



AUDIT COMMITTEE CHARTER

I. STATUS

The Audit Committee (the "Committee") is a committee of the Board of Directors (the "Board") of NMI Holdings, Inc. (the "Company").

II. PURPOSE

The Committee is appointed by the Board to oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements. In that regard, the Committee assists the Board in monitoring (a) the integrity of the financial statements of the Company, (b) the independent auditor's qualifications and independence, (c) the performance of the Company's internal audit function and independent auditors, (d) the monitoring of the Company's system of disclosure controls and system of internal controls over financial reporting and (e) the Company's compliance with legal and regulatory requirements.

The Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the "Commission") to be included in the Company's annual Proxy Statement.

III. COMMITTEE MEMBERSHIP

The Committee shall consist of no fewer than three members. Each member of the Committee shall meet the independence and experience requirements of Section 5605(a)(2) of the Nasdaq Listing Rules (the "Nasdaq Independence Requirements"), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations adopted by the Commission thereunder, and any other applicable laws or regulations, including state insurance laws. At least one member of the Committee shall be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) and (iii) of Regulation S-K. All members of the Committee shall be able to read and understand fundamental financial statements. No member of the Committee shall have participated in the preparation of the financial statements of the Company in the past three years. Committee members shall not simultaneously serve on the audit committees of more than two other companies. If a member of the Committee ceases to meet the Nasdaq Independence Requirements but continues to meet the independence requirements of Section 10A(m)(3) of the Exchange Act, and such member is not a current officer or employee or a family member of such individual, such member may serve for no more than two years on the Committee if the Board, under exceptional and limited circumstances, determines that such individual's membership is required by the best interests of the Company and its shareholders.

IV. OPERATION

The members of the Committee shall be appointed by the Board on the recommendation of the Governance and Nominating Committee. Committee members may be removed by a majority vote of the Board, including based on the recommendation of the Governance and Nominating Committee. Any vacancy on the Committee shall be filled by a majority vote of the Board based on the recommendation of the Governance and Nominating Committee.

The Chairperson of the Committee (the "Chairperson") shall be designated by the Board. The Chairperson shall be responsible for presiding over meetings, preparing meeting agendas and reporting to the Board. In the event the Chairperson is not present at a meeting, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting.

The Committee shall at least annually determine that at least one member of the Committee meets the definition of “audit committee financial expert” as defined in item 407(d)(5)(ii) and (iii) of Regulation S-K and communicate that determination to the Board.

The Committee shall meet at least four times each year at regularly scheduled meetings of the Board (but not less than quarterly) and at such other times as it deems necessary to fulfill its responsibilities. The Committee shall maintain minutes of its meetings and other records relating to those meetings. The Committee shall periodically meet separately, in executive session, with management, the internal auditors and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Written minutes of Committee meetings shall be maintained. The Committee shall report regularly to the Board with respect to its activities and make recommendations to the Board as appropriate. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee may form and delegate authority to subcommittees as it deems appropriate.

The Committee shall regularly (but no less often than annually) review its performance and this Charter and shall make recommendations to the Board, as appropriate.

V. RESPONSIBILITIES

A. Financial Reports and Internal Controls Over Financial Reporting

1. Meet with management and the independent auditor to review the annual and quarterly financial statements of the Company, including: (a) the Company’s disclosures under Management’s Discussion and Analysis of Financial Condition and Results of Operations; (b) any material changes in generally accepted accounting principles (“GAAP”) or statutory accounting principles or practices used in preparing the financial statements prior to the filing of a report on Form 10-K or 10-Q with the Commission and/or statutory financial statements with state insurance regulators; and (c) the items required to be communicated by the independent auditor to the Committee in accordance with the PCAOB standards then in effect.
2. Review with the independent auditor, the Company’s Internal Audit Department, and management: (a) the adequacy and effectiveness of the systems of internal controls (including any significant deficiencies and changes in internal controls reported to the Committee by the independent auditor or management), accounting practices, and disclosure controls and procedures (and management reports thereon), of the Company and its subsidiaries; and (b) current accounting trends and developments, and take such action with respect thereto as may be deemed appropriate.
3. Recommend to the Board, based on the review described in paragraphs B.5 below and A.1 and A.2 above, whether the financial statements should be included in the Company’s annual report on Form 10-K.
4. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, including any significant changes in the Company’s selection or application of

- accounting principles.
5. Annually review significant accounting policies.
 6. Review and discuss earnings press releases and Company policies with respect to earnings press releases (including any pro forma and non-GAAP information), financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally (i.e., discussion of the types of information to be discussed and the type of presentation to be made, paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), and need not take place in advance of each earnings press release or each instance in which the Company provides earnings guidance. The Committee may be represented by the Chairperson or a subcommittee to review earnings announcements.
 7. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 114 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
 8. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein, and any fraud involving management or other employees who have a significant role in the Company's internal controls.

B. Independent Auditor

1. Select and retain (subject to ratification by the Company's stockholders), and terminate when appropriate, the independent auditor, set the independent auditor's compensation, oversee the work of the independent auditor, pre-approve all audit services to be provided by the independent auditor, and oversee the resolution of disagreements between management and the independent auditors, if any. The independent auditor shall report directly to the Committee.
2. Pre-approve all permitted non-audit services to be performed by the independent auditor, subject to the *de minimis* exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, to be performed by the independent auditor and establish policies and procedures for the engagement of the independent auditor to provide permitted audit and non-audit services. Pre-approval for both audit and non-audit services may be delegated to the Chairperson or a sub-committee of the Committee for services that arise between Committee meetings, with any such delegated approval reported to the Committee at its next meeting.
3. At least annually, receive and review: (a) a report by the independent auditor describing the independent auditor's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, peer review or Public Company Accounting Oversight Board ("PCAOB") review, of the independent auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (b) other required reports from the independent auditor.
4. Prior to its initial engagement and at least annually thereafter, consider the independence of the independent auditor, including whether the provision by the independent auditor of

- permitted non-audit services is compatible with independence, and obtain and review a written report from the independent auditor describing all relationships between the auditor and the Company; actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor.
5. Review and evaluate the lead partner of the independent auditor team.
 6. Review with the independent auditor: (a) the scope and results of the audit; (b) any problems or difficulties that the auditor encountered in the course of the audit work, and management's response; (c) any questions, comments or suggestions the auditor may have relating to the internal controls, and accounting practices and procedures, of the Company or its subsidiaries; and (d) all other items specified by Section 204 of the Sarbanes-Oxley Act.
 7. Review and discuss quarterly reports from the independent auditors on (a) all critical accounting policies and practices used; (b) alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
 8. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditor on a regular basis.
 9. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

C. Internal Audit Program

1. Review with the Executive Vice President, Chief Risk Officer the appointment of the internal audit service provider(s), whether outsourced or internally provided.
2. Review, at least annually, the scope and results of the internal audit program, including then-current and future programs of the Company's Internal Audit Department, procedures for implementing accepted recommendations made by the independent auditor, and any significant matters contained in reports from the Internal Audit Department. The Company employee in charge of Internal Audit (Head of IA) shall report to the Chairperson with a dotted line reporting relationship to the Chief Risk Officer. The Committee shall provide direction to the Head of IA in the performance of his/her duties including determining the scope of the internal audit. In addition, the Committee shall set compensation for the Head of IA and review his/her job performance annually.
3. Pre-approve all services that will cost in excess of \$25,000 to be performed by any internal audit co-source where such services do not arise from or relate to the internal audit program approved by the Committee.

D. Compliance

1. Review: (a) the status of compliance with laws, regulations, and internal procedures; and (b) the scope and status of systems designed to promote Company compliance with laws,

- regulations and internal procedures, through the receiving of reports from management, legal counsel and third parties as determined by the Committee.
2. Review risks associated with financial accounting and reporting, including the system of internal control, as well as fraud risk, information technology and cybersecurity risk, and major legislative and regulatory developments which could result in material financial risk exposures.
 3. Review and approve any Related Party Transaction (as defined in the Related Party Transaction Approval Policy) in which the Company is named as a participant, and periodically review the adequacy of the Related Party Transaction Approval Policy.
 4. Establish procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding the Company's ethical compliance, accounting, internal controls and auditing matters, as well as for the confidential and anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters. The Chairperson or his designee shall be the designated recipient of such submissions.
 5. Periodically review with the Company's general counsel (a) any legal matters that could have a significant impact on the Company's financial statements or the compliance policies of the Company and its subsidiaries and (b) any material reports, notices or inquiries received by the Company from regulators or governmental agencies.
 6. Recommend to the Board policies for the Company's hiring of employees and former employees of the independent auditor.
 7. Obtain the advice and assistance of independent counsel and other advisors, as necessary and appropriate, to fulfill the responsibilities of the Committee, and receive appropriate funding from the Company, as determined by the Committee, for the payment of compensation to any such advisors, the independent auditor and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

E. Limitations

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, or to determine that the Company's financial statements and disclosures are complete and accurate, and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISORS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities. The Committee may retain, at the Company's expense, such independent counsel or other consultants or advisers as it deems necessary.

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