

# Puerto Rico Underwriting Summary

EFFECTIVE  
OCT. 30, 2024

**This summary highlights our most common loan programs. It does not replace our Underwriting Guide, which provides details on our guidelines and requirements ([mgic.com/uwguide](http://mgic.com/uwguide)).**

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®) and Freddie Mac's Loan Product Advisor®.

We allow certain efficiencies for loans that have a valid DU or Loan Product Advisor response.

**MGIC Go! streamlines MI for loans with a valid DU Approve/Eligible or Loan Product Advisor Accept/Eligible response.**

These loans must meet requirements stated in our Underwriting Guide (UWG), Section 1, Doing Business with MGIC and Section 2, MGIC Go! Loans.

Follow Findings/Feedback requirements for:

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

Apply applicable MGIC Go! overlays (page 2 in this document); otherwise, refer to the respective Agency selling guide for requirements not provided in the Findings/Feedback.

**Our Standard Underwriting Guidelines** apply to loans that are not processed through an Agency AUS (otherwise known as manually underwritten loans) or loans that do not qualify for MGIC Go! streamlined underwriting.

These loans must meet requirements stated in UWG Section 1, Doing Business with MGIC, and UWG Section 3, Standard Loans.

For standard loans, where indicated in the Guide, you may follow standard Agency guidelines and Agency selling guide documentation requirements (UWG 1.03.03), along with any specified MGIC guidelines and requirements.

## References

Throughout this summary, we will refer you to supporting information in our Underwriting Guide. For example, (UWG 3.06) means you will find related information in Section 3, subsection 6 of the Guide. Changes from the previous version of our Guide are indicated in **purple**.

## Support

If you have questions about information presented in this summary, contact your MGIC representative or your MGIC Underwriting Service Center, [mgic.com/contact](http://mgic.com/contact).

# Puerto Rico MGIC Go! Streamlined MI – Primary Residence and Second Home

**For loans with a valid DU Approve/ELIGIBLE or Loan Product Advisor Accept/ELIGIBLE response**

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 selling guide for requirements not provided in the Findings/Feedback.

Occupancy	Loan Purpose	Units	Max. LTV/CLTV	Min. Credit Score	Max. Total DTI <sup>1</sup>
Primary Residence	Purchase	1-2	95%	680	45%
	Rate-Term Refinance	1	95%	680	45%
		2	90%	680	45%
Second Home	Purchase, Rate/Term Refinance	1	90%	680	45%
Underwriting Options	Non-delegated (UWG 1.09)				
Credit	If no borrower has an Agency-acceptable credit score, follow the respective Agency's requirements for nontraditional credit.				
Property Type	<ul style="list-style-type: none"> <li>– Follow Agency guidelines and Agency selling guide documentation requirements and these MGIC guidelines</li> <li>– Condominiums must have separate rooms for living and sleeping</li> <li>– 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</li> <li>– MGIC condominium maximum project exposure: 33% of sold units</li> <li>– All properties must be constructed using reinforced concrete walls and concrete slabs</li> <li>– Minimum 400 square feet of living area for attached housing units</li> <li>– <b>Ineligible:</b> Manufactured homes, nonwarrantable projects, investment properties, 3- to 4-unit properties, co-ops, wood-and-zinc-constructed properties; studio or efficiency apartments</li> </ul>				
Borrower's Own Funds	<ul style="list-style-type: none"> <li>– Primary residence: Minimum 3% borrower's own funds</li> <li>– Second home: Minimum 5% borrower's own funds</li> </ul>				
Other Requirements	<ul style="list-style-type: none"> <li>– Loans must follow UWG Section 2 requirements</li> <li>– Fannie Mae RefiNow and Freddie Mac Refi Possible eligible when MGIC insures the loan being refinanced</li> <li>– Lender-negotiated Agency waivers or variances require MGIC approval</li> <li>– Maximum MI coverage – 95% LTV, 30%; 90% LTV, 25%; 85% LTV, 12%</li> <li>– Purchase LTV calculation: Use lesser of sales price or appraised value regardless of the presence of a community land trust, a Community Seconds mortgage with a subsidized sales price or a deed restriction that does not survive foreclosure</li> <li>– <b>Ineligible:</b> <ul style="list-style-type: none"> <li>– Sweat equity exceeding 5% of the property value</li> <li>– Fannie Mae high-balance loans, Freddie Mac super conforming loans</li> <li>– Fannie Mae high LTV refinance and Freddie Mac Enhanced Relief Refinance loans</li> <li>– Borrowers who have been issued an Individual Tax Identification Number (ITIN) in lieu of a Social Security Number</li> <li>– Borrowers who are foreign nationals with diplomatic immunity</li> </ul> </li> </ul>				
Notes	<p><sup>1</sup>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.</p> <p>We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.</p>				

# Puerto Rico – Primary Residence

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI. See [mgic.com/uwguide](https://mgic.com/uwguide) for additional criteria.

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score	Max. Total DTI <sup>1</sup>	(No. months' PITI)
Purchase, Construction-Permanent <sup>2</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium	95%	\$766,550	700	45%	2
	2-Unit Detached, Attached, Condominium	95%	\$850,000	700	45%	2
Rate/Term Refinance	1-Unit Detached, Attached, Condominium	90%	\$766,550	700	45%	2
	2-Unit Detached, Attached, Condominium	90%	\$850,000	700	45%	2
Underwriting Options	Non-delegated (UWG 1.09)					
Loan Type	<ul style="list-style-type: none"> <li>– Fixed-rate</li> <li>– Fully amortizing ARM with an initial term of 5 years or more</li> <li>– 5 years qualify at greater of note rate + 2% or FIAR; &gt; 5 years qualify at note rate</li> <li>– Balloon with an initial term of 5 years or more</li> </ul>					
Loan Purpose	– Fannie Mae RefiNow and Freddie Mac Refi Possible eligible when MGIC insures the loan being refinanced					
Nontraditional Credit	When no borrower has a valid credit score: <ul style="list-style-type: none"> <li>– Follow our nontraditional credit guidelines (UWG 3.11.04)</li> <li>– Maximum 90% LTV</li> </ul>					
Property Type	<ul style="list-style-type: none"> <li>– Follow Agency guidelines and Agency selling guide documentation requirements and these MGIC guidelines</li> <li>– Condominiums must have separate rooms for living and sleeping</li> <li>– 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</li> <li>– MGIC condominium maximum project exposure: 33% of sold units</li> <li>– All properties must be constructed using reinforced concrete walls and concrete slabs</li> <li>– Minimum 500 square feet of living area for attached housing units</li> <li>– <b>Ineligible:</b> Manufactured homes, nonwarrantable projects, investment properties, wood-and-zinc-constructed properties; studio or efficiency apartments</li> </ul>					
Borrower's Own Funds	Minimum 3% borrower's own funds toward the down payment, closing costs, prepaids and reserves					
Interested Party Contributions	Maximum contribution <ul style="list-style-type: none"> <li>– &gt; 90% LTV/CLTV – 3%</li> <li>– ≤ 90% LTV/CLTV – 6%</li> </ul>					
MI Coverage	Maximum coverage <ul style="list-style-type: none"> <li>– 95% LTV – 30%</li> <li>– 90% LTV – 25%</li> <li>– 85% LTV – 12%</li> </ul>					
Notes	<sup>1</sup> 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. <sup>2</sup> <b>Ineligible</b> for construction-permanent: Attached, condominium We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.					

# Puerto Rico – Second Home

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI. See [mgic.com/uwguide](https://mgic.com/uwguide) for additional criteria.

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score	Max. Total DTI <sup>1</sup>	(No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>2</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium	90%	\$766,550	700	45%	2
Underwriting Options	Non-delegated (UWG 1.09)					
Loan Type	<ul style="list-style-type: none"> <li>– Fixed-rate</li> <li>– Fully amortizing ARM with an initial term of 5 years or more</li> <li>– 5 years qualify at greater of note rate + 2% or FIAR; &gt; 5 years qualify at note rate</li> <li>– Balloon with an initial term of 5 years or more</li> </ul>					
Property Type	<ul style="list-style-type: none"> <li>– Follow Agency guidelines and Agency selling guide documentation requirements and these MGIC guidelines</li> <li>– Eligible properties must: <ul style="list-style-type: none"> <li>– Have the intended use and enjoyment for the exclusive benefit of the homeowner</li> <li>– Have full kitchen facilities with standard-sized appliances</li> <li>– Be outside the geographic location of the primary residence</li> <li>– Have separate rooms for living and sleeping</li> <li>– Have no lock-out bedrooms</li> <li>– Not be part of a rental pool agreement</li> </ul> </li> <li>– 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</li> <li>– MGIC condominium maximum project exposure: 33% of sold units</li> <li>– All properties must be constructed using reinforced concrete walls and concrete slabs</li> <li>– Minimum 500 square feet of living area for attached housing units</li> <li>– <b>Ineligible:</b> Manufactured homes, nonwarrantable projects, investment properties, wood-and-zinc-constructed properties; studio or efficiency apartments</li> </ul>					
Nontraditional Credit	<b>Ineligible:</b> When no borrower has a valid credit score					
Borrower's Own Funds	Minimum 10% borrower's own funds toward the down payment, closing costs, prepaids and reserves					
Interested Party Contributions	Maximum contribution 3%					
MI Coverage	Maximum coverage <ul style="list-style-type: none"> <li>– 90% LTV – 25%</li> <li>– 85% LTV – 12%</li> </ul>					
Other Program Requirements	<ul style="list-style-type: none"> <li>– The borrower must own no residential properties other than the primary residence</li> <li>– Rental income is not considered for qualification purposes</li> </ul>					
Notes	<sup>1</sup> 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. <sup>2</sup> <b>Ineligible</b> for construction-permanent: Attached, condominium We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.					

# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Mortgage Insurance Premium Plans

<p><b>Borrower-Paid Monthly Premiums</b></p>	<ul style="list-style-type: none"> <li>- When monthly premiums are cancelled, the monthly mortgage payment is reduced by the amount of the MI premium</li> <li>- Coverage is provided through the date MI is cancelled</li> <li>- Borrowers pay \$0 at closing</li> <li>- Borrowers pay monthly as part of their mortgage payment; MGIC bills the lender for premium due</li> <li>- Coverage can be cancelled based on investor requirements or under the Homeowners Protection Act of 1998 (HPA)</li> <li>- A refundable option is available with a slight premium adjustment; refunds are prorated</li> <li>- If coverage is cancelled or terminated under the HPA, unearned premium is refunded</li> </ul>
<p><b>Borrower-Paid Single Premiums</b></p>	<ul style="list-style-type: none"> <li>- Coverage is provided until scheduled amortization reaches 78% of original value, unless coverage has been previously cancelled, but coverage will continue for any existing default</li> <li>- The borrowers or a third party, such as a builder or a seller, pays a one-time, single payment at closing or the borrowers can finance into the loan amount</li> <li>- Coverage can be cancelled based on investor requirements or under the Homeowners Protection Act of 1998 (HPA)</li> <li>- When coverage is cancelled under the HPA, non-refundable single premiums are refunded based on our HPA refund schedules, <a href="https://mgic.com/refund">mgic.com/refund</a></li> </ul>

## Origination File Documents (UWG [1.07.02](#))

	<p>The following documents (in hard copy or electronic form), as applicable, must be retained in the mortgage loan file and made available to us upon request:</p> <ul style="list-style-type: none"> <li>- MGIC mortgage insurance application</li> <li>- Final, valid agency AUS Findings/Feedback Report (if applicable)</li> <li>- 1008/1077 Uniform Underwriting and Transmittal Summary</li> <li>- Completed, signed 1003/65 loan application</li> <li>- Credit report and all other credit documentation, including Verification of Rent (VOR) or Verification of Mortgage (VOM)</li> <li>- Income and employment verification for all borrowers</li> <li>- Asset verification for all borrowers</li> <li>- Appraisal, including all addenda, attachments, schedules, photographs and other information included by the appraiser</li> <li>- Collateral Underwriter (CU) Findings or Summary Submission Report (SSR), if applicable</li> <li>- Sales contract or equivalent, if applicable</li> <li>- Loan approval, underwriting and/or processing notes, if available</li> <li>- Any other document used in the underwriting process not listed above</li> </ul>
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## Non-Delegated Underwriting/MGIC MI Underwriting (UWG [1.09](#))

	<p>All current Master Policy holders are eligible to submit applications for non-delegated underwriting, also known as MGIC MI Underwriting. Submit documents with your MGIC insurance application via the Loan Center or other document delivery service. We are responsible for determining whether the information you submit meets our Underwriting Guidelines. Upon review, we may request additional documentation.</p> <p>When you apply for MGIC mortgage insurance using our non-delegated underwriting, you represent:</p> <ul style="list-style-type: none"> <li>- Submitted loan documentation is true and correct</li> <li>- The information you have not submitted meets our Underwriting Guidelines</li> </ul>
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# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Age of Documentation (UWG 3.03)

Apply documentation effective dates and requirements according to the following schedule:

Loan Purpose	As Of	Documentation Type		
		Appraisal	Appraisal Recertification	All Other Documentation
Purchase	Loan closing date	12 months	Required if appraisal dated > 4 months and < 12 months from loan closing date	4 months
Rate/Term Refinance				
Two-Time Close Construction-Perm	Loan closing date of permanent financing			
Single Close Construction-Perm*	Insurance activation date	12 months	Required if appraisal dated > 6 months and < 12 months from insurance activation date	12 months

\*See UWG 3.06.03 for additional documentation requirements.

## Borrowers (UWG 3.04)

### General Borrower Eligibility (UWG 3.04.01)

- 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 valid US-issued Social Security Number
- Borrowers are **ineligible** if they:
  - Have been issued an Individual Tax Identification Number (ITIN) in lieu of a Social Security Number
  - Have diplomatic immunity
  - Are foreign nationals
  - Are Corporations, LLCs or Partnerships
  - Are irrevocable trusts
  - Are non-US citizens lacking legal status to live and work in the United States

### Non-Occupant Co-Borrower (UWG 3.04.03)

- The occupant borrower must meet all MGIC Underwriting Guidelines without including the non-occupant co-borrower's income and assets for qualifying purposes (3.12.01)
- The non-occupant co-borrower's credit will be considered for eligibility and premium pricing
- The non-occupant co-borrower assets will be considered after occupying borrower meets own funds requirements (3.10.01)
- The non-occupant co-borrower may not be an interested party (e.g., seller, builder, real estate agent)

## Loan Purpose (UWG 3.06)

### Purchase Transaction (UWG 3.06.01)

Follow [Agency guidelines and Agency selling guide documentation requirements](#) and MGIC Underwriting Standard Summaries within this document.

# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Loan Purpose, *continued*

### Rate/Term Refinance Transaction (UWG 3.06.02)

Follow [Agency guidelines and Agency selling guide documentation requirements](#), MGIC Underwriting Standard Summaries within this document, and these guidelines:

- We will allow the payoff of a nonpurchase-money subordinate lien provided:
  - It has been seasoned for at least 12 months prior to the loan application date AND
  - If HELOC, total draws within the last 12 months were less than \$2,000
- We will allow the payoff of an unseasoned subordinate lien provided the entire proceeds of the subordinate lien were used and documented for home improvements in accordance with our Home Improvement/Renovation guidelines ([UWG 3.06.04](#))
  - Submit the subject loan for non-delegated underwriting ([UWG 1.09](#))
- We will allow the buyout of an owner's interest provided:
  - It is the result of a divorce, separation or dissolution of domestic partnership
  - The subject property was jointly owned for at least 12 months preceding the new loan AND
  - All parties have signed a written agreement stating the terms of the property transfer and the proposed disposition of the refinance proceeds
- Cash back to the borrower is limited to the lesser of \$2,000 or 2% of the loan amount

### Construction-Permanent Transaction (UWG 3.06.03)

#### **Single-Close Transactions** (UWG 3.06.03a)

*Single-close (or one-time close) transactions include both the interim construction financing and the permanent mortgage financing. Interim financing may involve a short-term, interest-only period whereby borrowers make periodic payments on the amount of funds drawn to date. The interim financing automatically converts to permanent financing upon completion of construction.*

MGIC eligibility and premium rates are based on the terms of the permanent financing.

Follow our Standard Underwriting Summaries within this document and these guidelines:

- Use Purchase Transaction (UWG 3.06.01) guidelines when the borrower is not the owner of the lot as of loan closing date
- Use Rate-Term Refinance Transaction (UWG 3.06.02) guidelines when the borrower has legal ownership of the lot as of loan closing date
- When documentation is more than 180 days old and less than 12 months old as of activation date, we require:
  - Verbal Verification of Employment within 10 days of insurance activation
  - Supporting documentation that the construction loan is current as of the date of activation and there were no late payments 30 days or greater
- Submit loan purpose as Construction-Perm to receive a 12-month Commitment/Certificate. See [UWG 1.11.04](#) regarding extensions
- **Ineligible:** Attached, condominium, co-op

#### **Two-Time Close Transactions** (UWG 3.06.03b)

*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 application must reflect the terms of the permanent financing.

Follow our Standard Underwriting Summaries within this document and these guidelines:

- Use guidelines for Rate-Term Refinance Transactions or Cash-out Refinance Transactions (UWG 3.06.02) as applicable
- Submit loan purpose as Construction-Perm to receive a 12-month Commitment/Certificate. See [UWG 1.11.04](#) regarding extensions
- **Ineligible:** Attached, condominium, co-op

# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Income and Employment (UWG 3.09)

Income stability is a key indicator of a borrower’s ability to repay and stay current on a loan. Income fluctuation and trends, whether increasing or decreasing, deserve careful analysis when you are determining a borrower’s monthly earnings.

<p><b>General Income Guidelines</b> (UWG 3.09.01)</p>	<ul style="list-style-type: none"> <li>– Minimum 2-year employment history               <ul style="list-style-type: none"> <li>– We’ll consider shorter histories if the loan application demonstrates factors that reasonably offset the shorter history (for example, a borrower who has recently completed an undergraduate or graduate degree, a medical residency, or an apprenticeship and is beginning employment in their field)</li> <li>– Income histories less than 24 months require non-delegated underwriting (UWG 1.09)</li> </ul> </li> <li>– Qualifying income should be likely to continue for 3 years after the note date</li> </ul>
<p><b>Eligible Income</b> See UWG 3.09.02 for a complete list of eligible sources of income.</p>	<p>Follow <a href="#">Agency guidelines and Agency selling guide documentation requirements</a> for eligible income types listed in UWG 3.09.02, along with additional MGIC guidelines where noted.</p>

## Assets (UWG 3.10)

The types of assets a borrower uses to complete the mortgage loan transaction contribute to the level of risk of the loan, and the verification of those funds is critical. Generally, assets earned or saved over time are associated with less risk as they establish a history of financial stability.

<p><b>Borrower’s Own Funds</b> (UWG 3.10.01)</p>	<p>Minimum borrower’s own funds requirements are expressed as a percentage of Original Value, which may vary by property type and loan amount (see Standard Underwriting Summaries within this document). Our eligible asset type table (UWG 3.10.04) identifies acceptable sources for borrower’s own funds that are used towards down payment, closing costs, pre-paid expenses and reserves.</p>
<p><b>Eligible Assets</b> See UWG 3.10.04 for a complete list of eligible asset types.</p>	<p>All assets listed in UWG 3.10.04 are acceptable sources of funds for reserves (UWG 3.10.02) or to complete the mortgage loan transaction once borrower’s own funds requirements have been met. Where indicated, they are eligible to meet borrower’s own funds requirements (UWG 3.10.01).</p> <p>Follow <a href="#">Agency guidelines and Agency selling guide documentation requirements</a> along with additional MGIC guidelines where noted.</p>
<p><b>Gifts (UWG 3.10.04b)</b></p>	<p>Follow <a href="#">Agency guidelines and Agency selling guide documentation requirements</a>, MGIC Standard Underwriting Summaries within this document, and the guidelines below.</p> <p>Gift funds are an eligible source of funds toward the minimum borrower’s own funds requirement, subject to the following:</p> <ul style="list-style-type: none"> <li>– If the donor does not reside with the borrower:           <ul style="list-style-type: none"> <li>– Must be a 1-unit primary residence</li> <li>– Maximum DTI ratio: 41%</li> <li>– Minimum credit score: 720</li> <li>– Maximum loan amount: \$766,550</li> <li>– Fixed-rate mortgage or ARM with initial fixed period of at least 5 years</li> <li>– <b>Ineligible:</b> Subordinate financing</li> </ul> </li> <li>– If the donor has resided with the borrower for the most recent 12 months and intends to continue to do so, provide:           <ul style="list-style-type: none"> <li>– Documentation supporting the most recent 12-month residency</li> <li>– A letter of intent to continue occupying the property signed by the donor</li> </ul> </li> </ul>



# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Credit (UWG 3.11)

We evaluate borrowers' willingness and ability to manage debt by reviewing their credit history.

### Credit Report (UWG 3.11.01)

- Obtain a US credit report for each borrower on the loan application from data provided by at least 2 of the 3 national credit repositories: Equifax, Experian, or TransUnion
- Credit report inquiries within the most recent 90 days must be addressed by the borrower; if new credit was granted, verify terms and conditions

### Credit Score (UWG 3.11.02)

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

We rely on credit scores to determine mortgage eligibility and premium rates for borrowers with an acceptable traditional credit history.

Follow our Standard Underwriting Summaries within this document and these MGIC guidelines:

- A minimum of 2 credit scores is required for each borrower on the loan
- A credit score is considered usable and valid when a minimum of 3 traditional tradelines are reported, each with a minimum 12-month payment history
  - An authorized user account may be considered a valid tradeline if the borrower has been making the payments, and the payments have been paid as agreed for the past 12 months
- The **Borrower Indicator Score**, used to determine the Representative Credit Score, is determined using 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
- The **Representative Credit Score**, used for underwriting and determining the premium rate, is the lowest Borrower Indicator Score among all borrowers on the loan (regardless of whether all borrowers have valid credit scores)
- Follow MGIC Underwriting Guidelines for traditional and/or nontraditional credit based on whether borrowers have valid credit scores:
  - When all borrowers on a loan have a valid credit score, follow Underwriting Guidelines for traditional credit (UWG 3.11.03)
  - When no borrower on a loan has a valid credit score, follow Underwriting Guidelines for nontraditional credit (UWG 3.11.04)
  - 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 Guidelines for traditional credit (UWG 3.11.03)
    - For borrowers without a valid credit score, follow Underwriting Guidelines for nontraditional credit (UWG 3.11.04)
  - A borrower with no valid score is not considered in determining the Representative Credit Score

### Traditional Credit (UWG 3.11.03)

*Comprises recurring financial obligations reported to a credit reporting agency*

- Review credit reports to determine if all borrowers:
  - Have a valid credit score (UWG 3.11.02) meeting our requirements
  - Meet our requirements for adverse credit (UWG 3.11.05)
- Reconcile all alerts in the credit report

# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

*Credit, continued*

**Nontraditional Credit**  
(UWG 3.11.04)

*Comprises recurring financial obligations not reported to a credit reporting agency*

We'll consider any borrower who does not have a valid credit score or meet our traditional credit requirements if they have established a nontraditional credit profile.

Follow our Standard Underwriting Summaries within this document and these guidelines:

- Borrowers must establish a nontraditional credit profile including 3 or more open and active, documented credit references as detailed in our guidelines below (UWG 3.11.04a)
- When all borrowers on a loan have nontraditional credit:
  - Nontraditional credit profile(s) must include a housing payment reference
  - Maximum LTV: 90%
  - Maximum loan amount: \$766,550
  - Requires non-delegated underwriting (UWG 1.09)
- Nontraditional credit may not be used as a means for offsetting or enhancing derogatory credit found in a traditional credit history
- Borrowers that exceed any of the following adverse credit are **ineligible**:
  - No late payments on housing or non-housing credit references in the most recent 24 months
  - No collections, judgments or charge-offs in most recent 24 months
    - Exception: unpaid medical collections up to \$1,000
  - No bankruptcy, foreclosure, deed in lieu, or short sale ever to date

**Nontraditional Credit Profiles**  
(UWG 3.11.04a)

- Must include 3 or more open and active, non-payroll-deducted credit references with a minimum 12-month account history and no late payments. Credit references may include:
  - Housing (required if all borrowers on a loan have nontraditional credit)
  - Utility accounts (electric, gas, water, phone, cable, internet, etc.)
  - Insurance (auto, medical, life, renter's policy)
  - School tuition
  - Child care
  - Department, furniture, appliance and specialty store accounts
  - Loan from an individual (may not be an interested party to the transaction)
- Documentation of credit references
  - May be a combination of traditional and nontraditional credit
  - Housing: Payments made to a landlord or management company or deed payments on a privately held mortgage via cancelled checks or direct verification from the recipient
  - For other credit references, either of the following:

<b>Account statements that include</b>	<ul style="list-style-type: none"> <li>- Creditor's name</li> <li>- Date opened</li> <li>- Amount of high credit</li> <li>- Amount of payment</li> <li>- Unpaid balance and date of payment; or payment history; or copy of credit agreement and 12 months' cancelled checks</li> </ul>		
<b>Nontraditional credit report provided by a consumer reporting agency that include</b>	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li>- Borrower name and address</li> <li>- Public records search</li> <li>- Names of creditors</li> <li>- Date opened</li> <li>- Date last reported</li> <li>- Amount of high credit</li> <li>- Unpaid balance</li> <li>- Payment frequency</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li>- Amount of payment</li> <li>- Date of last payment</li> <li>- Payment history, which must be stated in the "number of past dues" (i.e., formatted as 30-, 60-, 90-day late payments)</li> <li>- Contact information of provider</li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>- Borrower name and address</li> <li>- Public records search</li> <li>- Names of creditors</li> <li>- Date opened</li> <li>- Date last reported</li> <li>- Amount of high credit</li> <li>- Unpaid balance</li> <li>- Payment frequency</li> </ul>	<ul style="list-style-type: none"> <li>- Amount of payment</li> <li>- Date of last payment</li> <li>- Payment history, which must be stated in the "number of past dues" (i.e., formatted as 30-, 60-, 90-day late payments)</li> <li>- Contact information of provider</li> </ul>
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# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Credit, continued

### Adverse Credit Events and Payment History (UWG 3.11.05)

We'll consider borrowers who have had prior adverse credit events or delinquent payment histories if they have taken corrective steps to prevent recurrence. Recurring instances of adverse credit may indicate a disregard for financial obligations and may adversely affect the loan decision.

- **Late payments**
  - Housing: Most recent 24 months prior to loan application date: 1X30, 0X60, 0X90
  - No action is needed on non-housing installment and revolving payment histories as they are considered in the credit score
- **Judgments, liens:** Must be paid in full at or prior to closing
- Collections and non-mortgage charge-offs may remain unpaid at closing up to \$250 per account and \$1,000 aggregate
- **Past due accounts:** Must be brought current or paid in full at or prior to closing
- **Bankruptcy, consumer credit counseling service, foreclosure, deed in lieu of foreclosure, short sale:**

Adverse Event	Loan Purpose	Waiting Period Requirements
Bankruptcy – Chapter 7 or 11	Purchase, Rate/Term Refinance	Discharged or dismissed 4 years prior to loan application
	Cash-Out Refinance	Discharged or dismissed 7 years prior to loan application
Bankruptcy – Chapter 12 or 13	Purchase, Rate/Term Refinance	Filed 4 years prior to loan application and discharged or dismissed 2 years prior to loan application
	Cash-Out Refinance	Filed 7 years prior to loan application and discharged or dismissed 2 years prior to loan application
Consumer Credit Counseling Service (CCCS)*	Purchase, Rate/Term Refinance, Cash-Out Refinance	Completed 12 months prior to loan application
Foreclosure, Deed in Lieu of Foreclosure, Short Sale	Purchase, Rate/Term Refinance	Completed 4 years prior to loan application
	Cash-Out Refinance	Completed 7 years prior to loan application

\*Consumer credit counseling services are ineligible as tradelines to re-establish credit

### Re-Established Credit (UWG 3.11.05a)

We require borrowers to re-establish their credit after bankruptcy, foreclosure, deed in lieu of foreclosure or short sale under these guidelines:

- Minimum of 3 open and active tradelines that meet our waiting period requirements
  - 1 with a minimum payment history of 12 months
  - 2 with a minimum payment history of 24 months
  - **Ineligible** as a tradeline: consumer credit counseling services
- No adverse credit or late payments in the 24 months prior to the application date
- **Ineligible:** Borrowers with nontraditional credit

# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Liabilities and Debts (UWG 3.12)

### Debt-to-Income (DTI) Ratio (UWG 3.12.01)

The DTI ratio is a key factor in determining the borrower's ability to repay the mortgage obligation.

For calculation purposes:

- When qualifying your borrower for MGIC mortgage insurance, we do not require you to include the mortgage insurance premium in the DTI calculation
- Total Monthly Obligations = Monthly housing expense plus the monthly debt obligation (UWG 3.12.03)
- Total Monthly Gross Income = The sum of all income from eligible sources

$$\text{DTI Calculation} = \frac{\text{Total Monthly Obligations}}{\text{Total Monthly Gross Income}} = \text{DTI Ratio \%}$$

Follow these guidelines:

- Our maximum DTI ratios vary by occupancy, loan type, loan amount and other characteristics (see our Standard Underwriting Summaries within this document)
- For transactions with a non-occupant co-borrower, the occupying borrower's DTI must meet our maximum DTI ratio requirements without consideration of the non-occupant co-borrower's income and obligations

### Monthly Housing Expense (UWG 3.12.02)

Follow [Agency guidelines and Agency selling guide documentation requirements](#) and these MGIC guidelines.

The monthly housing expense is the sum of:

- Principal and interest (P & I)
- Property and flood insurance
- Real estate taxes
- Mortgage insurance
- Ground rent
- Special assessments (if more than 10 monthly payments remain)
- Homeowners Association (HOA) fees
- Monthly co-op fees net of utility charge
- Subordinate financing

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

### Monthly Debt Obligation (UWG 3.12.03)

Follow [Agency guidelines and Agency selling guide documentation requirements](#).

The monthly debt obligation includes, but is not limited to:

- Alimony/child support/separate maintenance payments
  - 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
- Business debt in the borrower's name
- Court-ordered assignment of debt
- Debt paid by others
- Deferred installment debt
- Federal income tax installment debts
- Garnishments
- HELOC payments
- Installment debt
- Lease payments
- Other real estate owned
- Revolving debt
- Student loans (see next page for certain exclusions)
- Unreimbursed business expenses

# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Liabilities and Debts, *continued*

### Exclusion of Certain Student Loan Payments (UWG 3.12.03a)

Follow [Agency guidelines and Agency selling guide documentation requirements](#) and these MGIC guidelines:

- You may exclude student loan payments from the total monthly debt obligation if the following conditions are met:
  - Payments will be deferred for at least 12 months after the application date and/or the borrower's medical residency will continue at least 6 months after the closing date
  - The borrower responsible for the debt is in one of the following professions:
    - Medical Resident
    - Medical Doctor
    - Doctor of Dental Medicine
    - Doctor of Dental Surgery
    - Doctor of Optometry
- You must include student loan payments in the total monthly debt obligation when qualifying the borrower with future income

### Payoff or Paydown of Debt to Qualify (UWG 3.12.03b)

Evaluate past credit usage, liquid assets and saving patterns to determine if it's reasonable to exclude paid off or paid down debt to qualify a borrower within our DTI guidelines.

- Monthly debt obligation exclusions are limited to:
  - Installment loans paid off or down to 10 or fewer monthly payments
  - Revolving accounts paid off at or prior to closing

### Appraisal (UWG 3.14)

Determining if the property is sufficient collateral for the loan is a key element of risk evaluation. The property valuation will determine if the value is adequately supported and represents an accurate description of the neighborhood, site, physical characteristics, condition and marketability of the property.

# Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

## Appraisal, *continued*

### Condominium (3.13.05)

- Follow [Agency guidelines and Agency selling guide documentation requirements](#) and these MGIC guidelines
- 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
- The property must be habitable and in acceptable condition
- **Ineligible** properties include, but are not limited to:
  - Cooperatives
  - Manufactured housing units
  - Wood-and-zinc constructed properties
  - Studio or efficiency apartments
  - 3- to 4-unit properties
  - Condo-hotels
  - Timeshare, fractional or segmented ownership
  - Houseboats
  - Continuing-care facility
  - Projects with:
    - Environmental issues
    - Litigation pertaining to construction-related defects impacting habitability, structural integrity or safety
    - Reserve study or current budget inadequate to fund current budget or reserves replacement
    - 15% or more of the units having delinquent HOA fees exceeding 60 days
    - Special assessments related to safety, soundness, structural integrity or habitability, where all related repairs have not been fully completed
    - Fannie Mae CPM status of "unavailable," if applicable
- MGIC maximum exposure: 33% of the total sold units in a project