



HARP Refi-to-Mod Program: Questions & Answers

On Oct. 24, 2011, the Federal Housing Finance Agency (FHFA), along with Fannie Mae and Freddie Mac announced a series of changes to the Home Affordable Refinance Program (HARP).

These changes, developed under FHFA's direction with input from lenders, mortgage insurers and others are designed to make the program more accessible to borrowers with mortgages owned or guaranteed by Fannie Mae or Freddie Mac. Without the HARP program many borrowers would not be able to meet current guidelines and could not refinance their loans.

MGIC believes that improving borrowers' financial situations by refinancing at today's historically low interest rates will contribute to the recovery of our nation's real estate markets and improve MGIC's risk. To complement the revised Fannie Mae and Freddie Mac programs MGIC has added a new Refi-to-Mod (RTM) Program called HARP RTM specifically for Fannie Mae and Freddie Mac HARP refinances.

Note: Throughout this Q & A, the term **Original Loan** refers to the existing insured loan and **Refinance Loan** refers to the new loan the borrower is seeking.

HARP Refi-to-Mod Program General Q & A

Q: Is MGIC's HARP RTM Program only available for Fannie Mae's Refi Plus™ and DU Refi Plus™ options or Freddie Mac's Relief Refinance MortgageSM – Same Servicer and Relief Refinance MortgageSM – Open Access?

A: Yes, only loans currently owned or guaranteed by Fannie Mae or Freddie Mac and originated under one of these programs are eligible for the HARP RTM program.

Q: Are all HARP refinances eligible for MGIC's HARP RTM Program?

A: As long as MGIC currently insures the Original Loan with standard primary coverage and the Refinance Loan meets all of Fannie Mae's or Freddie Mac's HARP requirements it is eligible for MGIC's HARP RTM Program.

Q: Can a lender other than the current Insured/Servicer submit loans under MGIC's HARP RTM Program?

A: Yes, a lender does not have to be the current Insured/Servicer to originate refinances under the HARP RTM program.

Q: Do the Insured/Servicer's representations to MGIC regarding the Original Loan continue in effect?

A: No, the representations regarding the Original Loan do not carry forward to the Refinance Loan once it is delivered to Fannie Mae or Freddie Mac.

- Q:** Is the refinance lender making any representations to MGIC regarding current value, marketability or condition of the subject property?
- A:** No, unless those representations are required by the GSEs. However, the policy exclusions concerning physical damage occurring or manifesting after, and environmental conditions existing as of, the modification effective date will still be applicable.
- Q:** Do the Insured/Servicer's representations to MGIC regarding the Original Loan continue in effect?
- A:** No, the representations regarding the Original Loan do not carry forward to the Refinance Loan once it is delivered to Fannie Mae or Freddie Mac.
- Q:** What representations does the refinance lender make with regard to the Refinance Loan?
- A:** The refinance lender reps and warrants to MGIC that the loan is eligible for a HARP refinance and all HARP requirements of the applicable GSE are met.
- Q:** If the Original Loan is currently subject to a Captive Reinsurance agreement with MGIC, will the Refinance Loan remain in the Captive?
- A:** Yes, because this is a continuation of coverage, the Refinance Loan remains subject to the Captive Reinsurance agreement and MGIC will continue to pay the applicable reinsurance premium.
- Q:** Will MGIC Mortgage Services, LLC (MMSL) contract underwrite Refinance Loans for the HARP RTM Program?
- A:** Yes, MMSL will accept Refinance Loans for contract underwriting through our Contract Underwriting Solutions team. If you are interested in obtaining contract underwriting services for the HARP RTM Program, please contact your MGIC Account Manager.
- Q:** How does the origination of the Refinance Loan impact the potential contract underwriting liability of MGIC Investor Services Corporation (MISC) associated with the Original Loan?
- A:** Any liability MISC may have had for the contract underwriting of the Original Loan will be extinguished upon payoff of the Original Loan.

HARP Refi-to-Mod Program MI Premiums Q & A

- Q:** How can I determine what the premium rate will be?
- A:** You can determine the premium rate structure on MGIC-insured loans through the Loan Center. Use the "Check if MGIC Insured" under the Resources tab for premium rate information.
- Q:** Can the premium amount change?
- A:** Yes, the premium amount can change. However, the premium rate does not change, that rate is applied to the Refinance Loan balance. In instances where the loan balance increases, the premium amount will increase. If there has been a principal curtailment and the Refinance Loan balance decreases, then the premium amount will decrease.
- Q:** How are BPMI and LPMI loans with single premiums treated?
- A:** MGIC will waive the premium on increased loan balances where a single premium was paid. No additional premium will be required.
- Q:** Will the refinance affect the pro-rated refund schedule for BPMI singles?
- A:** No, refunds under our BPMI program are based on the certificate effective date of the Original Loan and the payoff date of the Refinance Loan.
- Q:** What happens to the premium change date with constant renewals?

A: The refinance transaction resets the renewal rate timing. The refinance closing date should be used to calculate the 10-year constant renewal period for Refinance Loan disclosure purposes.

Q: The Original Loan is covered under an LPMI monthly plan. Can the Refinance Loan be structured as BPMI monthly with the same premium rate?

A: Yes, it can. The lender must make all required disclosures regarding the BPMI monthly, but MGIC does not prohibit the restructuring of how the premium is collected by the Insured.

HARP Refi-to-Mod Program Underwriting Q & A

Q: What are MGIC's underwriting requirements for the HARP RTM program?

A: MGIC does not impose any additional underwriting requirements beyond those established by Fannie Mae or Freddie Mac. If the loan meets all the requirements of Fannie Mae's or Freddie Mac's HARP programs it is eligible for MGIC's HARP RTM program.

Q: Will MGIC provide notice if the GSEs change their requirements for HARP loans?

A: No. The GSEs' notices related to any changes in their requirements for HARP loans will be considered notice provided by MGIC for purposes of MGIC's HARP RTM program. MGIC reserves the right to notify its customers that it is placing limitations on the changes.

Q: What if it is determined that a refinance loan did not meet the GSEs' requirements?

A: In approving the modification of coverage for the new loan, MGIC is relying on the lender's representation that the new loan meets the GSE's eligibility requirements for a HARP refinance. A failure to meet such requirements may result in rescission of coverage or denial of a claim.

Q: Will MGIC rescind coverage or deny a claim if there are material misrepresentations that do not result in a violation of the GSEs' eligibility requirements?

A: No. MGIC is waiving these rights under our Master Policy for the HARP RTM program.

HARP Refi-to-Mod Program Submission Process Q & A

Q: How does the HARP RTM submission process differ from current new insurance submission processes?

A: Requesting a HARP RTM is generally not an option through LOSs offering MI ordering or through custom EDI set-ups. The following HARP RTM Request submission options are available:

- Send data via the Loan Center **OR**
- Send PDFs of the required documents through the Loan Center **OR**
- Fax the required documents to your MGIC Underwriting Service Center

Q: Will MGIC issue a new Commitment/Certificate?

A: No, a Modification Commitment/Certificate will be issued. MGIC will process Refinance Loans as modifications to the insurance coverage on the Original Loan.

Q: How will a Modification Commitment/Certificate differ from a Commitment/Certificate?

A: A Modification Commitment/Certificate will look very similar to a Commitment/Certificate. It will show any premium due at closing and a schedule for any future premium due. The Modification Commitment/Certificate will also show an effective date and an expiration date.

Q: How do I activate the Modification Commitment/Certificate?

A: Any of the methods currently used to activate insurance coverage can be used to activate the Modification Commitment/Certificate. These include:

- Mailing the premium along with the Modification Notice, or
- Using MGIC/Link, or
- Using The Loan Center, or
- Using a Loan Boarding transaction direct from the servicing system, if available from the servicing system provider

Q: How does the activation of the Modification Commitment/Certificate affect the premium?

A: The process varies by premium type:

- ZOMP! – If premium on the Original Loan has been prepaid (paid in advance), a premium adjustment will be returned to you. If premium on the Original Loan is due, you will be billed through the month in which the Refinance Loan closed. The Modification Commitment/Certificate will show the premium schedule under which you will be billed monthly for the Refinance Loan.
- Standard Monthlies – If premium on the Original Loan has been prepaid, a premium adjustment will be returned to you. If premium on the Original Loan is due, you will be billed through the month in which the Refinance Loan closed. The Modification Commitment/Certificate will show the premium due at closing and the premium schedule under which you will be billed monthly for the Refinance Loan.
- Annual premiums – A premium adjustment will be returned to you for that portion of the prepaid annual premium that covers the period from the closing date of the Refinance Loan to the next Anniversary Date of the Original Loan. The Modification Commitment/Certificate will show the premium due to activate the modification and continue the coverage. The annual premium rate will be the second year rate of the Original Loan.
- Singles – There will be no premium adjustments and no additional premium will be due.
- Splits – The monthly portion of a Split will be processed the same as ZOMP!

Q: Our systems are set to automatically cancel the MI on the loan being refinanced. Do we need to adjust our systems?

A: No, as long as you have submitted a HARP RTM request and received a Modification Commitment/Certificate, we will flag the loan in our system. If you do not activate the Modification Commitment/Certificate before it expires, we will contact you to determine whether the Refinance Loan closed.