the event of Participant's Termination of Service for any reason (other than due to a Termination of Service for Cause) during the two-year period following a Change in Control, the Option shall remain outstanding and exercisable until the earlier of (i) the tenth anniversary of the Date of Grant and (ii) the fifth anniversary of such Termination of Service.

(c) Except as otherwise provided in the Plan and Section 3(b) of this Agreement, upon a Termination of Service for any reason, any Unvested Options shall immediately terminate and be forfeited on the date the Termination of Service occurs.

5. Securities Law Representations. Participant acknowledges that the Option and the Shares are not being registered under the Securities Act, based, in part, on reliance upon an exemption from registration under Rule 701 or Regulation D promulgated under the Securities Act and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. Participant, by executing this Agreement, hereby makes the following representations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- Participant is acquiring the Option and, if and when he exercises the Option, will acquire the Shares solely for Participant's own account, for investment purposes only, and not with a view or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.

- Participant is an "accredited investor," as that term is defined in Rule 501(a)(1), (2) or (3) of Regulation D promulgated under the Securities Act.

- Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the Option and the restrictions imposed on any Shares purchased upon exercise of the Option. Participant has been furnished with, and/or has access to, such information as Participant considers necessary or appropriate for deciding whether to exercise the Option and purchase the Shares. However, in evaluating the merits and risks of an investment in the Shares, Participant has and will rely only upon the advice of Participant's own legal counsel, tax advisors and/or investment advisors.

- Participant acknowledges that to the best of his knowledge the Option Price is not less than what the Board or a committee thereof has determined to be the Fair Market Value of the Shares.

- Participant is aware that any value of the Option depends on its vesting and exercisability as well as an increase in the Fair Market Value and certain other factors of the underlying Shares to an amount in excess of the Option Price, and that any investment in common shares of a closely held corporation such as the Company is non-marketable, nontransferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

- Participant understands that any Shares acquired on exercise of the Option will be characterized as "restricted securities" under the federal securities laws and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect. Participant acknowledges receiving a copy of Rule 144 promulgated under the Securities Act, as presently

in effect, and represents that Participant is familiar with such rule and understands the resale limitations imposed thereby and by the Securities Act and the applicable state securities law.

- Participant has read and understands the restrictions, limitations and the Company's rights set forth in the Plan and this Agreement that will be imposed on the Option (including those restrictions and limitations that will continue after any of the Options have vested).

- Participant has not relied upon any oral representation made to Participant relating to the Option or the purchase of the Shares on exercise of the Option or upon information presented in any promotional meeting or material relating to the Option or the Shares.

- Participant understands and acknowledges that if and when he exercises the Option, (a) any certificate evidencing the Shares (or evidencing any other securities issued with respect thereto pursuant to any stock split, stock dividend, merger or other form of reorganization or recapitalization) when issued shall bear any legends that may be required by applicable federal and state securities laws, this Agreement or the Plan and (b) the Company has no obligation to register the Shares or file any registration statement under federal or state securities laws.
  The Committee reserves the right to account for Shares through book entry or other electronic means rather than the issuance of stock certificates.

6. Compliance with Legal Requirements. The grant and exercise of the Option, and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations.

7. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiaries or Affiliates; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. The Option and any Shares received upon exercise thereof shall be subject to the restrictions set forth in the Plan and this Agreement. Prior to the Shares becoming listed on an Applicable Exchange, except as provided in Section 10 below, any Shares received upon exercise of the Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant without the prior written approval of the Board, such approval not to be unreasonable withheld.

8. Adjustment. Upon any event described in Section 13 of the Plan occurring after the Date of Grant, the adjustment provisions as provided for under Section 13 of the Plan shall apply to the Option.

9. Change in Control. In the event of a Change in Control of the Company occurring after the Date of Grant, any outstanding Options that are not then exercisable and vested shall become fully exercisable and vested immediately upon the occurrence of a Change in Control.

10. Tax Withholding. As a condition to exercising the Option, in whole or in part, Participant will pay to the Company, or, pursuant to Section 12(d) of the Plan, make provisions satisfactory to the Company for payment of, any federal, state or local tax laws in respect of the exercise or the transfer of the Shares. The Company may allow a Participant to elect to have any withholding obligation satisfied by surrendering to the Company a portion of the Shares that is issued or transferred to Participant upon the exercise of any Options (but only to the extent of the minimum withholding required by law) and the Shares so surrendered by Participant shall be credited against any such withholding obligation at the Fair Market Value of such Shares on the date of such surrender (and the amount equal to the Fair Market Value of such Shares shall be remitted to the appropriate tax authorities).

11. Miscellaneous.

(a) Confidentiality of this Agreement. Participant agrees to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by Participant of this covenant. This provision does not prohibit Participant from providing this information on a confidential and privileged basis to Participant's attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

(b) Waiver and Amendment. The Committee may waive any conditions or rights under, or amend any terms of, this Agreement and the Option granted thereunder; provided that any such waiver or amendment that would impair the rights of any Participant or any holder or beneficiary of any Option theretofore granted shall not to that extent be effective without the consent of Participant. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first- class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company:

NMI Holdings, Inc.
[ADDRESS]
Facsimile: [●] Attention: [NAME]

if to Participant: at the address last on the records of the Company

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if by facsimile.

(d) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(e) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(f) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his spouse or, if Participant is unmarried at the time of death, his estate.

(g) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(h) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

(i) Bound by the Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(j) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(k) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction and shall not constitute a part of this Agreement.

(l) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

NMI HOLDINGS, INC.

By: Title:

PARTICIPANT

[Signature Page to Nonqualified Stock Option Agreement]

NMI HOLDINGS, INC.
2012 STOCK INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT
(FOR MANAGEMENT)

THIS OPTION AGREEMENT (this "Agreement"), dated as of [●] (the "Date of Grant"), is made by and between NMI Holdings, Inc., a Delaware corporation (the "Company"), and [NAME] ("Participant").

WHEREAS, the Company has adopted the NMI Holdings, Inc. 2012 Stock Incentive Plan (the "Plan"), pursuant to which nonqualified stock options may be granted to purchase shares of the Company's common stock, par value $0.01 per share ("Common Stock"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant Participant non qualified stock options on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Company hereby grants to Participant a nonqualified stock option (the "Option" and any portion thereof, the "Options") to purchase [●] shares of Common Stock (such shares of Common Stock, the "Shares"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code (the "Code").

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

2. Option; Option Price.

(a) Option Price. The option price, being the price at which Participant shall be entitled to purchase the Shares upon the exercise of all or any of the Options, shall be $10.00 per Share (the "Option Price").

(b) Payment of the Option Price. The Option may be exercised only by written notice, substantially in the form provided by the Company, delivered in person or by mail in accordance with Section 11(c) hereof and accompanied by payment of the Option Price. The Option Price shall be payable in cash, or, to the extent permitted by the Committee, by any of the other methods permitted under Section 6(b) of the Plan.

3. Vesting. Except as may otherwise be provided herein, the Option shall become non-forfeitable (any Options that shall have become non forfeitable pursuant to this Section 3, the "Vested Options") and shall become exercisable according to the following provisions, subject to Participant's continued employment with the Company as of any such date:

(a) General Vesting. (i) One-third of the Options (rounded up to the nearest whole Share) shall become Vested Options and shall become exercisable on the later of (x) the first anniversary of the Date of Grant and (y) the achievement of GSE Approval, subject to Participant not having incurred a Termination of Service prior to such later date, (ii) one-third of the Options (rounded up to the nearest whole Share) shall become Vested Options and shall become exercisable on the later of (x) the second anniversary of the Date of Grant and (y) the achievement of GSE Approval, subject to Participant not having incurred a Termination of Service prior to such later date and (iii) the remainder of the Options shall become Vested Options and shall become exercisable on the later of (x) the third anniversary of the Date of Grant and (y) the achievement of GSE Approval, subject to Participant not having incurred a Termination of Service prior to such later date.

(b) Termination of Service. Except as provided in the immediately following sentence, in the event that Participant incurs a Termination of Service, any Options that have not theretofore become Vested Options (such Options, the "Unvested Options") shall be forfeited without consideration by Participant. Notwithstanding the foregoing, in the event Participant incurs a Termination of Service without "Cause" (as defined in the Plan) or for "Good Reason" (as defined below) any Unvested Options that are outstanding immediately prior to such Termination of Service shall, subject to the achievement of GSE Approval, vest pro-rata based on the number of days during the period beginning on the Grant Date and ending on the date of Termination of Service divided by 1095.

For the purposes of this Agreement, "Good Reason" shall mean "Good Reason" shall mean, in the absence of Participant's written consent:

(i). a material diminution in Participant's annual base salary;

(iii). the assignment to Participant of any duties materially inconsistent with Participant's positions (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or any other action by the Company that results in a material diminution in such positions, authority, duties or responsibilities;

(iii). any other material breach of any written employment agreement by and between Participant and the Company.

In order to invoke a termination for Good Reason, Participant shall provide written notice to the Company of the existence of one or more of the conditions described in clauses (i) through (iv) within 30 days following Participant's knowledge of the initial existence of such condition or conditions, specifying in reasonable detail the conditions constituting Good Reason, and the Company shall have 30 days following receipt of such written notice (the "Cure Period") during which it may remedy the condition if such condition is reasonably subject to cure. In the event that the Company fails to remedy the condition constituting Good Reason during the applicable Cure Period, Participant's "separation from service" (within the meaning of Section 409A of the Code) must occur, if at all, within 30 days following such Cure Period in order for such termination as a result of such condition to constitute a termination for Good Reason.

(c) GSE Approval. Notwithstanding the foregoing provisions of this Section 3, no Options shall vest or become exercisable prior to the Company's achievement of GSE Approval and in the event that the Company does not achieve GSE Approval by the GSE Approval Deadline, any Options held by Participant shall be forfeited without any consideration.

4. Termination.

(a) The Option shall automatically terminate and shall become null and void, be unexercisable and be of no further force and effect upon the earliest of:

(i) the tenth anniversary of the Date of Grant;

(ii) the first anniversary following Participant's Termination of Service, in the case of a Termination of Service due to death or Disability (as defined in the Plan);

(iii) the 90th day following Participant's Termination of Service in the case of a Termination of Service without Cause or for Good Reason; and

(iv) the day of Participant's Termination of Service in the case of a Termination of Service for Cause or without Good Reason.

(b) Notwithstanding the provisions of Section 4(a) to the contrary, in the event of Participant's Termination of Service for any reason (other than due to a Termination of Service for Cause) during the two-year period following a Change in Control, the Option shall remain outstanding and exercisable until the earlier of (i) the tenth anniversary of the Date of Grant and (ii) the fifth anniversary of such Termination of Service.

(c) Except as otherwise provided in the Plan and Section 3(b) of this Agreement, upon a Termination of Service for any reason, any Unvested Options shall immediately terminate and be forfeited on the date the Termination of Service occurs.

5. Securities Law Representations. Participant acknowledges that the Option and the Shares are not being registered under the Securities Act, based, in part, on reliance upon an exemption from registration under Rule 701 or Regulation D promulgated under the Securities Act and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. Participant, by executing this Agreement,

hereby makes the following representations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- Participant is acquiring the Option and, if and when he exercises the Option, will acquire the Shares solely for Participant's own account, for investment purposes only, and not with a view or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.

- Participant is an "accredited investor," as that term is defined in Rule 501(a)(1), (2) or (3) of Regulation D promulgated under the Securities Act.

- Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the Option and the restrictions imposed on any Shares purchased upon exercise of the Option. Participant has been furnished with, and/or has access to, such information as Participant considers necessary or appropriate for deciding whether to exercise the Option and purchase the Shares. However, in evaluating the merits and risks of an investment in the Shares, Participant has and will rely only upon the advice of Participant's own legal counsel, tax advisors and/or investment advisors.

- Participant acknowledges that to the best of his knowledge the Option Price is not less than what the Board or a committee thereof has determined to be the Fair Market Value of the Shares.

- Participant is aware that any value of the Option depends on its vesting and exercisability as well as an increase in the Fair Market Value and certain other factors of the underlying Shares to an amount in excess of the Option Price, and that any investment in common shares of a closely held corporation such as the Company is non-marketable, nontransferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

- Participant understands that any Shares acquired on exercise of the Option will be characterized as "restricted securities" under the federal securities laws and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect. Participant acknowledges receiving a copy of Rule 144 promulgated under the Securities Act, as presently in effect, and represents that Participant is familiar with such rule and understands the resale limitations imposed thereby and by the Securities Act and the applicable state securities law.

- Participant has read and understands the restrictions, limitations and the Company's rights set forth in the Plan and this Agreement that will be imposed on the Option (including those restrictions and limitations that will continue after any of the Options have vested).

- Participant has not relied upon any oral representation made to Participant relating to the Option or the purchase of the Shares on exercise of the Option or upon information presented in any promotional meeting or material relating to the Option or the Shares.

- Participant understands and acknowledges that if and when he exercises the Option, (a) any certificate evidencing the Shares (or evidencing any other securities issued with respect thereto pursuant to any stock split, stock dividend, merger or other form of reorganization or recapitalization) when issued shall bear any legends that may be required by applicable federal and state securities laws, this Agreement or the Plan and (b) the Company has no obligation to register the Shares or file any registration statement under federal or state securities laws. The Committee reserves the right to account for Shares through book entry or other electronic means rather than the issuance of stock certificates.

6. Compliance with Legal Requirements. The grant and exercise of the Option, and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations.

7. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiaries or Affiliates; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. The Option and any Shares received upon exercise thereof shall be subject to the restrictions set forth in the Plan and this Agreement. Prior to the Shares becoming listed on an Applicable Exchange, except as provided in Section 10 below, any Shares received upon exercise of the Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by
Participant without the prior written approval of the Board, such approval not to be unreasonable withheld.

8. Adjustment. Upon any event described in Section 13 of the Plan occurring after the Date of Grant, the adjustment provisions as provided for under Section 13 of the Plan shall apply to the Option.

9. Change in Control. In the event of a Change in Control of the Company occurring after the Date of Grant, any outstanding Options that are not then exercisable and vested shall become fully exercisable and vested immediately upon the occurrence of a Change in Control.

10. Tax Withholding. As a condition to exercising the Option, in whole or in part, Participant will pay to the Company, or, pursuant to Section 12(d) of the Plan, make provisions satisfactory to the Company for payment of, any federal, state or local tax laws in respect of the exercise or the transfer of the Shares. The Company may allow a Participant to elect to have any withholding obligation satisfied by surrendering to the Company a portion of the Shares that is issued or transferred to Participant upon the exercise of any Options (but only to the extent of the minimum withholding required by law) and the Shares so surrendered by Participant shall be credited against any such withholding obligation at the Fair Market Value of such Shares on the date of such surrender (and the amount equal to the Fair Market Value of such Shares shall be remitted to the appropriate tax authorities).

11. Miscellaneous.

(a) Confidentiality of this Agreement. Participant agrees to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by Participant of this covenant. This provision does not prohibit Participant from providing this information on a confidential and privileged basis to Participant’s attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

(b) Waiver and Amendment. The Committee may waive any conditions or rights under, or amend any terms of, this Agreement and the Option granted thereunder; provided that any

such waiver or amendment that would impair the rights of any Participant or any holder or beneficiary of any Option theretofore granted shall not to that extent be effective without the consent of Participant. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first- class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company: NMI Holdings, Inc.

[ADDRESS]
Facsimile: [●]
Attention: [NAME]

if to Participant: at the address last on the records of the Company

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by

commercial courier service; five business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if by facsimile.

(d) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(e) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(f) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his spouse or, if Participant is unmarried at the time of death, his estate.

(g) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(h) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

(i) Bound by the Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(j) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(k) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction and shall not constitute a part of this Agreement.

(l) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

NMI HOLDINGS, INC

_____

By:
Title:

PARTICIPANT

_____

[Signature Page to Nonqualified Stock Option Agreement]

NMI HOLDINGS, INC.
2012 STOCK INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT
(FOR NON-EMPLOYEE DIRECTORS)

THIS OPTION AGREEMENT (this "Agreement"), dated as of [●] (the "Date of Grant"), is made by and between NMI Holdings, Inc, a Delaware corporation (the "Company"), and
("Participant").

WHEREAS, the Company has adopted the NMI Holdings, Inc. 2012 Stock Incentive Plan (the "Plan"), pursuant to which nonqualified stock options may be granted to purchase shares of the Company's common stock, par value $0.01 per share ("Common Stock"); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant Participant non qualified stock options on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Company hereby grants to Participant a nonqualified stock option (the "Option" and any portion thereof, the "Options") to purchase 75,625 shares of Common Stock (such shares of Common Stock, the "Shares"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code (the "Code").

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan.

2. Option; Option Price.

(a) Option Price. The option price, being the price at which Participant shall be entitled to purchase the Shares upon the exercise of all or any of the Options, shall be $10.00 per Share (the "Option Price").

(b) Payment of the Option Price. The Option may be exercised only by written notice, substantially in the form provided by the Company, delivered in person or by mail in accordance with Section 11(c) hereof and accompanied by payment of the Option Price. The Option Price shall be payable in cash, or, to the extent permitted by the Committee, by any of the other methods permitted under Section 7(b) of the Plan.

3. Vesting.

(a) General. Except as may otherwise be provided herein, the Option shall become non-forfeitable (any Options that shall have become non forfeitable pursuant to this Section 3, the "Vested Options") and shall become exercisable according to the following provisions: (i) one-half of the Options shall become Vested Options and shall become exercisable on the second anniversary of the Date of Grant and (ii) one-half of the Options shall become Vested Options and shall become exercisable on the third anniversary of the Date of Grant, in each case, subject to Participant not having incurred a Termination of Service as of the applicable vesting date and the achievement of GSE Approval.

(b) Termination of Service. Except as provided in the immediately following sentence, in the event that Participant incurs a Termination of Service, any Options that have not theretofore become Vested Options (such Options, the "Unvested Options") shall be forfeited without consideration by Participant. Notwithstanding the foregoing, in the event that Participant incurs a Termination of Service due to Participant's death or Disability following the achievement of GSE Approval, any Unvested Options shall accelerate and vest in full as of the date of Termination of Service. For purposes of this Agreement, "Disability" shall mean Participant's total and permanent disability as determined by the Board.

(c) GSE Approval. Notwithstanding the foregoing provisions of this Section 3, no Options shall vest or become exercisable prior to the Company's achievement of GSE Approval and in the event that the Company does not achieve GSE Approval by the GSE Approval Deadline, any Options held by Participant shall be forfeited without any consideration.

4. Termination.

(a) The Option shall automatically terminate and shall become null and void, be unexercisable and be of no further force and effect upon the earliest of:

(i) the tenth anniversary of the Date of Grant;

(ii) the first anniversary following Participant's Termination of Service, in the case of a Termination of Service due to death or Disability; and

(iii) the 180th day following Participant's Termination of Service for any reason other than due to death or Disability.

(b) Notwithstanding the provisions of Section 4(a) to the contrary, in the event of Participant's Termination of Service for any reason following a Change in Control, the Option shall remain outstanding and exercisable until the earlier of (i) the tenth anniversary of the Date of Grant and (ii) the fifth anniversary of such Termination of Service.

(c) Except as otherwise provided in the Plan and Section 3(b) of this Agreement, upon a Termination of Service for any reason, any Unvested Options shall immediately terminate and be forfeited on the date the Termination of Service occurs.

5. Securities Law Representations. Participant acknowledges that the Option and the Shares are not being registered under the Securities Act, based, in part, on reliance upon an exemption from registration under Rule 701 or Regulation D promulgated under the Securities Act and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time

to time. Participant, by executing this Agreement, hereby makes the following representations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- Participant is acquiring the Option and, if and when he exercises the Option, will acquire the Shares solely for Participant's own account, for investment purposes only, and not with a view or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.

- Participant is an "accredited investor," as that term is defined in Rule 501(a)(1),(2) or (3) of Regulation D promulgated under the Securities Act.

- Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the Option and the restrictions imposed on any Shares purchased upon exercise of the Option. Participant has been furnished with, and/or has access to, such information as Participant considers necessary or appropriate for deciding whether to exercise the Option and purchase the Shares. However, in evaluating the merits and risks of an investment in the Shares, Participant has and will rely only upon the advice of Participant's own legal counsel, tax advisors and/or investment advisors.

- Participant acknowledges that to the best of his knowledge the Option Price is not less than what the Board or a committee thereof has determined to be the Fair Market Value of the Shares.

- Participant is aware that any value of the Option depends on its vesting and exercisability as well as an increase in the Fair Market Value and certain other factors of the underlying Shares to an amount in excess of the Option Price, and that any investment in common shares of a closely held corporation such as the Company is non-marketable, nontransferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

- Participant understands that any Shares acquired on exercise of the Option will be characterized as "restricted securities" under the federal securities laws and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect. Participant acknowledges receiving a copy of Rule 144 promulgated under the Securities Act, as presently in effect, and represents that Participant is familiar with such rule and understands the resale limitations imposed thereby and by the Securities Act and the applicable state securities law.

- Participant has read and understands the restrictions, limitations and the Company's rights set forth in the Plan and this Agreement that will be imposed on the Option (including those restrictions and limitations that will continue after any of the Options have vested).

- Participant has not relied upon any oral representation made to Participant relating to the Option or the purchase of the Shares on exercise of the Option or upon information presented in any promotional meeting or material relating to the Option or the Shares.

- Participant understands and acknowledges that if and when he exercises the Option, (a) any certificate evidencing the Shares (or evidencing any other securities issued with respect thereto pursuant to any stock split, stock dividend, merger or other form of reorganization or recapitalization) when issued shall bear any legends that may be required by applicable federal and state securities laws, this Agreement or the Plan and (b) the Company has no obligation to register the Shares or file any registration statement under federal or state securities laws. The Committee reserves the right to account for Shares through book entry or other electronic means rather than the issuance of stock certificates.

6. Compliance with Legal Requirements. The grant and exercise of the Option, and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations.

7. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiary or Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. The Option and any Shares received upon exercise thereof shall be subject to the restrictions set forth in the Plan and this Agreement. Prior to the Shares becoming listed on an Applicable Exchange, except as provided in Section 10 below, any Shares received upon exercise of the Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant without the prior written approval of the Board, such approval not to be unreasonably withheld.

8. Adjustment. In the event of any event described in Section 13 of the Plan occurring after the Date of Grant, the adjustment provisions as provided for under Section 13 of the Plan shall apply to the Option.

9. Change in Control. In the event of a Change in Control of the Company occurring after the Date of Grant, any outstanding Options that are not then exercisable and vested shall become fully exercisable and vested immediately upon the occurrence of a Change in Control.

10. Tax Withholding. As a condition to exercising the Option, in whole or in part, Participant will (i) pay to the Company, or, pursuant to Section 12(d) of the Plan, make provisions satisfactory to the Company for payment of, any federal, state or local tax laws in respect of the exercise or the transfer of the Shares and (ii) shall provide to the Company a properly completed and duly executed Form W-9 or W-8, as applicable, prior to the exercise of the Option. The Company may allow, in its sole discretion, a Participant to elect to have any withholding obligation satisfied by surrendering to the Company a portion of the Shares that is issued or transferred to Participant upon the exercise of any Options (but only to the extent of the minimum withholding required by law) and the Shares so surrendered

by Participant shall be credited against any such withholding obligation at the Fair Market Value of such Shares on the date of such surrender (and the amount equal to the Fair Market Value of such Shares shall be remitted to the appropriate tax authorities).

11. Miscellaneous.

(a) Confidentiality of this Agreement. Participant agrees to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by Participant of this covenant. This provision does not prohibit Participant from providing this information on a confidential and privileged basis to Participant's attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

(b) Waiver and Amendment. The Committee may waive any conditions or rights under, or amend any terms of, this Agreement and the Option granted thereunder; provided that any such waiver or amendment that would impair the rights of any Participant or any holder or beneficiary of any Option theretofore granted shall not to that extent be effective without the consent of Participant. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first- class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company:

NMI Holdings, Inc. [ADDRESS]
Facsimile: [●]
Attention: [NAME]

if to Participant: at the address last on the records of the Company

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if by facsimile.

(d) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(e) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(f) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his spouse or, if Participant is unmarried at the time of death, his estate.

(g) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(h) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

(i) Bound by the Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(j) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to

principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(k) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction and shall not constitute a part of this Agreement.

(l) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

NMI HOLDINGS, INC.

_____

By:
Title:

PARTICIPANT

_____

[Signature Page to Director Nonqualified Stock Option Agreement]

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of March 6, 2012, by and between Bradley M. Shuster (the "Executive") and NMI Holdings, Inc. (the "Company"), a Delaware corporation.

WITNESSETH THAT:

WHEREAS, the Company is desirous of employing the Executive in an executive capacity on the terms and conditions, and for the consideration, hereinafter set forth, and the Executive is desirous of being employed by the Company on such terms and conditions and for such consideration

WHEREAS, the Company is in the process of raising capital for the capitalization of its private mortgage insurance business;

WHEREAS, the parties intend that this Agreement shall become binding and enforceable when the Company receives cash proceeds (or irrevocable commitments therefor) of at least $500,000,000 in the aggregate (before discounts, placement agent fees and any expenses) (the "Capitalization of NMI"), and to commence business operations, following the Capitalization of NMI, the Company will need to obtain conditional approval by either Fannie Mae or Freddie Mac to permit the Company to write private mortgage insurance.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, and for other good and valuable consideration, it is hereby covenanted and agreed by the Executive and the Company as follows:

1. Effective Date. This Agreement shall become binding and enforceable on the date of the Capitalization of NMI (the "Initial Effective Date"). Notwithstanding any other provisions of this Agreement, if the Capitalization of NMI does not occur on or before April 30, 2012 (subject to extension upon the mutual agreement of the parties to this Agreement by a date that is no less than three (3) business days prior to such deadline), this Agreement shall not become effective, shall be null and void, and the Executive shall have no rights hereunder.

2. Employment Period. The initial term of the Executive's employment (the "Employment Period") will commence on the Initial Effective Date and end on the third anniversary of the date on which the Company receives GSE Approval (as defined in the Stock Purchase Agreement, by and between the Company and MAC Financial Ltd., dated as of November 30, 2011) (the "Subsequent Effective Date"), unless the Employment Period is terminated earlier pursuant to Section 5 of this Agreement. Notwithstanding anything to the contrary herein, if a Change in Control (as defined below) occurs during the Employment Period and before the third anniversary of the Subsequent Effective Date, the Employment Period shall end, unless terminated earlier pursuant to Section 5 of this Agreement, on the later of (a) the second anniversary of the closing of the Change in Control or (b) the third anniversary of the Subsequent Effective Date.

3. Position and Duties.

(a) During the Employment Period, the Executive shall (i) serve as the President and Chief Executive Officer of the Company, with such authority, power, duties and responsibilities as are commensurate with such positions and as are customarily exercised by a person holding such positions in a company of the size and nature of the Company, (ii) report directly to the Board of Directors of the Company (the "Board"), (iii) initially be appointed, and thereafter be nominated, to serve as a member of the Board, and (iv) perform his duties at the Company's primary office location in or near San Francisco, California, subject to the Executive's performance of duties at, and travel to, such other offices of the Company and subsidiaries and controlled affiliates (the "Affiliated Entities") and/or other locations as shall be necessary to fulfill his duties.

(b) The Executive, during the Employment Period, shall devote his full business time, energies and talents to serving in the positions described in this Section 3 and he shall perform his duties faithfully and efficiently subject to the directions of the Board. Notwithstanding the foregoing provisions of this Section 3(b), the Executive may (i) serve as a director, trustee or officer or otherwise participate in not-for-profit educational, welfare, social, religious and civic organizations, (ii) subject to the written consent of the Board, serve on the board of directors of for-profit entities, provided, however, that the board positions set forth on Schedule A to this Agreement shall be deemed to have been approved by the Board, and (iii) acquire passive investment interests in one or more entities, to the extent that such other activities do not inhibit or interfere with the performance of the Executive's duties under this Agreement, or conflict with the business or policies of the Company or any Affiliated Entities.

4. Compensation. Subject to the terms of this Agreement, Executive shall be entitled to receive compensation as follows:

(a) During the portion of the Employment Period occurring prior to GSE Approval, while the Executive is employed by the Company, the Executive shall be entitled to (i) receive a monthly salary of $20,000 (the "Pre-GSE Base Salary"), payable in arrears on the last day of each calendar month during the Employment Period and, for the calendar month in which the GSE Approval occurs, Executive shall receive a prorated portion of his monthly Pre-GSE Base Salary, based on the number of days in the month that elapsed prior to the GSE Approval and (ii) participate in any health and welfare benefit programs adopted and maintained by the Company for its employees following the Initial Effective Date.

(b) Upon the Company's receipt of GSE Approval, then during the period commencing on the Subsequent Effective Date and continuing through the Employment Period (the "Remuneration Period"), while the Executive is employed by the Company, the Executive shall be entitled to receive, and the Company shall compensate him for his services as follows:

(i) Base Salary. During the Remuneration Period, the Executive shall receive an annual base salary ("Annual Base Salary") of no less than $600,000. The Executive's Annual Base Salary shall be reviewed annually by the Compensation Committee of the Board (the "Compensation Committee") pursuant to its normal performance

review policies for senior executives and may be increased but not decreased. The term "Annual Base Salary" as utilized in this Agreement shall refer to Annual Base Salary as in effect from time to time. Such Annual Base Salary shall be payable in accordance with the Company's payroll policies, as in effect from time to time.

(ii) Annual Incentive Payment. With respect to each fiscal year or portion of a fiscal year of the Company that ends during the Remuneration Period, the Executive shall be eligible to receive an annual incentive payment (the "Incentive Payment") as determined by the Compensation Committee, subject to the following:

(A) The Executive's target Incentive Payment opportunity under the incentive plan applicable to the Executive for each fiscal year during the Remuneration Period shall be 100% of his Annual Base Salary (the "Target Incentive Payment").

(B) Subject to Section 4(b)(ii)(D) below, if GSE Approval is obtained in the middle of calendar year 2012 or 2013, the Executive nevertheless will be entitled to receive an Incentive Payment of not less than 50% of the Target Incentive Payment for, (I) if the Remuneration Period commences in 2012, the portion of the period beginning on the Initial Effective Date and ending at the end of calendar year 2012, if any, falling in calendar year 2012 prorated for the portion of calendar year 2012 from the Initial Effective Date through the end of the applicable calendar year or, (II) if the Remuneration Period commences in calendar year 2013, the bonus shall not be prorated with respect to calendar year 2013.

(C) Any earned Incentive Payment shall be paid to the Executive pursuant to the terms of the applicable incentive plan; provided, however, that any such Incentive Payment for a fiscal year shall be paid to the Executive no later than the fifteenth (15^{th}) day of the third month following the close of such fiscal year, or the calendar year where applicable, unless the Executive shall elect to defer the receipt of such Incentive Payment pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(D) Notwithstanding the foregoing, in the event that the Company's initial filing of a registration statement registering the resale of the Registrable Shares as defined in the Registration Rights Agreement by and between the Company and FBR & Co. (the "Public Filing") does not occur (other than as a result of the Securities and Exchange Commission being unable to accept such filing) prior to the date (the "Public Filing Deadline") that is (I) the date that is six (6) months following GSE Approval, or (II) such later public filing deadline as approved by a vote of stockholders holding at least seventy-five percent (75%) of the Registrable Shares, then the Executive's Target Incentive Payment for the fiscal year during which the Public Filing Deadline occurs shall be immediately reduced to 50% of the Target Incentive Payment and such Target Incentive Payment (or any Target Incentive Payment relating to a fiscal year that begins following the Public Filing Deadline during which the Public Filing has not yet occurred) shall be reduced by a further 10%

for each additional thirty (30) days following the Public Filing Deadline that elapses prior to the Public Filing occurring, but in no event shall be less than zero (0).

(iii) Annual Equity Awards. With respect to each fiscal year or portion of a fiscal year of the Company ending during the Remuneration Period, the Executive shall be eligible to be considered for the grant of annual equity awards under any Company equity plans on terms and conditions no less favorable than those provided to other senior executives of the Company.

(iv) Initial Equity Awards. The Company will grant to the Executive the following stock, restricted stock and stock options at the following times:

(A) On or before the Initial Effective Date, the Company will adopt an omnibus stock incentive plan (the "Equity Plan"), which will, at a minimum, allow for the issuance of non-qualified stock options and restricted stock;

(B) Following the Initial Effective Date, the Executive will be granted 742,500 restricted stock units and stock options with respect to 907,500 shares of Company common stock (the "Initial Equity Awards"). The Initial Equity Awards will be granted subject to terms and conditions set forth in an equity award agreement and the Equity Plan and will be subject to the following minimum vesting conditions, in each case, subject to the Executive's continued employment with the Company through any such vesting date (unless provided otherwise in the applicable equity award agreement) and the achievement of GSE Approval:

(1) the restricted stock ("performance shares") will vest as follows: 1/3 of the performance shares will vest when the stock price equals or exceeds $12.50 per share, 1/3 of the performance shares will vest when the stock price equals or exceeds $14 per share and 1/3 of the performance shares will vest when the stock price equals or exceeds $16 per share.

(2) one-third (1/3) of the stock options will vest on the first anniversary of the Initial Effective Date, an additional 1/3 of the stock options will vest on the second anniversary of the Initial Effective Date and the final 1/3 of the stock options will vest on the third anniversary of the Initial Effective Date.

(C) The price per share of Company common stock (the "Common Stock") for determining the performance shares under the Equity Plan, and under Section 4(b)(iv) (D) will be determined as follows:

(1) if the Common Stock is traded on an established securities exchange, such stock will vest when the average closing price of the shares on such exchange for any consecutive thirty- (30-) day trading period exceeds the price required for vesting;

(2) if the Common Stock is actively traded over-the-counter, such stock will vest when the average of the closing bid price over any consecutive thirty- (30-) day trading period exceeds the price required for vesting;

(3) if the Common Stock is traded on the FBR Plus™ System, such stock will vest when the average sales price reported on the FBR Plus™ System over any consecutive thirty- (30-) day trading period exceeds the price required for vesting; and

(4) if, as of the third anniversary of the Subsequent Effective Date, the Common Stock is not traded on any market identified in Sections 4(d)(iv)(C)(1), (2) and (3), such stock will vest when the fair market value of the shares determined based on the procedures prescribed by Treas. Reg. Section 1.409A-1(b)(5)(iv)(B) (relating to stock not readily tradable on an established market) exceeds the price required for vesting.

(D) Despite any contrary provision of this Agreement, the performance targets used for vesting purposes under Section 4(b)(iv)(B)(1) assume a $10 per share price for the Company's common stock on the date of the Capitalization of NMI. Performance targets will be adjusted on the Initial Effective Date in proportion to the amount by which the per share price for the Company's Common Stock is more or less than $10 per share; and

(E) The grants of common stock, restricted stock and stock options set forth in this Section 4 shall be subject to and contingent upon the Executive entering into such agreements, as may be reasonably provided by the Company, and making such representations and warranties as the Company may reasonably require, including representing as to the Executive's status as an "accredited investor" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act").

(c) Additional Bonuses.

(i) GSE Approval Bonus. If the Company obtains GSE Approval on or before the date (the "GSE Approval Deadline") that is (A) nine (9) months immediately following the Initial Effective Date, or (B) such later deadline for GSE Approval as approved by a vote of stockholders holding at least a majority of the Registrable Shares, the Executive shall receive an additional lump sum cash payment from the Company equal to $300,000 (the "GSE Bonus"), to be paid as soon as practicable after the Subsequent Effective Date and in no event more than thirty (30) days thereafter. Executive's eligibility for the bonus described in this section is subject to Executive's continuing employment through GSE Approval, provided that if the Company terminates Executive's employment with the Company without "Cause" or he resigns for "Good Reason" prior to the GSE Approval Deadline, then Executive shall remain eligible to receive 50% of the GSE Bonus, subject to GSE Approval being achieved on or prior to the GSE Approval Deadline, with such portion of the GSE Bonus to be paid at the same time as if the Executive had remained employed by the Company through the achievement of GSE Approval.

(ii) Filing Date Bonus. If the Public Filing (as defined in Section 4(b)(ii)(D) above) occurs on or prior to the Public Filing Deadline (as defined in Section 4(b)(ii)(D) above), the Executive shall receive an additional lump sum cash payment from the Company equal to $300,000 (the "Filing Date Bonus"), to be paid as soon as practicable after the Public Filing, but in no event shall it be paid more than thirty (30) days thereafter. Executive's eligibility for the bonus described in this section is subject to Executive's continuing employment through the Public Filing, provided that if the Company terminates Executive's employment with the Company without "Cause" or he resigns for "Good Reason" prior to the Public Filing, then Executive shall remain eligible to receive 50% of the Filing Date Bonus, subject to the Public Filing occurring on or prior to the Public Filing Deadline with such portion of the Filing Date Bonus to be paid at the same time as if the Executive had remained employed by the Company through the Public Filing.

(iii) Filing Effective Date Bonus. If the Company's Public Filing becomes effective on or before the date (the "Public Filing Effective Deadline") that is the latest of: (A) twelve (12) months immediately following GSE Approval, (B) six (6) months immediately following the Public Filing, or (C) such later Public Filing effective date as approved by a vote stockholders holding at least seventy-five percent (75%) of the Registrable Shares, the Executive shall receive an additional lump sum cash payment from the Company equal to $300,000 ("Effective Date Bonus"), to be paid as soon as practicable after the Public Filing becomes effective, but in no event shall it be paid more than thirty (30) days thereafter. Executive's eligibility for the bonus described in this section is subject to Executive's continuing employment through the date that the Public Filing becomes effective, provided that if the Company terminates Executive's employment with the Company without "Cause" or he resigns for "Good Reason" prior to the Public Filing Effective Deadline, then Executive shall remain eligible to receive 50% of the Effective Date Bonus, subject to the Public Filing becoming effective prior to the Public Filing Effective Date Deadline with such portion of the Effective Date Bonus to be paid at the same time as if the Executive had remained employed by the Company through the date that the Public Filing becomes effective.

(d) Employee Benefits, Fringe Benefits and Perquisites. During the Employment Period, the Executive shall be provided with employee benefits, fringe benefits and perquisites on a basis no less favorable than such benefits and perquisites are provided by the Company from time to time to the Company's other senior executives, including, but not limited to, participation in a nonqualified deferred compensation plan, a 401(k) plan, health, dental, vision and life insurance, in each case to the extent otherwise maintained by the Company.

(e) Expense Reimbursement. Subject to the requirements of Section 8(a)(ii) (relating to in-kind benefits and reimbursements), the Company will reimburse the Executive for all reasonable expenses incurred by him during the Employment Period in the performance of his duties in accordance with the Company's policies applicable to senior executives.

(f) Stock Ownership Requirement. During the Employment Period, the Executive shall be subject to the Company's stock ownership policy in accordance with the guidelines as established by the Compensation Committee.

(g) Paid Time Off. During the Employment Period, the Executive shall be entitled to thirty (30) days of personal time off ("PTO") on an annual basis, which may be taken for any reason, including vacation and sick leave, in accordance with the Company's PTO policy. In addition, the Executive shall be entitled to all paid holidays given by the Company to its full-time employees.

(h) Indemnification/Insurance. The Company shall defend and indemnify the Executive and hold the Executive harmless against any and all third-party claims, losses, damages, expenses, judgments, fines or settlements, including without limitation attorneys' fees and expenses of litigation (collectively, "Losses") suffered or incurred by the Executive that directly or indirectly are based upon, arise out of or are in connection with any actual or alleged acts or omissions by the Executive and/or the Company (or its affiliates, employees, officers, directors or agents) in connection with this Agreement, the Executive's relationship with the Company or its affiliates, the Executive's services or obligations under this Agreement, or the fact that the Executive is an employee of the Company, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The foregoing obligations of the Company shall not apply (a) to acts or omissions by the Executive that (i) were not acted in good faith, (ii) the Executive knew or should have known were not in the best interests of the Company, (iii) with respect to any criminal action or proceeding, the Executive had no reasonable cause to believe the Executive's conduct was lawful, or (iv) were effected without consultation with or under direction of the Company and create a conflict between the Executive's interests and the interests of the Company ; and (b) to disputes between the Executive and the Company. Upon the receipt by the Company of written notice from the Executive of any indemnified Losses, the Company shall have the obligation to employ counsel of its reasonable choosing to defend the Executive's interests in any threatened, pending, or completed action or proceeding. While the Executive also shall have the right to employ separate personal counsel, the expenses of such counsel incurred after written notice from the Company of its assumption of the defense of the action or proceeding shall be at the expense of and paid by the Executive unless (1) the Company shall not in fact have employed reasonable counsel to assume the defense within twenty (20) days of receipt of the notice of Losses for which the Executive is entitled to receive indemnification

under this Section 4 or (2) the Executive shall have reasonably concluded that there may be a conflict of interest if the Company were to assume the defense of the action or proceeding (excluding any conflict created by acts or omissions by the Executive effected without consultation with or under the direction of the Company), in which case the expenses of counsel shall be at the expense of the Company. Notwithstanding anything to the contrary in this Agreement, this Section 4(h) shall survive the termination of this Agreement and shall continue thereafter so long as the Executive may be or is subject to possible Losses.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment with the Company shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may provide the Executive with written notice in accordance with Section 12(g) of this Agreement of its intention to terminate the Executive's employment with the Company. In such event, the Executive's employment with the Company shall terminate effective on the thirtieth (30th) day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the thirty (30) days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties and provided further that a Disability shall be determined to exist as provided hereinafter. For purposes of this Agreement, "Disability" shall mean the inability of the Executive to perform the Executive's duties with the Company on a full-time basis as a result of incapacity due to mental or physical illness, which inability exists for 180 days during any rolling 12-month period, as determined by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment with the Company during the Employment Period either with or without Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the continued failure of the Executive to perform substantially the Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) willful material misconduct or willful neglect by the Executive in the performance of his duties to the Company;

(iii) the Executive's willful failure to adhere to the lawful directions of the Board, to adhere to the Company's material written policies, or to devote substantially all of the Executive's business time and efforts to the Company;

(iv) the Executive is subject to an action taken by a regulatory body or a self-regulatory organization which impairs the Executive from performing his duties to the Company; provided that a temporary suspension pending investigation or final resolution shall not be considered to impair the Executive from performing his duties to the Company for the purposes of this clause (iv);

(v) the Executive's indictment or formal admission to or plea of guilty or nolo contendere to a charge of commission of (A) a felony or (B) any crime involving moral turpitude; or

(vi) the Executive's breach of any of the material terms or conditions of this Agreement.

In order to invoke a termination for Cause on any of the grounds enumerated under Section 5(b)(i), (ii), (iii) or (vi) the Company must provide written notice to the Executive of the existence of such grounds within thirty (30) days following the Company's knowledge of the existence of such grounds, specifying in reasonable detail the grounds constituting Cause, and the Executive shall have thirty (30) days following receipt of such written notice (the "Executive's Cure Period") during which he may remedy the grounds if such grounds are reasonably subject to cure.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in clauses (i), (ii), (iii) or (vi) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment with the Company may be terminated by the Executive during the Employment Period with or without Good Reason. For purposes of this Agreement, "Good Reason" shall mean in the absence of the written consent of the Executive:

(i) a material diminution (*i.e.*, more than 10% aggregate reduction) in the Executive's Annual Base Salary during the Employment Period;

(ii) a material diminution in the Executive's title or position or the assignment to the Executive of any duties or responsibilities (including reporting responsibilities) materially inconsistent with the Executive's position as President and Chief Executive Officer;

(iii) any relocation of the Executive's principal place of business to a location more than 30 miles from the Executive's principal place of business prior to such relocation other than the initial relocation of the Executive's principal place of business in connection with the establishment of the Company's headquarters, which headquarters shall be within the California counties of San Francisco, Alameda or Contra Costa and in a location

deemed by the Board, in its sole discretion, to be a reasonable and acceptable headquarters location for the Company; or

(iv) any other material breach of this Agreement by the Company.

In order to invoke a termination for Good Reason, the Executive shall provide written notice to the Company of the existence of one or more of the conditions described in clauses (i) through (iii) within thirty (30) days following the Executive's knowledge of the initial existence of such condition or conditions, specifying in reasonable detail the conditions constituting Good Reason, and the Company shall have thirty (30) days following receipt of such written notice (the "Cure Period") during which it may remedy the condition if such condition is reasonably subject to cure. In the event that the Company fails to remedy the condition constituting Good Reason during the applicable Cure Period, the Executive's "separation from service" (within the meaning of Section 409A of the Code) must occur, if at all, within 60 days following such Cure Period in order for such termination as a result of such condition to constitute a termination for Good Reason.

(d) Failure to Achieve GSE Approval. The Executive's employment with the Company shall terminate automatically upon the Company's failure to achieve GSE Approval by the GSE Approval Deadline.

(e) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(g) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice or thirty (30) days after the end of the Cure Period, if applicable, in the case of a termination by the Executive with Good Reason). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment with the Company is terminated by the Company other than for Cause or Disability, or by the Executive without Good Reason, the date of receipt of the Notice of Termination or any later date specified therein within thirty (30) days of such notice, as the case may be; (ii) if the Executive's employment with the Company is terminated by the Executive with Good Reason, a date that is no later than thirty (30) days after the Cure Period, if applicable; (iii) if the Executive's employment with the Company is terminated by the Company for Cause, the Date of Termination shall be the date on which the Company, after providing the Executive's Cure Period, if applicable, notifies the Executive of such termination; and (iv) if the Executive's employment with the Company is terminated by reason of death or Disability, the Date of

Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company Upon Termination.

(a) Cause; Failure to Achieve GSE Approval; Resignation Other Than for Good Reason. If the Executive's employment with the Company shall be terminated for Cause at any time or under Section 5(d) due to the Company's failure to achieve GSE Approval by the GSE Approval Deadline or if the Executive terminates his employment with the Company without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than the obligation to pay or provide the following:

(i) a lump sum cash payment consisting of: (A) the Executive's Annual Base Salary as in effect or Pre-GSE Base Salary, as applicable, through the Date of Termination to the extent not yet paid; and (B) any annual Incentive Payment earned by the Executive for a prior award period, but not yet paid to the Executive, provided that (other than any portion of such annual Incentive Payment that was previously deferred, which shall instead be paid in accordance with the applicable deferral arrangement and any election thereunder) such payment shall be made no later than the fifteenth (15th) day of the third (3rd) month following the close of the fiscal year with respect to which such Incentive Payment is earned (the sum of the amounts described in clauses (A) and (B) shall be hereinafter referred to as the "Accrued Obligations"); and

(ii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy, practice, contract or agreement of the Company and the Affiliated Entities through the Date of Termination, including any unreimbursed expenses due and owing to the Executive under the Company's expense reimbursement policy as of the Date of Termination (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Prior to, or More Than Two Years Following, a Change in Control: Resignation for Good Reason; Termination Other than for Cause, Failure to Achieve GSE Approval by the GSE Approval Deadline, Death or Disability. If, during the Employment Period and either prior to, or more than two years immediately following, a Change in Control, the Company shall terminate the Executive's employment with the Company without Cause (excluding termination due to death, Disability or under Section 5(d) for failure to achieve GSE Approval by the GSE Approval Deadline), or if the Executive shall terminate his employment for Good Reason, subject to the Executive's execution, delivery to the Company and non-revocation within 30 days of the Date of Termination of a release of claims against the Company and its Affiliated Entities substantially in the form used by the Company in connection with employment terminations (provided that such release shall not affect the rights of Executive to the stock options and performance shares surviving termination as set forth in the applicable award agreement), the Company shall pay to the Executive on the forty-fifth (45th) day after the Date of Termination (except as otherwise required by law or provided below) or provide, as applicable, the following:

(i) a lump sum cash payment consisting of all of the following: (A) all Accrued Obligations as of the Date of Termination; (B) one times the Executive's Annual Base Salary as set forth in Section 4(b)(i) of this Agreement; and (C) one times the Target Incentive Payment for the year in which the Date of Termination occurs (taking into account any reduction pursuant to Section 4(b)(ii)(D) of this Agreement) or if the Executive's employment with the Company is terminated prior to the Subsequent Effective Date, the Target Incentive Payment set forth in Section 4(b)(ii)(A) of this Agreement; and

(ii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive the Other Benefits.

(c) During the Two-Year Period Immediately Following a Change in Control: Resignation for Good Reason; Termination Other Than for Cause or Death or Disability. If, during the Employment Period and during the two-year period immediately following a Change in Control (as defined below), the Company shall terminate the Executive's employment with the Company other than for Cause, death or Disability or if the Executive shall terminate his employment for Good Reason, subject to the Executive's execution, delivery to the Company and non-revocation within thirty (30) days of the Date of Termination of a release of claims against the Company and its Affiliated Entities substantially in the form used by the Company in connection with employment terminations (provided that such release shall not affect the rights of Executive to the stock options and performance shares surviving termination as set forth in the applicable award agreement), the Company shall pay to the Executive on the forty-fifth (45th) day after the Date of Termination (except as otherwise required by law or provided below) or provide, as applicable, the following:

(i) a lump sum cash payment consisting of: (A) Accrued Obligations;
and (B) three times the sum of (x) Executive's Annual Base Salary as in effect immediately prior to the Date of Termination and (y) the Target Incentive Payment for the year in which the Date of Termination occurs (taking into account any reduction in the Target Incentive Payment based on Section 4(b)(ii)(D) of this Agreement); and

(ii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive the Other Benefits.

(d) Death or Disability. If the Executive's employment with the Company is terminated by reason of the Executive's death or Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than the obligation to pay or provide all of the following: (i) the Accrued Obligations and (ii) the timely payment or provision of the Other Benefits. The Accrued Obligations, in the event of death, shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within thirty (30) days of the Date of Termination or, if earlier, as required by law. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6 shall include death or Disability benefits as in effect on the date of the Executive's death or the Disability Effective Date, as applicable, with respect to senior executives of the Company and their beneficiaries.

(e) Effect of Termination on Other Positions. If, on the Date of Termination, the Executive is a member of the Board or the board of directors of any of the Company's subsidiaries, or holds any other position with the Company or its subsidiaries, the Executive shall be deemed to have resigned from all such positions as of the date of his termination of employment with the Company. The Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignation.

(f) Full Settlement. Except with respect to the payments specifically contemplated by Section 4(c) of this Agreement, the payments and benefits provided under this Section 6 (including, without limitation, the Other Benefits) shall be in full satisfaction of the Company's obligations to the Executive upon his termination of employment, notwithstanding the remaining length of the Employment Period, and in no event shall the Executive be entitled to severance benefits (or other damages in respect of a termination of employment or claim for breach of this Agreement) beyond those specified in this Section 6.

(g) "Change in Control" shall, for the purposes of Section 6 of this Agreement, be the first to occur following the Effective Date of:

(i) the acquisition by any individual, entity or Group, as defined in Section 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") of Beneficial Ownership (within the meaning given in Rule 13d-3 promulgated under the Exchange Act) (in a single transaction or a series of related transactions) of 35% or more (on a fully diluted basis) of either (A) the then outstanding shares of common stock of the Company, taking into account as outstanding for this purpose such common stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise or settlement of any similar right to acquire such common stock, or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Agreement, the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Company or any Affiliated Entity, (2) any acquisition directly from the Company, (3) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliated Entity or (4) any acquisition by any person or entity that complies with clauses (A), (B) and (C) of subsection (iv) of this Section 6(g);

(ii) individuals who, on the Initial Effective Date, constitute the Company's board of directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination), shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(iii) approval by the stockholders of the Company of a complete dissolution or liquidation of the Company; or

(iv) the consummation of a merger, consolidation, statutory share exchange, a sale or other disposition of all or substantially all of the assets of the Company or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), in each case, unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Company") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the directors of the Surviving Company (the "Parent Company") is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company), is or becomes the beneficial owner, directly or indirectly, of 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) and (C) at least two-thirds of the members of the board of directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

For the avoidance of doubt, in no event shall (w) the Capitalization of NMI, (x) the Company's public offering of Common Stock pursuant to a registration statement declared effective under the Securities Act, (y) any change in the composition of the Board resulting from a Special Election Meeting referred to in Section 2.2(b) of the Company's By-Laws or (z) any transactions relating to the dissolution or liquidation of the Company resulting from the failure to receive GSE Approval, in the case of each of clause (i), (ii), (iii) or (iv), constitute or be deemed to constitute a Change in Control nor shall it be taken into account in determining whether a Change in Control occurred for purposes of this Agreement.

7. No Mitigation; No Offset. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, such amounts shall not be reduced whether or not the Executive obtains other employment.

8. Section 409A; Forfeiture.

(a) Section 409A.

(i) General. It is intended that this Agreement shall comply with the provisions of Section 409A of the Code and the Treasury regulations relating thereto, or an

exemption to Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception under Treasury Regulations Sections 1.409A-1(b)(4), the "separation pay" exception under Treasury Regulations 1.409A-1(b)(9)(iii) or another exception under Section 409A of the Code will be paid under the applicable exception to the greatest extent possible. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Section 409A of the Code deferral election rules and the exclusion under Section 409A of the Code for certain short-term deferral amounts. All payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under Section 409A of the Code.

(ii) In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, all (i) reimbursements and (ii) in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (A) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement); (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (C) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (D) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(iii) Delay of Payments. Notwithstanding any other provision of this Agreement to the contrary, if the Executive is considered a "specified employee" for purposes of Section 409A (as determined in accordance with the methodology established by the Company as in effect on the date of termination), (A) any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to the Executive under this Agreement during the six-month period following his separation from service (as determined in accordance with Section 409A of the Code) on account of his separation from service shall be accumulated and paid to Executive on the first business day of the seventh month following his separation from service (the "Delayed Payment Date") and (B) in the event any equity compensation awards held by the Executive that vest or are to be settled upon termination of the Executive's employment constitute nonqualified deferred compensation within the meaning of Section 409A of the Code, the delivery of shares of common stock (or cash) as applicable in settlement of such awards shall be made on the earliest permissible payment date (including the Delayed Payment Date) or event under Section 409A on which the shares (or cash) would otherwise be delivered or paid. The Executive shall be entitled to interest on any delayed cash payments from the date of termination to the Delayed Payment Date at a rate equal to the applicable Federal short-term rate in effect under Code Section 1274(d) for the month in which the Executive's separation from service occurs. If the Executive dies during the postponement period, the amounts and entitlements delayed on account of Section 409A shall be paid to the personal representative of his estate on the first to occur of the Delayed Payment Date or 30 days after the date of the Executive's death.

(iv) Separation From Service. Despite any contrary provision of this Agreement, any references to termination of employment or the Executive's Date of Termination

shall mean and refer to the date of his "separation from service," as that term is defined in Section 409A of the Code and Treasury Regulation Section 1.409A-1(h).

(b) Forfeiture.

(i) Subject to judicial determination consistent with the Sarbanes-Oxley Act of 2002, if, after the Company's Public Filing becomes effective and during the Employment Period, the Company is required to prepare an accounting restatement due to material noncompliance of the Company as a result of misconduct by Executive, with any financial reporting requirement under the Federal securities laws, the Executive shall reimburse the Company for all amounts received under any incentive compensation plans from the Company during the 12 month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement, and any profits realized from the sale of securities of the Company during that 12-month period, unless the application of this provision has been exempted by the Securities and Exchange Commission.

(ii) The Company and the Executive acknowledge and agree that the Executive shall be subject to any clawback, recoupment, forfeiture or any similar policy or program adopted by the Compensation Committee following the Initial Effective Date.

9. Limitation on Certain Payments.

(a) Anything in this Agreement to the contrary notwithstanding, in the event the Accounting Firm (as defined in 9(e) below) shall determine that receipt of all Payments (as defined in 9(e) below) would subject the Executive to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Payments paid or payable pursuant to this Agreement (the "Agreement Payments") so that the Parachute Value (as defined in 9(e) below) of all Payments, in the aggregate, equals the Safe Harbor Amount (as defined in 9(e) below). The Agreement Payments shall be so reduced only if the Accounting Firm determines that the Executive would have a greater Net After-Tax Receipt (as defined in 9(e) below) of aggregate Payments if the Agreement Payments were so reduced. If the Accounting Firm determines that the Executive would not have a greater Net After-Tax Receipt (as defined in 9(e) below) of aggregate Payments if the Agreement Payments were so reduced, the Executive shall receive all Agreement Payments to which the Executive is entitled hereunder.

(b) If the Accounting Firm determines that aggregate Agreement Payments should be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 9 shall be binding upon the Company and the Executive and shall be made as soon as reasonably practicable and in no event later than fifteen (15) days following the Date of Termination. For purposes of reducing the Agreement Payments so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, the Agreement Payments shall be reduced by reducing the payments and benefits under the following sections in the following order: (i) first, any Payments under Section 6(b)(i); (ii) second, any other cash Payments that

would be made upon a termination of the Executive's employment, beginning with payments that would be made last in time; (iii) third, all rights to payments, vesting or benefits in connection with any options to purchase Common Stock; (iv) fourth, all rights to payments, vesting or benefits in connection with any restricted stock awards that are performance-based vesting awards; (v) fifth, all rights to payments, vesting or benefits in connection with any options to purchase Common Stock that are time-based vesting awards; and (vi) sixth, all rights to any other payments or benefits shall be reduced, beginning with payments or benefits that would be received last in time. All fees and expenses of the Accounting Firm shall be borne solely by the Company.

(c) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Safe Harbor Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Executive which the Accounting Firm believes has a high probability of success, determines that an Overpayment has been made, the Executive shall pay promptly (and in no event later than 60 days following the date on which the Overpayment is determined) pay any such Overpayment to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by the Executive to the Company if and to the extent such payment would not either reduce the amount on which the Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than 60 days following the date on which the Underpayment is determined) by the Company to or for the benefit of the Executive together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

(d) To the extent requested by the Executive, the Company shall cooperate with the Executive in good faith in valuing, and the Accounting Firm shall take into account the value of, services provided or to be provided by the Executive (including without limitation, the Executive's agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant, including that set forth in Section 10(e) of this Agreement) before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of the final regulations under Section 280G of the Code), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of the final regulations under Section 280G of the Code and/or exempt from the definition of the term "parachute payment" within the meaning of Q&A-2(a) of the final regulations under Section 280G of the Code in accordance with Q&A-5(a) of the final regulations under Section 280G of the Code.

(e) Definitions. The following terms shall have the following meanings for purposes of this Section 9.

(i) "Accounting Firm" shall mean a nationally recognized certified public accounting firm that is selected by the Company for purposes of making the applicable determinations hereunder and is reasonably acceptable to the Executive, which firm shall not, without the Executive's consent, be a firm serving as accountant or auditor for the individual, entity or group effecting the Change in Control.

(ii) "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determined to be likely to apply to the Executive in the relevant tax year(s).

(iii) "Parachute Value" of a Payment means the present value as of the date of the Change in Control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(iv) "Payment" means any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

(v) "Safe Harbor Amount" means (x) 3.0 times the Executive's "base amount," within the meaning of Section 280G(b)(3) of the Code, minus (y) $1.00.

10. Restrictive Covenants.

(a) Return of Company Property. Upon his termination of employment for any reason, the Executive shall promptly return to the Company any keys, credit cards, passes, confidential documents or material, or other property belonging to the Company, and the Executive shall also return all writings, files, records, correspondence, notebooks, notes and other documents and things (including any copies thereof) containing confidential information or relating to the business or proposed business of the Company or the Affiliated Entities or containing any trade secrets relating to the Company or the Affiliated Entities except any personal diaries, calendars, rolodexes or personal notes or correspondence. For purposes of the preceding sentence, the term "trade secrets" shall have the meaning ascribed to it under the Uniform Trade Secrets Act. The Executive agrees to represent in writing to the Company upon termination of employment that he has complied with the foregoing provisions of this Section 10(a).

(b) Mutual Nondisparagement. The Executive and the Company each agree that, following the Executive's termination of employment, neither the Executive nor the Company will make any public statements which materially disparage the other party.

The Company shall not be liable for any breach of its obligations under this paragraph if it informs its directors and executive officers, as such term is defined in Rule 3b-7 promulgated under the Securities Exchange Act of 1934, as amended, of the content of its covenant hereunder and takes reasonable measures to ensure that such individuals honor the Company's agreement. Notwithstanding the foregoing, nothing in this Section 10(b) shall prohibit any person from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Agreement.

(c) Confidential Information. The Executive acknowledges that he will have knowledge of certain trade secrets of the Company and its business plans and prospects. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its businesses or prospective businesses, including, without limitation, any trade secrets, research, secret data, business methods, operating procedures or programs which shall have been obtained by the Executive in connection with his services to the Company or any affiliates thereof and which shall not be or become public knowledge (other than by acts by the Executive in violation of this Agreement) (collectively, the "Trade Secrets and Confidential Information"); provided, however, that the parties acknowledge and agree that the Executive will be required to disclose Trade Secrets and Confidential Information to third parties in performing services for the Company under this Agreement, which the Executive may do only to the extent required, as determined within his reasonable discretion. After termination of the Executive's services with the Company for any reason, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

(d) Nonsolicitation. The Executive agrees that, while he is employed by the Company and during the (i) two-year period following his termination of employment with the Company for Cause or under Section 5(d) for failure to achieve GSE Approval by the GSE Approval Deadline or the Executive resigns without Good Reason, or (ii) eighteen-month period following his termination of employment by the Company without Cause, due to Disability or the Executive resigns with Good Reason, the Executive shall not directly or indirectly (A) solicit any individual who is, on the date of termination (or was, during the six-month period prior to the date of termination), employed by the Company or any of its Affiliated Entities to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or the Affiliated Entities, or (B) solicit any investor or prospective investor in the Company or any business contact introduced to the Executive in connection with his employment by the Company hereunder to curtail or cease doing business with the Company or its Affiliated Entities or FBR & Co. and its affiliates.

(e) Noncompetition. The Executive agrees that, while he is employed by the Company, he will not engage in Competition (as defined below). The Executive shall be deemed to be engaging in "Competition" if he, directly or indirectly, anywhere in the continental United States, owns, manages, operates, controls or participates in the ownership, management, operation or control of or is connected as an officer, employee, partner, director, consultant or

otherwise with, or has any financial interest in, any business (whether through a corporation or other entity) engaged in the private mortgage insurance business or related business in any geographic area in which the Company or one of its Affiliated Entities conducts such business. Ownership for personal investment purposes only of not more than 2% of the voting stock of any publicly held corporation shall not constitute a violation hereof.

(f) Equitable Remedies. The Executive acknowledges that the Company would be irreparably injured by a violation of Section 10(b), (c), (d) or (e) and he agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 10(b), (c), (d) or (e). If a bond is required to be posted in order for either party to secure an injunction or other equitable remedy in connection with Section 10(b), (d) or (e), the parties agree that said bond need not be more than a nominal sum.

(g) Severability; Blue Pencil. The Executive acknowledges and agrees that he has had the opportunity to seek advice of counsel in connection with the Agreement and the restrictive covenants contained herein are reasonable in geographical scope, temporal duration and in all other respects. If it is determined that any provision of this Section 10 is invalid or unenforceable, the remainder of the provisions of this Section 10 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any covenant or covenants in this Section 10 is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced form, such provision shall be enforced.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive. This Agreement and any rights and benefits hereunder shall inure to the benefit of and be enforceable by the Executive's legal representatives, heirs or legatees. This Agreement and any rights and benefits hereunder shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(b) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to satisfy all of the obligations under this Agreement in the same manner and to the same extent that the Company would be required to satisfy such obligations if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

12. Miscellaneous.

(a) Amendment. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) Withholding. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(c) Applicable Law. The provisions of this Agreement shall be construed in accordance with the internal laws of the State of California, without regard to the conflict of law provisions of any state.

(d) Dispute Resolution. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement (other than a controversy or claim arising under Section 10 of this Agreement) that is not resolved by the Executive and the Company shall be submitted to arbitration in the New York, New York area in accordance with California law and the procedures of the American Arbitration Association. The determination of the arbitrator shall be conclusive and binding on the Company and the Executive and judgment may be entered on the arbitrator(s)' award(s) in any court having competent jurisdiction.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, and this Agreement will be construed as if such invalid or unenforceable provision were omitted (but only to the extent that such provision cannot be appropriately reformed or modified).

(f) Waiver of Breach. No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of any party hereto to take any action by reason of such breach will not deprive such party of the right to take action at any time while such breach continues.

(g) Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below (or such other addresses as shall be specified by the parties by like notice):

to the Company:

NMI Holdings, Inc.
c/o FBR Capital Markets & Co.,
1001 19th St. North
Arlington, Virginia 22209
ATTENTION: Secretary

or to the Executive:

Bradley M. Shuster

at the address last on the records of the Company.

Each party, by written notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received.

(h) Survivorship. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

(i) Entire Agreement. From and after the Initial Effective Date, this Agreement shall supersede any other employment agreement or understanding, including, without limitation, the Consulting Agreement by and between the Executive and the Company, dated as of May 16, 2011, between the parties (except with respect to amounts owed as of the Initial Effective Date pursuant to Section 4(a) or 4(b) of the Consulting Agreement and Section 11, which shall survive with respect to actions taken in connection with the Executive providing services as a consultant) with respect to the subject matter hereof. The obligations under this Agreement are enforceable solely against the Company and its Affiliated Entities, and in no event shall this Agreement be enforceable against FBR & Co. or any stockholder of, or investor in, the Company.

(j) Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(k) Authority. The Executive represents and warrants that he has the full authority to execute and enter into this Agreement and has obtained all consents, approvals and authorities of any person, committee or entity necessary to make this Agreement binding and fully enforceable against the party for which he signs.

[***REMAINDER OF PAGE INTENTIONALLY LEFT BLANK***]

IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

NMI HOLDINGS, INC.

By: /s/Joseph Kavanagh
Name: Joseph Kavanagh
Title: Vice President, Secretary

Dated: 3/6/12

BRADLEY M. SHUSTER

Dated: 3/6/12 /s/ Bradley M. Shuster

SCHEDULE A

Luther Burbank Corporation

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT (this "Amendment") to the Employment Agreement (the "Employment Agreement"), dated as of March 6, 2012, by and between Bradley M. Shuster (the "Executive") and NMI Holdings, Inc. (the "Company") a Delaware Corporation, is made and entered into as of April 24, 2012, by and between the Executive and the Company and is effective as of the date hereof. All capitalized terms used but not defined herein shall have the meaning assigned to them in the Employment Agreement.

WITNESSETH THAT:

WHEREAS, the Employment Agreement includes a definition of Change in Control;

WHEREAS, in connection with finalizing the Company's By-Laws, certain elements in the definition of Change in Control in the Employment Agreement require amendment;

WHEREAS, the Company and the Executive wish to amend the definition of Change in Control to substantially conform to the definition of Change of Control set forth in the Company's By-Laws;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, and for other good and valuable consideration, the Executive and the Company hereby agree as follows:

1. Definition of Change in Control. The definition of Change in Control set forth in Section 6(g) of the Employment Agreement is hereby amended to read as follows:

"Change in Control" shall, for the purposes of Section 6 of this Agreement, be the first to occur following the Effective Date of:

(i) the acquisition by any individual, entity or Group, as defined in Section 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") of Beneficial Ownership (within the meaning given in Rule 13d-3 promulgated under the Exchange Act) (in a single transaction or a series of related transactions) of 35% or more (on a fully diluted basis) of either (A) the then outstanding shares of common stock of the Company, taking into account as outstanding for this purpose such common stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise or settlement of any similar right to acquire such common stock, or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Agreement, the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Company or any Affiliated Entity, (2) any acquisition directly from the Company, (3) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliated Entity or (4) any acquisition by any person or entity that complies with clauses (A), (B) and (C) of subsection (iv) of this Section 6(g);

(ii) individuals who, on the Initial Effective Date, constitute the Company's board of directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination), shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director; and provided, further, that any directors elected at the Directors Election Meeting (as defined in the Company's By-Laws) shall be considered "Incumbent Directors" for purposes of this Section 6(g)(ii);

(iii) approval by the stockholders of the Company of a complete dissolution or liquidation of the Company; or

(iv) the consummation of a merger, consolidation, statutory share exchange, a sale or other disposition of all or substantially all of the assets of the Company or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), in each case, unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Company") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the directors of the Surviving Company (the "Parent Company") is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company), is or becomes the beneficial owner, directly or indirectly, of 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) and (C) at least two-thirds of the members of the board of directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

For the avoidance of doubt, in no event shall (w) the Capitalization of NMI, (x) the Company's public offering of Common Stock pursuant to a registration statement declared effective under the Securities Act, (y) any change in the composition of the Board resulting from a Special Election Meeting referred to in Section 2.2(b) of the Company's By-Laws or from a Director Election Meeting referred to in Section 2.2(c) of the Company's By-Laws, or (z) any transactions relating to the dissolution or liquidation of the Company resulting from the failure to receive

GSE Approval, in the case of each of clause (i), (ii), (iii) or (iv), constitute or be deemed to constitute a Change in Control nor shall it be taken into account in determining whether a Change in Control occurred for purposes of this Agreement."

2. Effect on the Employment Agreement. This Amendment shall be deemed incorporated into the Employment Agreement and shall be construed and interpreted as though fully set forth therein. Except as amended and modified herein, the Employment Agreement remains in full force and effect.

3. Miscellaneous. Section 12 of the Employment Agreement shall apply *mutatis mutandis* to this Amendment.

[*Remainder of this page is intentionally left blank.*]

IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

NMI HOLDINGS, INC.

By: /s/ Joseph Kavanagh
Name: Joseph Kavanagh
Title: Director

Dated: April 24, 2012

BRADLEY M. SHUSTER

Dated: April 24, 2012 /s/ Bradley M. Shuster

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of March 6, 2012, by and between John M. Sherwood (the "Executive") and NMI Holdings, Inc. (the "Company"), a Delaware corporation.

WITNESSETH THAT:

WHEREAS, the Company is desirous of employing the Executive in an executive capacity on the terms and conditions, and for the consideration, hereinafter set forth, and the Executive is desirous of being employed by the Company on such terms and conditions and for such consideration

WHEREAS, the Company is in the process of raising capital for the capitalization of its private mortgage insurance business;

WHEREAS, the parties intend that this Agreement shall become binding and enforceable when the Company receives cash proceeds (or irrevocable commitments therefor) of at least $500,000,000 in the aggregate (before discounts, placement agent fees and any expenses) (the "Capitalization of NMI"), and to commence business operations, following the Capitalization of NMI, the Company will need to obtain conditional approval by either Fannie Mae or Freddie Mac to permit the Company to write private mortgage insurance.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, and for other good and valuable consideration, it is hereby covenanted and agreed by the Executive and the Company as follows:

1. Effective Date. This Agreement shall become binding and enforceable on the date of the Capitalization of NMI (the "Initial Effective Date"). Notwithstanding any other provisions of this Agreement, if the Capitalization of NMI does not occur on or before April 30, 2012 (subject to extension upon the mutual agreement of the parties to this Agreement by a date that is no less than three (3) business days prior to such deadline), this Agreement shall not become effective, shall be null and void, and the Executive shall have no rights hereunder.

2. Employment Period. The initial term of the Executive's employment (the "Employment Period") will commence on the Initial Effective Date and end on the third anniversary of the date on which the Company receives GSE Approval (as defined in the Stock Purchase Agreement, by and between the Company and MAC Financial Ltd., dated as of November 30, 2011) (the "Subsequent Effective Date"), unless the Employment Period is terminated earlier pursuant to Section 5 of this Agreement. Notwithstanding anything to the contrary herein, if a Change in Control (as defined below) occurs during the Employment Period and before the third anniversary of the Subsequent Effective Date, the Employment Period shall end, unless terminated earlier pursuant to Section 5 of this Agreement, on the later of (a) the second anniversary of the closing of the Change in Control or (b) the third anniversary of the Subsequent Effective Date.

3. Position and Duties.

(a) During the Employment Period, the Executive shall (i) serve as the Executive Vice President and Chief Financial Officer of the Company, with such authority, power, duties and responsibilities as are commensurate with such positions and as are customarily exercised by a person holding such positions in a company of the size and nature of the Company, (ii) report directly to the Chief Executive Officer of the Company (the "CEO"), and (iii) perform his duties at the Company's primary office location in or near San Francisco, California, subject to the Executive's performance of duties at, and travel to, such other offices of the Company and subsidiaries and controlled affiliates (the "Affiliated Entities") and/or other locations as shall be necessary to fulfill his duties.

(b) The Executive, during the Employment Period, shall devote his full business time, energies and talents to serving in the positions described in this Section 3 and he shall perform his duties faithfully and efficiently subject to the directions of the CEO. Notwithstanding the foregoing provisions of this Section 3(b), the Executive may (i) serve as a director, trustee or officer or otherwise participate in not-for-profit educational, welfare, social, religious and civic organizations, (ii) subject to the written consent of the Board of Directors of the Company (the "Board"), serve on the board of directors of for-profit entities, and (iii) acquire passive investment interests in one or more entities, to the extent that such other activities do not inhibit or interfere with the performance of the Executive's duties under this Agreement, or conflict with the business or policies of the Company or any Affiliated Entities.

4. Compensation. Subject to the terms of this Agreement, Executive shall be entitled to receive compensation as follows:

(a) During the portion of the Employment Period occurring prior to GSE Approval, while the Executive is employed by the Company, the Executive shall be entitled to (i) receive a monthly salary of $20,000 (the "Pre-GSE Base Salary"), payable in arrears on the last day of each calendar month during the Employment Period and, for the calendar month in which the GSE Approval occurs, Executive shall receive a prorated portion of his monthly Pre-GSE Base Salary, based on the number of days in the month that elapsed prior to the GSE Approval and (ii) participate in any health and welfare benefit programs adopted and maintained by the Company for its employees following the Initial Effective Date.

(b) Upon the Company's receipt of GSE Approval, then during the period commencing on the Subsequent Effective Date and continuing through the Employment Period (the "Remuneration Period"), while the Executive is employed by the Company, the Executive shall be entitled to receive, and the Company shall compensate him for his services as follows:

(i) Base Salary. During the Remuneration Period, the Executive shall receive an annual base salary ("Annual Base Salary") of no less than $400,000. The Executive's Annual Base Salary shall be reviewed annually by the Compensation Committee of the Board (the "Compensation Committee") pursuant to its normal performance review policies for senior executives and may be increased but not decreased. The term "Annual Base Salary" as utilized in this Agreement shall refer to Annual Base Salary as in effect from time to time. Such Annual Base Salary shall be payable in accordance with the Company's payroll policies, as in effect from time to time.

(ii) Annual Incentive Payment. With respect to each fiscal year or portion of a fiscal year of the Company that ends during the Remuneration Period, the Executive shall be eligible to receive an annual incentive payment (the "Incentive Payment") as determined by the Compensation Committee, subject to the following:

(A) The Executive's target Incentive Payment opportunity under the incentive plan applicable to the Executive for each fiscal year during the Remuneration Period shall be 100% of his Annual Base Salary (the "Target Incentive Payment").

(B) Subject to Section 4(b)(ii)(D) below, if GSE Approval is obtained in the middle of calendar year 2012 or 2013, the Executive nevertheless will be entitled to receive an Incentive Payment of not less than 50% of the Target Incentive Payment for, (I) if the Remuneration Period commences in 2012, the portion of the period beginning on the Initial Effective Date and ending at the end of calendar year 2012, if any, falling in calendar year 2012 prorated for the portion of calendar year 2012 from the Initial Effective Date through the end of the applicable calendar year or, (II) if the Remuneration Period commences in calendar year 2013, the bonus shall not be prorated with respect to calendar year 2013.

(C) Any earned Incentive Payment shall be paid to the Executive pursuant to the terms of the applicable incentive plan; provided, however, that any such Incentive Payment for a fiscal year shall be paid to the Executive no later than the fifteenth (15^{th}) day of the third month following the close of such fiscal year, or the calendar year where applicable, unless the Executive shall elect to defer the receipt of such Incentive Payment pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(D) Notwithstanding the foregoing, in the event that the Company's initial filing of a registration statement registering the resale of the Registrable Shares as defined in the Registration Rights Agreement by and between the Company and FBR & Co. (the "Public Filing") does not occur (other than as a result of the Securities and Exchange Commission being unable to accept such filing) prior to the date (the "Public Filing Deadline") that is (I) the date that is six (6) months following GSE Approval, or (II) such later public filing deadline as approved by a vote of stockholders holding at least seventy-five percent (75%) of the Registrable Shares, then the Executive's Target Incentive Payment for the fiscal year during which the Public Filing Deadline occurs shall be immediately reduced to 50% of the Target Incentive Payment and such Target Incentive Payment (or any Target Incentive Payment relating to a fiscal year that begins following the Public Filing Deadline during which the Public Filing has not yet occurred) shall be reduced by a further 10% for each additional thirty (30) days following the Public Filing Deadline that elapses prior to the Public Filing occurring, but in no event shall be less than zero (0).

(iii) Annual Equity Awards. With respect to each fiscal year or portion of a fiscal year of the Company ending during the Remuneration Period, the Executive shall be eligible to be considered for the grant of annual equity awards under any Company equity plans on terms and conditions no less favorable than those provided to other senior executives of the Company.

(iv) Initial Equity Awards. The Company will grant to the Executive the following stock, restricted stock and stock options at the following times:

(A) On or before the Initial Effective Date, the Company will adopt an omnibus stock incentive plan (the "Equity Plan"), which will, at a minimum, allow for the issuance of non-qualified stock options and restricted stock;

(B) Following the Initial Effective Date, the Executive will be granted 371,250 restricted stock units and stock options with respect to 453,750 shares of Company common stock (the "Initial Equity Awards"). The Initial Equity Awards will be granted subject to terms and conditions set forth in an equity award agreement and the Equity Plan and will be subject to the following minimum vesting conditions, in each case, subject to the Executive's continued employment with the Company through any such vesting date (unless provided otherwise in the applicable equity award agreement) and the achievement of GSE Approval:

(1) the restricted stock ("performance shares" will vest as follows: 1/3 of the performance shares will vest when the stock price equals or exceeds $12.50 per share, 1/3 of the performance shares will vest when the stock price equals or exceeds $14 per share and 1/3 of the performance shares will vest when the stock price equals or exceeds $16 per share.

(2) one-third (1/3) of the stock options will vest on the first anniversary of the Initial Effective Date, an additional 1/3 of the stock options will vest on the second anniversary of the Initial Effective Date and the final 1/3 of the stock options will vest on the third anniversary of the Initial Effective Date.

(C) The price per share of Company common stock (the "Common Stock") for determining the performance shares under the Equity Plan, and under Section 4(b)(iv) (D) will be determined as follows:

(1) if the Common Stock is traded on an established securities exchange, such stock

will vest when the average closing price of the shares on such exchange for any consecutive thirty- (30-) day trading period exceeds the price required for vesting;

(2) if the Common Stock is actively traded over-the-counter, such stock will vest when the average of the closing bid price over any consecutive thirty- (30-) day trading period exceeds the price required for vesting;

(3) if the Common Stock is traded on the FBR Plus™ System, such stock will vest when the average sales price reported on the FBR Plus™ System over any consecutive thirty- (30-) day trading period exceeds the price required for vesting; and

(4) if, as of the third anniversary of the Subsequent Effective Date, the Common Stock is not traded on any market identified in Sections 4(d)(iv)(C)(1), (2) and (3), such stock will vest when the fair market value of the shares determined based on the procedures prescribed by Treas. Reg. Section 1.409A-1(b)(5)(iv)(B) (relating to stock not readily tradable on an established market) exceeds the price required for vesting.

(D) Despite any contrary provision of this Agreement, the performance targets used for vesting purposes under Section 4(b)(iv)(B)(1) assume a $10 per share price for the Company's common stock on the date of the Capitalization of NMI. Performance targets will be adjusted on the Initial Effective Date in proportion to the amount by which the per share price for the Company's Common Stock is more or less than $10 per share; and

(E) The grants of common stock, restricted stock and stock options set forth in this Section 4 shall be subject to and contingent upon the Executive entering into such agreements, as may be reasonably provided by the Company, and making such representations and warranties as the Company may reasonably require, including representing as to the Executive's status as an "accredited investor" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act").

(c) Additional Bonuses.

(i) GSE Approval Bonus. If the Company obtains GSE Approval on or before the date (the "GSE Approval Deadline") that is (A) nine (9) months immediately following the Initial Effective Date, or (B) such later deadline for GSE Approval as approved by a vote of stockholders holding at least a majority of the Registrable Shares, the Executive shall receive an additional lump sum cash payment from the Company equal to $200,000 (the "GSE Bonus"), to be paid as soon as practicable after the Subsequent Effective Date and in no event more than thirty (30) days thereafter. Executive's eligibility for the bonus described in this section is subject to Executive's continuing employment through GSE Approval, provided that if the Company terminates Executive's employment with the Company without "Cause" or he resigns for "Good Reason" prior to the GSE Approval Deadline, then Executive shall remain eligible to receive 50% of the GSE Bonus, subject to GSE Approval being achieved on or prior to the GSE Approval Deadline, with such portion of the GSE Bonus to be paid at the same time as if the Executive had remained employed by the Company through the achievement of GSE Approval.

(ii) Filing Date Bonus. If the Public Filing (as defined in Section 4(b)(ii)(D) above) occurs on or prior to the Public Filing Deadline (as defined in Section 4(b)(ii)(D) above), the Executive shall receive an additional lump sum cash payment from the Company equal to $200,000 (the "Filing Date Bonus"), to be paid as soon as practicable after the Public Filing, but in no event shall it be paid more than thirty (30) days thereafter. Executive's eligibility for the bonus described in this section is subject to Executive's continuing employment through the Public Filing, provided that if the Company terminates Executive's employment with the Company without "Cause" or he resigns for "Good Reason" prior to the Public Filing, then Executive shall remain eligible to receive 50% of the Filing Date Bonus, subject to the Public Filing occurring on or prior to the Public Filing Deadline with such portion of the Filing Date Bonus to be paid at the same time as if the Executive had remained employed by the Company through the Public Filing.

(iii) Filing Effective Date Bonus. If the Company's Public Filing becomes effective on or before the date (the "Public Filing Effective Deadline") that is the latest of: (A) twelve (12) months immediately following GSE Approval, (B) six (6) months immediately following the Public Filing, or (C) such later Public Filing effective date as approved by a vote stockholders holding at least seventy-five percent (75%) of the Registrable Shares, the Executive shall receive an additional lump sum cash payment from the Company equal to $200,000 ("Effective Date Bonus"), to be paid as soon as practicable after the Public Filing becomes effective, but in no event shall it be paid more than thirty (30) days thereafter. Executive's eligibility for the bonus described in this section is subject to Executive's continuing employment through the date that the Public Filing becomes effective, provided that if the Company terminates Executive's employment with the Company without "Cause" or he resigns for "Good Reason" prior to the Public Filing Effective Deadline, then Executive shall remain eligible to receive 50% of the Effective Date Bonus, subject to the Public Filing becoming effective prior to the Public Filing Effective Date Deadline with such portion of the Effective Date Bonus to be paid at the same time as if the Executive had remained employed by the Company through the date that the Public Filing becomes effective.

(d) Employee Benefits, Fringe Benefits and Perquisites. During the Employment Period, the Executive shall be provided with employee benefits, fringe benefits and perquisites on a basis no less favorable than such benefits and perquisites are provided by the Company from time to time to the Company's other senior executives, including, but not limited to, participation in a nonqualified deferred compensation plan, a 401(k) plan, health, dental, vision and life insurance, in each case to the extent otherwise maintained by the Company.

(e) Expense Reimbursement. Subject to the requirements of Section 8(a)(ii) (relating to in-kind benefits and reimbursements), the Company will reimburse the Executive for all reasonable expenses incurred by him during the Employment Period in the performance of his duties in accordance with the Company's policies applicable to senior executives.

(f) Stock Ownership Requirement. During the Employment Period, the Executive shall be subject to the Company's stock ownership policy in accordance with the guidelines as established by the Compensation Committee.

(g) Paid Time Off. During the Employment Period, the Executive shall be entitled to thirty (30) days of personal time off ("PTO") on an annual basis, which may be taken for any reason, including vacation and sick leave, in accordance with the Company's PTO policy. In addition, the Executive shall be entitled to all paid holidays given by the Company to its full-time employees.

(h) Indemnification/Insurance. The Company shall defend and indemnify the Executive and hold the Executive harmless against any and all third-party claims, losses, damages, expenses, judgments, fines or settlements, including without limitation attorneys' fees and expenses of litigation (collectively, "Losses") suffered or incurred by the Executive that directly or indirectly are based upon, arise out of or are in connection with any actual or alleged acts or omissions by the Executive and/or the Company (or its affiliates, employees, officers, directors or agents) in connection with this Agreement, the Executive's relationship with the Company or its affiliates, the Executive's services or obligations under this Agreement, or the fact that the Executive is an employee of the Company, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The foregoing obligations of the Company shall not apply (a) to acts or omissions by the Executive that (i) were not acted in good faith, (ii) the Executive knew or should have known were not in the best interests of the Company, (iii) with respect to any criminal action or proceeding, the Executive had no reasonable cause to believe the Executive's conduct was lawful, or (iv) were effected without consultation with or under direction of the Company and create a conflict between the Executive's interests and the interests of the Company ; and (b) to disputes between the Executive and the Company. Upon the receipt by the Company of written notice from the Executive of any indemnified Losses, the Company shall have the obligation to employ counsel of its reasonable choosing to defend the Executive's interests in any threatened, pending, or completed action or proceeding. While the Executive also shall have the right to employ separate personal counsel, the expenses of such counsel incurred after written notice from the Company of its assumption of the defense of the action or proceeding shall be at the expense of and paid by the Executive unless (1) the Company shall not in fact have employed reasonable counsel to assume the defense within twenty (20) days of receipt of the notice of Losses for which the Executive is entitled to receive indemnification

under this Section 4 or (2) the Executive shall have reasonably concluded that there may be a conflict of interest if the Company were to assume the defense of the action or proceeding (excluding any conflict created by acts or omissions by the Executive effected without consultation with or under the direction of the Company), in which case the expenses of counsel shall be at the expense of the Company. Notwithstanding anything to the contrary in this Agreement, this Section 4(h) shall survive the termination of this Agreement and shall continue thereafter so long as the Executive may be or is subject to possible Losses.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment with the Company shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may provide the Executive with written notice in accordance with Section 12(g) of this Agreement of its intention to terminate the Executive's employment with the Company. In such event, the Executive's employment with the Company shall terminate effective on the thirtieth (30th) day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the thirty (30) days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties and provided further that a Disability shall be determined to exist as provided hereinafter. For purposes of this Agreement, "Disability" shall mean the inability of the Executive to perform the Executive's duties with the Company on a full-time basis as a result of incapacity due to mental or physical illness, which inability exists for 180 days during any rolling 12-month period, as determined by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment with the Company during the Employment Period either with or without Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the continued failure of the Executive to perform substantially the Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) willful material misconduct or willful neglect by the Executive in the performance of his duties to the Company;

(iii) the Executive's willful failure to adhere to the lawful directions of the CEO, to adhere to the Company's material written policies, or to devote substantially all of the Executive's business time and efforts to the Company;

(iv) the Executive is subject to an action taken by a regulatory body or a self-regulatory organization which impairs the Executive from performing his duties to the Company; provided that a temporary suspension pending investigation or final resolution shall not be considered to impair the Executive from performing his duties to the Company for the purposes of this clause (iv);

(v) the Executive's indictment or formal admission to or plea of guilty or nolo contendere to a charge of commission of (A) a felony or (B) any crime involving moral turpitude; or

(vi) the Executive's breach of any of the material terms or conditions of this Agreement.

In order to invoke a termination for Cause on any of the grounds enumerated under Section 5(b)(i), (ii), (iii) or (vi) the Company must provide written notice to the Executive of the existence of such grounds within thirty (30) days following the Company's knowledge of the existence of such grounds, specifying in reasonable detail the grounds constituting Cause, and the Executive shall have thirty (30) days following receipt of such written notice (the "Executive's Cure Period") during which he may remedy the grounds if such grounds are reasonably subject to cure.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in clauses (i), (ii), (iii) or (vi) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment with the Company may be terminated by the Executive during the Employment Period with or without Good Reason. For purposes of this Agreement, "Good Reason" shall mean in the absence of the written consent of the Executive:

(i) a material diminution (*i.e.*, more than 10% aggregate reduction) in the Executive's Annual Base Salary during the Employment Period;

(ii) a material diminution in the Executive's title or position or the assignment to the Executive of any duties or responsibilities (including reporting responsibilities) materially inconsistent with the Executive's position as Executive Vice President and Chief Financial Officer;

(iii) any relocation of the Executive's principal place of business to a location more than 30 miles from the Executive's principal place of business prior to such relocation other than the initial relocation of the Executive's principal place of business in connection with the establishment of the Company's headquarters, which headquarters shall be within the California counties of San Francisco, Alameda or Contra Costa and in a location deemed by the Board, in its sole discretion, to be a reasonable and acceptable headquarters location for the Company; or

(iv) any other material breach of this Agreement by the Company.

In order to invoke a termination for Good Reason, the Executive shall provide written notice to the Company of the existence of one or more of the conditions described in clauses (i) through (iii) within thirty (30) days following the Executive's knowledge of the initial existence of such condition or conditions, specifying in reasonable detail the conditions constituting Good Reason, and the Company shall have thirty (30) days following receipt of such written notice (the "Cure Period") during which it may remedy the condition if such condition is reasonably subject to cure. In the event that the Company fails to remedy the condition constituting Good Reason during the applicable Cure Period, the Executive's "separation from service" (within the meaning of Section 409A of the Code) must occur, if at all, within 60 days following such Cure Period in order for such termination as a result of such condition to constitute a termination for Good Reason.

(d) Failure to Achieve GSE Approval. The Executive's employment with the Company shall terminate automatically upon the Company's failure to achieve GSE Approval by the GSE Approval Deadline.

(e) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(g) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice or thirty (30) days after the end of the Cure Period, if applicable, in the case of a termination by the Executive with Good Reason). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment with the Company is terminated by the Company other than for Cause or Disability, or by the Executive without Good Reason, the date of receipt of the Notice of Termination or any later date specified therein within thirty (30) days of such notice, as the case may be; (ii) if the Executive's employment with the Company is terminated by the Executive with Good Reason, a date that is no later than thirty (30) days after the Cure Period, if applicable; (iii) if the Executive's employment with the Company is terminated by the Company for Cause, the Date of Termination shall be the date on which the Company, after providing the Executive's Cure Period, if applicable, notifies the Executive of such termination; and (iv) if the Executive's

employment with the Company is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company Upon Termination.

(a) Cause; Failure to Achieve GSE Approval; Resignation Other Than for Good Reason. If the Executive's employment with the Company shall be terminated for Cause at any time or under Section 5(d) due to the Company's failure to achieve GSE Approval by the GSE Approval Deadline or if the Executive terminates his employment with the Company without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than the obligation to pay or provide the following:

(i) a lump sum cash payment consisting of: (A) the Executive's Annual Base Salary as in effect or Pre-GSE Base Salary, as applicable, through the Date of Termination to the extent not yet paid; and (B) any annual Incentive Payment earned by the Executive for a prior award period, but not yet paid to the Executive, provided that (other than any portion of such annual Incentive Payment that was previously deferred, which shall instead be paid in accordance with the applicable deferral arrangement and any election thereunder) such payment shall be made no later than the fifteenth (15th) day of the third (3rd) month following the close of the fiscal year with respect to which such Incentive Payment is earned (the sum of the amounts described in clauses (A) and (B) shall be hereinafter referred to as the "Accrued Obligations"); and

(ii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy, practice, contract or agreement of the Company and the Affiliated Entities through the Date of Termination, including any unreimbursed expenses due and owing to the Executive under the Company's expense reimbursement policy as of the Date of Termination (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Prior to, or More Than Two Years Following, a Change in Control: Resignation for Good Reason; Termination Other than for Cause, Failure to Achieve GSE Approval by the GSE Approval Deadline, Death or Disability. If, during the Employment Period and either prior to, or more than two years immediately following, a Change in Control, the Company shall terminate the Executive's employment with the Company without Cause (excluding termination due to death, Disability or under Section 5(d) for failure to achieve GSE Approval by the GSE Approval Deadline), or if the Executive shall terminate his employment for Good Reason, subject to the Executive's execution, delivery to the Company and non-revocation within 30 days of the Date of Termination of a release of claims against the Company and its Affiliated Entities substantially in the form used by the Company in connection with employment terminations (provided that such release shall not affect the rights of Executive to the stock options and performance shares surviving termination as set forth in the applicable award agreement), the Company shall pay to the Executive on the forty-fifth (45th) day after the Date of Termination (except as otherwise required by law or provided below) or provide, as applicable, the following:

(i) a lump sum cash payment consisting of all of the following: (A) all Accrued Obligations as of the Date of Termination; (B) one times the Executive's Annual Base Salary as set forth in Section 4(b)(i) of this Agreement; and (C) one times the Target Incentive Payment for the year in which the Date of Termination occurs (taking into account any reduction pursuant to Section 4(b)(ii)(D) of this Agreement) or if the Executive's employment with the Company is terminated prior to the Subsequent Effective Date, the Target Incentive Payment set forth in Section 4(b)(ii)(A) of this Agreement; and

(ii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive the Other Benefits.

(c) During the Two-Year Period Immediately Following a Change in Control: Resignation for Good Reason; Termination Other Than for Cause or Death or Disability. If, during the Employment Period and during the two-year period immediately following a Change in Control (as defined below), the Company shall terminate the Executive's employment with the Company other than for Cause, death or Disability or if the Executive shall terminate his employment for Good Reason, subject to the Executive's execution, delivery to the Company and non-revocation within thirty (30) days of the Date of Termination of a release of claims against the Company and its Affiliated Entities substantially in the form used by the Company in connection with employment terminations (provided that such release shall not affect the rights of Executive to the stock options and performance shares surviving termination as set forth in the applicable award agreement), the Company shall pay to the Executive on the forty-fifth (45th) day after the Date of Termination (except as otherwise required by law or provided below) or provide, as applicable, the following:

(i) a lump sum cash payment consisting of: (A) Accrued Obligations; and (B) three times the sum of (x) Executive's Annual Base Salary as in effect immediately prior to the Date of Termination and (y) the Target Incentive Payment for the year in which the Date of Termination occurs (taking into account any reduction in the Target Incentive Payment based on Section 4(b)(ii)(D) of this Agreement); and

(ii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive the Other Benefits.

(d) Death or Disability. If the Executive's employment with the Company is terminated by reason of the Executive's death or Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than the obligation to pay or provide all of the following: (i) the Accrued Obligations and (ii) the timely payment or provision of the Other Benefits. The Accrued Obligations, in the event of death, shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within thirty (30) days of the Date of Termination or, if earlier, as required by law. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6 shall include death or Disability benefits as in effect on the date of the Executive's death or the Disability Effective Date, as applicable, with respect to senior executives of the Company and their beneficiaries.

(e) Effect of Termination on Other Positions. If, on the Date of Termination, the Executive is a member of the Board or the board of directors of any of the Company's

subsidiaries, or holds any other position with the Company or its subsidiaries, the Executive shall be deemed to have resigned from all such positions as of the date of his termination of employment with the Company. The Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignation.

(f) Full Settlement. Except with respect to the payments specifically contemplated by Section 4(c) of this Agreement, the payments and benefits provided under this Section 6 (including, without limitation, the Other Benefits) shall be in full satisfaction of the Company's obligations to the Executive upon his termination of employment, notwithstanding the remaining length of the Employment Period, and in no event shall the Executive be entitled to severance benefits (or other damages in respect of a termination of employment or claim for breach of this Agreement) beyond those specified in this Section 6.

(g) "Change in Control" shall, for the purposes of Section 6 of this Agreement, be the first to occur following the Effective Date of:

(i) the acquisition by any individual, entity or Group, as defined in Section 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") of Beneficial Ownership (within the meaning given in Rule 13d-3 promulgated under the Exchange Act) (in a single transaction or a series of related transactions) of 35% or more (on a fully diluted basis) of either (A) the then outstanding shares of common stock of the Company, taking into account as outstanding for this purpose such common stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise or settlement of any similar right to acquire such common stock, or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Agreement, the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Company or any Affiliated Entity, (2) any acquisition directly from the Company, (3) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliated Entity or (4) any acquisition by any person or entity that complies with clauses (A), (B) and (C) of subsection (iv) of this Section 6(g);

(ii) individuals who, on the Initial Effective Date, constitute the Company's board of directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination), shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(iii) approval by the stockholders of the Company of a complete dissolution or liquidation of the Company; or

(iv) the consummation of a merger, consolidation, statutory share exchange, a sale or other disposition of all or substantially all of the assets of the Company or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), in each case, unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Company") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the directors of the Surviving Company (the "Parent Company") is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company), is or becomes the beneficial owner, directly or indirectly, of 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) and (C) at least two-thirds of the members of the board of directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

For the avoidance of doubt, in no event shall (w) the Capitalization of NMI, (x) the Company's public offering of Common Stock pursuant to a registration statement declared effective under the Securities Act, (y) any change in the composition of the Board resulting from a Special Election Meeting referred to in Section 2.2(b) of the Company's By-Laws or (z) any transactions relating to the dissolution or liquidation of the Company resulting from the failure to receive GSE Approval, in the case of each of clause (i), (ii), (iii) or (iv), constitute or be deemed to constitute a Change in Control nor shall it be taken into account in determining whether a Change in Control occurred for purposes of this Agreement.

7. No Mitigation; No Offset. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, such amounts shall not be reduced whether or not the Executive obtains other employment.

8. Section 409A; Forfeiture.

(a) Section 409A.

(i) General. It is intended that this Agreement shall comply with the provisions of Section 409A of the Code and the Treasury regulations relating thereto, or an

exemption to Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception under Treasury Regulations Sections 1.409A-1(b)(4), the "separation pay" exception under Treasury Regulations 1.409A-1(b)(9)(iii) or another exception under Section 409A of the Code will be paid under the applicable exception to the greatest extent possible. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Section 409A of the Code deferral election rules and the exclusion under Section 409A of the Code for certain short-term deferral amounts. All payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under Section 409A of the Code.

(ii) In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, all (i) reimbursements and (ii) in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (A) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement); (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (C) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (D) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(iii) Delay of Payments. Notwithstanding any other provision of this Agreement to the contrary, if the Executive is considered a "specified employee" for purposes of Section 409A (as determined in accordance with the methodology established by the Company as in effect on the date of termination), (A) any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to the Executive under this Agreement during the six-month period following his separation from service (as determined in accordance with Section 409A of the Code) on account of his separation from service shall be accumulated and paid to Executive on the first business day of the seventh month following his separation from service (the "Delayed Payment Date") and (B) in the event any equity compensation awards held by the Executive that vest or are to be settled upon termination of the Executive's employment constitute nonqualified deferred compensation within the meaning of Section 409A of the Code, the delivery of shares of common stock (or cash) as applicable in settlement of such awards shall be made on the earliest permissible payment date (including the Delayed Payment Date) or event under Section 409A on which the shares (or cash) would otherwise be delivered or paid. The Executive shall be entitled to interest on any delayed cash payments from the date of termination to the Delayed Payment Date at a rate equal to the applicable Federal short-term rate in effect under Code Section 1274(d) for the month in which the Executive's separation from service occurs. If the Executive dies during the postponement period, the amounts and entitlements delayed on account of Section 409A shall be paid to the personal representative of his estate on the first to occur of the Delayed Payment Date or 30 days after the date of the Executive's death.

(iv) Separation From Service. Despite any contrary provision of this Agreement, any references to termination of employment or the Executive's Date of Termination

shall mean and refer to the date of his "separation from service," as that term is defined in Section 409A of the Code and Treasury Regulation Section 1.409A-1(h).

(b) Forfeiture.

(i) Subject to judicial determination consistent with the Sarbanes-Oxley Act of 2002, if, after the Company's Public Filing becomes effective and during the Employment Period, the Company is required to prepare an accounting restatement due to material noncompliance of the Company as a result of misconduct by Executive, with any financial reporting requirement under the Federal securities laws, the Executive shall reimburse the Company for all amounts received under any incentive compensation plans from the Company during the 12 month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement, and any profits realized from the sale of securities of the Company during that 12-month period, unless the application of this provision has been exempted by the Securities and Exchange Commission.

(ii) The Company and the Executive acknowledge and agree that the Executive shall be subject to any clawback, recoupment, forfeiture or any similar policy or program adopted by the Compensation Committee following the Initial Effective Date.

9. Limitation on Certain Payments.

(a) Anything in this Agreement to the contrary notwithstanding, in the event the Accounting Firm (as defined in 9(e) below) shall determine that receipt of all Payments (as defined in 9(e) below) would subject the Executive to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Payments paid or payable pursuant to this Agreement (the "Agreement Payments") so that the Parachute Value (as defined in 9(e) below) of all Payments, in the aggregate, equals the Safe Harbor Amount (as defined in 9(e) below). The Agreement Payments shall be so reduced only if the Accounting Firm determines that the Executive would have a greater Net After-Tax Receipt (as defined in 9(e) below) of aggregate Payments if the Agreement Payments were so reduced. If the Accounting Firm determines that the Executive would not have a greater Net After-Tax Receipt (as defined in 9(e) below) of aggregate Payments if the Agreement Payments were so reduced, the Executive shall receive all Agreement Payments to which the Executive is entitled hereunder.

(b) If the Accounting Firm determines that aggregate Agreement Payments should be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 9 shall be binding upon the Company and the Executive and shall be made as soon as reasonably practicable and in no event later than fifteen (15) days following the Date of Termination. For purposes of reducing the Agreement Payments so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, the Agreement Payments shall be reduced by reducing the payments and benefits under the following sections in the following order: (i) first, any Payments under Section 6(b)(i); (ii) second, any other cash Payments that

would be made upon a termination of the Executive's employment, beginning with payments that would be made last in time; (iii) third, all rights to payments, vesting or benefits in connection with any options to purchase Common Stock; (iv) fourth, all rights to payments, vesting or benefits in connection with any restricted stock awards that are performance-based vesting awards; (v) fifth, all rights to payments, vesting or benefits in connection with any options to purchase Common Stock that are time-based vesting awards; and (vi) sixth, all rights to any other payments or benefits shall be reduced, beginning with payments or benefits that would be received last in time. All fees and expenses of the Accounting Firm shall be borne solely by the Company.

(c) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Safe Harbor Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Executive which the Accounting Firm believes has a high probability of success, determines that an Overpayment has been made, the Executive shall pay promptly (and in no event later than 60 days following the date on which the Overpayment is determined) pay any such Overpayment to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by the Executive to the Company if and to the extent such payment would not either reduce the amount on which the Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than 60 days following the date on which the Underpayment is determined) by the Company to or for the benefit of the Executive together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

(d) To the extent requested by the Executive, the Company shall cooperate with the Executive in good faith in valuing, and the Accounting Firm shall take into account the value of, services provided or to be provided by the Executive (including without limitation, the Executive's agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant, including that set forth in Section 10(e) of this Agreement) before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of the final regulations under Section 280G of the Code), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of the final regulations under Section 280G of the Code and/or exempt from the definition of the term "parachute payment" within the meaning of Q&A-2(a) of the final regulations under Section 280G of the Code in accordance with Q&A-5(a) of the final regulations under Section 280G of the Code.

(e) Definitions. The following terms shall have the following meanings for purposes of this Section 9.

(i) "Accounting Firm" shall mean a nationally recognized certified public accounting firm that is selected by the Company for purposes of making the applicable determinations hereunder and is reasonably acceptable to the Executive, which firm shall not, without the Executive's consent, be a firm serving as accountant or auditor for the individual, entity or group effecting the Change in Control.

(ii) "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determined to be likely to apply to the Executive in the relevant tax year(s).

(iii) "Parachute Value" of a Payment means the present value as of the date of the Change in Control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(iv) "Payment" means any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

(v) "Safe Harbor Amount" means (x) 3.0 times the Executive's "base amount," within the meaning of Section 280G(b)(3) of the Code, minus (y) $1.00.

10. Restrictive Covenants.

(a) Return of Company Property. Upon his termination of employment for any reason, the Executive shall promptly return to the Company any keys, credit cards, passes, confidential documents or material, or other property belonging to the Company, and the Executive shall also return all writings, files, records, correspondence, notebooks, notes and other documents and things (including any copies thereof) containing confidential information or relating to the business or proposed business of the Company or the Affiliated Entities or containing any trade secrets relating to the Company or the Affiliated Entities except any personal diaries, calendars, rolodexes or personal notes or correspondence. For purposes of the preceding sentence, the term "trade secrets" shall have the meaning ascribed to it under the Uniform Trade Secrets Act. The Executive agrees to represent in writing to the Company upon termination of employment that he has complied with the foregoing provisions of this Section 10(a).

(b) Mutual Nondisparagement. The Executive and the Company each agree that, following the Executive's termination of employment, neither the Executive nor the Company will make any public statements which materially disparage the other party.

The Company shall not be liable for any breach of its obligations under this paragraph if it informs its directors and executive officers, as such term is defined in Rule 3b-7 promulgated under the Securities Exchange Act of 1934, as amended, of the content of its covenant hereunder and takes reasonable measures to ensure that such individuals honor the Company's agreement. Notwithstanding the foregoing, nothing in this Section 10(b) shall prohibit any person from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Agreement.

(c) Confidential Information. The Executive acknowledges that he will have knowledge of certain trade secrets of the Company and its business plans and prospects. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its businesses or prospective businesses, including, without limitation, any trade secrets, research, secret data, business methods, operating procedures or programs which shall have been obtained by the Executive in connection with his services to the Company or any affiliates thereof and which shall not be or become public knowledge (other than by acts by the Executive in violation of this Agreement) (collectively, the "Trade Secrets and Confidential Information"); provided, however, that the parties acknowledge and agree that the Executive will be required to disclose Trade Secrets and Confidential Information to third parties in performing services for the Company under this Agreement, which the Executive may do only to the extent required, as determined within his reasonable discretion. After termination of the Executive's services with the Company for any reason, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

(d) Nonsolicitation. The Executive agrees that, while he is employed by the Company and during the (i) two-year period following his termination of employment with the Company for Cause or under Section 5(d) for failure to achieve GSE Approval by the GSE Approval Deadline or the Executive resigns without Good Reason, or (ii) eighteen-month period following his termination of employment by the Company without Cause, due to Disability or the Executive resigns with Good Reason, the Executive shall not directly or indirectly (A) solicit any individual who is, on the date of termination (or was, during the six-month period prior to the date of termination), employed by the Company or any of its Affiliated Entities to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or the Affiliated Entities, or (B) solicit any investor or prospective investor in the Company or any business contact introduced to the Executive in connection with his employment by the Company hereunder to curtail or cease doing business with the Company or its Affiliated Entities or FBR & Co. and its affiliates.

(e) Noncompetition. The Executive agrees that, while he is employed by the Company, he will not engage in Competition (as defined below). The Executive shall be deemed to be engaging in "Competition" if he, directly or indirectly, anywhere in the continental United States, owns, manages, operates, controls or participates in the ownership, management, operation or control of or is connected as an officer, employee, partner, director, consultant or

otherwise with, or has any financial interest in, any business (whether through a corporation or other entity) engaged in the private mortgage insurance business or related business in any geographic area in which the Company or one of its Affiliated Entities conducts such business. Ownership for personal investment purposes only of not more than 2% of the voting stock of any publicly held corporation shall not constitute a violation hereof.

(f) Equitable Remedies. The Executive acknowledges that the Company would be irreparably injured by a violation of Section 10(b), (c), (d) or (e) and he agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 10(b), (c), (d) or (e). If a bond is required to be posted in order for either party to secure an injunction or other equitable remedy in connection with Section 10(b), (d) or (e), the parties agree that said bond need not be more than a nominal sum.

(g) Severability; Blue Pencil. The Executive acknowledges and agrees that he has had the opportunity to seek advice of counsel in connection with the Agreement and the restrictive covenants contained herein are reasonable in geographical scope, temporal duration and in all other respects. If it is determined that any provision of this Section 10 is invalid or unenforceable, the remainder of the provisions of this Section 10 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any covenant or covenants in this Section 10 is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced form, such provision shall be enforced.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive. This Agreement and any rights and benefits hereunder shall inure to the benefit of and be enforceable by the Executive's legal representatives, heirs or legatees. This Agreement and any rights and benefits hereunder shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(b) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to satisfy all of the obligations under this Agreement in the same manner and to the same extent that the Company would be required to satisfy such obligations if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

12. Miscellaneous.

(a) Amendment. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) Withholding. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(c) Applicable Law. The provisions of this Agreement shall be construed in accordance with the internal laws of the State of California, without regard to the conflict of law provisions of any state.

(d) Dispute Resolution. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement (other than a controversy or claim arising under Section 10 of this Agreement) that is not resolved by the Executive and the Company shall be submitted to arbitration in the New York, New York area in accordance with California law and the procedures of the American Arbitration Association. The determination of the arbitrator shall be conclusive and binding on the Company and the Executive and judgment may be entered on the arbitrator(s)' award(s) in any court having competent jurisdiction.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, and this Agreement will be construed as if such invalid or unenforceable provision were omitted (but only to the extent that such provision cannot be appropriately reformed or modified).

(f) Waiver of Breach. No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of any party hereto to take any action by reason of such breach will not deprive such party of the right to take action at any time while such breach continues.

(g) Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below (or such other addresses as shall be specified by the parties by like notice):

to the Company:

NMI Holdings, Inc.
c/o FBR Capital Markets & Co.,
1001 19th St. North
Arlington, Virginia 22209
ATTENTION: Secretary

or to the Executive:

John M. Sherwood
at the address last on the records of the Company.

Each party, by written notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received.

(h) Survivorship. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

(i) Entire Agreement. From and after the Initial Effective Date, this Agreement shall supersede any other employment agreement or understanding, including, without limitation, the Consulting Agreement by and between the Executive and the Company, dated as of May 16, 2011, between the parties (except with respect to amounts owed as of the Initial Effective Date pursuant to Section 4(a) or 4(b) of the Consulting Agreement and Section 11, which shall survive with respect to actions taken in connection with the Executive providing services as a consultant) with respect to the subject matter hereof. The obligations under this Agreement are enforceable solely against the Company and its Affiliated Entities, and in no event shall this Agreement be enforceable against FBR & Co. or any stockholder of, or investor in, the Company.

(j) Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(k) Authority. The Executive represents and warrants that he has the full authority to execute and enter into this Agreement and has obtained all consents, approvals and authorities of any person, committee or entity necessary to make this Agreement binding and fully enforceable against the party for which he signs.

[***REMAINDER OF PAGE INTENTIONALLY LEFT BLANK***]

IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

NMI HOLDINGS, INC.

By: /s/ Joseph Kavanagh
Name: Joseph Kavanagh
Title: Director

Dated: March 6, 2012

JOHN M. SHERWOOD

Dated: March 6, 2012 /s/ John M. Sherwood

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT (this "Amendment") to the Employment Agreement (the "Employment Agreement"), dated as of March 6, 2012, by and between John M. Sherwood (the "Executive") and NMI Holdings, Inc. (the "Company") a Delaware Corporation, is made and entered into as of April 24, 2012, by and between the Executive and the Company and is effective as of the date hereof. All capitalized terms used but not defined herein shall have the meaning assigned to them in the Employment Agreement.

WITNESSETH THAT:

WHEREAS, the Employment Agreement includes a definition of Change in Control;

WHEREAS, in connection with finalizing the Company's By-Laws, certain elements in the definition of Change in Control in the Employment Agreement require amendment;

WHEREAS, the Company and the Executive wish to amend the definition of Change in Control to substantially conform to the definition of Change of Control set forth in the Company's By-Laws;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, and for other good and valuable consideration, the Executive and the Company hereby agree as follows:

1. Definition of Change in Control. The definition of Change in Control set forth in Section 6(g) of the Employment Agreement is hereby amended to read as follows:

"Change in Control" shall, for the purposes of Section 6 of this Agreement, be the first to occur following the Effective Date of:

(i) the acquisition by any individual, entity or Group, as defined in Section 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") of Beneficial Ownership (within the meaning given in Rule 13d-3 promulgated under the Exchange Act) (in a single transaction or a series of related transactions) of 35% or more (on a fully diluted basis) of either (A) the then outstanding shares of common stock of the Company, taking into account as outstanding for this purpose such common stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise or settlement of any similar right to acquire such common stock, or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Agreement, the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Company or any Affiliated Entity, (2) any acquisition directly from the Company, (3) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliated Entity or (4) any acquisition by any person or entity that complies with clauses (A), (B) and (C) of subsection (iv) of this Section 6(g);

(ii) individuals who, on the Initial Effective Date, constitute the Company's board of directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination), shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director; and provided, further, that any directors elected at the Directors Election Meeting (as defined in the Company's By-Laws) shall be considered "Incumbent Directors" for purposes of this Section 6(g)(ii);

(iii) approval by the stockholders of the Company of a complete dissolution or liquidation of the Company; or

(iv) the consummation of a merger, consolidation, statutory share exchange, a sale or other disposition of all or substantially all of the assets of the Company or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), in each case, unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Company") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the directors of the Surviving Company (the "Parent Company") is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company), is or becomes the beneficial owner, directly or indirectly, of 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) and (C) at least two-thirds of the members of the board of directors of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

For the avoidance of doubt, in no event shall (w) the Capitalization of NMI, (x) the Company's public offering of Common Stock pursuant to a registration statement declared effective under the Securities Act, (y) any change in the composition of the Board resulting from a Special Election Meeting referred to in Section 2.2(b) of the Company's By-Laws or from a Director Election Meeting referred to in Section 2.2(c) of the Company's By-Laws, or (z) any transactions relating to the dissolution or liquidation of the Company resulting from the failure to receive

GSE Approval, in the case of each of clause (i), (ii), (iii) or (iv), constitute or be deemed to constitute a Change in Control nor shall it be taken into account in determining whether a Change in Control occurred for purposes of this Agreement."

2. Effect on the Employment Agreement. This Amendment shall be deemed incorporated into the Employment Agreement and shall be construed and interpreted as though fully set forth therein. Except as amended and modified herein, the Employment Agreement remains in full force and effect.

3. Miscellaneous. Section 12 of the Employment Agreement shall apply *mutatis mutandis* to this Amendment.

[*Remainder of this page is intentionally left blank.*]

IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

NMI HOLDINGS, INC.

By: /s/ Joseph Kavanagh
Name: Joseph Kavanagh
Title: Director

Dated: April 24, 2012

JOHN M. SHERWOOD

Dated: April 24, 2012 /s/ John M. Sherwood

April 26, 2012

Stanley Pachura
219 Nottingham Pl. Danville, CA 94506

Dear Stan:

We are pleased and excited to offer you employment with NMI Holdings, Inc. (the "**Company**") beginning on the date that the Company receives cash proceeds (or irrevocable commitments therefor) of at least $500,000,000 in the aggregate (the "**Effective Date**"). You will initially serve as the Executive Vice President and Chief Information Officer and you will report directly to the Chief Executive Officer of the Company.

The term of this letter agreement will begin on the Effective Date and will end on the third anniversary of the Effective Date, unless terminated earlier pursuant to the terms set forth herein (the "**Employment Period**").

From the Effective Date until the date that the Company achieves GSE Approval (as defined in the Company's 2012 Stock Incentive Plan (the "**SIP**")), you will only be entitled to (i) a monthly base salary of $20,000, payable on the first business day of each calendar month in arrears and (ii) participation in any health and welfare benefit programs adopted and maintained by the Company for its employees following the Effective Date.

Following the achievement of GSE Approval and during the Employment Period, you will be entitled to an annual base salary of $350,000 ("**Annual Base Salary**"), payable at times consistent with the Company's general policies regarding compensation of executives, as in effect from time to time. You will also be eligible to be awarded an annual cash bonus, with a target annual bonus opportunity of seventy-five percent (75%) of your Annual Base Salary ("**Target Bonus Opportunity**"). Your actual annual bonus payment will be subject to your continued employment with the Company and determined by the Compensation Committee of the Company's board of directors (the "**Committee**"). If GSE Approval is achieved in 2012, you will be guaranteed a minimum annual bonus of fifty percent (50%) of your Annual Base Salary, prorated for the portion of the 2012 calendar year from the Effective Date through the end of the 2012 calendar year, or, in the alternative, if GSE Approval is achieved in 2013, you will be guaranteed a minimum annual bonus of fifty percent (50%) of your Annual Base Salary for all of 2013. Your annual bonus payment will be made no later than March 15th of the year following the year for which the bonus was earned.

In addition, if you continue to be employed by the Company through the date that the Company achieves GSE Approval, you will be entitled to a cash bonus payment equal to $100,000, provided that GSE Approval is achieved within nine (9) months of the Effective Date, or such later date as approved by stockholders holding at least a majority of the Company's common stock. The cash GSE Approval bonus will be paid in a lump sum on the thirtieth (30th) day immediately following the achievement of GSE Approval.

As soon as practicable after the Effective Date, you will be granted a stock option to acquire 178,000 shares of Company common stock and 14,000 restricted stock units. The terms and conditions of any equity award granted to you, including vesting schedules, will be set forth in the applicable award

agreement and the SIP. In addition, during the Employment Period, you will be eligible to receive annual equity grants at the discretion of the Committee.

During the Employment Period, you will also be eligible to participate in employee benefit plans generally maintained by the Company in accordance with the terms of the applicable plans as in effect from time to time, and you will be entitled to reimbursement for any reasonable and documented business expenses incurred in connection with the performance of your duties for the Company.

If your employment with the Company is terminated without Cause (as defined in the SIP) or you resign your employment with Good Reason (as defined in Exhibit A) during the Employment Period, you will be entitled to, subject to your execution and non-revocation of a release of claims in a form acceptable to the Company within 45 days of your termination of employment (the "**Release Requirement**"), a lump sum cash payment on the 45th day following the date of the termination of your employment equal to the sum of (i) your then applicable Annual Base Salary through the date your employment terminates, to the extent not yet paid, (ii) any annual incentive payment earned for a prior award period, but not yet paid (other than any deferred portion of an annual incentive payment), (iii) one times the sum of your (A) Annual Base Salary in effect immediately prior to the termination of your employment, and (B) Target Bonus Opportunity in effect immediately prior to the termination of your employment and (iv) any other amounts or benefits that the Company is required to payor provide or for which you are eligible to receive under any plan, program, 'policy, practice, contract or agreement with the Company through the date of your termination of employment. If, during the Employment Period, your employment is terminated without Cause or you resign your employment with Good Reason during the one-year period immediately following a Change in Control (as defined in the SIP), you will be eligible to receive, subject to the Release Requirement, a lump sum cash payment at the same time and on the same terms as set forth in the prior sentence, but with clause (iii) revised to provide for one and a halftimes the sum of sub-clauses (A) and (B) rather than one times the sum of sub-clauses (A) and (B).

You will be subject to all policies of the Company, including, without limitation, any stock ownership guidelines and incentive compensation clawback policy or practice applicable to any other executive of the Company, as each policy is adopted or amended from time to time. By signing this letter agreement you agree that your continued employment is contingent upon compliance with applicable regulatory, registration and licensing requirements, if any, now or in the future, required of your position. Furthermore you must keep all trade secrets of the Company, and its business plans and prospects completely confidential.

This letter agreement will be governed by, and construed under and in accordance with, the internal laws of the State of New York, without reference to rules relating to conflicts of laws. All disputes arising out of, or related to, this letter agreement, or the breach thereof, that are not resolved by you and the Company will be submitted to arbitration in the New York, New York area in accordance with New York law and the procedures of the American Arbitration Association. The determination of the arbitrator will be conclusive and binding on you and the Company and judgment may be entered on the arbitrator(s)' award(s) in any court having competent jurisdiction.

The Company may withhold from any amounts payable to you such federal, state, local or foreign taxes as will be required to be withheld pursuant to any applicable law or regulation. It is intended that the payments and benefits provided under this letter agreement will comply with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and the regulations relating thereto, or an exemption to Section 409A, and this letter agreement will be interpreted accordingly.

From and after the Effective Date, this letter agreement will supersede any other agreement or understanding, written or oral, with respect to the matters covered herein, including, without limitation,

the Consulting Agreement between you and the Company dated as of March 16,2012 and any exhibits thereto. This letter agreement may not be amended or modified otherwise than in writing signed by the parties hereto; *provided, however,* that, notwithstanding the foregoing, the Company may amend or modify this letter agreement if it determines it is necessary to do so in order to comply with applicable legal and/or regulatory requirements or guidance, or any changes in applicable law, rules or regulations, or in the formal and conclusive interpretation thereof by any regulator or agency of competent jurisdiction.

We are confident that your experience and abilities are going to have a significant impact on the Company and our growth prospects. We look forward to working with you in developing and growing the Company.

Please confirm acceptance of this position by signing below and returning a signed copy of this letter agreement to me. Please feel free to call if you have any questions.

Sincerely,

/s/ Bradley M. Shuster

Bradley Shuster
Chief Executive Officer

I acknowledge receipt of this letter and I accept the position offered

Signature _____"/s/ Stanley M. Pachura"___ Date ____4/26/2012_____

Exhibit A

"Good Reason" means without your prior written consent:

(i) a material reduction in your Annual Base Salary (as defmed in the letter agreement);

(ii) the relocation of your primary place of employment to a location 50 or more miles from the Company's headquarters.

In order to invoke a termination for Good Reason, you must provide written notice to the Company of the existence of one or more of the conditions described in clauses (i) and (ii) within thirty (30) days following the initial existence of such condition or conditions, and the Company shall have thirty (30) days following receipt of such written notice (the "Cure Period") during which it may remedy the condition. In the event that the Company fails to remedy the condition constituting Good Reason during the Cure Period, you must terminate employment, if at all, within 90 days following the Cure Period in order for such termination to constitute a termination for Good Reason.

FORM OF INDEMNIFICATION

AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into as of [•] between NMI Holdings, Inc., a Delaware corporation (the "Company"), and [director name] ("Indemnitee").

W I T N E S S E T H:

WHEREAS, Indemnitee is a director and/or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors of companies in today's environment;

WHEREAS, the Company's Second Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated Bylaws (the "Bylaws") provide that the Company will indemnify its directors and officers and that the Company may advance expenses in connection therewith and Indemnitee may also be entitled to indemnification pursuant to Delaware General Corporation Law (the "DGCL"), and Indemnitee's willingness to serve as a director and/or officer of the Company is based in part on Indemnitee's reliance on such provisions;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid provisions of the Certificate of Incorporation and Bylaws and the DGCL, and to provide Indemnitee with express contractual indemnification (regardless of, among other things, any amendment to or revocation of such provisions or any change in the composition of the Company's Board of Directors (the "Board") or any acquisition or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of expenses to Indemnitee as set forth in this Agreement and for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies; and

WHEREAS, this Agreement is a supplement to and furtherance of the Certificate of Incorporation, the Bylaws and any resolutions adopted pursuant thereto and any liability insurance, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions. As used in this Agreement

(a) "Beneficially Ownership" shall have the meaning assigned to such term under Rule 13d-3 of the Exchange Act. "Beneficially Own", "Beneficial Owner" and other variants thereof shall have correlative meanings.

(b) A "Change in Control" shall mean any of the following events:

(i) an acquisition of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act) immediately after which such Person has Beneficial Ownership of 50% or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired by any Person in a Non-Control Acquisition (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non- Control Acquisition" shall mean an acquisition by (1) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Company or (y) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a "Subsidiary"), (2) the Company or any Subsidiary, or (3) any Person in connection with a Non-Control Transaction (as hereinafter defined);

(ii) the individuals who, as of the date hereof, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that, if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered a member of the Incumbent Board; provided, further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-12(c) promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) approval by stockholders of the Company of:

(A) a merger, consolidation or reorganization involving the Company, unless (1) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least 70% of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization, (2) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation and (3) no Person (other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization, had Beneficial Ownership of 15% or more of the then outstanding Voting Securities) has Beneficial Ownership of 15% or more of the combined voting power of the Surviving Corporation's then outstanding voting securities (a transaction described in clauses (1) through (3) above shall herein be referred to as a "Non-Control Transaction");

(B) a complete liquidation or dissolution of the Company; or

(C) an agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person; provided that, if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increase the percentage of the then outstanding Voting Securities beneficially owned by the Subject Person, then a Change in Control shall occur.

(c) "Company" shall mean NMI Holdings, Inc. and its successors, and shall include, in the case of any merger or consolidation, in addition to the resulting corporation and surviving corporation, any constituent corporation (including any constituent of a constituent) absorbed in such consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, trustees, fiduciaries or agents, so that, if Indemnitee is or was a director, officer, employee, trustee, fiduciary or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employees, trustee, fiduciary or agent of another corporation, partnership, joint venture, trust employee benefit program or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(d) "Enterprise" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent, trustee or fiduciary.

(e) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(f) "Expenses" shall mean all retainers, court costs, transcript costs, fees of experts, witness fees, private investigators, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, fax transmission charges, secretarial services, delivery service fees, reasonable attorneys' fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a action suit or proceeding or in connection with seeking indemnification under this Agreement. Expenses also shall include Expenses incurred in connection with any appeal resulting from any action, suit or proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent.

(g) "Losses" shall mean all losses, liabilities, judgments, damages, amounts paid in settlement, fines, penalties, interest, assessments, other charges or, with respect to an employee benefit plan, excise taxes or penalties assessed with respect thereto.

(h) References to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee, trustee, fiduciary or agent of the Company which imposes or causes duties or obligations to be imposed on, is deemed to impose duties or obligations on, or involves services by, such director, officer, employee, trustee, fiduciary or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to under applicable law.

(i) "Person" shall mean an individual, entity, partnership, limited liability company, corporation, association, joint stock company, trust, joint venture, unincorporated organization, and a governmental entity or any department agency or political subdivision thereof.

(j) "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of relevant corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements) or (ii) any other party to the action, suit or proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

2. Indemnity of Indemnitee. The Company shall indemnify Indemnitee against all Expenses and Losses actually and reasonably incurred by him by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in each case to the fullest extent permitted under the DGCL, as the same exists or may hereafter be amended (subject to Section 6(c) hereof). In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) General Indemnification. The Company shall indemnify Indemnitee to the extent he is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, arbitration, alternate dispute resolution mechanism, whether civil, criminal, administrative or investigative and whether formal or informal (other than an action by or in the right of the Company) by reason of the fact that he is or was a director, officer, employee, agent trustee or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent, trustee or fiduciary of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against Expenses and Losses actually and reasonably incurred by him in connection with such action, suit, proceeding,

arbitration or alternate dispute resolution mechanism if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) Derivative Actions. The Company shall indemnify Indemnitee to the extent he was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, agent, trustee or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent, trustee or fiduciary of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against Expenses and Losses actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, provided that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses and Losses which the Court of Chancery or such other court shall deem proper.

(c) Indemnification in Certain Cases. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraphs (a) and (b) of this Section 2, or in defense of any claim, issue or matter therein, he shall be indemnified against Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such action, suit or proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such action, suit or proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter and any claim, issue or matter related to any claim, issue, or matter on which Indemnitee was successful. For purposes of this Section 2 and without limitation, the termination of any claim, issue or matter in such a action, suit or proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

3. Procedure.

(a) Any indemnification under paragraphs (a) and (b) of Section 2 of this Agreement (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of Indemnitee is proper in the circumstances because he has met the applicable standard of conduct set forth in such sections. Such determination shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting of directors who were not parties to such

action, suit or proceeding, (B) by a committee of disinterested directors designated by a majority vote of the disinterested directors, even though less than a quorum or (C) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by Independent Counsel in a written opinion to the Board. A copy of which shall be delivered to Indemnitee; and if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such determination,.

(b) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 3(a) of this Agreement, the Independent Counsel shall be selected as provided in this Section 3(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a request for indemnification pursuant to Section 11(a) of this Agreement, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 3(a) of this Agreement. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 11(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees and expenses of the Independent Counsel incurred in connection with the actions contemplated by Section 3(a) and Section 3(b) of this Agreement and to fully indemnify such counsel against any and all Expenses and Losses arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Expenses of a Witness. To the extent that Indemnitee is, by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, a witness, or is made (or asked to) respond to discovery requests, in any proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. Advancement of Expenses. The Company shall advance all Expenses incurred in defending a civil or criminal action, suit or proceeding that may be subject to indemnification hereunder within 20 days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time along with documentation reasonably evidencing such Expenses, whether prior to or after final disposition of such proceeding. The Company shall be required to advance all such Expenses, whether or not a determination shall have been made in accordance with Sections 3(a) of this Agreement, that indemnification of Indemnitee is proper in the circumstances, and the Company's obligation to advance such Expenses in accordance with this Section 5 shall terminate only upon the final determination of a court of competent jurisdiction that Indemnitee is not entitled to be indemnified against such Expenses. Any request for advancement of Expenses by Indemnitee shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined by a court of competent jurisdiction that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay any amounts advanced pursuant to this Section 4 shall be unsecured and interest free.

6. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders, a resolution of directors or otherwise, of the Company.

(b) It is the intention of the parities that no existing or future contractual arrangement between the Company and any other director or officer thereof with respect to indemnification for such individual in his capacity as a director, officer, employee or agent of the Company or any other corporation, partnership, joint venture, trust or other enterprise to which he provided services at the request of the Company should be construed to give such person any rights to indemnification that are prior or superior to the rights granted to Indemnitee hereunder. To the extent that it is determined that any such agreement provides such prior or superior rights to another former or current director or officer with respect to indemnification for such individual in his capacity as a director, officer, employee or agent of the Company or any other corporation, partnership, joint venture, trust or other enterprise to which he provided services at the request of the Company, Indemnitee shall enjoy by this Agreement such rights so afforded to such other officer or director.

(c) No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his capacity as an officer, director, employee, trustee, fiduciary or other agent of the Company, or in his capacity as a director, officer, employee, trustee, fiduciary or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, or any change to the Certificate of Incorporation or Bylaws permits greater indemnification than would be afforded under the DGCL, Certificate of Incorporation, Bylaws and this Agreement as of the Effective Date, it is the intent of the

parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. To the extent that a change in the DGCL, whether by statute or judicial decision, or any change to the Certificate of Incorporation or Bylaws restricts or diminishes the indemnification rights that would be afforded as of the Effective Date under the DGCL, the Certificate of Incorporation, Bylaws and this Agreement, it is the intent of the parties hereto that such change shall not adversely affect any right or protection hereunder in respect of any, events, circumstances, acts or omissions occurring or existing prior to the time of such change, including, without limitation, any right to indemnification and/or advancement of Expenses for any threatened, pending or completed action, suit or proceeding, as applicable, commenced after such change with regard to events, circumstances, acts or omissions occurring or existing prior to such change.

(d) No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(e) During the period that Indemnitee serves as an officer or a director of the Company or any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise to which he provides services at the request of the Company and for a period the longer of (i) six years and (i) the maximum period permitted by applicable law or regulation, following the termination of such services or following a Change in Control, the Company shall maintain for the benefit of Indemnitee a directors' and officers' liability insurance policy with a reputable and financially sound insurer that is at least as favorable to Indemnitee as the existing coverage provided by the Company; provided that the Company shall not be required to maintain such a policy to the extent it is prohibited by any changes in law or regulations applicable to the Company. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, trustees, fiduciaries and agents of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, trustee, fiduciary or agent under such policy or policies.

(f) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(g) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

7. Duration of Agreement. This Agreement shall be effective as of April 24, 2012 (the "Effective Date") and will apply to acts or omission of Indemnitee which occurred prior to such date if Indemnitee was an officer, director, employee, trustee, fiduciary or other

agent of the Company, or was serving at the request of the Company as a director, officer, employee, trustee, fiduciary or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, at the time such act or omission occurred. This Agreement shall continue from the Effective Date and terminate upon the later of (a) 10 years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, officer, employee, trustee, fiduciary or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company or (b) one year after the final termination of a proceeding, including any and all appeals, then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement.

8. Defense of Claims. The Company will be entitled to participate in the defense of any claim that may be subject to indemnification hereunder or to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee; provided that in the event that (a) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict, (b) the named parties in any such claim (including any impleaded parties) include both the Company and Indemnitee and Indemnitee shall reasonably conclude that there may be one or more legal defenses available to him that are different from or in addition to those available to the Company or (c) any such representation by the Company would be precluded under the applicable standards of professional conduct then prevailing, then Indemnitee shall be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular claim) at the Company's expense. The Company will not, without the prior written consent of the Indemnitee, effect any settlement of any threatened or pending claim which Indemnitee is or could have been a party unless such settlement does not include an admission of fault of Indemnitee, any non-monetary remedy affecting or obligating Indemnitee or monetary loss for which Indemnitee is not indemnified hereunder but solely involves the payment of money and includes an unconditional release of the Indemnitee from all liability on any matters that are the subject matter of such claim.

9. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither (i) the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor (ii) an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 3 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and

Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 9(b) shall not apply if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 3(a) of this Agreement.

(c) The termination of any action, suit or proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not meet any applicable standard of conduct under applicable law (or did or did not hold any particular state of knowledge referred to under applicable law).

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 9(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any director, officer, agent, trustee, fiduciary or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

10. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Losses or Expense to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, any provision of the Certificate of Incorporation, Bylaws, or otherwise) of the amounts otherwise indemnifiable hereunder.

11. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 3 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 3(a) of this Agreement within 30 days after receipt by the Company of the request for indemnification or (iv) payment of indemnification is not made pursuant to Section 2 or Section 4 of this Agreement within 10 days after receipt by the Company of a written request therefor, or, if a determination is required by law, within 10 days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication (or, in the case of clause (i), to

seek an adjudication) by the Delaware Court (as hereinafter defined) of his entitlement to such indemnification or advancement of Expenses; provided that nothing contained in this Section 11 shall be deemed to limit Indemnitee's rights under Section 9(b) of this Agreement. Alternatively, Indemnitee, at his option, may seek an award in binding arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) If a determination shall have been made pursuant to Section 3(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 11 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 11, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 3(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 11, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 11 that the procedures and presumptions of this Agreement are not valid, binding or enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within 10 days after receipt by the Company of a written request therefore) advance such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement, under the Certificate of Incorporation or Bylaws as in effect, or may be amended, from time to time or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

12. Binding Agreement; Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Indemnitee and its assigns, spouses, heirs, executors and personal and legal representatives. The Company shall require any successor of the Company (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise to all or substantially all of the business or assets of the Company) to assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent the Company would be required to perform such obligations if no such succession had taken place.

13. Security. To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or

other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

14. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice By Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any action, suit, proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

17. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) to Indemnitee at the address set forth below Indemnitee signature hereto.

(b) To the Company at:

NMI Holdings, Inc. c/o FBR & Co.
1001 19th Street North
Arlington, Virginia 22209

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile or PDF signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for Losses and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such action, suit or proceeding in order to reflect (a) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such action, suit or proceeding; and/or (b) the relative fault of the Company (and its directors, officers, employees, trustees, fiduciaries and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

21. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled. The Company and Indemnitee further agree that Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Company acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the court, and the Company hereby waives any such requirement of such a bond or undertaking.

22. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising

out of or in connection with this Agreement, (c) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court and (d) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

SIGNATURE PAGES FOLLOW

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

NMI HOLDINGS, INC.

By:
Name: Bradley M. Shuster
Title:

[Signature Page to Indemnification Agreement]

INDEMNITEE:

Name:
Address:

[Signature Page to Indemnification Agreement]

SUBSIDIARIES OF NMI HOLDINGS, INC.

Name of Subsidiary	Jurisdiction of Incorporation	% Owned By NMI Holdings
MAC Financial Holding Corporation	Delaware	100
National Mortgage Insurance Corporation	Wisconsin	100
National Mortgage Reinsurance Inc. One	Wisconsin	100
National Mortgage Reinsurance Inc. Two	Wisconsin	100

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

NMI Holdings, Inc.
Emeryville, California

We hereby consent to the use in the Prospectus, constituting a part of this Registration Statement on Form S-1, of our report dated June 14, 2013, relating to the consolidated financial statements of MAC Financial Holdings Corporation (A Development Stage Company), which is contained in that Prospectus.

We also consent to the reference to us under the caption “Experts” in the Prospectus.

/s/ BDO USA, LLP
San Francisco, California

June 21, 2013

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

NMI Holdings, Inc.
Emeryville, California

We hereby consent to the use in the Prospectus, constituting a part of this Registration Statement on Form S-1, of our report dated February 14, 2013, relating to the consolidated financial statements of NMI Holdings, Inc. (A Development Stage Company), which are contained in that Prospectus.

We also consent to the reference to us under the caption “Experts” in the Prospectus.

/s/ BDO USA, LLP
San Francisco, California

June 21, 2013