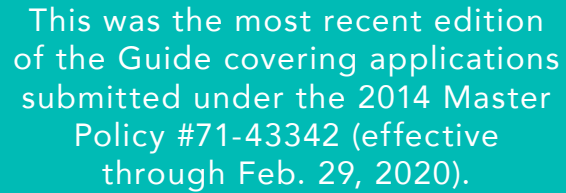
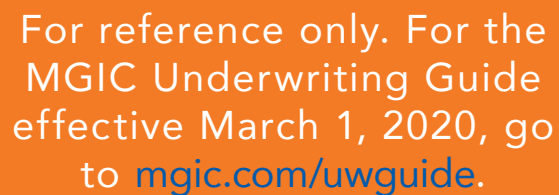


The title "MGIC UNDERWRITING GUIDE" is centered in a dark grey rectangular box. The text is in a white, bold, sans-serif font. To the left of the box are two orange squares, and to the right are two green squares and two teal squares, each containing a white geometric pattern.A teal rectangular box containing white text. The text reads: "This was the most recent edition of the Guide covering applications submitted under the 2014 Master Policy #71-43342 (effective through Feb. 29, 2020)." To the left of the box are two green squares with white geometric patterns, and to the right are two orange squares.An orange rectangular box containing white text. The text reads: "For reference only. For the MGIC Underwriting Guide effective March 1, 2020, go to mgic.com/uwguide." To the left of the box are two teal squares with white geometric patterns, and to the right are two teal squares.

Summary of Changes

Changes throughout the guide are indicated with **green type**.

Effective **Dec. 16, 2019**, as announced in our national Underwriting Bulletin #06-2019 and credit union Underwriting Bulletin #06-2019:

Section 3 Standard Loans

- **3.02** – We increased loan limit amounts:
 - From \$500,000 to \$525,000 in all states except Alaska and Hawaii
 - From \$700,000 to \$750,000 in all states except Alaska and Hawaii
 - From \$750,000 to \$800,000 in Alaska and Hawaii
- **3.02.01c** – For loans greater than \$1,250,000 and up to \$1,500,000 where the borrower has a minimum credit score of 740, we increased the maximum LTV allowed from 85% to 90%.
- **3.09.04i** – We increased the maximum loan amount from \$700,000 to \$750,000 for loans where gifts of cash are eligible to meet borrower’s own funds requirements.

INTRODUCTION

The MGIC Underwriting Guide provides the policy, procedures and requirements we use to evaluate loans for mortgage insurance.

We will consider insuring loans that don't meet requirements stated in this Guide on a case-by-case basis.

We've organized it to be easier to use:

- [Section 1 All Loans](#) provides requirements for doing business with MGIC
- [Section 2 MGIC Go! Loans](#) focuses on loans with a valid DU Approve or Loan Product Advisor Accept response
- [Section 3 Standard Loans](#) covers loans that are not processed through an Agency AUS or that do not qualify for MGIC Go!

Terms Used

Throughout this Guide:

- *Agency AUS* refers to Fannie Mae's Desktop Underwriter (DU) and Freddie Mac's Loan Product Advisor
- *Borrowers* refers to multiple borrowers or a single borrower
- *Borrower's own funds* means a loan payment or down payment made by the borrowers from their own funds or as permitted by our Underwriting Requirements
- *Eligibility Criteria* are the requirements a loan must meet to be eligible for MGIC mortgage insurance, as set forth in our Underwriting Requirements in effect when we receive the Insurance Application
 - On the Certificate Effective Date (the loan closing date, unless we approve an exception), the loan must meet the Eligibility Criteria in effect on the date we received the Insurance Application
 - An Eligibility Criteria Violation exists if:
 - On the Certificate Effective Date the loan did not meet one or more Eligibility Criteria in any respect material to our acceptance of the risk, AND
 - Had we known of such noncompliance, the loan would not have been insured
- *Insurance Application* refers to all versions and formats of the MGIC Mortgage Insurance Application
- *Occupancy-ready* refers to a property that has been granted an occupancy permit or equivalent, if applicable
- *Response* refers to an AUS recommendation and associated messages
- *Underwriting Requirements* are the definitions, methods, calculations, guidelines, documentation and other requirements we use to determine whether a loan meets Eligibility Criteria
- *Verification Information* refers to documentation and information required for Gold Cert 12-Payment Protection consideration
- *We, us and our* refer to MGIC
- *You* refers to the Initial Insured and its representatives (underwriters, processors, loan originators)

References

Throughout the Guide, we will refer you to supporting information in other sections within the document with cross-reference links. For example, (2.01) means you will find related information in section 2, subsection 1.

Click the link to go to the reference. Windows users, press the Alt key and the left back arrow on your keyboard to return to the page you were on. Mac users, press Command plus the left back arrow.

Our Guide also includes external references, linked to pages on our website, www.mgic.com, and other websites.

Loan Center

Use the Loan Center to submit applications for mortgage insurance, request RTM modifications and manage loans already submitted.

For more information about using the Loan Center, go to www.mgic.com/loancenter.

If you're not already a Loan Center user, go to www.mgic.com/signup to register for an MGIC user ID and password.

Exclusive Properties

Various trademarks, registered trademarks, service marks, and related branding marks (possibly unmarked) are used within this Guide; all of these, without exception, are the legal property of their respective owners.

- MGIC:
 - Trademarks: MGIC®, MGIC Go!™
 - Service mark: Gold CertSM
- Fannie Mae:
 - Trademarks: Community Seconds™, HFA Preferred™
 - Registered trademarks: Collateral Underwriter®, CU® Desktop Underwriter®, DU®, HomeReady® and HomeStyle®
- Freddie Mac:
 - Registered service marks: Affordable Seconds®, Enhanced Relief Refinance®, Home Possible®, Home Possible Advantage®, Loan Product Advisor®

Support

If you have any questions about information presented in this Guide, contact your Underwriting Service Center, www.mgic.com/uwoffice.

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- 1.03 Borrowers
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- 1.05 Condominium and Cooperative Project Exposure
- 1.06 Underwriting Programs
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1.01 Doing Business with MGIC

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- 1.01.02 [Our Fair Underwriting Commitment](#)
- 1.01.03 [Submission Options for Ordering MI](#)
- 1.01.04 [Incomplete Applications](#)
- 1.01.05 [Approved Applications and Insurance Activation](#)
- 1.01.06 [Denied Applications](#)
- 1.01.07 [Equal Credit Opportunity Act \(ECOA\)](#)
- 1.01.08 [Fair Credit Reporting Act \(FCRA\)](#)
- 1.01.09 [Identity Theft Procedures](#)

1.01.01 Where We Conduct Business

We conduct business in the 50 United States, the District of Columbia and the US territories of Guam and Puerto Rico.

1.01.02 Our Fair Underwriting Commitment

We are committed to treating all individuals fairly and equitably in all jurisdictions where we conduct business. This commitment is part of our fundamental mission to expand homeownership by supporting the origination of quality mortgage loans. It is our policy to do business in compliance with all fair lending laws, including, but not limited to the federal Fair Housing Act. Under the Fair Housing Act, it is illegal to discriminate in any mortgage insurance transaction on the basis of race, color, religion, sex, handicap, familial status (including pregnancy) or national origin. If you believe discrimination has occurred, you should send a complaint to:

US Department of Housing and Urban Development Office of Fair Housing and Equal Opportunity 451 Seventh Street, SW Washington, DC 20410 Tel: 1-800-669-9777 Website: www.hud.gov/offices/fheo	OR	US Department of Justice Civil Rights Division Housing and Civil Enforcement Section 950 Pennsylvania Avenue, NW Washington, DC 20530 Tel: 1-800-896-7743 Website: www.usdoj.gov/crt/housing
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1.01.03 Submission Options for Ordering MI

Submission methods	Submit documentation	Submit data
Loan Center	•	•
Your Loan Origination System (LOS)	•	•
Fax	•	
Electronic Data Interface (EDI)	•	•
Mail/courier	•	

1.01.03a Ordering MI Through the Loan Center

Login at www.mgic.com to submit loans to MGIC's Loan Center and manage loans you've already submitted. If you need a user ID and password, register at www.mgic.com/signup.

See the [Loan Center User Guide](#) for additional details at www.mgic.com/loancenter.

Data-Only (Delegated) Submission

If you are eligible to participate in our MGIC Delegated MI Underwrite program (1.06.01), you can enter or upload data to the Loan Center. Reduce data entry by:

- Uploading a DU 3.2 data file to prepopulate most data fields
- Prefilling the Order MI form with your personal default settings:
 - Set up your MI preferences, including premium type and refund and renewal options
 - Designate MGIC to collect FCRA data

Document Submission

Upload electronic Loan Origination File documents. See 1.06.02 and 1.06.03 for documentation requirements.

Submitting High Loan-to-Value (LTV) Refinance Option/Enhanced Relief Refinance Mortgage RTM Loans

- For automated processing with 24-hour turnaround, enter data to complete the online RTM request form
- For manual processing, upload electronic Loan File documents, including the 1003, 1008 and RTM request form

RTM forms are available on our website at www.mgic.com/rtm. See 3.02.05 for more about our Refi-to-Mod programs.

1.01.03b Ordering MI Through Your Loan Origination System (LOS)

If you are eligible to participate in our MGIC Delegated MI Underwrite program (1.06.01), you may be able to order MGIC MI through your LOS. We've integrated the capability to order MGIC MI directly from a number of LOS vendor-partners' systems. See the list of participating vendors at www.mgic.com/los.

Use the Loan Center to check MI decision status and manage loans submitted through your LOS.

1.01.03c Ordering MI via Fax

Use the Loan Center to check MI decision status and manage loans you submit via fax.

MGIC MI Applications

Complete the appropriate editable MGIC MI Application at www.mgic.com/app.

Fax it and your Loan File to your MGIC Underwriting Service Center, www.mgic.com/uwoffice.

You can also save the document as a PDF for your records and upload it to the Loan Center for an MGIC MI Underwrite (1.06.02) or an MGIC MI Underwrite/Full-Doc Review (1.06.03).

Submitting High LTV Refinance Option/Enhanced Relief Refinance Mortgage Refi-to-Mod (RTM) Loans

Complete the appropriate editable RTM request form at www.mgic.com/rtm.

Fax it and the 1003 and 1008 to your MGIC Underwriting Service Center, www.mgic.com/uwoffice.

You can also save the RTM form as a PDF for your records and submit it to the Loan Center.

See 3.02.05 for more about our Refi-to-Mod programs.

1.01.04 Incomplete Applications

If we are unable to make a decision based on the loan information you submitted, we will contact you for clarification.

1.01.05 Approved Applications and Insurance Activation

When we approve an Insurance Application, we issue a Commitment/Certificate via the Loan Center, electronic delivery or fax — according to your preference.

A Commitment/Certificate serves as our commitment to insure a loan. Once you've activated insurance (1.01.05a), it serves as the insurance Certificate.

The Commitment/Certificate provides:

- Coverage details
- The Commitment effective and expiration dates
- The amount of premium due to activate coverage
- The Activation Notice form

View a sample Commitment/Certificate at www.mgic.com/samplecc.

1.01.05a Activating MGIC Insurance

1.01.05b Commitment or Approval Effective Period

1.01.05c Extensions

1.01.05d Loan Changes/Updated Information at or Before Closing

1.01.05a Activating MGIC Insurance

To activate MGIC insurance, notify us within 15 days of loan closing, or for construction-permanent loans, see the activation options below.

Loans must:

- Close or be modified to permanent financing for construction-permanent loans on or before the Commitment expiration date
- Meet documentation age requirements (3.06)

Purchase or Refinance Loan Activation Options


Monthly Premiums (no premium is due at closing)

- Loan Center – Use the *Manage Existing Loans* tab
 - Open the file folder icon under Loan Options; select *Activate Coverage*
- MGIC/Link Servicing – Select *Activate Coverage* in the main menu
- Fax the completed MGIC Activation Notice to 1-800-711-6442
- Mail the completed MGIC Activation Notice to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488

We will bill you beginning the first full month after closing.

Single, Annual or Split Premiums

- Loan Center – Use the *Manage Existing loans* tab
 - Open the file folder icon under Loan Options; select *Activate Coverage*
- MGIC/Link Servicing – Select *Activate Coverage* in the main menu

 *When you activate coverage using the Loan Center or MGIC/Link, to complete the activation process, submit premium due to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488*

- Mail the completed MGIC Activation Notice along with premium due to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488

Electronic Activations

- Use your servicing system or LOS to activate coverage. You may be able to activate your MI directly through your servicing system or LOS; contact integration_services@mgic.com or 1-888-644-2334 for more information

Batch Activations

- For more information, contact integration_services@mgic.com or 1-888-644-2334

Construction-Permanent Loan Activation Options

Construction-permanent loans must be current on the activation date.

Activation Upon Construction Loan Closing

Activate coverage prior to completion of improvements, upon closing the construction loan. Premiums are based on the permanent loan amount.


If terms of the permanent loan are modified:

- We may require you to submit updated documentation
- Follow our modification requirements; see the [MGIC Servicing Guide Section 9.01 Modification Guidelines for Current Loans](#)

Activation Upon Permanent Loan Closing

Activate coverage after completion of improvements, upon closing the permanent loan (or the modification of the one-time closed construction loan to the permanent loan).

Construction-Permanent Loan Activation Submission Options

- Monthly Premiums, where insurance is activated prior to or after completion and no premium is due at closing
 - Loan Center – Use the *Manage Existing Loans* tab
 - Open the file folder icon under *Loan Options*; select *Activate Coverage*
 - MGIC/Link Servicing – Select *Activate Coverage* in the main menu
 - Fax the completed MGIC Activation Notice to 1-800-711-6442
 - Mail the completed MGIC Activation Notice to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488
 - Monthly Premiums, where insurance is activated prior to completion and the first year's premium is paid upfront at closing
 - Mail 12 months' premium and the completed Activation Notice from the Commitment/Certificate to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488
 - In Month 13, we will bill the current Servicer of record for premium due
 - Single, Annual or Split Premiums, where insurance is activated prior to or after completion
 - Loan Center – Use the *Manage Existing Loans* tab
 - Open the file folder icon under *Loan Options*; select *Activate Coverage*
 - MGIC/Link Servicing – Select *Activate Coverage* in the main menu
-  *When you activate coverage using the Loan Center or MGIC/Link, to complete the activation process, submit premium due to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488*
- Mail the completed MGIC Activation Notice, along with premium due, to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488

High LTV Refinance Option/Enhanced Relief Refinance Mortgage RTM Loan Activation Options

If we approve a Refi-to-Mod loan, we will provide a Modification Commitment/Certificate, which includes the effective and expiration dates and the Modification Activation Notice.

- If no premium is due (Monthly, Single or Split Premiums):
 - Loan Center – Select *Manage Existing Loans*; search for the Loan File
 - Open the file folder icon under *Loan Options*; select *Activate Coverage*
 - MGIC/Link Servicing – Select *Activate Coverage* in the main menu
 - Fax the Modification Activation Notice to 1-800-437-1350
 - Mail the Modification Activation Notice to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488
 - Use a loan boarding transaction direct from your servicing system; contact customer_service@mgic.com or 1-800-424-6442 for more information
 - Batch activations – For more information, contact customer_service@mgic.com or 1-800-424-6442
- If premium is due (Annual Premium):
 - Loan Center – Select *Manage Existing Loans*; search for the Loan File
 - Open the file folder icon under *Loan Options*; select *Activate Coverage*
 - MGIC/Link Servicing – Select *Activate Coverage* in the main menu
 - Mail the completed Modification Activation Notice along with premium due to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488

 *When you activate coverage using the Loan Center or MGIC/Link, to complete the activation process, submit premium due to MGIC, P.O. Box 488, Milwaukee, WI 53201-0488*

1.01.05b Commitment or Approval Effective Period

Effective periods begin on the date the Commitment/Certificate or PreQual Approval is issued through a specific date based on loan purpose:

Type	Loan purpose	Effective period*
Commitment / Certificate	<ul style="list-style-type: none"> • Purchase • Rate/term refinance • Cash-out refinance • Home improvement 	120 days
	<ul style="list-style-type: none"> • Construction-permanent 	12 months
PreQual	<ul style="list-style-type: none"> • Purchase, property not identified 	90 days

* Subject to MGIC Go! (2.01) or standard documentation age (3.06)

1.01.05c Extensions

If you need to extend the Commitment effective period, contact your MGIC Underwriting Service Center, www.mgic.com/uwoffice.

Extensions are subject to Eligibility Criteria in effect on the date of the extension request. We may require additional information.

1.01.05d Loan Changes/Updated Information at or Before Closing

Report loan changes/updated information to your MGIC Underwriting Service Center, www.mgic.com/uwoffice, before activating insurance.

After underwriting review (where necessary), we will process any changes, and, if we approve them, send you a revised Commitment/Certificate.

We do not require approval prior to closing for typographical corrections to the borrower's name.

1.01.06 Denied Applications

If we are unable to approve an Insurance Application, we will provide you with a Statement of Denial, including the specific reasons insurance coverage was declined.

If you deny the loan, we rely on you to forward the Statement of Denial to the mortgage loan applicant, as required by ECOA.

Where FCRA requires us to notify the loan applicant that insurance has been declined, we will send a letter that satisfies both ECOA (1.01.07) and FCRA requirements (1.01.08) directly to the loan applicant and a copy to you.

1.01.07 Equal Credit Opportunity Act (ECOA)

ECOA is a federal law that prohibits creditors from discriminating against credit applicants:

- On the basis of race, color, religion, national origin, sex, marital status, age — provided that the applicant has the capacity to enter into a binding contract;
- Because an applicant receives income from a public assistance program; or
- Because an applicant has in good faith exercised any right under the Consumer Credit Protection Act

ECOA also requires creditors and others who participate in the credit decision to notify applicants of the specific reasons for denial when an application for credit is not approved.

The Federal Trade Commission administers our compliance with this law.

For more information about ECOA, contact:

- Federal Trade Commission
600 Pennsylvania Ave., NW
Washington, DC 20580
(202) 326-2222
www.ftc.gov
- Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552
(202) 435-7000
www.consumerfinance.gov

1.01.08 Fair Credit Reporting Act (FCRA)

FCRA is a federal law that:

- Promotes the accuracy, fairness and privacy of information in the files of consumer credit reporting agencies;
- Protects information collected by those agencies;
- Limits the persons who may obtain consumer credit reports; and
- Requires certain users of such reports to notify consumers when adverse action has been taken on the basis of such reports.

Both offering a premium less than our best rate and not approving a loan for mortgage insurance are considered adverse actions under FCRA.

When we take adverse action based upon information contained in a consumer credit report, we send borrowers a letter that provides the reasons behind our decision, the name of the consumer credit reporting agency that provided the report upon which we based our decision and other disclosures required by FCRA.

For more information about FCRA, contact:

- Federal Trade Commission
600 Pennsylvania Ave., NW
Washington, DC 20580
(202) 326-2222
www.ftc.gov/enforcement/statutes/fair-credit-reporting-act

1.01.09 Identity Theft Procedures

MGIC will suspend an Insurance Application and notify you if we have reason to believe that there is an indication of potential identity theft associated with a loan.

Generally, the types of "Red Flags" that may be detected by MGIC are reflected in the consumer credit report. However, MGIC may not be furnished with information that may reveal Red Flags or may not receive such information until after the loan transaction has closed.

Therefore, MGIC cannot guarantee that potential identity theft will be detected in all cases, and you should not rely on MGIC's procedures to detect, prevent or mitigate identity theft in connection with loans insured or submitted for insurance by MGIC.

For more information about our identity theft procedures, contact compliance_officer@mgic.com.

1.02 Eligibility Criteria

Eligibility Criteria are the requirements a loan must meet to be eligible for MGIC mortgage insurance, as set forth in our Underwriting Requirements in effect when we receive the Insurance Application.

On the Certificate Effective Date (the loan closing date, unless we approve an exception), the loan must meet the Eligibility Criteria in effect on the date we received the Insurance Application.

An Eligibility Criteria Violation exists if:

- On the Certificate Effective Date the loan did not meet one or more Eligibility Criteria in any respect material to our acceptance of the risk, AND
- Had we known of such noncompliance, the loan would not have been insured

 *We will use the Underwriting Requirements specified in this Guide to determine whether a loan meets the following Eligibility Criteria.*

Assets

Loans must meet borrower contribution and reserve requirements:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria and Underwriting Requirements
- For all other loans, see [3.02](#) for Eligibility Criteria; [3.09](#) for Underwriting Requirements

Borrowers

Each borrower must:

- Be a natural person or be represented by an inter vivos revocable trust
- Have the legal capacity to reside in the United States and contract for a mortgage
- Have a US-issued Social Security number

Loans must meet borrower requirements:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [1.03](#) and [Section 2](#) for Underwriting Requirements
- For all other loans, see [1.03](#) for Underwriting Requirements

Compliance with Law

Loans must comply with federal, state and local laws regulations, ordinances, rules and orders.

Credit/Credit Score

Loans must meet the requirements for traditional, nontraditional or adverse credit, as applicable:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria and Underwriting Requirements
- For all other loans, see [3.02](#) for Eligibility Criteria; [3.10](#) for Underwriting Requirements

Debt-to-Income Ratio

Loans must meet DTI Ratio requirements:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria and Underwriting Requirements
- For all other loans, see [3.02](#) for Eligibility Criteria; [3.07](#) and [3.11](#) for Underwriting Requirements

Loan Purpose

Loans must meet the requirements for purchase loans, rate/term refinances or cash-out refinances, as applicable:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria and Underwriting Requirements
- For all other loans, see [3.02](#) for Eligibility Criteria; [3.03](#) for Underwriting Requirements

Loan Type and Terms

The loan must be a first lien with an amortization period of 40 years or less, must not be in default on the Certificate Effective Date and must meet the specified requirements:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria and Underwriting Requirements
- For all other loans, see [3.02](#) for Eligibility Criteria; [3.04](#) for Underwriting Requirements

LTV/CLTV/HCLTV

Loans must meet LTV/CLTV/HCLTV requirements, as applicable:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria; [1.04](#) for Underwriting Requirements
- All other loans, see [3.02](#) for Eligibility Criteria; [1.04](#) for Underwriting Requirements

Occupancy

Occupancy status and intent must be accurately disclosed in the application and Loan File documents and meet applicable requirements:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria and Underwriting Requirements
- For all other loans, see [3.02](#) for Eligibility Criteria; [3.05](#) for Underwriting Requirements

Originating Lender Identification

The originating lender must be accurately identified in the application and Loan File documents.

If the originating lender is a third-party originator — a person who completes the loan application and may perform some or all of the processing function, but typically does not underwrite or close the loan in its own name (table-funds the loan) — identify:

- MGIC ID Number
 - If we haven't yet assigned an ID Number, we may request additional information
- Organization name
- City
- State

Property

Property Type

The property type must be accurately disclosed and meet applicable requirements:

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#) for Eligibility Criteria and Underwriting Requirements
- For all other loans, see [3.02](#) for Eligibility Criteria; [3.12.04](#) for Underwriting Requirements

Property Value

The property value submitted with the Insurance Application must accurately reflect the valuation documentation.

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see Section 2 for Eligibility Criteria and Underwriting Requirements
 - When you exercise a DU-offered appraisal waiver, the property value you submit in the Insurance Application must accurately reflect the final property value you entered in DU
- For all other loans, see 3.02 for Eligibility Criteria; 3.12.04 for Underwriting Requirements
- For properties affected by a natural disaster, see Natural Disaster Policy below

Natural Disaster Policy

If the property is in an area affected by a hurricane or other disasters affecting multiple properties, before you close the loan, take appropriate steps to determine whether there is any physical damage that affects the value submitted with the Insurance Application. You may need to obtain a property inspection.

For other properties located in FEMA-declared disaster areas, if individual assistance is available for the subject property, maximum age of appraisal and all other documentation is 180 days, subject to the following:

- The loan application must be dated on or before the date of the disaster
- For employed borrowers, complete a verbal verification of employment within 10 days prior to the loan closing date

Compliance

The property must comply with applicable federal, state and local laws, regulations, ordinances, rules and orders including, but not limited to:

- Building codes
- Zoning requirements

Condition

A property must be complete prior to insurance activation*; however, if the property is occupancy-ready and at least 90% complete, escrow up to 10% of the property value for improvements or repairs necessary to complete the property.

- Improvements or repairs must be completed
- Evidence of completion must be documented in the Loan File
- For loans with a valid DU Approve or Loan Product Advisor Accept response, see Section 2 for Underwriting Requirements
- For all other loans, see 3.12 for Underwriting Requirements

*Exception: construction-permanent loans activated upon closing of the construction loan

1.03 Borrowers

To be eligible for MGIC mortgage insurance, each borrower must:

- Be a natural person or be represented by an inter vivos revocable trust
- Have the legal capacity to reside in the United States and contract for a mortgage
- Have a US-issued Social Security number

- 1.03.01 Inter Vivos Revocable Trusts
- 1.03.02 Nonpermanent Resident Alien
- 1.03.03 Permanent Resident Alien
- 1.03.04 Borrower Exposure
- 1.03.05 Borrower Claim History

1.03.01 Inter Vivos Revocable Trusts

A trust created while the donor is still alive to hold property for the benefit of another; also called a “living” or “family” trust

Underwriting Requirements

- Any primary beneficiary of the trust must be a natural person who established the trust
- Qualification: Use the income (3.08) and assets (3.09) of at least one primary beneficiary who will occupy the property and become personally liable on the note as co-signer or guarantor and acknowledge the mortgage
- The trust must create a first lien on the property

Documentation Requirements

- Trust documents

1.03.02 Nonpermanent Resident Alien

A non-US citizen who has the right to live in the US on a temporary basis

Underwriting Requirements

- If income is used to qualify, the borrower must have the right to work in the US
- Minimum 2-year history of US residency
- Ineligible: borrowers with diplomatic immunity or an Individual Taxpayer Identification Number (ITIN)

Documentation Requirements

- Evidence of a borrower’s legal right to reside and work in the US

1.03.03 Permanent Resident Alien

A non-US citizen who is a lawful, permanent resident of the US

Underwriting Requirements

- Ineligible: borrowers with diplomatic immunity or an Individual Taxpayer Identification Number (ITIN)

Documentation Requirements

- Valid Alien Registration Receipt Card I-551 (Green Card) or comparable documentation

1.03.04 Borrower Exposure

Loans currently insured by MGIC

Underwriting Requirements

- Maximum MGIC-insured loans – 2 per borrower; 1 of the 2 loans must be on a primary residence
- MGIC maximum exposure: \$300,000
- Determine exposure by multiplying the coverage % by the loan amount for all borrowers' loans; add the results:
 - Coverage % x Loan 1 Amount = Exposure 1
 - Coverage % x Loan 2 Amount = Exposure 2
 - Exposure 1 + Exposure 2 = Total Exposure

1.03.05 Borrower Claim History

Underwriting Requirements

Ineligible: Any borrower who has had a loan for which we paid or denied a claim, or where we rescinded or cancelled coverage

1.04 LTV/CLTV/HCLTV

The ratio of outstanding mortgage balance(s) to the property value

MGIC uses LTV/CLTV/HCLTV calculations for underwriting and pricing.

Calculations

LTV/CLTV/HCLTV Calculation

- Use loan purpose to determine the property value
 - Purchase loan (3.03.01)
 - Rate/term refinance (3.03.02)
 - Cash-out refinance (3.03.03)
 - Construction-permanent loan (3.03.04a)
 - Home improvement/rehabilitation loan (3.03.04c)
- Use base LTV to determine mortgage insurance premium rate
- Use the base loan amount — the first mortgage balance, excluding financed mortgage insurance premium

Base LTV Calculation

- Use the base loan amount divided by the property value

$$\frac{\text{Base loan amount}}{\text{Property value}} = \text{Base LTV}$$

CLTV Calculation

- Use the total of the proposed first mortgage balance in addition to the outstanding balance on all closed-end second liens and the drawn balance of a HELOC that will be subordinate at the time of closing, divided by the property value

	Proposed 1st mortgage balance
+	Balance on all closed-end second liens
+	Drawn balance of a HELOC
<hr/>	
	Total loan balance
÷	Property value
<hr/>	
	CLTV

HCLTV Calculation

- Use the total of the proposed first mortgage balance in addition to the full amount of all HELOCs — whether funds have been drawn or not — and the outstanding balance of all closed-end second liens that will be subordinate at the time of closing, divided by the property value

	Proposed 1st mortgage balance
+	Balance on all closed-end second liens
+	Full amount of all HELOCs — whether funds have been drawn or not
<hr/>	
	Total loan balance
÷	Property value
<hr/>	
	HCLTV

Determining LTV Category

- Truncate the LTV/CLTV/HCLTV to 2 decimal places, then round up to the next whole percentage
- Example:
 - 95.010% = 97% LTV category
 - 90.009% = 90% LTV category

Underwriting/Documentation Requirements

- New York state property purchases
 - If the property is a cooperative, the loan amount must be greater than 80% of the sales price to be eligible for insurance
 - For all other properties, the loan amount must be greater than 80% of the appraised value to be eligible for insurance
- For loans with a valid DU Approve or Loan Product Advisor Accept response, follow requirements stated in [Section 2](#); all other loans, follow [3.02](#)

1.05 Condominium and Cooperative Project Exposure

Project units currently insured by MGIC

We base project eligibility on a number of factors, including our exposure and loan performance in each project. Project eligibility is subject to change.

Underwriting Requirements

- MGIC maximum exposure: 33% of the total sold units in a project

1.06 Underwriting Programs

1.06.01 Delegated MI Underwrite Program

To apply for MGIC mortgage insurance under our Delegated MI Underwrite program, you must:

- Meet program requirements
- Be issued our Delegated Underwriting Endorsement

Submit data-only files via the Loan Center, your LOS or other electronic data interface.

When you apply for MGIC MI through our Delegated MI Underwrite program, you represent:

- Data is true and accurate and consistent with the Loan Origination File documentation
- The loan meets our Eligibility Criteria

We are not responsible for:

- The accuracy of the data you submit
- Determining whether the information you submit meets our Eligibility Criteria

If you don't qualify for our Delegated MI Underwrite program, or a loan doesn't meet requirements stated in this Guide, apply for MI via our MGIC MI Underwrite (1.06.02) or MGIC MI Underwrite/Full-Doc Review (1.06.03) program, as appropriate.

Underwriting Requirements

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#)
- All other loans, see [Section 3](#)

1.06.02 MGIC MI Underwrite Program

Submit documents with your MGIC Insurance Application via the Loan Center or other document delivery service, fax or courier.

Upon reviewing the documents you submit, we may request additional documentation.

When you apply for MGIC mortgage insurance with an MGIC MI underwrite, you represent:

- Submitted loan documentation is true and correct
- The information you have not submitted meets our Eligibility Criteria

We are responsible for:

- Accurate data entry
- Determining whether the information you submit meets our Eligibility Criteria, based solely on that information

Underwriting Requirements


- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#)
- All other loans, see [Section 3](#)

1.06.03 MGIC MI Underwrite/Full-Doc Review Program with ATR Check

Submit a complete Loan Origination File via the Loan Center or other document delivery service, fax or courier.

When you apply for MGIC mortgage insurance with an MGIC MI Underwrite/Full-Doc Review:

- You represent:
 - Submitted loan documentation is true and correct
 - You have no information that you have not submitted to us that affects compliance with our Eligibility Criteria
- We are responsible for:
 - Accurate data entry
 - Determining whether the information you submit meets our Eligibility Criteria
 - Reviewing loan documentation, based on the Consumer Financial Protection Bureau's (CFPB) Ability to Repay (ATR) checklist regarding borrowers':
 - Current or reasonably expected income or assets
 - Current employment status
 - Monthly payment on the covered transaction
 - Monthly payment on any simultaneous loan
 - Monthly payment for mortgage-related obligations
 - Current debt obligations, alimony and child support
 - Monthly debt-to-income ratio or residual income
 - Credit history

 *MGIC is not a creditor subject to the Dodd-Frank Ability-To-Repay (ATR) determination requirements, and our ATR Check is not intended to satisfy your independent responsibility for complying with regulatory or investor requirements. We review only your submitted loan documentation, and we do not independently reverify any information for ATR determination.*

Underwriting Requirements

- For loans with a valid DU Approve or Loan Product Advisor Accept response, see [Section 2](#)
- All other loans, see [Section 3](#)

Submission Documents

Submit documentation as required in [Section 2](#) or [Section 3](#), including the following:

- MGIC Mortgage Insurance Application
- Agency AUS Findings/Feedback Report, if applicable
- 1008/1077 Uniform Underwriting and Transmittal Summary
- 1003/65 Original loan application
- Credit report and all other credit documentation, including Verification of Rent (VOR) or Verification of Mortgage (VOM)
- Income and employment verification for all borrowers

- Asset verification for all borrowers
- Appraisal or other property valuation documentation, including all addenda, attachments, schedules, photographs and other information included by the appraiser
- Collateral Underwriter (CU) Findings or Summary Submission Report (SSR), if applicable
- Sales contract or equivalent
- Loan approval notes
- Underwriting and processing notes
- Any other document used in the underwriting process not listed above

1.07 Gold Cert Coverage

Our Gold Cert Coverage provides rescission relief from borrower misrepresentation, underwriting errors and material value variances on qualifying loans after 36 months, regardless of the submission method (1.07.01).

You can also opt for this protection at 12 months (1.07.02). The 12-month option requires that you submit certain documents at application and/or after you notify MGIC to activate insurance. Refer to your Master Policy for complete Gold Cert Requirements.

Rescission relief also applies to material value variances from the coverage effective date for loans with a qualifying Fannie Mae Collateral Underwriter (CU) Risk Score or valid DU Approve/Eligible response with an appraisal waiver (1.07.03).

1.07.01 36-Month Coverage

All loans receive Gold Cert rescission relief for borrower misrepresentation, underwriting errors and material value variances after 36 months if all of the following conditions are met:

- The loan is current at month 36
- All loan payments were made from the borrower's own funds; i.e., no payments were made by interested parties
- No more than 2 loan payments were 30 days late; no loan payment was 60 or more days late
- The loan was not subject to a workout
- There is no first-party misrepresentation or pattern activity

1.07.02 12-Payment Protection

You have the option to request Gold Cert 12-Payment Protection, which provides rescission relief for borrower misrepresentation and underwriting errors and for material value variances after 12 timely payments if all of the following conditions are met:

- You submitted Verification Information as required, and the loan passed our 12-Payment Protection review
- The loan was not subject to a workout
- None of the first 12 loan payments was 30 or more days delinquent
- All loan payments were made from the borrower's own funds
- There is no first-party misrepresentation or pattern activity

1.07.02a Relief From Borrower Misrepresentation, Underwriting Errors and Material Value Variances

1.07.02b Relief From Material Value Variances Only

1.07.02c Submitting Verification Information

1.07.02d 12-Payment Protection Notification

1.07.02a Relief From Borrower Misrepresentation, Underwriting Errors and Material Value Variances

To request 12-Payment Protection for borrower misrepresentation, underwriting errors and material value variances, submit the required Verification Information within 90 days of when you notify us to activate insurance.

Verification Information Requirements

- MGIC Delegated MI Underwrite loans – Submit a complete Loan Origination File and the Closing File documents (below)
- MGIC MI Underwrite loans – Submit:
 - Any Loan Origination File documents submitted at Insurance Application that have changed
 - Any Loan Origination File documents that were not submitted at Insurance Application
 - The Closing File documents (below)
- MGIC MI Underwrite/Full-Doc Review loans – Submit:
 - Any Loan Origination File documents submitted at Insurance Application that have changed
 - The Closing File documents (below)

Loan Origination File Documents

Submit documentation as required in **Section 2** or **Section 3**, including the following:

- MGIC Mortgage Insurance Application
- Agency AUS Findings/Feedback Report, if applicable
- 1008/1077 Uniform Underwriting and Transmittal Summary
- 1003/65 Original loan application
- Credit report and all other credit documentation, including Verification of Rent (VOR) or Verification of Mortgage (VOM)
- Income and employment verification for all borrowers
- Asset verification for all borrowers
- Appraisal or other property valuation documentation, including all addenda, attachments, schedules, photographs and other information included by the appraiser
- Collateral Underwriter (CU) Findings or Summary Submission Report (SSR), if applicable
- Sales contract or equivalent
- Loan approval notes
- Underwriting and processing notes
- Any other document used in the underwriting process not listed above

Closing File Documents

Submit copies of the following:

- Final HUD-1 Settlement Statement/Closing Disclosure
- Signed promissory note
- Signed mortgage
- Title insurance commitment
- Signed loan application (1003/65)
- Any other closing-related documentation that we may request

12-Payment Protection Review

We will reverify any questionable information.

Our review will determine whether the loan is eligible for 12-Payment Protection for borrower misrepresentation, underwriting errors and material value variances.

1.07.02b Relief From Material Value Variances Only

To request 12-Payment Protection for material value variances only, submit the required Verification Information within 90 days of when you notify us to activate insurance.

For relief as of the coverage effective date, see [1.07.03](#).

Verification Information Requirements

- MGIC Delegated MI Underwrite loans – Submit the appraisal or other property valuation documents
- MGIC MI Underwrite loans – Submit the appraisal or other property valuation documents, ONLY IF it wasn't submitted at insurance application or it has changed
- MGIC MI Underwrite/Full-Doc Review loans – Submit the appraisal or other property valuation documents ONLY IF it has changed since insurance application

Property Valuation Documents

- Appraisal or other property valuation documentation, including all addenda, attachments, schedules, photographs and other information included by the appraiser
- Collateral Underwriter (CU) Findings or Summary Submission Report (SSR), if applicable
- DU-offered appraisal waiver
- For properties located in areas affected by hurricanes or other significant disasters, see [1.02](#), Disaster Policy

12-Payment Protection Review

We will reverify any questionable information.

Our review will determine whether the loan is eligible for 12-Payment Protection for material value variances.

1.07.02c Submitting Verification Information

Submit Verification Information the same way you submit loan documentation today:

- Via the Loan Center – See the Loan Center User Guide for details, www.mgic.com/loancenter
- Via MGIC/Link Servicing
- Through your LOS
- Via fax – Submit the Gold Cert Verification Information Submission Form, www.mgic.com/pdfs/71-43181_GoldCertFaxSheet.pdf, to 1-800-211-6442
- Electronic data interface

1.07.02d 12-Payment Protection Notification

We will provide the results of our 12-Payment Protection review within 60 days of receipt of complete Verification Information.

Appeals

If you wish to appeal the results of our 12-Payment Protection review, submit your appeal within 30 days after you receive the results.

We will review your appeal and respond no later than 30 days from the date we received it.

Submit a Request

Submit the specific reason for your appeal with the following information:

- MGIC Certificate number
- Borrower's name
- Servicer's name
- Specific reason for your appeal
- Requestor's name and contact information
- Explanation and supporting documentation not previously provided

1.07.03 Relief as of Coverage Effective Date

For loans with a valid Fannie Mae Collateral Underwriter (CU) Risk Score ≤ 2.5 or a valid DU Approve/Eligible with an appraisal waiver, you do not need to submit Verification Information, and we will not rescind coverage for material value variance if your loan file contains the required property valuation documents.

Property Valuation Documents

- Appraisal or other property valuation documentation, including all addenda, attachments, schedules, photographs and other information included by the appraiser
- Collateral Underwriter (CU) Findings or Summary Submission Report (SSR), if applicable
- DU-offered appraisal waiver
- For properties located in areas affected by hurricanes or other significant disasters, see [1.02](#), Disaster Policy

2 MGIC GO! LOANS

for loans with a valid DU Approve or
Loan Product Advisor Accept response

[2.01 Loans Underwritten to Agency AUS Requirements](#)

[2.02 MGIC Go! Program](#)

[2.03 Credit](#)

2.01 Loans Underwritten to Agency AUS Requirements

We do not approve loans for mortgage insurance based solely on a response obtained from Agency automated underwriting systems (Agency AUS), Fannie Mae's Desktop Underwriter (DU), Fannie Mae's Collateral Underwriter (CU) and Freddie Mac's Loan Product Advisor.

MGIC allows certain efficiencies for loans that have a valid DU, CU or Loan Product Advisor response.


Valid DU, CU or Loan Product Advisor Response Requirements

For an Agency AUS response to be valid, the lender must adhere strictly to the requirements as outlined for DU and Loan Product Advisor in the appropriate Agency seller guide. Examples include but are not limited to the items listed below. The lender must:

- Employ prudent underwriting and due diligence when reviewing all Loan Origination File documentation, whether the Agency requires such documentation or not
- Resolve any red flags
- Ensure accurate data entry of verifiable data
- Underwrite all aspects of the Loan Origination File that DU, CU or Loan Product Advisor cannot evaluate (out of scope) to ensure all Agency requirements are met (e.g., condominium project eligibility)
- Ensure that the AUS response that you submit to us does not differ from the final AUS response

2.02 MGIC Go! Program

Loans that receive a valid DU Approve or Loan Product Advisor Accept response are eligible for MGIC mortgage insurance through our Go! streamlined underwriting program, provided that they also meet our requirements in [Section 1](#) and [Section 2](#).

 *For loans that are not processed through an Agency AUS or that do not qualify for MGIC Go!, follow requirements in [Section 3](#).*

Underwriting Requirements

- Lender-negotiated waivers or variances require MGIC approval, with the exception of these pre-approved programs:
 - Cooperative share loans
 - Fannie Mae HomeStyle Renovation Mortgages
 - Fannie Mae HFA Preferred
 - Freddie Mac Home Possible Advantage for HFAs
 - Affordable housing secondary financing

[2.02.01 National – MGIC Go! Overlays](#)

[2.02.02 Housing Finance Agency \(HFA\) – MGIC Go! Overlays](#)

[2.02.03 Puerto Rico – MGIC Go! Overlays for a DU Approve/Eligible or Loan Product Advisor Accept/Eligible Response](#)

[2.02.04 Guam – MGIC Go! Overlays](#)

2.02.01 National – MGIC Go! Overlays

Follow Findings/Feedback requirements for:

- Documentation
- Tradelines, credit history
- Borrower contribution, including gift funds
- Reserves
- Other criteria

Apply the following MGIC Go! overlays*; otherwise, refer to the respective Agency seller guide for requirements not provided in the Findings/Feedback.

For properties in Guam, see [2.02.04](#); for properties in Puerto Rico, [2.02.03](#).

2.02.01a National MGIC Go! Overlays for a DU Approve/ELIGIBLE or Loan Product Advisor Accept/ELIGIBLE Response

DU Approve/ELIGIBLE or Loan Product Advisor Accept/ELIGIBLE Response			
Occupancy	Units	Max. LTV/CLTV	Min. Credit Score**
Primary Residence	1 to 2	97%/105%	620
	3 to 4	95%/95%	700
Second Home	1	97%/105%	620
Investment Property	1	85%	620
**DTI Ratio	<ul style="list-style-type: none"> • 3- to 4-unit properties – 45% Total DTI • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 		
Loan Type	As allowed by DU or Loan Product Advisor		
Manufactured Homes	As allowed by DU or Loan Product Advisor		
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)		
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest Borrower Indicator Score (Representative Credit Score) among all borrowers with an Agency-acceptable credit score to determine eligibility and premium rates. See UWG 2.03 • If no borrower has an Agency-acceptable credit score: <ul style="list-style-type: none"> – Follow the respective Agency’s requirements for nontraditional credit; see UWG 2.03.03 – The loan must receive a DU Approve/Eligible or Loan Product Advisor Accept/Eligible response to be Go!-eligible 		
Other Underwriting Requirements	<ul style="list-style-type: none"> • Loans must follow UWG Section 1 and Section 2 requirements • Information you submit to MGIC must be consistent with the final Agency AUS response • Lender-negotiated waivers or variances require MGIC approval, with the exception of these pre-approved programs: cooperative share loans, Fannie Mae HomeStyle Renovation Mortgages, affordable housing secondary financing • Ineligible: <ul style="list-style-type: none"> – Sweat equity exceeding 5% of the property value – Fannie Mae High LTV Refi and Freddie Mac Enhanced Relief Refinance – Borrowers who already have the maximum number of MGIC-insured loans (UWG 1.03.04) or who have had a loan where MGIC paid or denied a claim (UWG 1.03.05) <p>*Subject to MGIC underwriter discretion</p>		

2.02.01b National MGIC Go! Overlays for a DU Approve/INELIGIBLE or Loan Product Advisor Accept/INELIGIBLE Response due to LTV or Loan Type

DU Approve/INELIGIBLE or Loan Product Advisor Accept/INELIGIBLE Response Due to LTV or Loan Type			
Occupancy	Units	Max. LTV/CLTV	Min. Credit Score**
Primary Residence	1	97%/97%	620
Second Home	1	90%/90%	620
Investment Property	N/A	N/A	N/A
**DTI Ratio	When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation.		
Loan Type	Fixed-rate/fixed-payment or a fully amortizing ARM with an initial term of 5 years or more (Qualify ARMs using UWG 3.04.02)		
Manufactured Homes	Second Home: Not eligible		
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)		
Minimum Credit Score	<ul style="list-style-type: none"> All borrowers must have an Agency-acceptable credit score. Use the lowest Borrower Indicator Score (Representative Credit Score) among all borrowers to determine eligibility and premium rates. See UWG 2.03 Ineligible: If any borrower has no credit score, see UWG Section 3 		
Other Underwriting Requirements	<ul style="list-style-type: none"> Loans must follow UWG Section 1 and Section 2 requirements Information you submit to MGIC must be consistent with the final Agency AUS response Ineligible: <ul style="list-style-type: none"> Fannie Mae HomeReady loans Fannie Mae high-balance loans Fannie Mae HomeStyle Energy loans Freddie Mac Home Possible loans Freddie Mac super conforming loans Lender-negotiated waivers or variances Sweat equity exceeding 5% of the property value Cash-out refinances, balloon loans, interest-only loans 2- to 4-unit properties Fannie Mae High LTV Refi and Freddie Mac Enhanced Relief Refinance DU appraisal waiver Borrowers who already have the maximum number of MGIC-insured loans (UWG 1.03.04) or who have had a loan where MGIC paid or denied a claim (UWG 1.03.05) <p>*Subject to MGIC underwriter discretion</p>		

2.02.02 Housing Finance Agency (HFA) – MGIC Go! Overlays

Exclusively for loans:

- Originated and closed as part of an HFA first mortgage program
 - Enter MGIC Program #2881 (state HFAs) and #3881 (local HFAs)
- With an Agency AU decision of:
 - DU Approve/Eligible or
 - Loan Product Advisor Accept/Eligible

Apply the following MGIC Go! overlays*; otherwise, refer to the respective Agency seller guide for requirements not provided in the Findings/Feedback.

Follow Findings/Feedback requirements for:

- Documentation
- Tradelines, credit history
- Borrower contribution, including gift funds
- Reserves
- Other criteria

For properties in Guam, see 2.02.04; for properties in Puerto Rico, 2.02.03.

Occupancy	Property Type	Units	Max. LTV/CLTV	Min. Credit Score**
Primary Residence	Detached, Attached, Condominiums, Co-Ops	1 to 2	97%/105%	620
		3 to 4	95%/95%	700
	Manufactured Homes	1	95%/105%	620
**DTI Ratio	<ul style="list-style-type: none"> • 3- to 4-unit properties – 45% Total DTI • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 			
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — if you have more than 1 Agency-acceptable credit score for a borrower, use the lower of 2 or middle of 3 scores for each borrower. See UWG 2.03.02 • If no borrower has an Agency-acceptable credit score: <ul style="list-style-type: none"> – Follow the respective Agency’s requirements for nontraditional credit; see UWG 2.03.03 – The loan must receive a DU Approve/Eligible or Loan Product Advisor Accept/Eligible response to be Go!-eligible 			
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)			
Other Underwriting Requirements	<ul style="list-style-type: none"> • Loans must follow UWG Section 1 and Section 2 requirements • Information you submit to MGIC must be consistent with the final Agency AUS response • Lender-negotiated waivers or variances require MGIC approval, with the exception of these pre-approved programs: cooperative share loans, Fannie Mae HomeStyle Renovation Mortgages, Fannie Mae HFA Preferred, Freddie Mac Home Possible Advantage for HFAs and affordable housing secondary financing • The HFA may have additional criteria for eligibility; lenders are responsible for assuring each loan complies with both HFA program requirements and MGIC requirements • Ineligible: <ul style="list-style-type: none"> – Sweat equity exceeding 5% of the property value – Fannie Mae High LTV Refi and Freddie Mac Enhanced Relief Refinance – Borrowers who already have the maximum number of MGIC-insured loans (UWG 1.03.04) or who have had a loan where MGIC paid or denied a claim (UWG 1.03.05) <p>*Subject to MGIC underwriter discretion</p>			

2.02.03 Puerto Rico – MGIC Go! Overlays for a DU Approve/Eligible or Loan Product Advisor Accept/Eligible Response

Follow Findings/Feedback requirements for:

- Documentation
- Tradelines, credit history
- Reserves
- Other criteria

Apply the following MGIC Go! overlays*; otherwise, refer to the respective Agency selling guide for requirements not provided in the Findings/Feedback.

DU Approve/ELIGIBLE or Loan Product Advisor Accept/ELIGIBLE Response				
Occupancy	Loan Purpose	Units	Max. LTV/CLTV	Min. Credit Score
Primary Residence	Purchase, Construction-Permanent	1	95%	700
		2	95%	700
	Rate/Term Refinance, Construction-Permanent	1	90%	700
		2	90%	700
Second Home	Purchase, Rate/Term Refinance, Construction-Permanent	1	90%	700
Submission Options	Loans require an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)			
Loan Type	<ul style="list-style-type: none"> • Fully amortizing ARM with an initial term of 5 years or more • Ineligible: Balloon, interest-only 			
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest Borrower Indicator Score (Representative Credit Score) among all borrowers with an Agency-acceptable credit score to determine eligibility and premium rates. See UWG 2.03 • If no borrower has an Agency-acceptable credit score: <ul style="list-style-type: none"> - Follow the respective Agency's requirements for nontraditional credit; see UWG 2.03.03 - The loan must receive a DU Approve/Eligible or Loan Product Advisor Accept/Eligible response to be Go!-eligible 			
Property Type	<ul style="list-style-type: none"> • Condominiums must meet all MGIC project requirements (UWG 3.12.04c) <ul style="list-style-type: none"> - Condominiums must have separate rooms for living and sleeping - All condominium units must have at least one owned or assigned parking space, or condominium projects must have at least one parking space per unit • All properties must be constructed using reinforced concrete walls and concrete slabs • Minimum 500 square feet of living area for attached housing units • Ineligible: Manufactured homes, nonwarrantable projects, investment properties, 3- to 4-unit properties, co-ops, wood-and-zinc properties; studio or efficiency apartments 			
Borrower Contribution	<ul style="list-style-type: none"> • Primary residence: Minimum 3% borrower's own funds • Second home: Minimum 10% borrower's own funds 			
DTI Ratio	<ul style="list-style-type: none"> • 45% Total DTI • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 			
Program Notes	<ul style="list-style-type: none"> • Loans must follow UWG Section 1 and Section 2 requirements • Information you submit to MGIC must be consistent with the final Agency AUS response • Lender-negotiated waivers or variances require MGIC approval, with the exception of these pre-approved programs: Fannie Mae Homestyle® Renovation Mortgages, affordable housing secondary financing • Maximum MI coverage – 95% LTV, 30%; 90% LTV, 25%; 85% LTV, 12% • Ineligible: <ul style="list-style-type: none"> - Sweat equity exceeding 5% of the property value - Fannie Mae high-balance loans, Freddie Mac super conforming loans - Fannie Mae High LTV Refi and Freddie Mac Enhanced Relief Refinance - Borrowers who already have the maximum number of MGIC-insured loans (1.03.04) or who have had a loan where MGIC paid or denied a claim (UWG 1.06.03) <p>*Subject to MGIC underwriter discretion</p>			

2.02.04 Guam – MGIC Go! Overlays

Follow Findings/Feedback requirements for:

- Documentation
- Tradelines, credit history
- Borrower contribution, including gift funds
- Reserves
- Other criteria

Apply the following MGIC Go! overlays*; otherwise, refer to the respective Agency seller guide for requirements not provided in the Findings/Feedback.

2.02.04a Guam MGIC Go! Overlays for a DU Approve/ELIGIBLE or Loan Product Advisor Accept/ELIGIBLE response

DU Approve/ELIGIBLE or Loan Product Advisor Accept/ELIGIBLE Response			
Occupancy	Units	Max. LTV/CLTV	Min. Credit Score**
Primary Residence	1	97%/105%	620
**DTI Ratio	When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation.		
Loan Type	As allowed by DU or Loan Product Advisor		
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest Borrower Indicator Score (Representative Credit Score) among all borrowers with an Agency-acceptable credit score to determine eligibility and premium rates. See UWG 2.03 • If no borrower has an Agency-acceptable credit score: <ul style="list-style-type: none"> - Follow the respective Agency's requirements for nontraditional credit; see UWG 2.03.03 - The loan must receive a DU Approve/Eligible or Loan Product Advisor Accept/Eligible response to be Go!-eligible 		
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)		
Other Underwriting Requirements	<ul style="list-style-type: none"> • Loans must follow UWG Section 1 and Section 2 requirements • Information you submit to MGIC must be consistent with the final Agency AUS response • Lender-negotiated waivers or variances require MGIC approval, with the exception of these pre-approved programs: cooperative share loans, Fannie Mae HomeStyle® Renovation Mortgages, affordable housing secondary financing • Ineligible: <ul style="list-style-type: none"> - Sweat equity exceeding 5% of the property value - 2- to 4-unit properties - Fannie Mae High LTV Refi and Freddie Mac Enhanced Relief Refinance - Borrowers who already have the maximum number of MGIC-insured loans (UWG 1.03.04) or who have had a loan where MGIC paid or denied a claim (UWG 1.03.05) <p>*Subject to MGIC underwriter discretion</p>		

2.02.04b Guam MGIC Go! Overlays for a DU Approve/INELIGIBLE or Loan Product Advisor Accept/INELIGIBLE Response Due to LTV or Loan Type

DU Approve/INELIGIBLE or Loan Product Advisor Accept/INELIGIBLE Response Due to LTV or Loan Type			
Occupancy	Units	Max. LTV/CLTV	Min. Credit Score
Primary Residence	1	97%/97%	620
DTI Ratio	<ul style="list-style-type: none"> • 45% Total DTI • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 		
Loan Type	Fixed-rate/fixed-payment or a fully amortizing ARM with an initial term of 5 years or more (Qualify ARMs using UWG 3.04.02)		
Minimum Credit Score	<ul style="list-style-type: none"> • All borrowers must have an Agency-acceptable credit score. Use the lowest Borrower Indicator Score (Representative Credit Score) among all borrowers to determine eligibility and premium rates. See UWG 2.03 • Ineligible: If any borrower has no credit score, see UWG Section 3 		
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)		
Other Underwriting Requirements	<ul style="list-style-type: none"> • Loans must follow UWG Section 1 and Section 2 requirements • Information you submit to MGIC must be consistent with the final Agency AUS response • Ineligible: <ul style="list-style-type: none"> – Fannie Mae HomeReady loans – Fannie Mae high-balance loans – Fannie Mae HomeStyle Energy loans – Freddie Mac Home Possible loans – Freddie Mac super conforming loans – Lender-negotiated waivers or variances – Sweat equity exceeding 5% of the property value – Cash-out refinances, balloon loans, interest-only loans – 2- to 4-unit properties – Fannie Mae High LTV Refi and Freddie Mac Enhanced Relief Refinance – DU appraisal waiver – Borrowers who already have the maximum number of MGIC-insured loans (UWG 1.03.04) or who have had a loan where MGIC paid or denied a claim (UWG 1.03.05) <p>*Subject to MGIC underwriter discretion</p>		

2.03 Credit

2.03.01 Credit Score

A numerical representation of a borrower's credit history provided by a national credit repository

Underwriting Requirements

- See the respective Agency's seller guide for an Agency-acceptable credit score requirements

2.03.02 Borrower Indicator Score

The borrower credit score used to determine the Representative Credit Score

Underwriting Requirements

- When 1 credit score is provided, the score is the Borrower Indicator Score
- When 2 credit scores are provided, the lower score is the Borrower Indicator Score
- When 3 credit scores are provided, the middle score is the Borrower Indicator Score

2.03.03 Representative Credit Score

The Representative Credit Score is the lowest Borrower Indicator Score among all borrowers. Use it for underwriting and to determine the premium rate.

Underwriting Requirements

- When all borrowers have an Agency-acceptable credit score, use the lowest of all Borrower Indicator Scores as the Representative Credit Score
- When 1 or more borrowers have an Agency-acceptable credit score, but 1 or more co-borrowers do not:
 - Use the lowest of all Borrower Indicator Scores as the Representative Credit Score, regardless of whether the co-borrower has a credit score
 - Follow the respective Agency's requirements for nontraditional credit
- When no borrower has an Agency-acceptable credit score:
 - Follow the respective Agency's requirements for nontraditional credit
 - Nontraditional credit premium rates apply
 - The loan must receive a DU Approve/Eligible or Loan Product Advisor Accept/Eligible response to be Go!-eligible

3

STANDARD LOANS


for loans that are not processed through an Agency AUS or that do not qualify for MGIC Go!


- 3.01 Loans With an Agency AUS Response
- 3.02 Underwriting Summaries
- 3.03 Loan Purpose
- 3.04 Loan Types and Terms
- 3.05 Occupancy
- 3.06 Documentation Age
- 3.07 Debt-to-Income (DTI) Ratio
- 3.08 Income and Employment
- 3.09 Assets
- 3.10 Credit
- 3.11 Liabilities and Debts
- 3.12 Property

3.01 Loans With an Agency AUS Response

MGIC allows certain efficiencies for loans that have a valid DU or Loan Product Advisor response.

Loans that do not meet MGIC Go! program requirements must meet requirements stated in [Section 1 All Loans](#) and in this section of our Guide in order to be eligible for MGIC MI.

 *For loans with a valid DU Approve or Loan Product Advisor Accept response (2.01), follow the respective Agency AUS documentation requirements for employment, income and assets.*

 *Loans with an Agency AUS response other than Approve or Accept require an MGIC MI Underwrite/Full-Doc Review (1.06.03).*

3.02 Underwriting Summaries

3.02.01 National Underwriting Summaries

3.02.02 Housing Finance Agency (HFA)/Community Lending

3.02.03 Guam – Primary Residence

3.02.04 Puerto Rico Underwriting Summaries

3.02.05 High LTV Refinance Option/Enhanced Relief Refinance Mortgage loans

3.02.01 National Underwriting Summaries

3.02.01a National – Primary Residence

3.02.01b National – Second Home

3.02.01c National – Primary Residence, Loan Amount > \$750,000

3.02.01d National – Investment Property

3.02.01a National – Primary Residence

For properties in Guam, see [3.02.03](#); for properties in Puerto Rico, [3.02.04a](#).

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	1-Unit Detached, Attached, Condominiums, Co-Ops	97%	\$750,000	720
		97%	\$525,000 AK & HI \$800,000	660
		95%	\$750,000	680
	1-Unit Manufactured Homes*	95%	\$525,000	660
	2-Unit	95%	\$750,000	680
Cash-Out Refinance	1-Unit Detached, Attached, Condominiums, Co-Ops	85%	\$750,000	720
Documentation	Complete Loan Origination File (UWG 1.06.03)			
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)			
Loan Type	<ul style="list-style-type: none"> • Fixed-rate • Fully amortizing ARM: Maximum 95% LTV/CLTV for ARMs with an initial term < 5 years or for 5-year ARMs with an initial cap > 5%. Ineligible: Cash-out refinance • Balloon: Maximum 95% LTV/CLTV with an initial term of 5 years or more. Ineligible: Cash-out refinance • Temporary buydown: Maximum 95% LTV/CLTV. Ineligible: Cash-out refinance, manufactured homes • Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am 			
Loan Purpose	<ul style="list-style-type: none"> • See eligible loan purposes above • Cash-out refinance: Maximum cash-out \$200,000; see UWG 3.03.03 			
Maximum LTV/CLTV	Maximum LTV, nonoccupant co-borrower – 95%			
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 • When no borrower has a valid credit score (UWG 3.10.02b): <ul style="list-style-type: none"> – Qualifying with Nontraditional Credit: Requires an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03); maximum 90% LTV/CLTV; see UWG 3.10.04 			
Property Type	<ul style="list-style-type: none"> • Rural Properties > 20 acres (UWG 3.12.04i): <ul style="list-style-type: none"> – Land value may not exceed 50% of the total value – Requires an MGIC MI Underwrite/Full-Doc Review • *Manufactured Homes: <ul style="list-style-type: none"> – Double-wide or greater – Fixed-rate/payment or fully amortizing ARMs with initial term of 7 years or more – Loan term maximum 30 years – Ineligible: Leased land, temporary buydowns, home improvement • Ineligible: 3- to 4-unit properties 			
Borrower Contribution	<ul style="list-style-type: none"> • Minimum 3% borrower’s own funds toward the down payment, closing costs, prepaids and reserves • Gifts of cash can apply toward the 3%: Maximum DTI 41%; credit score ≥ 720; see UWG 3.09.04i 			
Reserves	Minimum 2 months’ PITI			
Seller/Builder Contribution	Maximum contribution: 97% LTV/CLTV, 3%; 90% LTV/CLTV, 6%			
DTI Ratio	<ul style="list-style-type: none"> • 41% Total DTI, nonfixed-rate/payment < 5 years or cash-out refinance • 45% Total DTI, fixed-rate/payment ≥ 5 years • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 			

Questions? Contact your Underwriting Service Center, www.mgic.com/uwoffice.

3.02.01b National – Second Home

For properties in Guam, see [3.02.03](#); for properties in Puerto Rico, [3.02.04b](#).

Loan Purpose	Property Type	Units	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums, Co-Ops,	1	90%	\$525,000	700
				AK & HI \$800,000	
				\$750,000	720
	Manufactured Homes*	1	90%	\$850,000	740
				\$525,000	700
Documentation	Complete Loan Origination File (UWG 1.06.03)				
Submission Options	<ul style="list-style-type: none"> Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) > \$750,000 – MGIC MI Underwrite/Full-Doc Review 				
Loan Type	<ul style="list-style-type: none"> Fixed-rate Fully amortizing ARM <ul style="list-style-type: none"> For loan amounts > \$525,000, an initial term of 5 years or more Balloon with an initial term of 5 years or more for loan amounts ≤ \$525,000; for loan amounts > \$525,000, an initial term of 15 years or more Temporary buydown. Ineligible: Manufactured homes Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am 				
Loan Purpose	<ul style="list-style-type: none"> See eligible loan purposes above Ineligible: Cash-out refinance 				
Minimum Credit Score	<ul style="list-style-type: none"> Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 Ineligible: When no borrower has a valid credit score, see UWG 3.10.02b 				
Property Type	<ul style="list-style-type: none"> Rural Properties > 20 acres (UWG 3.12.04i): <ul style="list-style-type: none"> Land value may not exceed 50% of the total value Requires an MGIC MI Underwrite/Full-Doc Review *Manufactured Homes: <ul style="list-style-type: none"> Double-wide or greater Fixed-rate/payment or fully amortizing ARMs with initial term of 7 years or more Loan term maximum 30 years Ineligible: Leased land, temporary buydowns, home improvement Ineligible: 2- to 4-unit properties 				
Borrower Contribution	Minimum 5% borrower's own funds toward the down payment, closing costs, prepaids and reserves				
Reserves	<ul style="list-style-type: none"> Minimum 2 months' PITI for loan amounts ≤ \$525,000 Minimum 6 months' PITI for loan amounts > \$525,000 				
Seller/Builder Contribution	Maximum contribution: 6%				
DTI Ratio	<ul style="list-style-type: none"> 41% Total DTI, nonfixed-rate/payment < 5 years 45% Total DTI, fixed-rate/payment ≥ 5 years When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 				
Program Notes	<ul style="list-style-type: none"> Eligible properties must: <ul style="list-style-type: none"> Have the intended use and enjoyment for the exclusive benefit of the homeowner Have full kitchen facilities with standard-sized appliances Be outside the geographic location of the primary residence Be suitable for year-round occupancy Have separate rooms for living and sleeping Have no lock-out bedrooms Not be part of a rental pool agreement The borrower must own no residential properties other than the primary residence Rental income is not considered for qualification purposes 				

Questions? Contact your Underwriting Service Center, www.mgic.com/uwoffice.

3.02.01c National – Primary Residence, Loan Amount > \$750,000

For properties in Guam, see 3.02.03; for properties in Puerto Rico, 3.02.04.

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	1-Unit Detached, Attached, Condominiums, Co-Ops	95%	\$850,000	720
			\$1,000,000	740
		90%	\$850,000	680
		90%	\$1,250,000	720
		90%	\$1,500,000	740
Documentation	Complete Loan Origination File (UWG 1.06.03)			
Submission Options	<ul style="list-style-type: none"> • ≤ \$850,000 – Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) • > \$850,000 – MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) 			
Loan Type	<ul style="list-style-type: none"> • Fixed-rate • Fully amortizing ARM with an initial term of 5 years or more • Balloon with an initial term of 5 years or more • Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am, temporary buydown 			
Loan Purpose	<ul style="list-style-type: none"> • See eligible loan purposes above • Ineligible: Cash-out refinance 			
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 • Ineligible: When no borrower has a valid credit score (UWG 3.10.02b); nonoccupant co-borrowers 			
Property Type	<ul style="list-style-type: none"> • Rural Properties > 20 acres (UWG 3.12.04i): <ul style="list-style-type: none"> – Maximum loan amount – \$850,000 – Land value may not exceed 50% of the total value – Requires an MGIC MI Underwrite/Full-Doc Review • Ineligible: 2- to 4-unit properties, manufactured homes 			
Borrower Contribution	<p>Minimum from the borrower's own funds toward down payment, closing costs, prepaids and reserves:</p> <ul style="list-style-type: none"> • Loan amount ≤ \$1,000,000 – 5% • Loan amount > \$1,000,000 – 10% 			
Reserves	<ul style="list-style-type: none"> • ≤ \$850,000 – Minimum 6 months' PITI • > \$850,000-\$1,000,000 – Minimum 9 months' PITI • >\$1,000,000 – Minimum 12 months' PITI 			
Seller/Builder Contribution	Maximum contribution: 95% LTV/CLTV, 3%; 90% LTV/CLTV, 6%			
DTI Ratio	<ul style="list-style-type: none"> • ≤ \$850,000 – 45% Total DTI • > \$850,000 – 43% Total DTI • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 			
Program Notes	<ul style="list-style-type: none"> • Maximum coverage: 95% LTV, 30%; 90% LTV, 25%; 85% LTV, 12% • Appraisal requirements: <ul style="list-style-type: none"> – Loan amount ≤ \$1,000,000 – A Uniform Residential Appraisal Report (URAR), including interior and exterior inspections, all addenda, attachments, schedules, photographs and other information included by the appraiser – Loan amount > \$1,000,000 – 2 independent URARs (as previously defined) or 1 independent URAR plus a field review supporting its value 			

3.02.01d National – Investment Property

For properties in Guam, see [3.02.03](#); for properties in Puerto Rico, [3.02.04](#).

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance	1-Unit Detached	85%	\$525,000 AK & HI \$800,000	720
Documentation	Complete Loan Origination File (UWG 1.06.03)			
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)			
Loan Type	<ul style="list-style-type: none"> • Fixed-rate • Fully amortizing ARM with an initial term of 5 years or more • Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am, balloon, temporary buydown 			
Loan Purpose	<ul style="list-style-type: none"> • See eligible loan purposes above • Ineligible: Construction-permanent, cash-out refinance, rehabilitation or renovation loans 			
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 • Ineligible: If no borrower has a valid credit score, see UWG 3.10.02b 			
Property Type	<ul style="list-style-type: none"> • Rural Properties > 20 acres (UWG 3.12.04i): <ul style="list-style-type: none"> – Land value may not exceed 50% of the total value – Requires an MGIC MI Underwrite/Full-Doc Review • Ineligible: Attached housing, condominiums, co-ops, manufactured homes 			
Borrower Contribution	Minimum 10% borrower’s own funds toward the down payment, closing costs, prepaids and reserves			
Reserves	Minimum 6 months’ PITI			
Seller/Builder Contribution	Maximum contribution: 2%			
DTI Ratio	<ul style="list-style-type: none"> • 45% Total DTI • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 			
Program Notes	Maximum insured loans per borrower: 2; 1 of the 2 loans must be on a primary residence			

3.02.02 Housing Finance Agency (HFA)/Community Lending

3.02.02a Definitions/MGIC Program codes

3.02.02b HFA – Primary Residence

3.02.02c Community Lending – Primary Residence

3.02.02a Definitions/MGIC Program codes

Our HFA/Community Lending program is exclusively for loans:

- Originated and closed as part of an HFA or community lending first mortgage program
- That do not meet MGIC Go! streamlined MI for HFAs or are not processed through and Agency AUS

A community lending program is one that employs income limits, geographic targeting (regardless of income), or both in order to concentrate lending activity on under-served borrowers and communities.

MGIC Program codes:

- For state HFAs, enter MGIC Program 2881
- For local HFAs, enter 3881
- For community lending programs, enter 4881

3.02.02b HFA – Primary Residence

For properties in Guam, see [3.02.03](#); for properties in Puerto Rico, [3.02.04a](#).

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	1-Unit Detached, Attached, Condominiums, Co-Ops	97%/105%	\$525,000 AK & HI \$800,000	660
	2-Unit	95%/105%	\$750,000	680
	1-Unit Manufactured Homes*	95%/95%	\$525,000	660
Documentation	Complete Loan Origination File (UWG 1.06.03)			
Submission Options	<ul style="list-style-type: none"> • ≤ 97% LTV/CLTV – Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) • > 97% CLTV – MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) 			
Loan Type	<ul style="list-style-type: none"> • Fixed-rate • Fully amortizing ARM with an initial term of 5 years or more • Temporary buydown • Ineligible: Balloon, interest-only, GPM, scheduled neg-am, potential neg-am 			
Loan Purpose	See eligible loan purposes above Ineligible: Cash-out refinance			
Maximum LTV/CLTV	Maximum LTV/CLTV, nonoccupant co-borrower – 95%			
Down Payment Assistance/ Subordinate Financing	<ul style="list-style-type: none"> • Down payment assistance (e.g., loans, grants, etc.) may be used for down payment, closing costs and reserves after the minimum borrower contribution has been met. (See UWG 3.09.03) • Must meet Fannie Mae’s Community Seconds or Freddie Mac’s Affordable Seconds guidelines, HFA’s down payment assistance program or other MGIC-acceptable source of down payment assistance • If monthly payment is required (including deferred), include the amount in the proposed housing payment • Ineligible: Funds provided by an Interested Party or the lender 			
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 • When no borrower has a valid credit score (UWG 3.10.02b): <ul style="list-style-type: none"> – Qualifying with nontraditional credit: Requires an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03); maximum 90% LTV/105% CLTV; see UWG 3.10.04 • Medical collections – Up to \$1,000 aggregate may remain unpaid at closing (UWG 3.10.05b) 			
Property Type	<ul style="list-style-type: none"> • Rural Properties > 20 acres (UWG 3.12.04i): <ul style="list-style-type: none"> – Land value may not exceed 50% of the total value – Requires an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) • *Manufactured homes: <ul style="list-style-type: none"> – Double-wide or greater – Fixed-rate/payment or fully amortizing ARMs with an initial term of 7 years or more – Maximum loan term 30 years – Ineligible: Leased land, temporary buydowns, home improvement • Ineligible: 3- to 4-unit properties 			
Borrower Contribution	<p>Minimum from the borrower’s own funds toward down payment, closing costs, prepaids and reserves:</p> <ul style="list-style-type: none"> • 1 unit – 1% <ul style="list-style-type: none"> – Gifts of cash can apply toward the 1%: Maximum DTI 41%; credit score ≥ 720; (see UWG 3.09.04i) • 2 units – 3% 			
Reserves	Minimum 2 months' PITI			
Seller/Builder Contribution	Maximum contribution: 97% LTV/CLTV, 3%; 90% LTV/CLTV, 6%			
DTI Ratio	<ul style="list-style-type: none"> • 45% Total DTI, fixed-rate/payment ≥ 5 years • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 			

3.02.02c Community Lending – Primary Residence

For properties in Guam, see 3.02.03; for properties in Puerto Rico, 3.02.04a.

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	1-Unit Detached, Attached, Condominiums, Co-Ops	97%/105%	\$525,000 AK & HI \$800,000	660
	2-Unit	95%/105%	\$750,000	680
	1-Unit Manufactured Homes*	95%/95%	\$525,000	660
Documentation	Complete Loan Origination File (UWG 1.06.03)			
Submission Options	<ul style="list-style-type: none"> • ≤ 97% LTV/CLTV – Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) • > 97% CLTV – MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) 			
Loan Type	<ul style="list-style-type: none"> • Fixed-rate • Fully amortizing ARM with an initial term of 5 years or more • Temporary buydown • Ineligible: Balloon, interest-only, GPM, scheduled neg-am, potential neg-am 			
Loan Purpose	See eligible loan purposes above Ineligible: Cash-out refinance			
Maximum LTV/CLTV	Maximum LTV/CLTV, nonoccupant co-borrower – 95%			
Down Payment Assistance/Subordinate Financing	<ul style="list-style-type: none"> • Down payment assistance (e.g., loans, grants, etc.) may be used for down payment, closing costs and reserves after the minimum borrower contribution has been met. (See UWG 3.09.03) • Must meet Fannie Mae’s Community Seconds or Freddie Mac’s Affordable Seconds guidelines • If monthly payment is required (including deferred), include the amount in the proposed housing payment • Ineligible: Funds provided by an Interested Party or the lender 			
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 • When no borrower has a valid credit score (UWG 3.10.02b): <ul style="list-style-type: none"> – Qualifying with nontraditional credit: Requires an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03); maximum 90% LTV/105% CLTV; see UWG 3.10.04 • Medical collections – Up to \$1,000 aggregate may remain unpaid at closing (UWG 3.10.05b) 			
Property Type	<ul style="list-style-type: none"> • Rural Properties > 20 acres (UWG 3.12.04i): <ul style="list-style-type: none"> – Land value may not exceed 50% of the total value – Requires an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03) • *Manufactured homes: <ul style="list-style-type: none"> – Double-wide or greater – Fixed-rate/payment or fully amortizing ARMs with an initial term of 7 years or more – Maximum loan term 30 years – Ineligible: Leased land, temporary buydowns, home improvement • Ineligible: 3- to 4-unit properties 			
Borrower Contribution	<p>Minimum from the borrower’s own funds toward down payment, closing costs, prepaids and reserves:</p> <ul style="list-style-type: none"> • 1 unit – 1% <ul style="list-style-type: none"> – Gifts of cash can apply toward the 1%: Maximum DTI 41%; credit score ≥ 720; (see UWG 3.09.04i) • 2 units – 3% 			
Reserves	Minimum 2 months' PITI			
Seller/Builder Contribution	Maximum contribution: 97% LTV/CLTV, 3%; 90% LTV/CLTV, 6%			
DTI Ratio	<ul style="list-style-type: none"> • 45% Total DTI, fixed-rate/payment ≥ 5 years • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 			

3.02.03 Guam – Primary Residence

Loan Purpose	Property Type	Units	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums	1	95%	\$525,000	680
Documentation	Complete Loan Origination File (UWG 1.06.03)				
Submission Options	Delegated MI Underwrite (UWG 1.06.01), MGIC MI Underwrite (UWG 1.06.02) or MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)				
Loan Purpose	<ul style="list-style-type: none"> See eligible loan purposes above Ineligible: Cash-out refinance 				
Loan Type	<ul style="list-style-type: none"> Fixed-rate Fully amortizing ARM Temporary buydown Ineligible: Balloon, Interest-only, GPM, scheduled neg-am, potential neg-am 				
Minimum Credit Score	<ul style="list-style-type: none"> Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 If no borrower has a valid credit score, see UWG 3.10.02b <ul style="list-style-type: none"> Qualifying with Nontraditional Credit: Requires an MGIC MI Underwrite/Full-Doc Review; maximum 90% LTV/CLTV; see UWG 3.10.04 				
Property Type	Ineligible: Co-ops, manufactured homes				
Borrower Contribution	<ul style="list-style-type: none"> Minimum 3% borrower's own funds toward the down payment, closing costs, prepaids and reserves Gifts of cash can apply toward the 3%: Maximum DTI 41%; credit score ≥ 720; see UWG 3.09.03 				
Reserves	Minimum 2 months' PITI				
Seller/Builder Contribution	Maximum contribution: 95% LTV/CLTV, 3%; 90% LTV/CLTV, 6%				
DTI Ratio	<ul style="list-style-type: none"> 45% Total DTI, fixed-rate/payment ≥ 5 years 41% Total DTI, nonfixed-rate/payment < 5 years When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 				

3.02.04 Puerto Rico Underwriting Summaries

3.02.04a Puerto Rico – Primary Residence

3.02.04b Puerto Rico – Second Home

3.02.04a Puerto Rico – Primary Residence

Loan Purpose	Property Type	Units	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums	1	95%	\$525,000	700
			90%	\$750,000	700
		2	95%	\$750,000	700
Rate/Term Refinance, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums	1	90%	\$750,000	700
		2	90%	\$750,000	700
Documentation	Complete Loan Origination File (UWG 1.06.03)				
Submission Options	Loans require an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)				
Loan Type	<ul style="list-style-type: none"> • Fixed-rate • Fully amortizing ARM with an initial term of 5 years or more and maximum initial cap of 5% • Balloon with an initial term of 5 years or more • Temporary buydown • Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am 				
Loan Purpose	<ul style="list-style-type: none"> • See eligible loan purposes above • Ineligible: Cash-out refinance 				
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 • When no borrower has a valid credit score, see UWG 3.10.02b <ul style="list-style-type: none"> – Qualifying with nontraditional credit: Maximum 90% LTV/CLTV; see UWG 3.10.04 				
Property Type	<ul style="list-style-type: none"> • Condominiums must meet all MGIC project requirements (UWG 3.12.04c) <ul style="list-style-type: none"> - Condominiums must have separate rooms for living and sleeping - All condominium units must have at least one owned or assigned parking space, or condominium projects must have at least one parking space per unit • All properties must be constructed using reinforced concrete walls and concrete slabs • Minimum 500 square feet of living area for attached housing units • Ineligible: Manufactured homes, investment properties, 3- to 4-unit properties, co-ops, wood-and-zinc properties; studio or efficiency apartments 				
Borrower Contribution	<ul style="list-style-type: none"> • Minimum 3% borrower's own funds toward the down payment, closing costs, prepaids and reserves 				
Reserves	<ul style="list-style-type: none"> • Minimum 2 months' PITI 				
Seller/Builder Contribution	<ul style="list-style-type: none"> • Maximum contribution: 95% LTV/CLTV, 3%; 90% LTV/CLTV, 6% 				
DTI Ratio	<ul style="list-style-type: none"> • 41% Total DTI, nonfixed-rate/payment < 5 years • 45% Total DTI, fixed-rate/payment ≥ 5 years • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 				
Program Notes	<ul style="list-style-type: none"> • Maximum MI coverage – 95% LTV, 30%; 90% LTV, 25%; 85% LTV, 12% 				

3.02.04b Puerto Rico – Second Home

Loan Purpose	Property Type	Units	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums	1	90%	\$525,000	700
Documentation	Complete Loan Origination File (UWG 1.06.03)				
Submission Options	Loans require an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)				
Loan Type	<ul style="list-style-type: none"> • Fixed-rate • Fully amortizing ARM with an initial term of 5 years or more • Balloon with an initial term of 5 years or more • Temporary buydown • Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am 				
Loan Purpose	<ul style="list-style-type: none"> • See eligible loan purposes above • Ineligible: Cash-out refinance 				
Minimum Credit Score	<ul style="list-style-type: none"> • Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02 • Ineligible: When no borrower has a valid credit score, see UWG 3.10.02b 				
Property Type	<ul style="list-style-type: none"> • Eligible properties must: <ul style="list-style-type: none"> - Have the intended use and enjoyment for the exclusive benefit of the homeowner - Have full kitchen facilities with standard-sized appliances - Be outside the geographic location of the primary residence - Be suitable for year-round occupancy - Have separate rooms for living and sleeping - Have no lock-out bedrooms - Not be part of a rental pool agreement - Be located in a resort or recreational area • Condominiums must meet all MGIC project requirements (UWG 3.12.04c) <ul style="list-style-type: none"> - Condominiums must have separate rooms for living and sleeping - All condominium units must have at least one owned or assigned parking space, or condominium projects must have at least one parking space per unit • All properties must be constructed using reinforced concrete walls and concrete slabs • Minimum 500 square feet of living area for attached housing units • Ineligible: Manufactured homes, investment properties, 2- to 4-unit properties, co-ops, wood-and-zinc properties; studio or efficiency apartments 				
Borrower Contribution	Minimum 10% borrower's own funds toward the down payment, closing costs, prepaids and reserves				
Reserves	Minimum 2 months' PITI				
Seller/Builder Contribution	Maximum contribution: 3%				
DTI Ratio	<ul style="list-style-type: none"> • 41% Total DTI, nonfixed-rate/payment < 5 years • 45% Total DTI, fixed-rate/payment ≥ 5 years • When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation 				
Program Notes	<ul style="list-style-type: none"> • The borrower must own no residential properties other than the primary residence • Rental income is not considered for qualification purposes • Maximum MI coverage: 90% LTV, 25%; 85% LTV, 12% 				

3.02.05 High LTV Refinance Option/Enhanced Relief Refinance Mortgage loans

Loans must meet [Section 1](#) and [Section 3](#) requirements.

Eligible Loans	<ul style="list-style-type: none"> • Loan being refinanced is currently insured by MGIC • Loan being refinanced: <ul style="list-style-type: none"> – Is owned or guaranteed by Fannie Mae and meets all requirements for high LTV refinance option – Is owned or guaranteed by Freddie Mac and meets all requirements for Enhanced Relief Refinance Mortgages • Requirement changes made by either Fannie Mae or Freddie Mac will be considered notices provided by MGIC for purposes of our Refi-to-Mod (RTM) program, unless we provide notice that we are limiting the announced changes
Coverage Percentage	No change to existing coverage from the original loan
Premium Rate	No change to existing premium rate from the original loan
Submission Options	<ul style="list-style-type: none"> • Send data via the Loan Center • Send PDFs of the documents listed below through the Loan Center • Fax the documents listed below to your MGIC Underwriting Service Center
Documentation	<ul style="list-style-type: none"> • RTM Request form or other MGIC-approved form indicating Program Code: RTOM • New 1003/65 • New 1008/1077
Insured Represents	<ul style="list-style-type: none"> • The loan is eligible for Fannie Mae’s high LTV refinance option or Freddie Mac’s Enhanced Relief Refinance Mortgage program • The loan meets all requirements of the applicable Fannie Mae high LTV refinance option or Freddie Mac Enhanced Relief Refinance Mortgage program • The refinanced loan has been delivered to Fannie Mae or Freddie Mac
Disaster Policy	<p>In an area affected by hurricanes or other significant disasters affecting multiple properties, before you close the loan, take appropriate steps to determine whether there is any physical damage that affects the value you submitted with the Insurance Application. You may need to obtain a property inspection (UWG 1.02).</p> <ul style="list-style-type: none"> • The transaction remains RTM-eligible if: <ul style="list-style-type: none"> – there is no physical damage – there is physical damage, but the property is restored to its pre-event condition before the refinance is closed • The transaction is no longer RTM-eligible if there is physical damage, and the property is not restored to its pre-event condition before the refinance is closed

3.03 Loan Purpose

- 3.03.01 Purchase Loan
- 3.03.02 Rate/Term Refinance
- 3.03.03 Cash-Out Refinance
- 3.03.04 Other Loan Purposes

3.03.01 Purchase Loan

A loan whose proceeds are used to acquire a residential property

Underwriting Requirements

Eligible Uses for Loan Proceeds

- Acquisition of a property
- Acquisition and rehabilitation of a property (3.03.04c)
- Payoff of an installment land contract
- Payoff of construction financing (3.03.04a)
- Conversion of a “lease with option to buy” agreement into permanent financing (lease/purchase)
- Reimbursement for the overpayment of fees
- Excess contingency reserve must be applied to the unpaid principal balance

Ineligible Uses for Loan Proceeds

- Cash back to any borrower

Property Value Used for LTV Calculation

- Use the lower of purchase price/acquisition cost or current appraised value

Documentation Requirements

- Purchase price or acquisition cost
 - Copies of contracts, paid receipts, cancelled checks, etc.
 - Evidence of earnest money/sales contract deposit
 - Verify if greater than 50% of the down payment amount
- Funds escrowed for improvements or repairs
 - Evidence of required repairs and final inspection/evidence of completion
- Lease/purchase
 - Lease payment history
 - Copies of borrowers’ cancelled checks and/or bank statements
 - Single-Family Comparable Rent Schedule completed by an independent appraiser

3.03.02 Rate/Term Refinance

Payoff of an existing mortgage using proceeds from a new mortgage and using the same property as security

Underwriting Requirements

Ownership Interest

One of the following circumstances must exist:

- The title to the property is in the name of a natural person, who is also obligated on the new loan
- The borrower has recently inherited or was legally awarded the property as the result of divorce, separation or dissolution of a domestic partnership
- The borrower has a land contract/contract for deed executed at least 12 months prior to loan application

Eligible Uses for Loan Proceeds

- Payoff of an existing first mortgage lien or construction financing
- Payoff of an individual with interest in the property:
 - As the result of a divorce, separation or dissolution of a domestic partnership
 - Where the individual has had joint ownership interest in the subject property for at least 12 months prior to the date of the signed residential loan application, pursuant to an agreement
- Payoff of a purchase-money second lien if:
 - The second lien was used in its entirety to acquire the property
 - The only draw on a Home Equity Line of Credit (HELOC) was for the acquisition of the property
- Payoff of a land contract/contract for deed if the land contract was executed more than 12 months prior to the date of loan application
- Closing costs and prepaids
- Cash back to the borrowers or any other payee — not to exceed the lesser of \$2,000 or 2% of the new loan amount
- Payoff on a nonpurchase-money second lien seasoned for at least 12 months prior to the loan application date
 - Where the second lien is a Home Equity Line of Credit, total draws within the last 12 months cannot exceed \$2,000
- Excess contingency reserve must be applied to the unpaid principal balance

Ineligible Uses for Loan Proceeds

A loan is not eligible as a rate/term refinance if:

- Borrowers are using loan proceeds to pay off:
 - A nonpurchase-money second lien seasoned for less than 12 months prior to the loan application date (see cash-out refinance, [3.03.03](#))
 - A nonpurchase-money second lien Home Equity Line of Credit seasoned for at least 12 months prior to the loan application date, but whose total draws within the last 12 months exceeded \$2,000 (see cash-out refinance, [3.03.03](#))
- Borrowers are paying off a short-term refinance drawn within the past 6 months that combined a first mortgage and nonpurchase-money second lien
- An existing lien was restructured within the last 4 years in any of the following ways:
 - Forgiveness of a portion of principal and/or interest
 - Principal curtailment to simulate principal forgiveness
 - Conversion of any portion of the original debt to a “soft” subordinate lien
 - Conversion of any portion of the original debt from a secured loan to an unsecured loan

Property Value Used for LTV Calculation

- Use the current (“as is” or “as completed”) appraised value

Property

- Not currently listed for sale
 - Must have been taken off the market on or before date of the loan application
 - Borrowers must confirm their intent to occupy the property

Additional Requirements

- See Underwriting Summaries (3.02)

Documentation Requirements

- Evidence of an ownership interest
- Payoff of an individual with an interest in the property
 - Court order (e.g., divorce decree) or legal written agreement identifying the terms and conditions
- Payoff of a subordinate lien:
 - Closed-end second liens
 - HUD-1 Settlement Statement/Closing Disclosure
 - Home Equity Line of Credit (HELOC)
 - HUD-1 Settlement Statement/Closing Disclosure
 - Entire loan history
- Funds escrowed for improvements or repairs necessary to complete the property
 - Purchase agreement, appraisal, inspection, etc.

3.03.03 Cash-Out Refinance

Payoff of an existing mortgage using proceeds from a new mortgage and using the same property as security where:

- *The new mortgage amount is greater than the existing mortgage amount plus loan settlement costs or*
- *Subordinate financing being paid off was not used to purchase the property*

Underwriting Requirements

Continuity of Obligation

One of the following circumstances must exist:

- The loan being refinanced and the title to the property are in the name of a natural person, who:
 - Is also obligated on the new loan and
 - Has had an ownership interest in the subject property for at least 6 months
 - If the property was owned prior to closing by an LLC that is majority-owned by the borrower, the amount of time the property was owned by the LLC may count toward the borrower’s 6-month ownership requirement
- The borrower has been on the title and residing in the property for at least 12 months and has either paid the mortgage for the most recent 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor

- The borrower has had an ownership interest in the subject property for less than 6 months
 - Title must reflect the borrower as owner and that there are no liens on the subject property
 - Executed HUD-1 Settlement Statement/Closing Disclosure from the purchase transaction must reflect no mortgage financing was used to purchase the subject property
 - Source of funds used to purchase the subject property must be from the borrower's own funds; borrowed funds must be paid off at closing
 - The new loan amount may not exceed the total of the borrower's original investment (purchase price, closing costs and prepaids)
 - There must have been no affiliation or relationship between the buyer and seller of the purchase transaction

Eligible Uses for Loan Proceeds

- If borrower has had an ownership interest in subject property for 6 months or more:
 - Payoff of an existing first mortgage lien
 - Payoff of any of the following, subject to an aggregate limit of \$200,000 over the unpaid principal balance of the refinanced loan:
 - Closing costs and prepaids
 - Payments to any other payee, including any subordinate lienholders
 - Cash back to the borrowers
- If the borrower has had ownership interest in subject property for less than 6 months:
 - Cash back to the borrower may not exceed the total of the borrower's original investment (purchase price, closing costs and prepaids)

Ineligible Uses for Loan Proceeds

- Reserves
- An existing lien was restructured within the last 7 years in any of the following ways:
 - Forgiveness of a portion of principal and/or interest
 - Principal curtailment to simulate principal forgiveness
 - Conversion of any portion of the original debt to a "soft" subordinate lien
 - Conversion of any portion of original debt from a secured loan to an unsecured loan

Property Value Used for LTV Calculation

- Use the current appraised value

Property

- Existing primary residence
- Not currently listed and has not been listed for sale in the most recent 6 months

Loan Type

- Fixed-rate/fixed-payment
- **Ineligible:** temporary buydowns

Mortgage Insurance

- Maximum coverage – 12%

Additional Requirements

- See Underwriting Summaries (3.02)

Documentation Requirements

- Evidence of continuity of obligation
- If borrower has had an ownership interest in subject property for less than 6 months:
 - HUD-1 Settlement Statement/Closing Disclosure from the original purchase transaction
 - Evidence of the source of funds used to purchase subject property

3.03.04 Other Loan Purposes

3.03.04a Construction-Permanent Loan

Construction-permanent transactions may be structured as either a single-close (aka “one-time close /OTC”) or a “two-time close” with 2 separate closings.

Single-Close transactions incorporate both the interim construction financing and the permanent financing. Interim financing may involve a short-term, interest-only period whereby borrowers make periodic payments based on the amount of funds drawn to date. The interim financing automatically converts to permanent financing upon completion of construction. Eligibility is based on the terms of the permanent financing.

Two-time close transactions involve 2 different loan transactions and 2 separate loan closings. The interim construction financing is not eligible for mortgage insurance. The mortgage insurance application must reflect the terms of the permanent financing.

Underwriting Requirements

- Eligible property types:
 - 1-unit, single-family detached
 - 2-unit
 - Manufactured homes (3.12.04f)
 - The home must be new, purchased from a dealer and not previously occupied
- Indicate the loan purpose as construction-permanent to receive a 12-month Commitment/Certificate. See 1.01.05c regarding extension requests.
- See 1.01.05a regarding activation options.

Single-close transaction

- Follow the underwriting and documentation requirements for a:
 - Purchase loan (3.03.01) when the borrower is not the owner of the lot as of the loan closing date
 - Rate/term refinance (3.03.02) when the borrower has legal ownership of the lot as of the loan closing date
- The loan must close or be modified to the permanent financing on or before the Commitment/Certificate expiration date and meet documentation age requirements (3.06)

Two-time close transaction

- We require a mortgage insurance application reflecting permanent financing under a two-time close scenario.

- Follow the underwriting and documentation requirements for a:
 - Rate/term refinance (3.03.02)
 - Cash-out refinance (3.03.03)

3.03.04b Corporate Relocation Loan

A purchase transaction where a borrower's employer is transferring the borrower

Underwriting Requirements

- Primary residence purchase
- The borrower must be a transferred or a newly hired employee
- The relocation program must:
 - Be administered by the employer or its agent
 - Involve a significant employer contribution (e.g., mortgage financing; buydown or subsidy of the mortgage interest rate; payment of closing costs; funding of a below-market or no-interest bridge loan; etc.)
- Purchase loan requirements (3.03.01) also apply

Documentation Requirements

- Signed relocation agreement

3.03.04c Home Improvement/Rehabilitation Loan

A loan in which a portion of the loan proceeds are used to complete home improvements, rehabilitation or repairs

Whether the loan purpose is a purchase or a home improvement refinance determines MI eligibility and premium rate.

Underwriting Requirements

Property Value Used for LTV calculation

- Purchase loans – Use the lesser of:
 - Purchase price plus documented cost of improvements
 - Current appraised value as completed per plans and specs
- Home improvement rate/term refinance – Use current appraised value, as completed per plans and specs

Improvements

- Eligible expenses include:
 - Architectural, consulting and engineering fees
 - Contracted labor
 - Materials
 - Permit fees
 - Property inspection fees
 - Title fees
 - Contingency reserve up to 15% of the cost of improvements
- Borrower-completed improvements or repairs:
 - May not exceed 10% of the "as completed" value of the property
 - The borrower must have the skill to perform the work

- The borrower may be reimbursed for the cost of materials

Additional Requirements

- Purchase loan requirements (3.03.01), as applicable
- Refinance requirements (3.03.02), as applicable
- See Underwriting Summaries (3.02)

Documentation Requirements

- Cost of improvements – signed contracts or paid receipts
- Appraisal itemizing the improvements/rehabilitation
- Borrower-completed improvements
 - Verification of the borrower’s skill and ability to perform (e.g., electrical or plumbing license)
 - Paid material receipts

3.03.04d Seasoned/Closed Loan

A closed loan with one or more payments made prior to application for mortgage insurance

Underwriting Requirements

- The loan is closed and one or more payments must have been made
- The loan is subject to Eligibility Criteria and premium rates in effect on the Insurance Application date
- The Commitment/Certificate Effective Date is based on the original closing or current date
- Requires an MGIC MI Underwrite/Full-Doc Review

Documentation Requirements

- The complete Loan Origination File (1.06.03)
- Dated within 30 days of Insurance Application:
 - Mortgage payment history
 - Credit report
 - Current appraisal
 - Verbal Verification of Employment (VOE)

3.04 Loan Types and Terms

3.04.01 Fixed-Rate Mortgage (FRM)

3.04.02 Adjustable-Rate Mortgage (ARM)

3.04.03 Balloon Mortgage

3.04.04 Buydown (Temporary or Permanent)

3.04.05 Ineligible Loan Types

3.04.01 Fixed-Rate Mortgage (FRM)

A loan with a fixed interest rate with level monthly principal and interest (P & I) payments for the life of the loan

Underwriting Requirements

- Maximum amortization period – 40 years
- Fully amortizing
- Qualify at note rate

3.04.02 Adjustable-Rate Mortgage (ARM)

A loan with an interest rate and payment subject to change periodically, based on a predetermined index and margin

Underwriting Requirements

Amortization

- Maximum amortization period – 40 years
- Fully amortizing

Index

- Must be publicly available
- Must be beyond lender control (e.g., LIBOR, COFI, CMT)

Interest Rate

- Maximum initial interest rate discount from FIAR (Fully Indexed Accrual Rate) – 300 basis points
- Minimum initial adjustment period – 6 months
- Qualifying rate and adjustment caps:

ARM Loan Product	Adjusts	Max. 1st Adjustment	Max. Subsequent Adjustments	Lifetime Cap	Qualify at
> 6 months to < 1 year	Annually	1%	2%	6%	FIAR + 2%
≥ 1 year to < 3 years	Annually	2%	2%	6%	FIAR + 2%
≥ 3 years to < 5 years	Annually	3%	2%	6%	FIAR + 2%
5 years	Annually	6%	2%	6%	Note Rate + 2%
5 years	Every 5 years	6%	6%	6%	Note Rate + 2%
> 5 years	Annually	6%	2%	6%	Note Rate

Additional Requirements

- See Underwriting Summaries (3.02)

3.04.03 Balloon Mortgage

Features periodic installments of principal and interest that, at the end of the loan term, do

not fully amortize the loan. The balance of the mortgage due is usually paid in a lump sum, called a “balloon payment,” at a specified date, usually at the end of the term of such periodic installments.

Underwriting Requirements

- Maximum 95% LTV/CLTV
- Minimum 5-year term
- When the balloon payment is due, the loan must be renewed or replaced with a new loan:
 - At current market interest rate
 - With no decrease in amortization period
 - With no re-underwriting of the loan
 - That is a first lien mortgage

3.04.04 Buydown (Temporary or Permanent)

A loan with a temporary or permanent buydown where a sum of money is paid to reduce the interest rate for either a set period of time (temporary) or for the life of the loan (permanent)

Underwriting Requirements

- Paid by the borrower, lender or seller
 - If paid by the seller, include the amount in the maximum allowable seller/builder contribution (3.09.04u)
- Eligible loan types
 - Fixed-rate
 - ARMs with an initial adjustment period \geq 5 years
 - Balloons
- Maximum annual rate increase – 1%
- Maximum temporary buydown:

Units	LTV/CLTV	Maximum buydown
1	90.01%-95%	2%-1%
	\leq 90%	3%-2%-1%
2	\leq 95%	2%-1%

- Qualification:
 - Fixed-rate or ARM with an initial term > 5 years – Use note rate
 - ARM with an initial term of 5 years – Use note rate + 2%

3.04.05 Ineligible Loan Types

Loan types ineligible for MGIC mortgage insurance at this time include:

- Graduated-payment mortgages (GPM)
- Interest-only (IO) loans
- Loans that feature negative amortization (potential and scheduled)
- Pay-option ARMs

3.05 Occupancy

3.05.01 Primary Residence

A residential property occupied by the borrower for more than 6 months during the year

Underwriting Requirements

- The property must be occupied by the borrower within 60 days of closing or completion and be within a reasonable commuting distance to the borrower's work location
- Property purchased by parents or legal guardian to house a child who is:
 - Physically or developmentally disabled and
 - Unable to work or does not have sufficient income to qualify for a mortgage on their own
- See Underwriting Summaries (3.02)

Documentation Requirements

- Signed residential loan application
- For parents or legal guardian providing housing for a child with a physical or developmental disability: Evidence the primary occupant is unable to work or does not have sufficient income to qualify for a mortgage on their own

3.05.02 Second Home

A residential property for the use and enjoyment of the borrower; not their primary residence

Underwriting Requirements

- The property must be occupied by the borrower for some portion of the year
- The borrower must have exclusive control over the property
- See Underwriting Summaries (3.02)

Documentation Requirements

- Signed residential loan application

3.05.03 Investment Property

A residential property that is not occupied by the borrower as a primary residence or second home

Underwriting Requirements

- The borrower must have exclusive control over the property
- See Underwriting Summaries (3.02)

Documentation Requirements

- Signed residential loan application

3.06 Documentation Age

	Documentation age as of	Appraisal	Recertification of the appraisal	All other documentation
Existing home	Loan closing date	12 months	120 days	120 days
New construction/ construction-permanent	Activation date of MGIC insurance (1.01.05a)	12 months*	180 days*	12 months*

*For construction-permanent documentation more than 180 days old and less than 12 months old:

- Obtain a verbal verification of employment within 10 days prior to the MGIC insurance activation date
- Recertify value
- Provide evidence the interim construction loan is current with a 0 x 30 days late payment history

3.07 Debt-to-Income (DTI) Ratio

The DTI ratio, also called the qualification ratio, compares the borrower's total monthly obligations to total monthly gross income, expressed in terms of a percentage

DTI Calculation

$$\frac{\text{Total monthly obligations (3.07.01)}}{\text{Total monthly gross income (3.07.02)}}$$

DTI ratio (%)

Underwriting Requirements

Maximum DTI Ratio

- See Underwriting Summaries (3.02)
- Occupant-borrower's DTI ratio may not exceed maximum, after excluding the nonoccupant co-borrower's income and liabilities

3.07.01 Total Monthly Obligation

Total Monthly Obligation Calculation

$$\begin{array}{r} \text{Proposed monthly housing expense (3.07.01a)} \\ + \\ \text{Total of all other monthly liability and debt (3.07.01b)} \\ \hline \end{array}$$

Total monthly obligation

3.07.01a Proposed Monthly Housing Expense Calculation*

Use the sum of:

- Principal and interest
- Hazard and flood insurance
- Real estate taxes
- Secondary financing
- Homeowners' association dues
- Cooperative corporation fee, net of individual utility charge
- Special assessments, if more than 10 monthly payments remain
- Ground rent

*When qualifying your borrower for MGIC mortgage insurance, note that we do not require you to include the mortgage insurance premium in the DTI calculation.

3.07.01b Total of all Other Monthly Liabilities and Debts Calculation

Use the sum of all other liabilities and debts:

- Installment debts with more than 10 monthly payments remaining (3.11.04)
- Installment debts with 10 or fewer monthly payments remaining if the debt materially affects the borrower's ability to pay (3.11.04)
- Expected monthly payment after end of deferment, for deferred installment debt/student loans (3.11.04)
- Revolving accounts with an outstanding balance (3.11.10)
 - Authorized user accounts when the borrower discloses the liability on the loan application
- Lease payments, regardless of the number of months remaining on the lease (3.11.05)
- Alimony/child/family support payments with more than 10 months remaining (3.11.01)
- Payments for other recurring monthly liabilities
- Net loss on rental properties (3.08.04)
- Housing-related expenses for other real estate owned (3.11.08)

3.07.01c Payoff or Paydown of Debt

Reduction of an account balance at or prior to closing

Underwriting Requirements

- Revolving or open account payments (3.11.10, 3.11.07)
 - Borrowers cannot pay down accounts to qualify
 - Borrowers can pay the account in full and close it to exclude the debt from their total monthly obligation
- Installment account payments (3.11.04)
 - Borrowers can pay the account in full
 - Borrowers can pay the account down to 10 or fewer monthly payments
 - Exclude the payments from total monthly obligations if debt does not materially affect the borrower's ability to pay

Documentation Requirements

- Evidence of sufficient funds to pay off/pay down debt
- Evidence debt has been paid off/paid down prior to loan closing

3.07.02 Total Monthly Gross Income

Total Monthly Gross Income Calculation

- Use the sum of all eligible sources of qualifying income:
 - Employment income (3.08.01)
 - Self-employed income (3.08.02)
 - Nonemployment income (3.08.03)
 - Rental income (3.08.04)
- Subtract unreimbursed, job-related expenses (3.11.05)

3.08 Income and Employment

3.08.01 Employment Income

3.08.02 Self-Employed Income

3.08.03 Other Income

3.08.04 Rental income

Documentation Requirements

In general, all income documentation must be computer-generated or fully completed by an authorized representative of the employer/provider and must identify:

- Employer/provider and borrower
- Date and time period covered
- Rate of compensation
- Gross earnings, including year-to-date

Documents you receive via fax or download from the Internet must clearly identify the name of the institution and source of information in the fax or Internet banner.

 *For loans with a valid DU Approve or Loan Product Advisor Accept response (2.01), follow the respective Agency AUS documentation requirements.*

3.08.01 Employment Income

- 3.08.01a Base Salary/Wages
- 3.08.01b Bonus and Overtime Income
- 3.08.01c Commission
- 3.08.01d Employed by a Relative
- 3.08.01e Entering the Workforce
- 3.08.01f Foreign Income
- 3.08.01g Future Employment or Increase in Income
- 3.08.01h Military Income
- 3.08.01i Re-Entering the Workforce
- 3.08.01j Seasonal Income
- 3.08.01k Second Job Income
- 3.08.01l Temporary Job Income
- 3.08.01m Tip Income
- 3.08.01n Trailing Co-Borrower Income

Underwriting Requirements

- Minimum 2-year employment history
 - We will consider 12- to 24-month income histories if the loan application demonstrates positive factors that reasonably offset the shorter history
 - Loan applications whose borrowers have 12- to 24-month income histories require an MGIC MI Underwrite/Full-Doc Review (1.06.03)
- When the earnings trend is level, use standard calculations based on the income types below
- When the earnings trend is increasing, and the increase is reasonable, use standard calculations based on the income types below
- When the earnings trend is decreasing, use the current income
- Analyze income and employment to determine stability and likelihood of continuance

Standard monthly gross income calculations, supported by year-to-date and prior year's earnings

	Frequency of pay	Monthly gross income =
Salary	Weekly	$(\text{Base pay} \times 52) \div 12$
	Bi-weekly	$(\text{Base pay} \times 26) \div 12$
	Semi-monthly	Base pay x 2
	Monthly	Base pay
Hourly	Weekly	$(\text{Hours/week} \times \text{hourly wage} \times 52) \div 12$
	Bi-weekly	$(\text{Hours}/2 \text{ weeks} \times \text{hourly wage} \times 26) \div 12$
	Semi-monthly	Base pay x 2
	Monthly	Base pay

3.08.01a Base Salary/Wages

Compensation received in exchange for labor or services

Underwriting Requirements

- Minimum 2-year length of employment
- Qualification: Calculate monthly gross income using current wages
 - For borrowers who receive annual compensation paid over fewer than 12 months (e.g., educators):
Annual compensation ÷ 12 = Monthly gross income

Documentation Requirements

- Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/ IRS Wage and Income Transcripts for the prior year OR
- Written Verification of Employment (VOE), including year-to-date and prior year's earnings

3.08.01b Bonus and Overtime Income

Compensation received in excess of standard wage or salary

Underwriting Requirements

- Minimum 2-year history
- Qualification: Calculate monthly gross income using a 2-year monthly average

Documentation Requirements

- Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/ IRS Wage and Income Transcripts for the prior 2 years OR
- Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.01c Commission

Compensation based on a percentage of goods or services sold

Underwriting Requirements

- Minimum 2-year history
- Qualification: Calculate monthly gross income using a 2-year monthly average

Documentation Requirements

- Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/ IRS Wage and Income Transcripts for the prior 2 years OR
- Written Verification of Employment (VOE), including year-to-date and prior year's earnings

3.08.01d Employed by a Relative

Compensation received from a business owned by a family member

Underwriting Requirements

- Minimum 2-year history of employment by the same business
- Qualification: Calculate monthly gross income based on type of income (e.g., base/salary, commission)

Documentation Requirements

- Most recent 2 years' signed, personal federal tax returns and:
 - Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/IRS Wage and Income Transcripts for the prior 2 years OR
 - Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings
- For borrowers who have filed a federal tax extension for the most recent tax year:
 - Evidence of the extension
 - Prior 2 years' signed, personal federal tax returns

3.08.01e Entering the Workforce

A borrower with less than a 2-year income/employment history

Underwriting Requirements

- Attendance in school or a training program immediately prior to current employment
- Qualification: Calculate monthly gross income using base salary/wages (3.08.01a)

Documentation Requirements

- Evidence of attendance in school/training program
- Income documentation (3.08.01a)

3.08.01f Foreign Income

Income paid in foreign currency

Underwriting Requirements

- The borrower must be a US citizen
- Minimum 2-year history reported on federal tax returns
- Foreign wages must be converted to US dollars
- Qualification: Calculate monthly gross income using a 2-year monthly average

Documentation Requirements

- Most recent 2 years' signed, personal federal tax returns and:
 - Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/IRS Wage and Income Transcripts for the prior 2 years OR
 - Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.01g Future Employment or Increase in Income

Employment or increase in income with a future start date

Underwriting Requirements

- Primary residence – 1 unit
- Minimum 2-year history in the same line of work or education
- Qualification: Calculate monthly gross income using base salary/wage from the employment offer or contract offer/contract or increase
- Future employment:
 - Employment offer must be noncontingent, or any contingencies must be met prior to loan closing
 - The borrower must begin employment within 90 days of loan closing
 - Standard reserves plus additional cash reserves to support the proposed monthly housing expense (3.07.01a) and other monthly obligations (3.11) between loan closing and the start of employment
 - See Underwriting Summaries (3.02)
- Increase in income – Salary increase must begin within 90 days of loan closing

Documentation Requirements

- Future employment:
 - Employment offer or contract with start date, salary and terms of employment, signed by the employer and accepted by the borrower
 - Evidence employment contingencies have been met
 - Prior work or education history
- Increase in income
 - Evidence of the amount of the increase with start date and terms of employment

3.08.01h Military Income

Compensation received from a branch of the US armed forces

Underwriting Requirements

- Reasonable expectation of continuance
- Qualification: Calculate monthly gross income using:
 - Active duty pay
 - Base pay – Use current wages, supported by year-to-date earnings
 - Allowances and other, e.g., flight or hazard pay, rations, clothing allowance, basic allowance for quarters (BAQ), proficiency pay – Use current amount, if tax-exempt (3.08.03q)
 - Reserve pay – See 3.08.01k

Documentation Requirements

- Leave and Earnings Statement (LES) for most recent 30-day period with year-to-date earnings and W-2s/IRS Wage and Income Transcripts for the prior 2 years OR
- Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.01i Re-Entering the Workforce

A borrower who has re-entered the workforce after an extended absence of 6 months or more, whose current employment and income history is less than 2 years

Underwriting Requirements

- Employed for most recent 6 months by current employer
- Minimum 2-year history of previous employment
- Qualification: Calculate monthly gross income using base salary/wages (3.08.01a)

Documentation Requirements

- Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/ IRS Wage and Income Transcripts for the prior year OR
- Written Verification of Employment (VOE), including year-to-date and prior year's earnings

3.08.01j Seasonal Income

Compensation received during a variable employment season

Underwriting Requirements

- Minimum of 2-year history in the same seasonal line of work
- Expectation that the borrower will be rehired for the next season
- Qualification: Calculate monthly gross income using the 2-year monthly average

Documentation Requirements

- A letter from the employer confirming that the borrower will be rehired next season and:
 - Paystubs for most recent 30-day period with year-to-date earnings and W-2s/ IRS Wage and Income Transcripts for the prior 2 years OR
 - Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.01k Second Job Income

Compensation received from nonprimary employment

Underwriting Requirements

- Minimum 2-year history of working 2 jobs simultaneously
- Qualification: Calculate monthly gross income using the 2-year monthly average

Documentation Requirements

- Paystubs for most recent 30-day period with year-to-date earnings and W-2s/IRS Wage and Income Transcripts for the prior 2 years OR
- Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.01l Temporary Job Income

Compensation received from nonpermanent employment through a temp agency

Underwriting Requirements

- Minimum 2-year history of employment through a temporary agency
- Qualification: Calculate monthly gross income using the 2-year monthly average

Documentation Requirements

- A letter from the employer confirming the probability of continued employment:
 - Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/IRS Wage and Income Transcripts for the prior 2 years OR
 - Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.01m Tip Income

Compensation received in excess of standard wage or salary

Underwriting Requirements

- Minimum 2-year history
- Qualification: Calculate monthly gross income using the 2-year monthly average

Documentation Requirements

- Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/IRS Wage and Income Transcripts for the prior 2 years or 2 years' signed, personal federal tax returns with Form 4137
- Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.01n Trailing Co-Borrower Income

Ineligible: Income from a co-borrower who resides with a borrower being relocated, was employed at the previous location, but has not secured employment in the new location

3.08.02 Self-Employed Income

Borrowers with 25% or more ownership interest in a business

Underwriting Requirements

- Minimum 2-year self-employment history
- Business income must be stable or increasing
- For borrowers with Schedule K-1 income/loss:
 - Minimum 2-year history of K-1 cash distributions or
 - The business's liquidity must be adequate to support withdrawals/distributions and its income must be stable or increasing with the likelihood of continuance
- Qualification: Calculate monthly gross income using the 2-year monthly average
- Analysis of self-employed income or loss is not required when:
 - The borrower's qualifying income does not derive from self-employment and
 - The self-employment is a separate, secondary source of income or loss

Documentation Requirements

- Self-employed income analysis worksheet
- Most recent 2 years' signed, personal federal tax returns
- For borrowers with an ownership interest $\geq 25\%$, most recent 2 years' corporate,

- S-corp, limited liability company or partnership returns, including any Schedule K-1s
- Evidence of the business's sales and earnings history and liquidity for the most recent 2 years
- For Schedule K-1s without cash distributions or guaranteed payments:
 - Most recent 2 years' corporate, S-corp, limited liability company or partnership returns
 - Evidence of the borrower's ability to access and withdraw funds
 - Evidence of the business's sales and earnings history and liquidity
- For loan applications dated more than 120 days after the end of the business tax year, current year-to-date income and financial statements
- For borrowers who have filed a federal tax extension for the most recent tax year:
 - Evidence of the extension
 - Income and financial statements for the unfiled tax year
 - Current year-to-date income and financial statements
 - Prior 2 years' signed, personal federal tax returns

3.08.03 Other Income

3.08.03a Alimony/Maintenance/Child Support/Family Support

3.08.03b Automobile Allowance

3.08.03c Boarder Income

3.08.03d Expense Account Payments

3.08.03e Foster Care Income

3.08.03f Housing Allowance

3.08.03g Interest Income/Dividend Income/Capital Gain

3.08.03h Long-Term Disability Income

3.08.03i Mortgage Credit Certificates (MCC)

3.08.03j Notes Receivable

3.08.03k Pension/Retirement Income

3.08.03l Public Assistance

3.08.03m Royalty Income

3.08.03n Schedule K-1 Income/Loss (< 25% Ownership)

3.08.03o Short-Term Disability Income/Maternity or Paternity Leave Income

3.08.03p Social Security Income

3.08.03q Tax-Exempt Income

3.08.03r Trust Income

3.08.03s Unemployment Income

3.08.03t VA Benefit

3.08.03a Alimony/Maintenance/Child Support/Family Support

Court-ordered compensation paid by one individual to another

Underwriting Requirements

- Minimum 3-month history of receipt
- Continuance for a minimum of 3 years from loan closing date
- If the income is tax-exempt, see 3.08.03q
- Qualification: Calculate monthly gross income using current monthly amount

Documentation Requirements

- Court-approved divorce decree, separation agreement or support order documenting the amount and terms
- Evidence the borrower received payment for the most recent 3 months

3.08.03b Automobile Allowance

An amount received for automobile-related expenses

Underwriting Requirements

- Minimum 2-year history of receipt
- Include the allowance in the monthly qualifying income AND
- Include the automobile payment/lease payment in the total monthly obligation

Documentation Requirements

- Paystubs for the most recent 30-day period with year-to-date earnings and W-2s/ IRS Wage and Income Transcripts for the prior 2 years OR
- Written Verification of Employment (VOE), including year-to-date and prior 2 years' earnings

3.08.03c Boarder Income

Rental income received from a boarder related by blood, marriage or law, residing in the borrower's current residence

Underwriting Requirements

- Minimum 12-month history of receipt of rental payments
- Single-family primary residences only
- Boarder plans to continue to reside with the borrower for the foreseeable future
- Qualification: Calculate monthly gross income using the 12-month average
 - Amount used to qualify may not exceed 30% of total gross income

Documentation Requirements

- Evidence of 12 months' payments from the boarder directly to the borrower
- Verification of the boarder's residency history with the borrower (e.g., driver's license, bank statement or current utility bill)
- Letter from boarder documenting intent to continue the arrangement

3.08.03d Expense Account Payments

Ineligible: Reimbursement for work-related expenses

3.08.03e Foster Care Income

Income received from a state or county agency for the care of an individual

Underwriting Requirements

- Where foster care income is < 30% of qualifying income – The borrower must have a minimum 12-month history of receipt

- Where foster care income is $\geq 30\%$ of qualifying income – The borrower must have a minimum 2-year history of receipt
- Continuance for a minimum of 3 years from the loan closing date
- If the income is tax-exempt, see [3.08.03q](#)
- Qualification: Calculate monthly gross income using the current monthly amount

Documentation Requirements

- For income $< 30\%$ of qualifying income
 - Written verification from the agency confirming amount received, frequency, and likelihood of continuance and:
 - Most recent year's signed, personal federal tax returns OR
 - 12 months' bank statements confirming regular deposit of payments
- For income $\geq 30\%$ of qualifying income
 - Written verification from the agency confirming amount received, frequency and likelihood of continuance and:
 - Most recent 2 years' signed, personal federal tax returns OR
 - 24 months' bank statements confirming regular deposit of payments

3.08.03f Housing Allowance

An amount received for housing-related expenses

Underwriting Requirements

- Minimum 12-month history of receipt
- Qualification: Include the current monthly housing allowance in the monthly gross income calculation

Documentation Requirements

- Evidence the borrower has received housing allowance funds for the most recent 12 months
- Year-to-date and prior year's earnings

3.08.03g Interest Income/Dividend Income/Capital Gain

Income generated by securities and other investments

Underwriting Requirements

- Minimum 2-year history of receipt
- Qualification:
 - If the borrower is not using these funds for closing, calculate monthly gross income using the 2-year monthly average
 - If the borrower is using these funds for closing, calculate projected interest or dividend income by multiplying the amount remaining by the rate of return

Documentation Requirements

- Current statements showing sufficient assets to support an ongoing income level
- Most recent 2 years' signed, personal federal tax returns

3.08.03h Long-Term Disability Income

A benefit payment the borrower receives when unable to work for an extended period of time

Underwriting Requirements

- If expiration of benefit is defined, continuance for a minimum of 3 years from the loan closing date
- Qualification: Calculate monthly gross income using the current monthly benefit

Documentation Requirements

- Paystub or statement for the most recent 30-day period, confirming the amount
- Agreement or written verification from the benefit payer (insurance company, employer or other qualified and disinterested party) confirming current eligibility and continuance of the benefit

3.08.03i Mortgage Credit Certificates (MCC)

A certificate issued by a government agency allowing a federal tax credit for a portion of mortgage interest paid per year

Underwriting Requirements

- Qualification: Calculate monthly gross income

$$\frac{\text{Mortgage amount} \times \text{Note rate} \times \text{MCC}\%}{12}$$

MCC monthly gross income

Documentation Requirements

- Mortgage Credit Certificate
- Your calculation of the adjustment to the borrower's income

3.08.03j Notes Receivable

Money owed to a borrower evidenced by a promissory note

Underwriting Requirements

- The borrower must be a payee on the note
- Minimum 12-month history of receipt
- Continuance for a minimum of 3 years from the loan closing date
- Confirm payments by the obligor, amount received, likelihood of continuance and interest income
- Qualification: Calculate monthly gross income using the current monthly amount

Documentation Requirements

- The promissory note
- Evidence of receipt of payments for the most recent 12 months
- Most recent year's signed, personal federal tax returns

3.08.03k Pension/Retirement Income

An entitlement for benefit in consideration of past employment

Underwriting Requirements

- Continuance for a minimum of 3 years from the loan closing date
- If the income is tax-exempt, see 3.08.03q

Monthly Gross Income

- Use current monthly benefit
- For Social Security income, see 3.08.03p

Documentation Requirements

- Paystub or statement for the most recent 30-day period, confirming the amount
- Agreement or written verification from the benefit payer (e.g., insurance company, employer or other party) to confirm the current eligibility and continuance of the benefit

3.08.03l Public Assistance

Payment from a local, state or federal government-sponsored program

Underwriting Requirements

- Continuance for a minimum of 3 years from the loan closing date
- If the income is tax-exempt, see 3.08.03q
- Qualification: Calculate monthly gross income using the current monthly amount

Documentation Requirements

- Written verification from the government agency confirming amount received, frequency and likelihood of continuance
- Evidence of receipt of the benefit for current month

3.08.03m Royalty Income

Payments received for the use of property (e.g., royalties for the use of copyrights, trademarks, and patents; royalties from the extraction of oil, gas or minerals from property)

Underwriting Requirements

- Minimum 1-year history of receipt
- Continuance for a minimum of 3 years from the loan closing date
- Qualification: Include the monthly average over the most recent 12 months in the monthly gross income calculation

Documentation Requirements

- Evidence of amount received and likelihood of continuance
- Most recent year's signed, personal federal tax returns
- Evidence of receipt for the most recent 12 months

3.08.03n Schedule K-1 Income/Loss (< 25% Ownership)

Partners' share of current year's income/loss for borrowers with less than 25% ownership in a business

Underwriting Requirements

- For guaranteed payments – Minimum 2-year history
- For ordinary business, net rental real estate or other net rental income:
 - Minimum 2-year history of K-1 cash distributions or
 - The business's liquidity must be adequate to support withdrawals/distributions and its income must be stable or increasing with the likelihood of continuance
- Qualification: Calculate monthly gross income using the 2-year monthly average

Documentation Requirements

- Most recent 2 years' signed, personal federal tax returns, including any Schedule K-1s
- For borrowers with Schedule K-1s without cash distributions or guaranteed payments:
 - Most recent 2 years' corporate, S-corp, limited liability company or partnership returns
 - Evidence of the borrower's ability to access and withdraw funds
 - Evidence of the business's sales and earnings history and liquidity

3.08.03o Short-Term Disability Income/Maternity or Paternity Leave Income

Temporary leave from work, which is generally short in duration and due to maternity/paternity or parental leave, short-term medical disability or other temporary leave

If a borrower will be on temporary leave at the time of closing, and income from that borrower is needed for qualification, the lender must confirm employment and determine qualifying income as described below.

Underwriting Requirements

When the Borrower Intends to Return to Work on or Before the First Mortgage Payment Due Date

- Use the regular employment income in the amount the borrower earned prior to the leave or the borrower's verified post-leave income if different

When the Borrower Intends to Return to Work after the First Mortgage Payment Due Date

- Use the lesser of a) the regular employment income in the amount the borrower earned prior to the leave or the borrower's verified post-leave income, if different and b) the temporary leave income the borrower is earning while on leave or
- If the temporary leave income the borrower is earning while on leave is insufficient, use the lesser of a) the regular employment income in the amount the borrower earned prior to the leave or the borrower's verified post-leave income, if different and b) the temporary leave income the borrower is earning while on leave plus supplemental income in the amount of the borrower's available liquid reserves (the

borrower's verified liquid assets minus any funds needed to close the mortgage) divided by the number of months between the first mortgage payment due date and the return to work

- Qualifying Income = The lesser of the regular monthly employment income earned prior to the leave or temporary leave income earned while on leave plus supplemental income
- Supplemental Income = Liquid Reserves divided by the number of months supplemental income is required
 - Available Liquid Reserves = available liquid assets minus funds to close the mortgage (e.g., down payment, closing costs, debt payoff) and PITI reserves
 - Number of Months = number of months between the first payment due date and the date borrower will return to work

Example 1- Temporary Leave Income Received Until Return to Work

Available liquid assets:	\$16,000
Funds to close the mortgage and PITI reserves:	- \$12,000
<hr/>	
Available Liquid Reserves:	\$4,000
First payment date:	April 1
Date borrower will return to work:	June 1
<hr/>	
Number of months of Supplemental Income:	2 months
Available Liquid Reserves:	\$4,000
Number of months of Supplemental Income:	÷ 2
<hr/>	
Monthly Supplemental Income:	\$2,000
Monthly Temporary Leave Income:	\$3,000
Monthly Supplemental Income:	+ 2,000
<hr/>	
Monthly Qualifying Income:	\$5,000

Example 2 – Temporary Leave Income Ends Prior to Return to Work

Available liquid assets:	\$16,000
Funds to close the mortgage and PITI reserves:	– \$12,000
<hr/>	
Available Liquid reserves:	\$4,000
First payment date:	April 1
Date borrower will return to work:	July 1
<hr/>	
Number of months of Supplemental Income:	4 months
Available Liquid reserves:	\$4,000
Number of months of Supplemental Income:	÷ 4
<hr/>	
Monthly Supplemental Income:	\$1,000
Monthly Temporary Leave Income:	\$3,000
Duration of Temporary Leave Income (months):	x 1.5
<hr/>	
Total Temporary Leave Income:	\$4,500
Number of months prior to return to work:	÷ 4
<hr/>	
Average Monthly Temporary Leave Income:	\$1,125
Monthly Temporary Leave Income:	\$1,125
Monthly Supplemental Income:	+ 1,000
<hr/>	
Monthly Qualifying Income:	\$2,125

Documentation Requirements

- Regular employment income (3.08.01)
- Written confirmation from borrower of intent to return to work
- Written confirmation from employer of agreed upon date of borrower’s return to work
- When returning to work after the first mortgage payment is due:
 - Written verification of amount and duration of temporary leave income
- When supplemental income is required, verify available liquid assets (3.09)

3.08.03p Social Security Income

Payments provided to eligible borrowers by the Social Security Administration

Underwriting Requirements

- If the benefit is not from the borrower’s own Social Security account and is being paid on behalf of another person (e.g., a spouse or a dependent), continuance for a minimum of 3 years from the loan closing date must be established
- If the income is tax-exempt, see 3.08.03q
- Qualification: Include the current monthly benefit in the monthly gross income calculation

Documentation Requirements

- Award letter
- Most recent month’s bank statements or 1099
- If the benefit is not from the borrower’s own Social Security account, evidence of the length of continuance must be established

3.08.03q Tax-Exempt Income

Income that is not subject to federal or state tax

Underwriting Requirements

- Qualification: Calculate monthly gross income using the monthly income amount
 - Increase the monthly tax-exempt income amount by the appropriate tax rate, reflected on last year's federal tax return or by 25% if the borrower is not required to file tax returns

Documentation Requirements

- Most recent year's signed, personal federal tax returns or third-party verification
- Refer to appropriate income section for additional documentation requirements
 - Alimony (3.08.03a)
 - Child support (3.08.03a)
 - Family support (3.08.03a)
 - Foster care income (3.08.03e)
 - Maintenance (3.08.03a)
 - Military income (3.08.01h)
 - Public assistance (3.08.03l)
 - Social Security income (3.08.03p)

3.08.03r Trust Income

Compensation received from a trust fund managed by one person for the benefit of another

Underwriting Requirements

- Minimum 2-year history of receipt
- Continuance for a minimum of 3 years from the loan closing date
- Qualification: Calculate monthly gross income using the current monthly distribution amount
 - If distribution amounts vary, include the 2-year monthly average in the monthly gross income calculation

Documentation Requirements

- Trust documentation confirming distribution amount, history of disbursements and length of continuance
 - If the history of disbursements is not included in the trust documentation, provide the most recent 2 years' signed, personal federal tax returns

3.08.03s Unemployment Income

Benefits provided by a state government during a period of unemployment

Underwriting Requirements

- Allowable if employment is seasonal or typical for the occupation
- The borrower must be employed currently and receiving wages
- Minimum 2-year history of receipt
- Qualification: Calculate monthly gross income using the 2-year monthly average

Documentation Requirements

- Evidence of receipt of year-to-date earnings (copies of checks or written verification from government agency)
- Most recent 2 years' signed, personal federal tax returns

3.08.03t VA Benefit

Benefit payment received from the Veterans Administration

Underwriting Requirements

- Continuance for a minimum of 3 years from the loan closing date
- Qualification: Calculate monthly gross income using the current monthly benefit
- Education benefits are not an eligible source of qualifying income

Documentation Requirements

- Paystub or statement for most recent 30-day period, confirming the amount
- Agreement or written verification from the benefits' payer confirming current eligibility and continuance of the benefit

3.08.04 Rental income

3.08.04a Investment Property Income

Rental income received for a property that is not the borrower's primary residence

Rental income that meets these Underwriting Requirements is an eligible source of qualifying income.

Underwriting Requirements

Rental Income Calculation

- Property acquired or a primary residence converted to an investment property during the current year

Rent (lesser of operating income statement or current lease)

- Expenses (greater of 25% or operating income statement)
- PITI

Net rental income or monthly obligation

- Properties acquired prior to the current year

Gross monthly rent, based on a 2-year average

- Gross monthly expenses, based on a 2-year average

Net rental income or monthly obligation

Documentation Requirements

- Properties acquired or a primary residence converted to an investment property during the current year
 - Operating income statement or, if applicable, copies of the current lease

- agreement
- Properties acquired prior to the current year
 - Most recent year’s signed, personal federal tax returns

3.08.04b Owner-Occupied/2-Unit Property

Rental income received for a unit that is not the borrower’s primary residence

Underwriting Requirements

- Include proposed monthly housing expense (3.07.01a) in the total monthly obligation

Rental Income Calculation

- Properties acquired during the current year
 - Rent (lesser of operating income statement or current lease)
 - Expenses (greater of 25% or operating income statement)

 - Net rental income or monthly obligation
- Properties acquired prior to the current year
 - Gross monthly rent, based on a 2-year average
 - Gross monthly expenses, based on a 2-year average

 - Net rental income or monthly obligation

Documentation Requirements

- Properties acquired during the current year
 - Operating income statement or, if applicable, copies of the current lease agreement
- Properties acquired prior to the current year
 - Most recent year’s signed, personal federal tax returns

3.08.04c Second Home Rental Income

Underwriting Requirements

Ineligible: Rental income received for use of the borrower’s second home

3.09 Assets

- 3.09.01 Funds to Close
- 3.09.02 Reserves
- 3.09.03 Borrower Contribution
- 3.09.04 Source of Funds
- 3.09.05 Ineligible Sources of Funds

Funds for the loan closing and reserves accumulated through various sources

Documentation Requirements

In general, all asset documentation must include the following:

Account Statements

- The borrower, identified as the account holder
- Institution and account number
- Time period covered by the statement
- Transaction history, including all deposits, withdrawals, purchases and sales transactions, as applicable
- Beginning and ending account balances

Written Verification

- Requested directly from the depository institution by the lender
- The borrower, identified as the account holder
- Account number
- Date opened
- Current balance
- 2-month average balance
- Signed and dated by a representative of the depository institution

Documents you receive via fax or that you download from the Internet must clearly identify the name of the institution and source of information in the fax or Internet banner.

 *For loans with a valid DU Approve or Loan Product Advisor Accept response (2.01), follow the respective Agency AUS documentation requirements.*

3.09.01 Funds to Close

The amount of funds needed to complete the transaction – down payment, closing costs, prepaid expenses and payoff/paydown of debt

Underwriting Requirements

- Funds must be liquid and from an eligible source (3.09.04)

3.09.02 Reserves

The amount of funds remaining after loan closing

Reserves Calculation

$$\begin{array}{r} \text{Funds remaining after loan closing} \\ + \quad \text{Proposed housing payment} \\ \hline \text{\# Months of reserves} \end{array}$$

Underwriting Requirements

- See Underwriting Summaries (3.02)

3.09.03 Borrower Contribution

The total amount of funds from the borrower toward down payment, closing costs, prepaid expenses and reserves, accumulated through a normal savings pattern or from other eligible sources of funds (3.09.04)

Underwriting Requirements

Minimum Borrower Contribution

- Varies by property type and loan amount – See Underwriting Summaries (3.02)
- Must be from the occupant-borrower's own funds and/or any of these sources, upon meeting Underwriting Requirements:
 - Bridge loan proceeds (3.09.04b)
 - Business assets (3.09.04c)
 - Cash on hand (3.09.04d)
 - Cash value of life insurance (3.09.04e)
 - Depository accounts (3.09.04f)
 - Earnest money deposit (3.09.04g)
 - Gift funds (3.09.04i)
 - Inherited funds (3.09.04m)
 - Lease/purchase option rent credit (3.09.04n)
 - Lot equity (3.09.04o)
 - Retirement accounts (3.09.04q)
 - Sale of personal assets (3.09.04r)
 - Sale of the borrower's own residence (3.09.04s)
 - Secured loan proceeds (3.09.04a)
 - Stocks/Bonds/Mutual Funds/Annuities/Life Insurance (3.09.04v)
 - Trust Accounts (3.09.04y)
 - Uniform Gift to Minor accounts (3.09.04z)

Minimum Borrower Contribution Calculation

	Required contribution %
x	Sales price
<hr/>	
	\$ Amount of contribution

3.09.04 Source of Funds

The origin of funds to close (3.09.01) and reserves (3.09.02)

- 3.09.04a Borrowed, Secured Funds
- 3.09.04b Bridge Loans
- 3.09.04c Business Assets
- 3.09.04d Cash on Hand
- 3.09.04e Cash Value of Life Insurance
- 3.09.04f Depository Accounts
- 3.09.04g Earnest Money Deposit
- 3.09.04h Employer Assistance
- 3.09.04i Gift Funds
- 3.09.04j Gift of Equity/Lot
- 3.09.04k Grants
- 3.09.04l Individual Development Account (IDA)
- 3.09.04m Inherited Funds
- 3.09.04n Lease/Purchase Option Rent Credit
- 3.09.04o Lot Equity
- 3.09.04p Pooled Savings Arrangements
- 3.09.04q Retirement Accounts
- 3.09.04r Sale of Personal Assets
- 3.09.04s Sale of Residence
- 3.09.04t Secondary Financing
- 3.09.04u Seller/Interested-Party Contribution (Seller/IPC)
- 3.09.04v Stocks/Bonds/Mutual Funds
- 3.09.04w Sweat Equity
- 3.09.04x Trade Equity
- 3.09.04y Trust Accounts
- 3.09.04z Uniform Gift to Minor Accounts

3.09.04a Borrowed, Secured Funds

Loans secured by collateral owned by the borrower, including automobiles, jewelry, collectibles, real estate or financial assets such as savings accounts, certificates of deposit, stocks, bonds, life insurance policies and 401(k) accounts

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- Funds must be secured by a tangible asset
- The issuer of the secured loan cannot be an interested party to the transaction
- If borrowers use the same financial asset toward their financial reserves, reduce the value of the asset by the amount of proceeds and related fees for the secured loan

Value of asset
-
Loan proceeds and related fees

\$ Available for reserves

- Qualification: See 3.11.06 to determine whether to include repayment in the total monthly obligation
- Ineligible: unsecured loans

Documentation Requirements

- Evidence of the borrower's ownership interest in the asset
- Documentation identifying the asset and the terms and conditions of the loan
- Evidence the borrower received loan proceeds

3.09.04b Bridge Loans

Proceeds of a temporary loan, secured by the borrower's current residence, for the purchase of the borrower's new home

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The loan cannot be secured by subject property
- The issuer cannot be an interested party to the transaction
- Include payment in the total monthly obligation (3.07.01)

Documentation Requirements

- Documentation identifying the terms and conditions of the loan
- Evidence the borrower received loan proceeds

3.09.04c Business Assets

Funds in the borrower's business account

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- Funds are limited to the borrower's percentage of ownership
- The borrower must have authority to access and withdraw funds for personal use
- Withdrawal of the funds cannot be detrimental to the business

Documentation Requirements

- Verification of deposit (VOD) or bank statements for the most recent 2 months
- Documentation confirming:
 - The borrower's authority to access and withdraw funds
 - Withdrawal of funds would not adversely impact the operation of the business

3.09.04d Cash on Hand

Cash accumulated but not on deposit in a financial institution

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower has:
 - Net income that exceeds the total monthly obligation (3.07.01)
 - A history of paying cash for monthly obligations
 - No history of accumulating funds in a checking or savings account
 - Limited credit history with no evidence of new accounts or substantial increase to balance on existing accounts

- Borrowers must deposit funds at a financial institution or in an escrow account a minimum of 30 days prior to closing

Documentation Requirements

- Verification of deposit (VOD) or a bank statement for the most recent month
- A written statement from the borrower identifying the source of funds and confirming the funds are not borrowed

3.09.04e Cash Value of Life Insurance

Net proceeds from a loan secured by or the surrender of a life insurance policy

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower must be the policy owner

Documentation Requirements

- Evidence of the borrower's ownership interest in the asset
- Evidence of loan terms and conditions
- Evidence the borrower received loan/surrender value proceeds

3.09.04f Depository Accounts

Funds on deposit with a financial institution (e.g., checking, savings or money market accounts)

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- Explain and document any recently opened accounts, recent large deposits and account balances considerably greater than the average balance
- The borrower must be an account owner
- Custodial accounts – The borrower must have unconditional access

Documentation Requirements

- Verification of deposit (VOD) or bank statements for the most recent 2 months
- For recently opened accounts, recent large deposits and account balances considerably greater than the average balance, provide:
 - A written statement from the borrower identifying the source of funds
 - Evidence of the source of funds
- Custodial accounts – Evidence the borrower has unconditional access to the funds

3.09.04g Earnest Money Deposit

Funds from the borrowers included with an offer to purchase property to show good faith in completing the transaction

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)

- Verify earnest money deposits
- If the earnest money check has not cleared, reduce verified funds by the earnest money deposit amount

Documentation Requirements

- Evidence earnest money deposit check has cleared
 - If the earnest money deposit check has not cleared, provide the most recent statement for the account from which the check was drawn to verify adequate funds to cover the check

3.09.04h Employer Assistance

Funds provided by an employer for down payment or closing

Underwriting Requirements

- Eligible after the minimum borrower contribution (3.09.03)
- May be in the form of a gift, grant, repayable second mortgage or a forgivable or deferred second mortgage
- Must be part of an established company program
- Must come directly from the employer
- If the borrower must repay:
 - Secondary financing is subject to standard CLTV limitations (1.04)
 - Qualification: Include monthly payments in the borrower's proposed monthly housing expense (3.07.01a)

Documentation Requirements

- Verification from the employer of the amount and the terms and conditions of the employer assistance plan
- Evidence the borrower received funds
- If the borrower must repay – A note or written verification of the secondary financing terms and conditions

3.09.04i Gift Funds

A sum of money given to the borrower with no repayment provision

Underwriting Requirements

- Eligible after the minimum borrower contribution (3.09.03)
- The gift cannot require repayment or involve a lien against the property
- The donor may not be an interested party to the transaction
- Eligible donors:
 - A relative, related by blood, marriage, adoption or legal guardianship
 - A domestic partner or fiancé/fiancée
 - A public or nonprofit organization, church or municipality
 - An employer with an established employee assistance program
- Verify donor funds are available and accessible
- Verify the borrower received the gift funds
- Gifts of cash are an eligible source of funds toward the minimum borrower contribution requirement, subject to the following:

- The donor has resided with the borrower for the most recent 12 months and intends to continue to do so, OR
- The loan meets these requirements:

DTI ratio	≤ 41% Total DTI
Credit	<ul style="list-style-type: none"> • ≥ 720 • Maximum loan amount \$750,000
Loan	<ul style="list-style-type: none"> • Fixed-rate/fixed-payment for at least the first 5 years • No subordinate financing or soft seconds
Property	1-unit, primary residence

Documentation Requirements

- Gift letter, signed and dated, indicating:
 - Date of the gift
 - Amount
 - Donor's name, address and telephone number
 - Relationship to the borrower
 - No repayment is expected or required
- Verify donor funds and the transfer of gift funds with any of the following:
 - Donor's check and borrower's deposit slip
 - Donor's withdrawal slip and the borrower's deposit slip
 - Donor's certified cashier's or other official check to the closing agent
 - Settlement statement showing receipt of the donor's check
- For gifts from a donor who has resided with the borrower:
 - Documentation to support most recent 12 months of residency
 - Letter of donor's intent to continue occupying the subject property

3.09.04j Gift of Equity/Lot

Equity provided by the seller/donor of property to the borrower with no repayment provision

Underwriting Requirements

- Eligible after the minimum borrower contribution (3.09.03)
- Purchase of a primary residence
- The sales price for the subject property must be at market rate
- The gift cannot require repayment or involve a lien against the property
- Eligible donors:
 - A relative, related by blood, marriage, adoption or legal guardianship
 - A domestic partner or fiancé/fiancée

Documentation Requirements

- Gift letter, signed and dated, indicating:
 - Date of the gift
 - Amount
 - Donor's name, address and telephone number
 - Relationship to the borrower
 - No repayment is expected or required

- Provide either:
 - HUD-1 Settlement Statement/Closing Disclosure reflecting the gift of equity credit
 - Evidence the donor has transferred ownership of the lot to the borrower

3.09.04k Grants

Funds provided by a federal/state/municipal housing agency, nonprofit organization, employee assistance program or a regional Federal Home Loan Bank; may include a repayment provision

Underwriting Requirements

- Eligible after the minimum borrower contribution (3.09.03)
- Eligible grant providers other than a credit union:
 - A public or nonprofit organization, church or municipality
 - An employer with an established employee assistance program
 - A regional Federal Home Loan Bank under one of its affordable housing programs
- The grant provider may not be an interested party to the transaction
- If the funds for the grant are provided by an interested party (e.g., seller, builder, real estate agent, etc.), deduct the amount of the grant from the sales price, even if provided by a third party
- If the borrower must repay:
 - Secondary financing is subject to standard CLTV limitations (1.04)
 - Qualification: Include monthly payments in the borrower's proposed monthly housing expense (3.07.01a)

Documentation Requirements

- Verification from the provider of the grant's terms and conditions
- Award letter indicating:
 - The borrower's name
 - Date
 - The grant provider's name, address and phone number
- Evidence the borrower received the funds — provide either:
 - The grant provider's check to the closing agent
 - The HUD-1 Settlement Statement/Closing Disclosure showing receipt of the grant provider's check
- If the borrower must repay the grant – A note or written verification of the secondary financing terms and conditions

3.09.04l Individual Development Account (IDA)

A depository account that includes matching funds from a nonprofit agency, designated for the purchase of a primary residence

Underwriting Requirements

- Matching funds are eligible after the minimum borrower contribution (3.09.03)
- Borrower-deposited funds are eligible toward the minimum borrower contribution
- The maximum match by the agency does not exceed:
 - 4 to 1 – if there is no repayment provision or lien

- 3 to 1 – if there is a repayment provision or lien
- If the borrower must repay:
 - Secondary financing is subject to standard CLTV limitations (1.04)
 - Qualification: Include monthly payments in the borrower's proposed monthly housing expense (3.07.01a)

Documentation Requirements

- IDA program information
- Written verification from the IDA provider documenting the borrower's and agency's regular deposits into the account
- Evidence the borrower has complied with IDA terms and conditions

3.09.04m Inherited Funds

Funds received by the borrower as a result of an inheritance

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower has immediate access to the funds

Documentation Requirements

- Will or letter from the estate documenting the terms and conditions of the inheritance
- Evidence the borrower received the funds

3.09.04n Lease/Purchase Option Rent Credit

Lease with option to purchase at a predetermined sales price with a provision for a rent credit

Underwriting Requirements

- The portion of the rent payment that exceeds the fair market rent is eligible toward the minimum borrower contribution (3.09.03)
- A rent credit less than or equal to fair market rent is an interested party contribution (3.09.04u)

Documentation Requirements

- Lease/purchase agreement
- Cancelled checks and/or bank statements for the duration of the lease
- Fair market rent documented by an independent appraiser

3.09.04o Lot Equity

Value in excess of any amount owed on subject property (land only) with no repayment provision

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower has an ownership interest in the subject property

Documentation Requirements

- Current appraisal documenting the land value
- Evidence of the borrower's ownership

3.09.04p Pooled Savings Arrangements

A depository account for multiple individuals making contributions under a written agreement

Underwriting Requirements

- Eligible after the minimum borrower contribution (3.09.03)
- Borrower-deposited funds are eligible toward the minimum borrower contribution
- If the borrower has an obligation for continued contributions, include these funds in the total monthly obligation (3.07.01)

Documentation Requirements

- Pooled savings agreement
- Verification from the pooled savings account manager documenting a history of the borrower's regular deposits
- Evidence the borrower has complied with pooled savings agreement
- Evidence of the borrower's obligation for continued contributions
- Evidence the borrower received the funds

3.09.04q Retirement Accounts

An account established for the benefit of the borrower intended for retirement, i.e., IRA, Keough, 401(k), 403(b), etc.

Underwriting Requirements

- 100% of the vested amount (less any outstanding loans) is eligible toward the minimum borrower contribution (3.09.03) if retirement assets are in the form of stocks, bonds or mutual funds
- The borrower must have access to withdraw funds prior to retirement, termination or death
- When these funds are required for closing, verify the borrower has liquidated account funds
 - If the value of these funds is at least 20% more than the amount of funds needed for closing, we don't require you to verify that funds were liquidated

Documentation Requirements

- Verification of account, including the vested amount; or account statements for the most recent 2 months, including the vested amount
- Evidence the borrower has access to withdraw funds
- If funds are required for closing, evidence the borrower received the funds
 - If the value of these funds is at least 20% more than the amount of funds needed for closing, we don't require evidence the borrower received funds

3.09.04r Sale of Personal Assets

Proceeds from the sale of a borrower's asset (e.g., automobile, boat, land, etc.)

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower must own the asset

Documentation Requirements

- Evidence of ownership
- Current valuation of the item
- Purchase agreement/bill of sale
- Evidence the borrower received funds from the purchaser

3.09.04s Sale of Residence

Proceeds from the sale of a borrower-owned property

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower must have owned the property

Documentation Requirements

- Signed HUD-1 Settlement Statement/Closing Disclosure indicating net proceeds

3.09.04t Secondary Financing

A lien that is subordinate to the first mortgage; may require repayment or may be forgiven over a defined time period

Underwriting Requirements

- Eligible after the minimum borrower contribution (3.09.03)
- If the borrower must repay:
 - Secondary financing is subject to standard CLTV limitations (1.04)
 - Qualification: Include monthly payments in the borrower's proposed monthly housing expense (3.07.01a)

Documentation Requirements

- Verification of the amount and terms
- Evidence the borrower received the funds
- If the borrower must repay – A note or written verification of the secondary financing terms and conditions

3.09.04u Seller/Interested-Party Contribution (Seller/IPC)

Contributions by a party with a financial interest in the transaction

Interested parties to the transaction may include, but are not limited to, the seller, builder/developer, real estate agent, broker or an affiliate who may benefit from the sale of the property.

Financing Concessions

Seller/interested-party contributions in the form of funds to help the borrower acquire the property

Underwriting Requirements

- Seller/IPC limits – See Underwriting Summaries (3.02)
- Typical fees and/or closing costs paid by a seller in accordance with local custom are not subject to MGIC Seller/IPC limits
- Typical borrower-paid fees and/or closing costs paid by an interested party are subject to Seller/IPC limits
- When lender is affiliated with the builder/seller, lender-funded contributions are subject to Seller/IPC limits
- When the amount of financing concessions exceeds actual closing costs/prepays or Seller/IPC limits, the contribution is considered a sales concession, see below
- Ineligible:
 - Loans with payment abatements
 - Loans with undisclosed financing concessions
 - Loans with funds received from a nonprofit organization as a result of donations by an interested party to the nonprofit organization

Documentation Requirements

- Purchase and sales agreement

Sales Concessions

Seller/interested-party contributions in the form of nonrealty items (e.g., cash, furniture, automobiles, decorator allowances, moving costs) or financing concessions exceeding Seller/IPC limits

Underwriting Requirements

- Seller/IPC limits – See Underwriting Summaries (3.02)

LTV/CLTV Calculation

Reduce the sales price by:

- The amount of monetary contributions in excess of the Seller/IPC limits
- The value of nonrealty items

Documentation Requirements

- Purchase and sales agreement
- Documentation from a third party verifying the value of the nonrealty items

3.09.04v Stocks/Bonds/Mutual Funds

A financial asset owned by the borrower

Underwriting Requirements

- 100% of the vested value is eligible toward the minimum borrower contribution (3.09.03)

- If the value of these funds is at least 20% more than the amount of funds needed for closing, we don't require you to verify that funds were liquidated
- When these funds are required for closing, verify the borrower has liquidated account funds
- **Ineligible:** Nonvested, restricted stock; stock issued by a privately held company

Documentation Requirements

- Account statements for the most recent 2 months or a certificate or bond accompanied by evidence of current value
- If funds are required for closing, evidence the borrower received the funds
 - If the value of these funds is at least 20% more than the amount of funds needed for closing, we don't require evidence the borrower received funds

3.09.04w Sweat Equity

The value of work performed or material provided by the borrower

Underwriting Requirements

- Eligible after the minimum borrower contribution (3.09.03)
- Purchase of a primary residence
- Maximum credit – 5% of the property value
- The borrower must have the skill to perform the work

Documentation Requirements

- Purchase and sales agreement identifying the terms and conditions of the sweat equity
- Verification of the borrower's skill and ability to perform the work (e.g., electrical or plumbing license)
- Appraisal supporting value of improvements

3.09.04x Trade Equity

Borrower-owned real property traded for the purchase of the subject property; equity from the existing property is applied toward the purchase

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- Verify that a current appraisal supports the value of the property being traded
- Determine the borrower's equity in the trade-in property:
 - Subtract the outstanding mortgage balance of the property being traded, plus any transfer costs, from the lesser of either the property's appraised value or the trade-in value agreed to by both parties

Lesser of the property's appraised value or agreed-upon trade-in value

Outstanding mortgage balance of the traded property (plus
– any transfer costs)

\$ Equity

Documentation Requirements

- For the property being traded:
 - Purchase agreement
 - Current appraisal
 - Verification of ownership and outstanding liens
 - Verification of title transfer and satisfaction of outstanding liens

3.09.04y Trust Accounts

Funds from a trust managed by one person for the benefit of another

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower has access to withdraw funds for personal use
- Base the value of the account on the asset type, e.g., stock, bond

Documentation Requirements

- Verification of the value of the trust account
- Verification of the conditions under which the borrower has access to the funds
- When these funds are required for closing, evidence the borrower received the funds

3.09.04z Uniform Gift to Minor Accounts

Funds in the borrower's name as custodian for the benefit of a minor child under applicable state or federal statutes

Underwriting Requirements

- Eligible toward the minimum borrower contribution (3.09.03)
- The borrower has access to withdraw funds for personal use
- Base the value of the account on the asset type, e.g., stock, bond

Documentation Requirements

- Verification of the conditions under which the borrower has access to the funds
- Verification of deposit (VOD) or bank statements for the most recent 2 months

3.09.05 Ineligible Sources of Funds

Asset types not listed within this Guide may be ineligible for down payment, closing costs or reserves. Examples include, but are not limited to:

- Salary/bonus advances against future earnings
- Stock held in unlisted corporations
- Stock options not immediately available or nonvested, restricted stock
- Funds held in foreign countries or foreign accounts
- Proceeds from a cash-out refinance transaction

3.10 Credit

- 3.10.01 Credit Report
- 3.10.02 Credit Score
- 3.10.03 Traditional Credit
- 3.10.04 Nontraditional Credit
- 3.10.05 Adverse Credit
- 3.10.06 Re-Established Credit
- 3.10.07 No Credit

MGIC considers borrowers' willingness and ability to manage debt by reviewing their credit history.

3.10.01 Credit Report

Residential Mortgage Credit Report (RMCR) or an in-file credit report completed by an independent consumer credit reporting agency, providing a history of the borrower's debt repayment and public records

Underwriting Requirements

- Resolve identity alerts reflected on the RMCR
- Credit data, including a public records search, from a minimum of 2 national credit reporting repositories, such as Equifax, Experian or TransUnion

Documentation Requirements

- RMCR or a minimum 2-repository, in-file credit report, including all supplements

3.10.02 Credit Score

A numerical rating representing a borrower's credit history, provided by a national credit repository

Underwriting Requirements

- A valid credit score, based on 3 or more tradelines, each with a minimum 12-month payment history
 - Authorized user accounts and loans in deferment are not tradelines
 - Borrowers without a valid credit score are subject to Eligibility Criteria for nontraditional credit (3.10.04)

3.10.02a Borrower Indicator Score

The borrower credit score used to determine the Representative Credit Score (3.10.02b)

Underwriting Requirements

- A minimum of 2 valid credit scores
 - When 2 valid credit scores are provided, the lower score is the Borrower Indicator Score
 - When 3 valid credit scores are provided, the middle score is the Borrower Indicator Score

3.10.02b Representative Credit Score

The Representative Credit Score is the lowest Borrower Indicator Score among all borrowers. Use it for underwriting and to determine the premium rate.

Underwriting Requirements

- When all borrowers have a valid credit score:
 - Follow Underwriting Requirements for traditional credit (3.10.03)
 - Use the lowest of all Borrower Indicator Scores as the Representative Credit Score
- When 1 or more borrowers have a valid credit score, but 1 or more co-borrowers do not:
 - For borrowers with a valid credit score:
 - Follow Underwriting Requirements for traditional credit (3.10.03)
 - Use the lowest of all Borrower Indicator Scores as the Representative Credit Score, regardless of whether the co-borrower has a credit score
 - For borrowers without a valid credit score:
 - Follow Underwriting Requirements for nontraditional credit (3.10.04)
- When no borrower has a valid credit score:
 - Follow Underwriting Requirements for nontraditional credit (3.10.04)
 - Nontraditional credit premium rates apply
 - The file requires an MGIC MI Underwrite/Full-Doc Review (1.06.03)

Documentation Requirements

- RMCR or a minimum 2-repository, in-file credit report, including all supplements

3.10.03 Traditional Credit

Recurring financial obligations reported to a credit reporting agency

Underwriting Requirements

- Minimum established credit:
 - Valid credit scores from a minimum of 2 national credit reporting repositories
 - 3 or more tradelines, each having a minimum 12-month payment history
 - Authorized user accounts allowed if borrower has been making payments as agreed for the past 12 months
- Verify all obligations identified on the loan application
- Determine whether credit report inquiries within the most recent 90 days resulted in new credit
- Borrowers who do not meet traditional credit requirements are subject to Eligibility Criteria for nontraditional credit (3.10.04)

Documentation Requirements

- RMCR or a minimum 2-repository, in-file credit report, including all supplements
- Credit report inquiries
 - A letter from the borrower addressing the outcome of each inquiry
 - If new credit was granted, verification of the terms and conditions, obtained from the creditor or by a credit report supplement

3.10.04 Nontraditional Credit

Recurring financial obligations not reported to a credit reporting agency

Underwriting Requirements

- MGIC MI Underwrite/Full-Doc Review (1.06.03), if all borrowers have nontraditional credit
- Minimum of 3 credit references, including a housing payment reference:
 - Open and active during the most recent 12 months
 - Indicating weekly, monthly or quarterly payments
 - May be a combination of traditional and nontraditional credit
- Nontraditional credit may not be used as a means for offsetting or enhancing derogatory credit found in a traditional credit history (such as late payments, collection accounts or judgments)

Acceptable Sources of Nontraditional Credit

- Housing/rent references
- Utility accounts (e.g., electric, gas, water, telephone, Internet, cable/satellite)
 - Housing payments that include utilities are considered as only 1 credit reference
- Insurance (e.g., automobile, life, medical, rental — excluding any payroll deductions)
- Department, furniture, appliance and specialty store accounts
- School tuition or child care payment history
- Payment history for loans obtained from an individual person

Unacceptable Sources of Nontraditional Credit

- Accounts for which the borrower is not obligated, including authorized user accounts
- A store or service provider who requires payment at the time a good or service is provided

Documentation Requirements

Provide any of the following:

- 12 months of consecutive account statements
- Current account statement with 12 months of consecutive receipts or cancelled checks
- Written verification, including all information required on a nontraditional credit report
- Written agreement and 12 months of consecutive cancelled checks
- A nontraditional credit report from a consumer reporting agency, which must include:
 - Borrower identification
 - Residence information
 - Public records search
 - Inquiry information
 - Credit references, independently verified by the consumer reporting agency, must include:
 - Creditor's name

- Date account opened
- Date last reported
- Date last active
- Current account status
- Unpaid balance
- Amount of high credit
- Required payment
- Payment frequency
- Payment history, which must be stated in the “number of past dues” (i.e., formatted as 30-, 60-, 90-day late payments)
- Contact information of the individual providing the reference

3.10.05 Adverse Credit

Financial obligations that have not been paid as agreed

Examples include, but are not limited to:

- Bankruptcy
- Collections, charge-offs, repossessions
- Consumer Credit Counseling Services (CCCS)
- Foreclosure, deed in lieu, short sale,
- Judgments, liens, garnishments
- Late payments

Use underwriting judgment to determine whether the reasons for the adverse credit is reasonable, corrected and unlikely to recur.

Recurring instances of adverse credit may indicate a disregard for financial obligations and may adversely affect the loan decision.

3.10.05a Bankruptcy

3.10.05b Collection/Charge-Off/Past Due/Delinquent/Repossession/Other

3.10.05c Consumer Credit Counseling Service (CCCS)

3.10.05d Disputed Accounts

3.10.05e Foreclosure/Deed in Lieu of Foreclosure/Short Sale/Restructured Loans

3.10.05f Judgments/Garnishments/Liens

3.10.05g Late Payments

3.10.05a Bankruptcy

Legal procedure in a federal court to relieve a borrower of debts

- Chapter 7 bankruptcy discharges all debts
- Chapter 13 requires repayment of debt over a defined period of time

Underwriting Requirements

- For purchase loans and rate/term refinances:
 - Chapter 7 bankruptcy was discharged or dismissed 4 years prior to loan application
 - Chapter 13 bankruptcy was filed 4 years prior to loan application and

- discharged or dismissed 2 years prior
- For cash-out refinances:
 - Chapter 7 bankruptcy was discharged or dismissed 7 years prior to loan application
 - Chapter 13 bankruptcy was filed 7 years prior to loan application and discharged or dismissed 2 years prior
- Re-established credit (3.10.06)

Documentation Requirements

- Credit report or documentation from the court indicating the date of filing and/or discharge or dismissal

3.10.05b Collection/Charge-Off/Past Due/Delinquent/Repossession/Other

- *Collection – Debt transferred to a collection department or professional debt collector*
- *Charge-off – Debt uncollected by a creditor*
- *Past Due/Delinquent – An amount due to bring an account current*
- *Repossession – Forced or voluntary surrender of merchandise*
- *Other – Arrearage on court-ordered payments (i.e., child support, alimony)*

Underwriting Requirements

- Must be current or paid in full at or prior to closing

Documentation Requirements

- Credit report or a receipt from the creditor indicating satisfaction of debt
- If there is an outstanding balance at the time of loan application, evidence the borrowers have sufficient funds to pay off the debt or bring it current

3.10.05c Consumer Credit Counseling Service (CCCS)

A service provider who negotiates payment arrangements with creditors on behalf of the borrower

Underwriting Requirements

- Counseling must be completed 12 months prior to loan application

Documentation Requirements

- Credit report or a receipt from the consumer credit counseling agency indicating the date of completion

3.10.05d Disputed Accounts

An account where there is a disagreement between the borrower and a creditor

Underwriting Requirements

For disputed accounts with an outstanding balance:

- Include the monthly payment in the total monthly debt, unless there is evidence the borrower is not liable

Documentation Requirements

- Evidence from the creditor

3.10.05e Foreclosure/Deed in Lieu of Foreclosure/Short Sale/Restructured Loans

- *Foreclosure – Legal proceedings to repossess real estate for a loan in default*
- *Deed in lieu of foreclosure – Borrowers convey all interest in a property to a creditor to satisfy a loan*
- *Short sale – A lender-approved sale of a property where the proceeds will be less than the outstanding loan balance*
- *Restructured loan – A mortgage settled for less than the balance due by any of the following means:*
 - *Forgiveness of a portion of principal and/or interest*
 - *Application of a principal curtailment on behalf of the investor to simulate principal forgiveness*
 - *Conversion of any portion of the original mortgage to a “soft” subordinate mortgage*
 - *Conversion of any portion of the original mortgage from secured to unsecured*

Underwriting Requirements

- For purchase loans:
 - The foreclosure, deed in lieu, short sale or restructured loan was discharged/completed/restructured 4 years prior to loan application
- For rate/term refinances:
 - The foreclosure, deed in lieu, short sale or restructured loan was discharged/completed/restructured 4 years prior to loan application
- For cash-out refinances:
 - The foreclosure, deed in lieu, short sale or restructured loan was discharged/completed/restructured 7 years prior to loan application
- Re-established credit (3.10.06)

Documentation Requirements

- Credit report or documentation from the creditor or court indicating the date of discharge, completion or satisfaction

3.10.05f Judgments/Garnishments/Liens

A court order documenting the terms and conditions of repayment of a debt

Underwriting Requirements

- Judgments, garnishments or liens with an outstanding balance must be satisfied prior to or at closing
 - If there is evidence supporting the borrower is not liable, omit the debt from the total monthly obligation

Documentation Requirements

- Credit report or documentation from the creditor or the court indicating date of completion/satisfaction
- If there is an outstanding balance at the time of loan application, evidence the borrowers have sufficient funds to pay off the account

3.10.05g Late Payments

A liability with payment made after the date due

Underwriting Requirements

- All obligations must be current at the time of loan approval

Housing — Mortgage and/or Rent

	Maximum late payments	
	30 days late	60 or more days late
Most recent 12 months	0	0
13-24 months	1	0

Revolving and Installment Credit

- Traditional credit – Payment histories are considered in the credit score
- Nontraditional credit:

	Maximum late payments		
	30 days late	60 days late	90 or more days late
Most recent 12 months	1	0	0
13-24 months	2	1	0

Documentation Requirements

- Credit report or nontraditional credit documentation (3.10.04)

3.10.06 Re-Established Credit

Credit that was opened or maintained following an adverse credit incident

Underwriting Requirements

- Minimum of 3 tradelines open and active after the incident
 - 1 with a minimum payment history of 12 months
 - 2 with a minimum payment history of 24 months
- No adverse credit or late payments in the most recent 24 months
- Nontraditional credit is ineligible

Documentation Requirements

- Credit report

3.10.07 No Credit

Ineligible: A borrower who has no financial obligations documented through either traditional or nontraditional credit

3.11 Liabilities and Debts

Monthly payments for financial obligations used in the calculation of the total debt-to-income (DTI) ratio

- 3.11.01 Alimony/Child Support/Family Support
- 3.11.02 Contingent Liability/Assignment of Debt/Assumption
- 3.11.03 Debt Paid by Business
- 3.11.04 Installment Debt
- 3.11.05 Lease Payments
- 3.11.06 Loans Secured by Financial Assets
- 3.11.07 Open/Monthly Accounts
- 3.11.08 Other Real Estate Owned
- 3.11.09 Pooled Savings Contributions/Individual Development Account (IDA)
- 3.11.10 Revolving Credit/Line of Credit/Home Equity Line of Credit (HELOC)

3.11.01 Alimony/Child Support/Family Support

Court order requiring payment to another person

Underwriting Requirements

Include these debts in the total monthly obligation calculation:

- Obligations with more than 10 monthly payments remaining
- Obligations with 10 or fewer monthly payments remaining if the debt materially affects the borrower's ability to pay
- You may reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the DTI ratio calculation

Documentation Requirements

- Court order identifying amount and duration of payments

3.11.02 Contingent Liability/Assignment of Debt/Assumption

A debt for which the borrower is not the primary payer

Underwriting Requirements

Include debts for which the borrower is not the primary payer in the total monthly obligation calculation, unless:

- A court order assigned the debt to another party
- A co-signer has been making timely payments for a minimum of 12 months
- A debt has been assumed by another party with release of liability

Documentation Requirements

- Assignment of debt – Final divorce decree or court order
- Co-signed obligations – Verification of timely payment and most recent 12 months of cancelled checks

- Assumption – Confirmation of release of liability from the creditor

3.11.03 Debt Paid by Business

A disclosed business debt paid by the borrower's business

Underwriting Requirements

Include the debt in the total monthly obligation calculation, unless:

- Business funds were used to pay the debt for the most recent 12 months
- There is no history of delinquency
- Cash flow analysis of business tax returns reflects the business expense related to the obligation

Documentation Requirements

If the debt is excluded from the total monthly obligation calculation:

- Evidence of 12 months' payments from a business account
- Payment history
- Most recent 2 years' signed, personal federal tax returns and most recent 2 years' corporate, S-corp, limited liability company or partnership returns, as applicable

3.11.04 Installment Debt

A debt repaid in successive payments over a specified amount of time

Underwriting Requirements

Include in the total monthly obligation calculation:

- Proposed total monthly housing expense (3.07.01a)
- Installment debt with more than 10 monthly payments remaining
- Installment debt with 10 or fewer monthly payments remaining if the debt materially affects the borrower's ability to pay
- Deferred installment debt expected monthly payment
- Lease payments, regardless of the number of months remaining on the lease
- Student loans (deferred, forbearance or repayment):
 - Use the verified monthly payment from the credit report or other documentation, including the income-based repayment (IBR) approval letter
 - If the monthly payment is not verified on the credit report or other documentation, use 1% of the outstanding loan balance
 - You may exclude student loan payments from the total monthly obligation under the following conditions:
 - Payment will be deferred for a minimum of 12 months after the loan closing date, and
 - The borrower responsible for the debt is in one of the following professions:
 - Medical Resident
 - Medical Doctor
 - Doctor of Dental Science
 - Doctor of Dental Medicine or Surgeon

- Doctor of Optometry
- Doctor of Ophthalmology
- Doctor of Pediatric Medicine
- Doctor of Osteopathy

Documentation Requirements

- Student loans
 - The credit report, loan agreement or direct verification from the lender, including reference to the monthly payment
 - If the monthly payment is not provided on the credit report or other documentation, use 1% of the outstanding loan balance
 - If the monthly payment is excluded, include documentation to support terms of deferment and the borrower's profession
- Installments loans
 - The credit report or direct written verification from the creditor, including reference to the payment

3.11.05 Lease Payments

Payments made for a specified length of time in exchange for the use of a vehicle or other item with no ownership interest obtained

Underwriting Requirements

Include lease payments in the total monthly obligation calculation, regardless of the number of months remaining on the lease.

Documentation Requirements

- Credit report
- Direct written verification from the creditor

3.11.06 Loans Secured by Financial Assets

Loans secured by a financial asset (e.g., 401(k) accounts, certificates of deposit, life insurance policies, savings accounts, stocks, bonds and margin accounts)

Underwriting Requirements

Include the loan payments in the total monthly obligation calculation, unless:

- The value of the asset is greater than the outstanding balance of the loan
 - Base the value of the account on the asset type, e.g., stock, bond
- Penalties for failure to repay a loan secured by a life insurance policy are limited to the surrender value of the policy

Documentation Requirements

- Direct written verification or an account statement verifying the current value of the asset and outstanding loan balance

3.11.07 Open/Monthly Accounts

Debt requiring payment in full each month (e.g., 30-day charge accounts)

Underwriting Requirements

- Exclude payments from the total monthly obligation calculation if:
 - The borrower has sufficient assets to pay the account in full
 - The borrower's employer will reimburse the outstanding balance in full
- Include payments in the total monthly obligation calculation if the obligation will not be paid in full at or before closing
- Use the verified monthly payment from the credit report or other documentation
 - If the monthly payment is not verified on the credit report or other documentation, use the greater of 5% of the outstanding loan balance or \$10

Documentation Requirements

- Credit report
- Direct written verification from the creditor
- If you exclude the payment from the total monthly obligation:
 - Evidence of sufficient funds to pay account in full or
 - Evidence the balance will be reimbursed by the borrower's employer

3.11.08 Other Real Estate Owned

Real estate owned by the borrower that will be retained after closing

Underwriting Requirements

- If the borrowers are retaining their current primary residence
 - Include both the existing and the proposed total monthly housing expense in the total monthly obligation calculation
- If the borrowers' current primary residence is pending sale, but the transaction will not close prior to the subject transaction, exclude the existing monthly housing expense from the total monthly obligation calculation if there is:
 - Evidence of an executed sales contract and
 - Evidence that any contingencies have been cleared
- Investment properties (3.08.04a)
 - If net rental income is positive, include it in the total monthly income calculation
 - If net rental income is negative, include it in the total monthly obligation calculation
- Second homes/vacant land/other
 - Include housing-related expenses in the total monthly obligation calculation

Documentation Requirements

- If you exclude the existing monthly housing expense because the borrowers' current primary residence is pending sale, but the transaction will not close prior to the subject transaction:
 - Evidence of an executed sales contract and
 - Evidence that any contingencies have been cleared

3.11.09 Pooled Savings Contributions/Individual Development Account (IDA)

A depository account for multiple individuals making contributions under a written agreement

Underwriting Requirements

Include in the total monthly obligation calculation:

- Obligations with more than 10 months of required contributions remaining
- Obligations with 10 or fewer contributions remaining if the debt materially affects the borrower's ability to pay

Documentation Requirements

- Pooled savings agreement
- Verification from the pooled savings account manager documenting a history of the borrower's regular deposits
- Evidence the borrower has complied with the pooled savings agreement
- Evidence of the borrower's obligation for continued contributions

3.11.10 Revolving Credit/Line of Credit/Home Equity Line of Credit (HELOC)

Debt with a variable balance and payment

Underwriting Requirements

Include in total monthly obligation calculation:

- Use the verified monthly payment from the credit report or other documentation
 - If the monthly payment is not verified on the credit report or other documentation, use the greater of 5% of the outstanding loan balance or \$10
- Authorized user accounts when the borrower discloses the liability on the loan application

Documentation Requirements

- Credit report including reference to the payment
 - If payment is not included on the credit report, provide the loan agreement or an acceptable alternative
- Direct written verification from the creditor

3.12 Property

- 3.12.01 Markets
- 3.12.02 Appraised Value
- 3.12.03 Appraisal Review
- 3.12.04 Property Types
- 3.12.05 Title Considerations
- 3.12.06 Compliance with Law

3.12.01 Markets

MGIC continuously monitors internal and external data to evaluate markets nationwide.

3.12.01a MGIC Special Market Underwriting Guidelines (SMUGs)

We continuously monitor market conditions nationwide. At any given time, individual market conditions may require consideration that expands or limits the Underwriting Requirements we publish in this Guide. A loan secured in a “Special Market” is subject to the requirements we publish in our Special Markets Underwriting Guide (SMUG), available at www.mgic.com/guides. Special Market Underwriting Requirements are subject to change. Access the current SMUG at www.mgic.com/guides.

Underwriting Requirements

- A loan secured by a property located in a Special Market is subject to requirements we publish in our Special Market Underwriting Guide

3.12.02 Appraised Value

Underwriting Requirements

- You are responsible for:
 - The value as represented in the Insurance Application
 - Ensuring the property securing the loan is:
 - Sufficient collateral
 - Suitable for occupancy prior to closing
 - Determining the type of appraisal used, and when applicable:
 - Selection and monitoring of qualified appraisers
 - Ensuring the appraiser has provided an accurate and supportable estimate of market value without material deficiencies, and the appraisal conforms to:
 - [Uniform Standards of Professional Appraisal Practice \(USPAP\)](#)
 - [Federal Housing Finance Agency \(FHFA\) Appraisal Independence Requirements \(AIR\)](#)

3.12.03 Appraisal Review

Underwriting Requirements

- You are responsible for:
 - Ensuring that the appraisal report is complete and accurately reflects the market value, condition and marketability of the subject property
 - Considering the following factors as you evaluate whether a property is suitable collateral for a loan:
 - The Market Value Analysis contains a minimum of 3 comparable sales similar to the subject property in size, room count, location, condition, etc. The appraiser should provide additional support for the value conclusion, if needed
 - Prior listing and sales activity of the subject property Prior sales activity of the comparable sales
 - Large adjustments – The appraiser should fully explain large adjustments; they may indicate a comparable sale is not sufficiently similar to the subject property
 - Value adjustments attributed to furniture, fixtures and other personal property included in the property valuation Leasehold interest terms, as applicable, must be typical and customary for the market, and the appraiser must provide a full explanation of the effect on marketability
 - Rural property:
 - The property is accessible either directly from public highways or via private roads that have recorded easements and shared maintenance agreements
 - A sufficient distance from undesirable influences that may affect value
 - Properties that are generally residential in use
 - Areas that may indicate adverse marketability, high or unacceptable risk, including but not limited to:
 - Declining neighborhood property values
 - A neighborhood or market area with an oversupply of housing units
 - Marketing time of residential properties beyond 6 months
 - A property whose value falls outside the neighborhood price range or is at the extreme high or low end of the range
 - Noncompatible land use or a change in land use – These can have a significant effect – positively or negatively – on the long-range value of the property
 - Nonresidential zoning
 - Improvements that do not conform to zoning requirements
 - Adverse site conditions, including adverse easements, encroachments or special assessments
 - A property with atypical physical features for the neighborhood
 - Atypical construction components, special features or amenities for the area
 - Incurable structural factors not typical for the market. (Curable structural factors may be acceptable under certain conditions when the appraiser has identified and properly justified them)
 - Environmental items that have a negative effect on value, such as

proximity to a hazardous waste site – The appraiser must identify and fully explain these items

- The property valuation must be reflective of the most reliable sales data
- The name of the appraiser and the appraisal firm, along with the appraiser's state license or certification number, must appear legibly on the report

3.12.04 Property Types

3.12.04a Single-Family Home

3.12.04b 2-Unit Property

3.12.04c Condominiums – Attached

3.12.04d Condominium – Detached (site)

3.12.04e Co-Op (Cooperative) Projects

3.12.04f Manufactured Homes/Mobile Homes

3.12.04g Mixed-Use Property

3.12.04h Planned Unit Development (PUD)

3.12.04i Rural Property

3.12.04j Unique Property Types

3.12.04a Single-Family Home

A 1-unit detached or attached residential property that is held in fee simple or leasehold estate

Underwriting Requirements

- See Underwriting Summaries (3.02)

Documentation Requirements

- Current appraisal

3.12.04b 2-Unit Property

A residential property that:

- *Provides 2 separate, self-contained living units, attached to or detached from each other that are legally permissible and located on the same parcel*
- *Is held in fee simple or leasehold estate*
- *Is not subject to a mandatory homeowners' association*

Underwriting Requirements

- See Underwriting Summaries (3.02)

Documentation Requirements

- Current appraisal

3.12.04c Condominiums – Attached

A form of ownership of real property where:

- *Each unit is defined as a separately owned space limited to the interior surfaces of the perimeter walls, floors and ceilings*
- *The owner has title to a particular unit and an undivided interest in specified common areas*
- *The property is held in fee simple or leasehold estate*

We define an established project as one where:

- *The project and related facilities owned by the master association are 100% complete and are not subject to additional phasing*
- *At least 90% of the total units are conveyed to unit purchasers*
- *The homeowners association (HOA) has been turned over to the unit owners*

We define a new project as one where:


- *The project and related facilities owned by the master association are not complete or are subject to additional phasing and/or*
- *Less than 90% of the units are sold and conveyed to individual unit owners other than the developer and/or*
- *The HOA is still in the developer's control*

 *For all required calculations below, include all phases that are complete or under construction.*

Underwriting Requirements

All Projects, Established and New

- All shared amenities related to the project (pool, tot lot, golf course, etc.) must be owned by the HOA or unit owners
- The total space used for nonresidential or commercial purposes is limited as follows:
 - Projects ≤ 10 units: 0%
 - Projects > 10 units: 20%
- Single-entity ownership (the same individual, an investor group, a partnership or corporation) is limited as follows:
 - 2- to 4-unit projects: 1 unit
 - 5- to 20-unit projects: 2 units
 - 21 or more units: 10%

 *Include in your calculation units currently subject to any lease arrangement. This includes lease arrangements containing provisions for the future purchase of the units, such as lease-purchase and lease-to-own arrangements. Do not include units owned by the project sponsor or developer that are vacant and being actively marketed for sale.*

- Investor concentration – The percentage of units not used by owner-occupants as primary or secondary residences is limited as follows:
 - Projects < 4 units: 0%
 - Projects ≥ 4 units: 30%
- The HOA budget provides for:
 - Replacement reserves for capital improvements
 - Insurance deductible amounts
 - Deferred maintenance of at least 10%

New Projects

- A minimum 50% of the units in a project are sold and conveyed or under executed contract to owner-occupants for use as a primary residence or second home

2- to 4-Unit Projects

- Without an HOA, including monthly maintenance fees, require a binding arbitration agreement or as required by state law
- Require 100% completion
- Require an MGIC MI Underwrite/Full-Doc Review (1.06.03)

Conversions

- Require 100% completion

Ineligible Projects

- Condo-hotels
- Student condos (“kiddie condos”)
- Timeshare, fractional or segmented ownership
- Manufactured housing units
- Houseboats
- Continuing-care facility
- Projects with:
 - Environmental issues
 - Litigation pertaining to construction defects related to habitability, structural integrity and safety
 - A reserve study/budget indicating current funding is inadequate to fund projected replacements or meet current annual budget needs
 - 15% or more of the units having delinquent HOA fees exceeding 60 days

Maximum Exposure

- MGIC maximum exposure: 33% of the total sold units in a project

Contact your MGIC Underwriting Service Center, www.mgic.com/uwoffice, for additional information on individual project eligibility.

3.12.04d Condominium – Detached (site)

Single-family detached homes with ownership rights as a condominium

Underwriting Requirements

- The project is comprised solely of 1-unit detached residential properties
- The property is not a manufactured home
- The appraiser has commented in the appraisal, any effect that buyer resistance to condo form of ownership has on the market value of the individual unit
- For a new condo project, the appraiser must use at least one comparable sale or 1-unit detached site condo located either in a competing project or in the subject project, if the condo unit is offered by a builder other than the one that built the subject unit
- Project ownership – Unit owners must have an undivided ownership or leasehold interest in the land on which the project is located
- All facilities related to the project (pool, golf course, etc.) are owned by the

- homeowners' association (HOA) or the unit owners
- Subject to single-family, detached LTV maximum

3.12.04e Co-Op (Cooperative) Projects

A form of ownership where:

- A corporation or trust holds title to the property and sells shares of stock representing the value of a single unit to individuals who receive a proprietary lease as evidence of title*
- Prospective owners typically must file an application for ownership that requires review and approval, including an interview, by the co-op board*

See the Cooperative Properties endorsement to our Master Policy at mgic.com/masterpolicy.

Underwriting Requirements

- Project must meet all condominium project requirements (3.12.04c)
- The borrower's proprietary lease expires after the mortgage term
- The blanket mortgage on the co-op project is a fixed-rate mortgage with a remaining term of at least 3 years
- The pro rata share of the blanket mortgage related to the individual co-op unit is no more than 35% of the sum of the related pro rata share of the blanket mortgage and the appraised value of the individual unit

– Example:

	\$20,000	Pro rata share
+	\$100,000	Appraised value
	<hr/>	
	\$120,000	Total
	\$20,000	Pro rata share
÷	\$120,000	Total
	<hr/>	
	16.666%	Meets the requirement because it's below the 35% cap

3.12.04f Manufactured Homes/Mobile Homes

A residential property that is:

- Factory-built in one or more sections on a steel undercarriage with the wheel assembly necessary for transportation to a permanent site*
 - The wheel assembly is removed when the residential structure is placed on a permanent foundation, but the steel undercarriage remains intact as a necessary structural component*
- Deemed real estate*
- Held in fee simple estate*

Underwriting Requirements

- The borrower must own the land as fee simple; leased land is ineligible
- The property:
 - Is a double-wide or greater
 - Is legally classified as real property

- Has wheels, axles and trailer hitch removed
- Has the appearance, characteristics and functional utility of a site-built home
- Has not been previously occupied or installed at another location, other than a new unit located at either a dealer or the manufacturer
- Is attached to a permanent foundation, per manufacturer specifications
- Complies with state and local building codes
- Is permanently connected to public and/or private utilities
- HUD Data Plate and HUD Certification label are present in the property

Appraisal Requirements

- Form 1004C/70B or full URAR
- Comparables should include at least 2 manufactured home sales
- Value may not include nonrealty items

Modular/Panelized/Prefabricated/Sectional Housing

A residential property that is factory-built in 2 or more sections in accordance with state and local building codes and transported to the property site for final assembly

While a modular home may be transported on a steel undercarriage, the undercarriage is not a permanent structural component.

Underwriting Requirements

The property:

- Has the appearance, characteristics and functional utility of a site-built home
- Is legally classified as real property
- Complies with state and local building codes

3.12.04g Mixed-Use Property

A residential property that includes space for both residential and commercial purposes (e.g., day-care, salon/barbershop, doctor's office, specialty store)

Underwriting Requirements

- The property is a primary residence
- Determine the property's value based on its residential characteristics/use, with limited value attributed to the commercial aspects
- The business use is compatible with use as a primary residence
- The borrower is both owner and operator of the business
- The mixed use of the property represents a legal, permissible use under local requirements

3.12.04h Planned Unit Development (PUD)

A type of residential land development that:

- *May include both attached or detached dwellings that share in the joint ownership of common areas typically maintained through a homeowners' association*
- *Is held in fee simple or leasehold estate*

Underwriting Requirements

- See Underwriting Summaries (3.02)

3.12.04i Rural Property

Property located in an area with low population density, some distance from urban centers, with larger acreages and minimal community services

Underwriting Requirements

- Primary use must be residential
- Income from the subject property is not eligible for qualification
- Properties with more than 20 acres:
 - Land value may not exceed 50% of the total value
 - Require an MGIC MI Underwrite/Full-Doc Review (1.06.03)
- For properties accessed by a private road, see 3.12.05f
- See Underwriting Summaries (3.02)

Documentation Requirements

- A Uniform Residential Appraisal Report (URAR), including interior and exterior inspections, all addenda, attachments, schedules, photographs and other information included by the appraiser

3.12.04j Unique Property Types

Ineligible: Properties with a nontraditional design (e.g., geodesic dome homes, straw bale homes)

3.12.05 Title Considerations

3.12.05a Community Land Trusts

3.12.05b Deed/Resale Restrictions or Restrictive Agreements

3.12.05c Easement or Joint-Party Agreement

3.12.05d First Lien

3.12.05e Leasehold Estate (Ground Rent)

3.12.05f Private/Shared Roads

3.12.05g Nonstandard Title Exceptions

3.12.05a Community Land Trusts

Community land trusts are developed by nonprofit organizations to create and preserve long-term affordable housing for low- and moderate-income families. The trust purchases the home and then leases the land using a long-term ground lease at affordable monthly ground rents. The ground lease includes provisions that require the continued use of the property by low- and moderate-income families.

Underwriting Requirements

- Terms of the lease meet leasehold estate requirements (3.12.05e)
- Requires an MGIC MI Underwrite/Full-Doc Review (1.06.03)

3.12.05b Deed/Resale Restrictions or Restrictive Agreements

Restriction limiting use and/or requirements placed on a property

Underwriting Requirements

- We will consider:
 - Restrictions related to cost, use, setback, minimum size and building materials, and architectural, aesthetic or similar matters
 - Resale restrictions related to borrower age, income, employment or occupancy or first-time homebuyers when the restrictions terminate upon foreclosure or deed in lieu of foreclosure
- Resale restrictions that survive foreclosure require an MGIC MI Underwrite/Full-Doc Review (1.06.03)

Documentation Requirements

- Title commitment
- Terms of the deed/resale restriction or restrictive agreement

3.12.05c Easement or Joint-Party Agreement

A property feature shared by more than one party (e.g., a common driveway or well)

Underwriting Requirements

- The appraiser addresses the recorded easement or joint-party agreement
- Must be addressed in the current appraisal

3.12.05d First Lien

A debt, such as a first mortgage or first deed of trust, that has priority over all other debts secured by the property

Underwriting Requirements

- The loan must be a first lien on a residential property

3.12.05e Leasehold Estate (Ground Rent)

An interest in real property held under a rental agreement by which the owner gives another the right to occupy or use land for a period of time

Underwriting Requirements

- Terms of the lease:
 - Must be typical and customary for the market; if not, the effect on marketability must be fully explained by the appraiser
 - May not impair the first lien status of the mortgage
 - Must extend for at least 5 years beyond the mortgage term or be automatically renewable beyond the mortgage term
- Residential improvements on leasehold interests must be legal security for a mortgage according to state statutes or governing law

Documentation Requirements

- A copy of the ground lease

3.12.05f Private/Shared Roads

A road owned or maintained by one or more nongovernment parties

Underwriting Requirements

- The appraiser addresses the recorded easement and shared maintenance agreement
- Owners must have unlimited and unrestricted use

Documentation Requirements

- Road maintenance agreement
- Title policy showing recorded easement

3.12.05g Nonstandard Title Exceptions

Statements in a title insurance commitment indicating items that will not be insured by the title company

Underwriting Requirements

- Eligible standard title exceptions:
 - Public utility easements
 - Easements for joint driveways or joint-party walls (3.12.05c)
 - Restrictive covenants, conditions and cost, minimum dwelling size or setback restrictions, as long as their violation will not result in a forfeiture or reversion of title or a lien of any kind for damages or have an adverse effect on the fair market value of the property
 - Minor encroachments
 - Outstanding oil, water or mineral rights that do not alter the contour of the property or impair its value or usefulness for its intended purposes
- Nonstandard title exceptions – Requires an MGIC MI Underwrite/Full-Doc Review (1.06.03)

Documentation Requirements

- Title commitment

3.12.06 Compliance with Law

The property must comply with applicable federal, state and local laws, ordinances, rules and orders, including but not limited to, building codes and zoning requirements.



Mortgage Guaranty Insurance Corporation

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