



**Underwriting Guide**  
**Effective Sept. 22, 2022**

## Summary of Changes

Changes throughout the Guide are indicated in **purple**.

The following changes include those announced in our National Underwriting Bulletin #06-2022 and Credit Union Underwriting Bulletin #06-2022 on Sept. 22, 2022:

Section of Underwriting Guide	Changes
<a href="#">2.01 MGIC Go! Loans Introduction - Agency AUS appraisal waivers</a>	We added ACE + Property Data Report (PDR) to our list of acceptable property valuation documents.
<a href="#">2.02 MGIC Go! Underwriting Summaries</a>	For borrowers who are non-permanent resident aliens, we now defer to Agency guidelines and will not require any additional overlays.
<a href="#">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</a>	For loans with an LTV/CLTV of 95.01%-97%, we now allow AUS ineligible findings when the ineligible reason is that the borrower is not a first-time homebuyer.
<a href="#">3.02 MGIC Standard Underwriting Summaries</a>	We updated our Standard Underwriting Summaries to reflect ARM guidance found elsewhere in our Underwriting Guide.

## COVID-19 Guidance

MGIC has adopted COVID-19 requirements and flexibilities consistent with the temporary policies announced by Fannie Mae and Freddie Mac (the GSEs). These requirements and flexibilities apply to all loans we insure, with one exception: If not eligible for delivery to the GSEs, a new loan to a borrower who entered COVID-19 forbearance on an existing mortgage will be eligible for MGIC mortgage insurance only if the existing loan is currently insured by MGIC.

MGIC will continue to review COVID-19 announcements published by the GSEs and will release Underwriting Update Bulletins as needed. Refer to this Guide and any COVID-19 bulletins, found at [mgic.com/coronavirus](https://mgic.com/coronavirus), for complete underwriting requirements. Updates to temporary COVID-19 policies published in our bulletins supersede those in this Guide until the temporary policies expire.

We remind you that MGIC's Master Policy governs all loans submitted to and insured by MGIC, regardless of any representation and warranty relief granted by the GSEs or other investors.

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## Section 1 Doing Business With MGIC

### 1.01 Introduction

Thank you for choosing MGIC mortgage insurance. Together, we make homeownership possible for more families.

This Guide provides the policy, procedures and requirements we use to evaluate loans for mortgage insurance. By carefully reviewing borrowers' Credit, Capacity, Capital and Collateral (the Four Cs), we can piece together a comprehensive picture of risk. The presence of a high-risk factor doesn't necessarily threaten successful homeownership. But when a number of high-risk characteristics are present without sufficient compensating factors, their cumulative effect dramatically increases the overall risk of a loan.

Underwriting for quality is an acquired art – not a cut-and-dried science. While there are general principles that apply, every loan file represents a unique situation. We'll consider insuring loans that don't meet requirements stated in this Guide on a case-by-case basis.

### 1.02 Support

If you have questions about anything in this Guide or specific loan eligibility, please contact your MGIC representative, [mgic.com/contact](http://mgic.com/contact), or an MGIC Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice).

### 1.03 Using this Guide

#### 1.03.01 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 Go!™
- Fannie Mae:
  - Trademarks: Community Seconds™, HFA Preferred™, RefiNow™
  - Registered trademarks: Collateral Underwriter®, CU® Desktop Underwriter®, DU®, HomeReady®, HomeStyle®, MH Advantage®
- Freddie Mac:
  - Registered service marks: Affordable Seconds®, CHOICEHome®, CHOICERenovation®, Enhanced Relief Refinance®, Home Possible®, HFA Advantage®, Loan Product Advisor®, Refi Possible<sup>SM</sup>

### 1.03.02 References

For your ease of use, this Guide includes:

- Internal cross-references linked to other sections of the Guide. For example, (2.01) means you'll find related information in Section 2, subsection 1
- External links to our website, [mgic.com](http://mgic.com)

### 1.03.03 Aligning with the Agencies

#### **MGIC Go! Loans**

Loans that receive a valid DU Approve or Loan Product Advisor Accept response are eligible for MGIC mortgage insurance through our MGIC Go! streamlined underwriting program ([Section 2](#)).

#### **Standard Loans**

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!

For standard loans ([Section 3](#)), where indicated in this Guide, you may follow standard Agency guidelines and Agency selling guide documentation requirements, along with any specified MGIC guidelines and requirements.

#### **When aligning with Agency guidelines, you must:**

- Choose one Agency to follow when underwriting the loan. Co-mingling of Agency selling guide requirements is not permitted
- Use the initial loan application date as the Agency selling guide effective date
- Retain in the mortgage loan file any documentation or information you relied upon and make it available to us upon request

### 1.03.04 Terms Used Throughout the Guide

See our Master Policy for full definitions.

<b>Agency (Agency's, Agencies)</b>	The Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac), as applicable
<b>Agency AUS</b>	Fannie Mae's Desktop Underwriter (DU) and Freddie Mac's Loan Product Advisor
<b>Automated tool</b>	A system, process or tool used by us or the initial insured that we have approved for use in underwriting or validating a loan. Includes, but is not limited to, DU and Loan Product Advisor, and Fannie Mae's Collateral Underwriter (CU)
<b>Borrower</b>	Any person identified in the loan documentation as legally obligated to repay the debt obligation created by the loan, including any co-signer or guarantor
<b>Borrower's own funds</b>	Any funds saved or earned by the borrower. Gifts from family members where there is no promise or expectation of repayment may also be eligible (specified in these Underwriting Guidelines)



<b>Commitment/ Certificate</b>	Our commitment, issued to the initial insured, identifying the terms under which we will insure a loan. After activation, it serves as the insurance Certificate. If multiple Commitment/Certificates have been issued, only the most recent is considered valid
<b>FHFA</b>	Federal Housing Finance Agency
<b>Property</b>	Real property (with all improvements, appurtenances, rights of access, easements, rights of ownership and use of common areas, recreational and other facilities, and additions thereto) subject to the mortgage or other instrument that secures a loan
<b>Property value</b>	The value of the property represented in an application as established by an appraisal or alternative method that we approve (3.14); upon application, this value becomes the "original value" as defined by our Master Policy
<b>Response</b>	An AUS recommendation and associated messages
<b>Underwriting Guidelines</b>	The definitions, methods, calculations, guidelines, documentation and other requirements we use to determine whether a loan is eligible for insurance. Where noted in this Guide, includes Agency guidelines with which we align and MGIC Go! overlays
<b>We, us or our</b>	MGIC, the insurer, an authorized mortgage guaranty insurance company
<b>You or your</b>	The initial insured and its representatives (underwriters, processors, loan originators)

## 1.04 Where We Conduct Business

We conduct business in all 50 US states, the District of Columbia, Guam and Puerto Rico.

## 1.05 Our Fair Underwriting Commitment and Compliance

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.

We do business in compliance with all fair lending laws, including, but not limited to the federal Fair Housing Act, the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA).

As required by FCRA, when we take adverse action based on information in a consumer credit report, we notify the borrower of the reasons behind our decision.

## 1.06 Application and Loan File Documentation

### 1.06.01 Application

The application means a request for mortgage insurance for a loan, or a request for modification of such insurance, in a format we approve, including all supporting materials and other information we may require. When submitting an application to us, you:

- Are responsible for:
  - Collecting, evaluating and verifying the accuracy of the information you provide to us in the format approved by us, regardless of the source of the information or how you obtained it

- Complying with the requirements when using an automated tool as outlined in these Underwriting Guidelines
- Ensuring that all information you provide is consistent with automated tool output
- Submitting updated, true, complete and verified information if you discover prior to activation that any information previously provided to us has become untrue, inaccurate or incomplete
- Underwriting and satisfying all applicable conditions for the loan in compliance with applicable law and these Underwriting Guidelines in effect at the time the application is submitted
- Represent that:
  - The application is true and complete in all material respects
  - No information contained in or submitted in support of the application was false or misleading when provided
  - The application does not omit any information that would make any other information provided untrue, inaccurate or incomplete, or that would have made the loan ineligible for insurance or for coverage at the premium rate offered

#### 1.06.02 Origination File Documents

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:

- MGIC mortgage insurance application
- Final, valid agency AUS Findings/Feedback Report (if applicable)
- 1008/1077 Uniform Underwriting and Transmittal Summary
- Completed, signed 1003/65 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, 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, if applicable
- Loan approval, underwriting and/or processing notes, if available
- Any other document used in the underwriting process not listed above

#### 1.06.03 Closing File Documents

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:

- Final Closing Disclosure or other settlement statement, if applicable
- Signed promissory note

- Signed mortgage or deed of trust with all riders
- Title insurance commitment or final title policy
- Final signed loan application (1003/65)
- Any other closing-related documentation that we may request

#### 1.06.04 Approved Applications

When we approve an insurance application, we issue a Commitment/Certificate via the Loan Center, electronic delivery or fax – according to your preference (see 1.09).

A Commitment/Certificate serves as our commitment to insure a loan. Once you've activated insurance, it serves as the insurance Certificate. If multiple Commitment/Certificates have been issued, only the most recent is considered valid.

View a sample Commitment/Certificate at [mgic.com/samplecc](http://mgic.com/samplecc).

#### 1.06.05 Denied Applications

If we are unable to approve an insurance application, we'll 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'll send a letter that satisfies both ECOA and FCRA requirements directly to the loan applicant and a copy to you.

#### 1.06.06 Incomplete Applications

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

### 1.07 Delegated Underwriting Program Guide

#### 1.07.01 Overview

Our Delegated Underwriting Program allows you to submit an application with loan data only (in lieu of physical documents) via the Loan Center, your loan origination system or other electronic data interface. The data transmission must identify the application as a Delegated Underwriting Program loan. You may submit an application any time, but no later than 45 days after the closing date.

When you apply for MGIC MI through our Delegated Underwriting Program, you represent:

- Data is true and accurate and consistent with the loan origination file documentation
- The loan meets our Underwriting Guidelines in effect in all material respects at the time of submission

By applying for MI under our Delegated Underwriting Program, you acknowledge that we are relying on your representations; that such representations are material inducements to our insurance of each delegated underwriting loan; and that we are not obligated to underwrite, investigate or verify

any information in connection with our issuance of a Commitment or Certificate for a delegated underwriting loan, or review any information or materials submitted to us.

All Master Policy holders are eligible for our Delegated Underwriting Program subject to the eligibility requirements below. We'll notify you if you don't qualify, in which case you may apply for MI via a non-delegated MI underwrite (1.08).

### 1.07.02 Lender Eligibility and Participation Requirements

To participate in our Delegated Underwriting Program, you must:

- Have and maintain:
  - An independent and qualified underwriting staff
  - The ability to fund your own loans
  - Business operations in a non-residential space that is a legal and permissible use
- Comply with all other policies, procedures and processes outlined in this Guide

We may also consider your:

- Appraiser approval and monitoring processes
- Pre- and post-closing quality control processes and procedures, including fraud prevention controls
- Performance history and results from MGIC quality control audits
- Principals and senior management

### 1.07.03 Termination, Suspension or Limitation

We reserve the right to terminate, suspend or limit your participation in our Delegated Underwriting Program with a 10-day written notification. If we determine you are no longer eligible to participate, we won't cancel your Master Policy nor will it affect Commitments/Certificates issued before the termination date.

However, if we terminate, limit or suspend your participation in the Delegated Underwriting Program for cause, it will be effective immediately upon our notice to you identifying such cause. If we notify you orally, we will then provide written confirmation of termination, suspension, or limitation within 10 days of our initial notice. When we terminate, limit or suspend your participation in the Delegated Underwriting Program for cause:

- We will have no obligation to insure any loan:
  - Submitted under the Delegated Underwriting Program after the notice of termination, suspension or limitation
  - You have previously approved and submitted to MGIC under the Delegated Underwriting Program for which we have not issued a Commitment
- Unless we provide otherwise in our notice of termination, suspension or limitation, Commitments issued prior to the notice effective date for which coverage has not been activated will be null and void

#### 1.07.04 Changes to Lender Eligibility and Participation Requirements

We may change the Delegated Underwriting Program or lender eligibility and participation requirements at any time. We'll notify you of any changes and publish them with an effective date on [mgic.com](http://mgic.com).

#### 1.08 Non-Delegated Underwriting (MGIC MI Underwriting)

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.

When you apply for MGIC mortgage insurance using our non-delegated underwriting, you represent:

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

#### 1.09 Submission Methods

MGIC's Loan Center	All lenders may submit loan data or documents, check status and manage loans in process via the Loan Center. <ul style="list-style-type: none"> <li>– Sign up for the Loan Center at <a href="http://mgic.com/signup">mgic.com/signup</a></li> <li>– Log in or see the Loan Center User Guide at <a href="http://mgic.com/loancenter">mgic.com/loancenter</a></li> </ul>
Loan Origination System (LOS)/ Electronic Data Interface (EDI)	You may be able to use your proprietary electronic data delivery platform or your LOS to submit applications. <ul style="list-style-type: none"> <li>– See a list of participating LOS vendors at <a href="http://mgic.com/los">mgic.com/los</a></li> <li>– Contact Integration Services for assistance, 1-888-644-2334 or <a href="mailto:integration_services@mgic.com">integration_services@mgic.com</a></li> </ul>

#### 1.10 Commitment/Certificate Terms and Conditions

##### 1.10.01 Effective Dates

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	– Purchase – Rate/term refinance – Home improvement	4 months
	Construction-permanent	12 months
PreQual	Purchase, property not identified	90 days

### 1.10.02 Loan Changes/Updated Information Prior to Activation of Coverage

If you discover prior to activation of coverage that any information you previously provided has changed or needs to be updated, you are required to submit updated, verified and complete information.

Report loan changes/updated information to us via the Loan Center, your EDI or LOS, or by contacting an MGIC Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice). We may request additional information.

After an underwriting review (where necessary), we'll process any changes, and, if we approve them, send you a revised Commitment/Certificate. If the loan is no longer insurable, we'll let you know the reasons why.

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

### 1.10.03 Loan Changes/Updated Information After Activation of Coverage

Report all changes or errors you discovered after activating coverage to an MGIC Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice), or MGIC Customer Service, 1-800-424-6442 or [customer\\_service@mgic.com](mailto:customer_service@mgic.com). We'll review the information, determine if the loan remains insurable and communicate the status of coverage. We may request additional information.

Contact MGIC Customer Service to correct typographical errors or update an address once a house number is assigned to a property previously identified only as a lot number.

### 1.10.04 Extensions or Expired Commitment/Certificates

If you need to extend a Commitment/Certificate effective period, contact your MGIC Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice). We may request additional information to determine if the Commitment/Certificate is eligible for extension.

For a Commitment/Certificate that expired prior to loan closing and activation of coverage, we may require you to submit a new application.

## 1.11 Activating MGIC Insurance

- For purchase or rate/term refinance transactions, or the permanent financing loan of a two-time close construction-permanent transaction, activate within 15 days of closing
- For single-close construction-permanent transactions, activate within 15 days of:
  - Initial loan closing date (you may remit up to 12 months of a monthly premium – at month 13 we'll bill the servicer of record for premium due); OR
  - The effective date of permanent financing
- The following premium plans require premium remittance to be paid at activation of coverage:
  - Single premiums
  - Up-front portion of split premiums
  - Annual premiums
- Loan payments must be current as of the activation date

**Use one of the following options to activate MGIC insurance:**

MGIC Loan Center	Use Manage Existing loans tab; Go to Loan Options-Activate Coverage
MGIC/Link Servicing	Select Activate Coverage in the main menu
Electronic Activation	<ul style="list-style-type: none"> <li>- X-12, your LOS, or loan boarding direct from your servicing system</li> <li>- Email <a href="mailto:integration_services@mgic.com">integration_services@mgic.com</a> for assistance</li> </ul>
Batch Activation	Email <a href="mailto:policy_info@mgic.com">policy_info@mgic.com</a> for assistance
Fax	Fax the MGIC Activation Notice from the Commitment/Certificate to 1-800-711-6442
Mail	<p>Mail the MGIC Activation Notice from the Commitment/Certificate and premium due if required to:</p> <ul style="list-style-type: none"> <li>- Standard mail delivery: MGIC, Box 78461, Milwaukee, WI 53278-8461</li> <li>- Overnight mail delivery (FedEx, UPS, etc.): MGIC Box 78461, C/O US Bank Wholesale Lockbox, MK-WI-TCWL, 777 E. Wisconsin Avenue, Milwaukee, WI 53202</li> </ul>

## 1.12 MGIC Gold Cert Coverage

See our Rescission Relief Guide, [mgic.com/gold-cert](http://mgic.com/gold-cert), for complete Gold Cert Coverage information.

## 1.13 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 MI application. You may need to obtain a property inspection
- For 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

## Section 2 MGIC Go! Loans

### 2.01 Introduction

Loans that receive a valid DU Approve or Loan Product Advisor Accept response are eligible for mortgage insurance through our MGIC Go! streamlined underwriting program, provided they also meet guidelines in Section 2. This program allows you to quickly determine MGIC eligibility by:

- Applying a few overlays
- Following the DU Underwriting Findings report or Loan Product Advisor Feedback Certificate
- Following the respective Agency selling guide requirements for items the Findings/Feedback does not address

Please note: We do not automatically approve an application based solely on a specific Agency AUS decision. All loans are subject to MGIC underwriter discretion.

#### **Underwriting to Agency AUS**

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

- Employ prudent underwriting and due diligence when reviewing all loan origination file documentation
- Resolve any red flags
- Ensure accurate data entry to the AUS (and MI submission if delegated)
- Ensure that the AUS response that you submit to us does not materially differ from the final AUS response
- Underwrite all aspects of the loan origination file that DU or Loan Product Advisor cannot evaluate (out of scope) to ensure all Agency requirements are met (e.g., condominium project eligibility)

AUS other than DU or Loan Product Advisor are not eligible under the MGIC Go! streamlined underwriting program.

For loans that aren't processed through an Agency AUS or that do not qualify for MGIC Go!, follow our Standard Underwriting Guidelines ([Section 3](#)).

#### **Agency AUS appraisal waivers**

We'll accept certain automated tools as appraisal alternatives under the following circumstances:

- You must follow Agency guidelines
- The loan file must contain the final valid:
  - DU Findings Report reflecting the exercised DU offered appraisal waiver
  - Loan Product Advisor reflecting the exercised Automated Collateral Evaluation (ACE) results
  - **Loan Product Advisor reflecting the exercised ACE + Property Data Report (PDR) results**
- The property has no physical damage or environmental impairment at time of application



- Rescission relief will not be valid if there is an appraisal on file that has not been submitted, the appraisal waiver was invalid under the Agencies' published guidelines, or if the property has physical damage or an environmental impairment

See our Rescission Relief Guide, [mgic.com/gold-cert](https://mgic.com/gold-cert), for complete Valuation Defect Rescission Relief information (RRG 2.02).

MGIC's Master Policy governs all loans submitted to and insured by MGIC, regardless of any representation and warranty relief granted by the Agencies or other investors.

## 2.02 Underwriting Summaries

[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

Apply the following MGIC Go! overlays; otherwise, refer to the respective Agency selling 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

Occupancy	Property Type	Max. LTV/CLTV	Min. Credit Score	Max. Total DTI <sup>1</sup>
Primary Residence	1-2 Unit Detached, Attached, Condominium, Co-Op, Manufactured Home	Per AUS	620 <sup>2</sup>	Per AUS
	3-4 Unit	Per AUS	700	45%
Second Home	1-Unit Detached, Attached, Condominium, Co-Op, Manufactured Home	90%	620 <sup>2</sup>	Per AUS
Underwriting Options	Delegated (UWG <a href="#">1.07</a> ) or non-delegated (UWG <a href="#">1.08</a> )			
Credit	If no borrower has an Agency-acceptable credit score, follow the respective Agency's requirements for nontraditional credit. <sup>2</sup> DU Approve/Eligible per Fannie Mae's average median credit score calculation.			
Property Type	<ul style="list-style-type: none"> <li>– Fannie Mae MH Advantage/Freddie Mac CHOICEHome eligible properties must be identified to MGIC as manufactured homes</li> <li>– MGIC condominium maximum project exposure: 33% of sold units</li> </ul>			
Other Requirements	<ul style="list-style-type: none"> <li>– Loans must follow UWG <a href="#">Section 2</a> requirements</li> <li>– Fannie Mae RefiNow and Freddie Mac Refi Possible eligible when: <ul style="list-style-type: none"> <li>– MGIC insures the loan being refinanced</li> <li>– No minimum credit score is required</li> </ul> </li> <li>– Lender-negotiated Agency waivers or variances require MGIC approval</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>– Investment properties</li> <li>– Sweat equity exceeding 5% of the property value</li> <li>– Fannie Mae high LTV refinance loans and Freddie Mac Enhanced Relief Refinance</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	<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> Eligibility is subject to availability of regulatory approved premium rates. We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.			

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

Occupancy	Property Type	Max. LTV/CLTV	Min. Credit Score	Max. Total DTI <sup>1</sup>
Primary Residence	1-Unit Detached, Attached, Condominium, Co-Op, Manufactured Home (see <i>Property Type</i> below for additional overlays)	97% <sup>2</sup>	620	Per AUS
Second Home	1-Unit Detached, Attached, Condominium, Co-Op	90%	620	Per AUS
Underwriting Options	Delegated (UWG 1.07) or non-delegated (UWG 1.08)			
Loan Type	<ul style="list-style-type: none"> <li>- Fixed-rate</li> <li>- Fully amortizing ARM with an initial fixed period of at least 5 years</li> <li>- <b>Ineligible:</b> Balloon loans, interest-only loans</li> </ul>			
Credit	<b>Ineligible:</b> When no borrower has a valid credit score			
Property Type	<ul style="list-style-type: none"> <li>- Manufactured homes                             <ul style="list-style-type: none"> <li>- Maximum LTV: Fannie Mae MH Advantage/Freddie Mac CHOICEHome loans, ≤97%; all other manufactured home loans, ≤95%</li> <li>- Fannie Mae MH Advantage/Freddie Mac CHOICEHome eligible properties must be identified to MGIC as manufactured homes</li> </ul> </li> <li>- MGIC condominium maximum project exposure: 33% of sold units</li> <li>- <b>Ineligible:</b> 2-4 unit properties</li> </ul>			
Other Requirements	<ul style="list-style-type: none"> <li>- Loans must follow UWG <a href="#">Section 2</a> requirements</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>- Cash-out refinances</li> <li>- Investment properties</li> <li>- Lender-negotiated Agency waivers or variances</li> <li>- Sweat equity exceeding 5% of the property value</li> <li>- Fannie Mae Home Ready, HomeStyle Energy, HFA Preferred and high-LTV refinance loans</li> <li>- Freddie Mac Enhanced Relief Refinance, Home Possible, HFA Advantage</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><sup>2</sup>When LTV/CLTV is 95.01%-97%, we do not require at least one borrower to be a first-time homebuyer.</p> <p>We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.</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 selling 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](#).

Occupancy	Property Type	Max. LTV/CLTV	Min. Credit Score	Max. Total DTI <sup>1</sup>
Primary Residence	1-Unit Detached, Attached, Condominium, Co-Op, Manufactured Home (see <i>Property Type</i> below for additional overlays)	97%/105%	620 <sup>2</sup>	Per AUS
	2-Unit	95%/105%	620 <sup>2</sup>	Per AUS
	3-4 Unit	95%/105%	700	45%
Underwriting Options	Delegated (UWG <a href="#">1.07</a> ) or non-delegated (UWG <a href="#">1.08</a> )			
Credit	If no borrower has an Agency-acceptable credit score, follow the respective Agency's requirements for nontraditional credit. <sup>2</sup> DU Approve/Eligible per Fannie Mae's average median credit score calculation.			
Property Type	<ul style="list-style-type: none"> <li>– Manufactured homes                             <ul style="list-style-type: none"> <li>– Maximum LTV: Fannie Mae MH Advantage/Freddie Mac CHOICEHome loans, ≤97%; all other manufactured home loans, ≤95%</li> <li>– Fannie Mae MH Advantage/Freddie Mac CHOICEHome eligible properties must be identified to MGIC as manufactured homes</li> </ul> </li> <li>– MGIC condominium maximum project exposure: 33% of sold units</li> </ul>			
Other Requirements	<ul style="list-style-type: none"> <li>– Loans must follow UWG <a href="#">Section 2</a> requirements</li> <li>– Lender-negotiated Agency waivers or variances require MGIC approval</li> <li>– The HFA may have additional criteria for eligibility; lenders are responsible for assuring each loan complies with both HFA program requirements and MGIC requirements</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 LTV refinance loans and Freddie Mac Enhanced Relief Refinance</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	<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> Eligibility is subject to availability of regulatory approved premium rates. We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.			

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

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, Construction-Permanent	1-2	95%	700	45%
	Rate-Term Refinance, Construction-Permanent	1-2	90%	700	45%
Second Home	Purchase, Rate/Term Refinance, Construction-Permanent	1	90%	700	45%
Underwriting Options	Non-delegated (UWG 1.08)				
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>- Condominiums must meet all MGIC project requirements (UWG 3.13.05)</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, 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 10% 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>				

2.02.04 Guam – MGIC Go! Overlays

Apply the following MGIC Go! overlays; otherwise, refer to the respective Agency selling 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

Occupancy	Property Type	Max. LTV/CLTV	Min. Credit Score	Max. Total DTI <sup>1</sup>
Primary Residence	1-Unit Detached, Attached, Condominium	97%/105%	620	Per AUS
Underwriting Options	Delegated (UWG 1.07) or non-delegated (UWG 1.08)			
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>– MGIC condominium maximum project exposure: 33% of sold units</li> <li>– <b>Ineligible:</b> Co-ops, manufactured homes, 2- to 4-unit properties</li> </ul>			
Other Requirements	<ul style="list-style-type: none"> <li>– Loans must follow UWG <a href="#">Section 2</a> requirements</li> <li>– Lender-negotiated Agency waivers or variances require MGIC approval</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 LTV refinance loans and Freddie Mac Enhanced Relief Refinance</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	<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.  We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.			

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

Occupancy	Property Type	Max. LTV/CLTV	Min. Credit Score	Max. Total DTI <sup>1</sup>
Primary Residence	1-Unit Detached, Attached, Condominium	97%	620	45%
Underwriting Options	Delegated (UWG 1.07) or non-delegated (UWG 1.08)			
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 (Qualify ARMs using UWG 3.08.02)</li> <li>- <b>Ineligible:</b> Balloon loans, interest-only loans</li> </ul>			
Credit	<b>Ineligible:</b> When no borrower has a valid credit score			
Property Type	<ul style="list-style-type: none"> <li>- MGIC condominium maximum project exposure: 33% of sold units</li> <li>- <b>Ineligible:</b> Co-ops, manufactured homes, 2- to 4-unit properties</li> </ul>			
Other Requirements	<ul style="list-style-type: none"> <li>- Loans must follow UWG Section 2 requirements</li> <li>- Borrowers who are non-permanent resident aliens must have a minimum 2-year history of US residency and, if income is used to qualify, the legal right to work in the US</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 HomeReady, high-balance and HomeStyle Energy loans</li> <li>- Freddie Mac Home Possible and super conforming loans</li> <li>- Fannie Mae high LTV refinance loans and Freddie Mac Enhanced Relief Refinance</li> <li>- Lender-negotiated Agency waivers or variances</li> <li>- Cash-out refinances</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>			

## Section 3 MGIC Standard Loans

### 3.01 Introduction

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 ([Section 2](#)).

We'll consider insuring loans that fall outside of these requirements on a case-by-case basis. If you would like us to consider such a loan, submit it for non-delegated underwriting ([1.08](#)).

#### **Aligning with the Agencies**

For standard loans, where indicated, you may follow standard Agency guidelines and Agency selling guide documentation requirements ([1.03.03](#)), along with any specified MGIC guidelines and requirements.

If you have questions about the contents of this Guide or specific loan eligibility, please contact your MGIC representative or an MGIC underwriting office, [mgic.com/contact](https://mgic.com/contact).

### 3.02 Underwriting Summaries

[3.02.01 National Underwriting Summary](#)

[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 Summary

3.02.01a National – Primary Residence

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	Max. Total DTI <sup>3</sup>	Min. Reserves (No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>4</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium, Co-Op	97%	\$975,000	680	45%	2
			\$650,000 <sup>1</sup>	660	45%	2
		95%	\$975,000	680	45%; 41% if nonfixed-rate/payment < 5 years	2
	2-Unit	95%	\$975,000	680		2
Purchase, Rate/Term Refinance, Construction-Permanent	Manufactured Home	95%	\$650,000 <sup>2</sup>	660	45%	2

<sup>1</sup>FHFA high cost: Up to the county-specific loan limit as specified by FHFA for designated high-cost areas.

<sup>2</sup>Up to the loan limit specified by FHFA for AK and HI.

Underwriting Options	Delegated (UWG 1.07) or non-delegated (UWG 1.08)
Loan Type	<ul style="list-style-type: none"> <li>- Fixed-rate</li> <li>- Fully amortizing ARM: Maximum 95% LTV/CLTV for ARMs with an initial term &lt; 5 years</li> <li>- ≤ 5 years qualify at greater of note rate + 2% or FIAR; &gt; 5 years qualify at note rate</li> <li>- Balloon: Maximum 95% LTV/CLTV with an initial term of 5 years or more</li> <li>- <b>Ineligible:</b> Temporary buydown for ARMs with an initial term &lt; 5 years</li> </ul>
Loan Purpose	<ul style="list-style-type: none"> <li>- Fannie Mae RefiNow and Freddie Mac Refi Possible eligible when MGIC insures the loan being refinanced</li> <li>- Construction-permanent – <b>Ineligible:</b> Attached, condominium, co-op</li> <li>- <b>Ineligible:</b> Cash-out refinance</li> </ul>
Manufactured Homes	<ul style="list-style-type: none"> <li>- ARMs must have an initial term of 5 years or more</li> <li>- Fannie Mae MH Advantage/Freddie Mac CHOICEHome mortgages must be identified to MGIC as manufactured homes</li> <li>- <b>Ineligible:</b> Single-wide, leasehold, temporary buydown</li> </ul>
Nontraditional Credit	<p>When no borrower has a valid credit score:</p> <ul style="list-style-type: none"> <li>- Follow our nontraditional credit guidelines (UWG 3.11.04)</li> <li>- Maximum 90% LTV</li> <li>- Requires non-delegated underwriting (UWG 1.08)</li> </ul>
Borrower's Own Funds	<ul style="list-style-type: none"> <li>- Minimum 3% borrower's own funds toward the down payment, closing costs, prepaids and reserves</li> <li>- Gifts of cash can apply toward the 3%: Maximum DTI 41%; credit score ≥ 720 (UWG 3.10.04b)</li> </ul>
Interested Party Contributions	<p>Maximum contribution</p> <ul style="list-style-type: none"> <li>- &gt; 90% LTV/CLTV – 3%</li> <li>- ≤ 90% LTV/CLTV – 6%</li> </ul>
Notes	<p><sup>3</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>

3.02.01b National – Second Home

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	Max. Total DTI <sup>3</sup>	Min. Reserves (No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>4</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium, Co-Op	90%	\$650,000 <sup>1</sup>	700	45%; 41% if nonfixed-rate/payment < 5 years	2
		90%	\$975,000	720	45%	6
Purchase, Rate/Term Refinance, Construction-Permanent	Manufactured Home	90%	\$650,000 <sup>2</sup>	700	45%	2

<sup>1</sup>FHFA high cost: Up to the county-specific loan limit as specified by FHFA for designated high-cost areas.

<sup>2</sup>Up to the loan limit specified by FHFA for AK and HI.

Underwriting Options	Delegated (UWG 1.07) or non-delegated (UWG 1.08)
Loan Type	<ul style="list-style-type: none"> <li>– Fixed-rate</li> <li>– Fully amortizing ARM: Loan amounts &gt; \$650,000 must have 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> <li>– <b>Ineligible:</b> Temporary buydown for ARMs with an initial term &lt; 5 years</li> </ul>
Loan Purpose	Construction-permanent – <b>Ineligible:</b> Attached, condominium, co-op
Manufactured Homes	<ul style="list-style-type: none"> <li>– ARMs must have an initial term of 5 years or more</li> <li>– Fannie Mae MH Advantage/Freddie Mac CHOICEHome mortgages must be identified to MGIC as manufactured homes</li> <li>– <b>Ineligible:</b> Single-wide, leasehold, temporary buydown</li> </ul>
Nontraditional Credit	<b>Ineligible:</b> When no borrower has a valid credit score
Borrower's Own Funds	Minimum 5% borrower's own funds toward the down payment, closing costs, prepaids and reserves
Interested Party Contributions	Maximum contribution 6%
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 from subject property may not be used to qualify</li> </ul>
Notes	<p><sup>3</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>

3.02.01c National – Primary Residence, Loan Amount > \$975,000

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	Max. Total DTI <sup>1</sup>	Min. Reserves (No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>2</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium, Co-Op	95%	\$1,150,000	740	43%	9
		90%	\$1,150,000	680	45%	9
		90%	\$1,650,000	720	43%	12
		85%	\$2,150,000	740	43%	12
Underwriting Options	<ul style="list-style-type: none"> <li>– Non-delegated &gt; \$1,000,000 (UWG 1.08)</li> <li>– Delegated ≤ \$1,000,000 (UWG 1.07)</li> </ul>					
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> <li>– <b>Ineligible:</b> Temporary buydown</li> </ul>					
Loan Purpose	Construction-permanent – <sup>2</sup> <b>Ineligible:</b> Attached, condominium, co-op					
Nontraditional Credit	<b>Ineligible:</b> When no borrower has a valid credit score					
Borrower's Own Funds	Minimum borrower's own funds toward the down payment, closing costs, prepaids and reserves: <ul style="list-style-type: none"> <li>– Loan amount ≤ \$1,150,000: 5%</li> <li>– Loan amount &gt; \$1,150,000: 10%</li> </ul>					
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>					
Appraisal Requirements	<ul style="list-style-type: none"> <li>– Loan amount ≤ \$1,000,000 – A Uniform Residential Appraisal Report (URAR)</li> <li>– Loan amount &gt; \$1,000,000 – 2 independent URARs or 1 independent URAR plus an appraiser-provided field review supporting its value</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.  We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.					

### 3.02.02 Housing Finance Agency (HFA)/Community Lending

#### 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 lien mortgage program
- That do not meet MGIC Go! eligibility for HFAs or are not processed through an 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 code 2881
- For local HFAs, enter 3881
- For community lending programs, enter 4881

### 3.02.02b HFA – Primary Residence

When submitting your loan, enter MGIC program code 2881 for state HFAs and 3881 for local HFAs.

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	Max. Total DTI <sup>3</sup>	Min. Reserves (No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>4</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium, Co-Op	97%/105%	\$650,000 <sup>1</sup>	660	45%	2
	2-Unit	95%/105%	\$975,000	680	45%	2
Purchase, Rate/Term Refinance, Construction-Permanent	Manufactured Home	95%/95%	\$650,000 <sup>2</sup>	660	45%	2

<sup>1</sup>FHFA high cost: Up to the county-specific loan limit as specified by FHFA for designated high-cost areas.

<sup>2</sup>Up to the loan limit specified by FHFA for AK and HI.

Underwriting Options	<ul style="list-style-type: none"> <li>– ≤ 97% LTV/CLTV – Delegated (UWG <a href="#">1.07</a>) or non-delegated (UWG <a href="#">1.08</a>)</li> <li>– &gt; 97% CLTV – Non-delegated (UWG <a href="#">1.08</a>)</li> </ul>
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>– <b>5 years qualify at greater of note rate + 2% or FIAR; &gt; 5 years qualify at note rate</b></li> </ul>
Loan Purpose	Construction-permanent – <b>Ineligible:</b> Attached, condominium, co-op
Manufactured Homes	<ul style="list-style-type: none"> <li>– Fannie Mae MH Advantage/Freddie Mac CHOICEHome mortgages must be identified to MGIC as manufactured homes</li> <li>– <b>Ineligible:</b> Single-wide, leasehold, temporary buydown</li> </ul>
Down Payment Assistance/ Subordinate Financing	<ul style="list-style-type: none"> <li>– 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 <a href="#">3.10.01</a>)</li> <li>– 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</li> <li>– If monthly payment is required (including deferred), include secondary financing in CLTV and monthly payment in proposed housing payment</li> <li>– <b>Ineligible:</b> Funds provided by an interested party or the lender</li> </ul>
Nontraditional Credit	<p>When no borrower has a valid credit score:</p> <ul style="list-style-type: none"> <li>– Follow our nontraditional credit guidelines (UWG <a href="#">3.11.04</a>)</li> <li>– Maximum 90% LTV</li> <li>– Requires non-delegated underwriting (UWG <a href="#">1.08</a>)</li> </ul>
Borrower's Own Funds	<p>Minimum borrower's own funds toward the down payment, closing costs, prepaids and reserves:</p> <ul style="list-style-type: none"> <li>– 1 unit: 1% <ul style="list-style-type: none"> <li>– Gifts of cash can apply toward the 1%: Maximum DTI 41%; credit score ≥ 720; (see UWG <a href="#">3.10.04b</a>)</li> </ul> </li> <li>– 2 units: 3%</li> </ul>
Interested Party Contributions	<p>Maximum contribution</p> <ul style="list-style-type: none"> <li>– &gt; 90% LTV/CLTV – 3%</li> <li>– ≤ 90% LTV/CLTV – 6%</li> </ul>
Other Program Requirements	Medical collections – Up to \$1,000 aggregate may remain unpaid at closing
Notes	<p><sup>3</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>

**Questions?** Contact your Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice).

**3.02.02c Community Lending – Primary Residence**

When submitting your loan, enter MGIC program code 4881.

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	Max. Total DTI <sup>3</sup>	Min. Reserves (No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>4</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium, Co-Op	97%/105%	\$650,000 <sup>1</sup>	660	45%	2
	2-Unit	95%/105%	\$975,000	680	45%	2
Purchase, Rate/Term Refinance, Construction-Permanent	Manufactured Home	95%/95%	\$650,000 <sup>2</sup>	660	45%	2

<sup>1</sup>FHFA high cost: Up to the county-specific loan limit as specified by FHFA for designated high-cost areas.

<sup>2</sup>Up to the loan limit specified by FHFA for AK and HI.

Underwriting Options	<ul style="list-style-type: none"> <li>– ≤ 97% LTV/CLTV – Delegated (UWG 1.07) or non-delegated (UWG 1.08)</li> <li>– &gt; 97% CLTV – Non-delegated (UWG 1.08)</li> </ul>
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> </ul>
Loan Purpose	Construction-permanent – <sup>4</sup> <b>Ineligible:</b> Attached, condominium, co-op
Manufactured Homes	<ul style="list-style-type: none"> <li>– Fannie Mae MH Advantage/Freddie Mac CHOICEHome mortgages must be identified to MGIC as manufactured homes</li> <li>– <b>Ineligible:</b> Single-wide, leasehold, temporary buydown</li> </ul>
Down Payment Assistance/ Subordinate Financing	<ul style="list-style-type: none"> <li>– 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 3.10.01)</li> <li>– Must meet Fannie Mae's Community Seconds or Freddie Mac's Affordable Seconds guidelines</li> <li>– If monthly payment is required (including deferred), include secondary financing in CLTV and monthly payment in proposed housing payment</li> <li>– <b>Ineligible:</b> Funds provided by an interested party or the lender</li> </ul>
Nontraditional Credit	<p>When no borrower has a valid credit score:</p> <ul style="list-style-type: none"> <li>– Follow our nontraditional credit guidelines (UWG 3.11.04)</li> <li>– Maximum 90% LTV</li> <li>– Requires non-delegated underwriting (UWG 1.08)</li> </ul>
Borrower's Own Funds	<p>Minimum borrower's own funds toward the down payment, closing costs, prepaids and reserves:</p> <ul style="list-style-type: none"> <li>– 1 unit: 1% <ul style="list-style-type: none"> <li>– Gifts of cash can apply toward the 1%: Maximum DTI 41%; credit score ≥ 720; (see UWG 3.10.04b)</li> </ul> </li> <li>– 2 units: 3%</li> </ul>
Interested Party Contributions	<p>Maximum contribution</p> <ul style="list-style-type: none"> <li>– &gt; 90% LTV/CLTV – 3%</li> <li>– ≤ 90% LTV/CLTV – 6%</li> </ul>
Other Program Requirements	Medical collections – Up to \$1,000 aggregate may remain unpaid at closing
Notes	<p><sup>3</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>

**Questions?** Contact your Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice).

3.02.03 Guam – Primary Residence

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score	Max. Total DTI <sup>1</sup>	Min. Reserves (No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>2</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium	95%	\$650,000	680	45%, 41% if nonfixed-payment/rate < 5 years	2
Underwriting Options	Delegated (UWG 1.07) or non-delegated (UWG 1.08)					
Loan Type	<ul style="list-style-type: none"> <li>– Fixed-rate</li> <li>– Fully amortizing ARM</li> <li>– ≤ 5 years qualify at greater of note rate + 2% or FIAR; &gt; 5 years qualify at note rate</li> </ul>					
Loan Purpose	Construction-permanent – <sup>2</sup> <b>Ineligible:</b> Attached, condominium					
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> <li>– Requires non-delegated underwriting (UWG 1.08)</li> </ul>					
Borrower's Own Funds	<ul style="list-style-type: none"> <li>– Minimum 3% borrower's own funds toward the down payment, closing costs, prepaids and reserves</li> <li>– Gifts of cash can apply toward the 3%: Maximum DTI 41%; credit score ≥ 720 (UWG 3.10.04b)</li> </ul>					
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>					
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. We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.					

3.02.04 Puerto Rico Underwriting Summaries

3.02.04a Puerto Rico – Primary Residence

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score	Max. Total DTI <sup>1</sup>	Min. Reserves (No. months' PITI)
Purchase, Construction-Permanent <sup>2</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium	95%	\$650,000	700	45%	2
	2-Unit Detached, Attached, Condominium	95%	\$850,000	700	45%	2
Rate/Term Refinance	1-Unit Detached, Attached, Condominium	90%	\$650,000	700	45%	2
	2-Unit Detached, Attached, Condominium	90%	\$850,000	700	45%	2
Underwriting Options	Non-delegated (UWG 1.08)					
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	<ul style="list-style-type: none"> <li>– Fannie Mae RefiNow and Freddie Mac Refi Possible eligible when MGIC insures the loan being refinanced</li> <li>– Construction-permanent – <b>Ineligible:</b> Attached, condominium</li> </ul>					
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>– Condominiums must meet all MGIC project requirements (UWG 3.13.05)</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>– 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> 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.  We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.					



3.02.04b Puerto Rico – Second Home

Loan Purpose	Property Type	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score	Max. Total DTI <sup>1</sup>	Min. Reserves (No. months' PITI)
Purchase, Rate/Term Refinance, Construction-Permanent <sup>2</sup> , Home Improvement/Renovation	1-Unit Detached, Attached, Condominium	90%	\$650,000	700	45%	2
Underwriting Options	Non-delegated (UWG 1.08)					
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	Construction-permanent – <sup>2</sup> <b>Ineligible:</b> Attached, condominium					
Property Type	<ul style="list-style-type: none"> <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>– Condominiums must meet all MGIC project requirements (UWG 3.13.05) <ul style="list-style-type: none"> <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>– 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, investment properties, wood-and-zinc-constructed properties; studio or efficiency apartments</li> </ul> </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. We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.					

### 3.02.05 High LTV Refinance Option/Enhanced Relief Refinance Mortgage Loans

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

Eligible Loans	<ul style="list-style-type: none"> <li>- Loan being refinanced is currently insured by MGIC</li> <li>- Loan being refinanced: <ul style="list-style-type: none"> <li>- Is owned or guaranteed by Fannie Mae and meets all requirements for high LTV refinance option</li> <li>- Is owned or guaranteed by Freddie Mac and meets all requirements for Enhanced Relief Refinance Mortgages</li> </ul> </li> <li>- 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</li> </ul>
Coverage Percentage	No change to coverage from the original loan
Premium Rate	No change to existing premium from original loan
Submission Options	<ul style="list-style-type: none"> <li>- Send data via the Loan Center</li> <li>- Send PDFs of the documents listed below through the Loan Center</li> <li>- Fax the documents listed below to your MGIC Underwriting Service Center</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>- RTM Request form</li> <li>- DU/Loan Product Advisor Findings</li> <li>- New 1003/65</li> <li>- New 1008/1077</li> </ul>
Insured Represents	<ul style="list-style-type: none"> <li>- The loan is eligible for Fannie Mae's high LTV refinance option or Freddie Mac's Enhanced Relief Refinance Mortgage program</li> <li>- The loan meets all requirements of the applicable Fannie Mae high LTV refinance option or Freddie Mac Enhanced Relief Refinance Mortgage program</li> <li>- The refinanced loan has been delivered to Fannie Mae or Freddie Mac</li> </ul>
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 1.13).</p> <ul style="list-style-type: none"> <li>- The transaction remains RTM-eligible if: <ul style="list-style-type: none"> <li>- There is no physical damage</li> <li>- There is physical damage, but the property is restored to its pre-event condition before the refinance is closed</li> </ul> </li> <li>- 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</li> </ul>

### 3.03 Age of Documentation

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	12 months	Required if appraisal dated > 6 months and < 12 months from insurance activation date	12 months
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 3.06.04 for additional documentation requirements.

### 3.04 Borrowers

#### 3.04.01 General Borrower Eligibility

Follow these MGIC guidelines:

- 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

#### 3.04.02 Co-Signer or Guarantor

Follow these MGIC guidelines:

- We do not allow the credit history of guarantors or co-signors to offset derogatory credit of the applicant
- The co-signer or guarantor's credit will be considered for eligibility and premium pricing

### 3.04.03 Non-Occupant Co-Borrower

Follow these MGIC guidelines:

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

### 3.04.04 Inter Vivos Revocable Trust

Follow these MGIC guidelines:

- A minimum of 1 primary beneficiary of the trust must occupy the property
- For qualifying, use the income and assets of at least 1 primary beneficiary who will occupy the property and become personally liable on the note as co-signer or guarantor and acknowledge the mortgage
- Retain a copy of the trust documents

### 3.04.05 Non-US Citizen (Permanent or Non-Permanent Resident Alien)

Follow these MGIC guidelines:

- The borrower must demonstrate legal residency. MGIC does not specify what documentation is required to confirm an individual's lawful status in the US
- The borrower must meet MGIC's employment (3.09) and credit (3.11) guidelines
- If the borrower is a non-permanent resident alien:
  - They must have a minimum 2-year history of US residency
  - If income is used to qualify, they must have the legal right to work in the US
- Deferred Action for Childhood Arrivals (DACA) borrowers are eligible

### 3.04.06 Borrower Exposure and Claim History

When we receive an application, we consider any other loans held by the same borrower that are currently or were previously insured by MGIC. We reserve the right to decline an application for excessive borrower exposure or history of claim or rescission.

## 3.05 Mortgage Eligibility

### 3.05.01 LTV/CLTV/HCLTV

We use LTV/CLTV/HCLTV calculations for underwriting and pricing.

#### 3.05.01a Determining Property Value

Follow these MGIC guidelines:

- Determine the property value by loan purpose

Loan Purpose	How to Determine Property Value
Purchase	Lesser of sales price or appraised value
Purchase: Construction, Home Improvement	Lesser of sales price + cost of construction/improvements or appraised value
Refinance: Rate/Term, Construction, Home Improvement	Appraised value

- Note that upon application, the property value represented in that application establishes the "original value" as defined by our Master Policy

### 3.05.01b LTV/CLTV/HCLTV Calculations

Follow these MGIC guidelines:

- We use the base LTV to determine eligibility and premium rates. Exclude the amount of any financed mortgage insurance premium from the loan amount when calculating the LTV, CLTV or HCLTV
- To determine the LTV category, truncate the LTV/CLTV/HCLTV to 2 decimal places, then round up to the next whole percentage. For example:
  - If the calculation result is 95.010%, then the LTV category is 97%
  - If the calculation result is 90.009%, then the LTV category is 90%
- If property is in New York State, see [3.05.04](#)
- See LTV requirements by transaction type in our Underwriting Summaries ([3.02](#))

Calculations	
<b>Base LTV</b>	Base loan amount
	÷ Property value
	<b>Base LTV</b>
<b>CLTV</b>	Base loan amount
	+ Balance on all closed-end subordinate liens
	+ Balance on all HELOCs
	Subtotal
	÷ Property value
<b>CLTV</b>	
<b>HCLTV</b>	Base loan amount
	+ Balance on all closed-end subordinate liens
	+ Full amount of all HELOCs (drawn or not)
	Subtotal
	÷ Property value
	<b>HCLTV</b>

### 3.05.02 Financed Premiums

Follow our Underwriting Summaries (3.02) as well as these MGIC guidelines:

- We allow borrower-paid mortgage insurance premiums to be financed with the loan up to:
  - Our maximum published loan limits
  - A maximum 103% LTV, including the financed premium

### 3.05.03 Subordinate Financing

For Community Seconds and Affordable Seconds, follow [Agency guidelines and Agency selling guide documentation requirements](#) and MGIC Underwriting Summaries (3.02).

For all other subordinate financing, follow our Underwriting Summaries (3.02) as well as these MGIC guidelines:

- The CLTV and HCLTV must not exceed our maximum published limits
- The subordinate lien must:
  - Be recorded
  - Be at current market rates for second mortgages
  - Not be provided by any interested party to the transaction (e.g., seller, builder/developer, real estate agent, broker, etc.)
- Subordinate lien payments must:
  - Cover at least the interest due (negative amortization is **ineligible**)
  - Be included in the DTI ratio

### 3.05.04 New York State

Under New York State regulatory requirements, a purchase transaction is eligible for mortgage insurance based on the “fair market value” of the property as follows:

- If the property is a cooperative, the loan amount must be greater than 80% of the sales price to be eligible for mortgage insurance
- For all other properties, the loan amount must be greater than 80% of the appraised value to be eligible for mortgage insurance

## 3.06 Loan Purpose

### 3.06.01 Purchase Transaction

Follow [Agency guidelines and Agency selling guide documentation requirements](#) and MGIC Underwriting Summaries (3.02).

### 3.06.02 Rate-Term Refinance Transaction (aka Limited Cash-Out Refinance, No Cash-Out Refinance)

Follow [Agency guidelines and Agency selling guide documentation requirements](#), MGIC Underwriting Summaries (3.02) 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 (3.06.05)
  - Submit the subject loan for non-delegated underwriting (1.08)
- 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

### 3.06.03 Cash-Out Refinance Transaction

Cash-out refinance transactions are **ineligible**.

### 3.06.04 Construction-Permanent Transaction

#### 3.06.04a Single-Close

*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 Underwriting Summaries (3.02) and these MGIC guidelines:

- Use **Purchase Transaction** (3.06.01) guidelines when the borrower is not the owner of the lot as of loan closing date
- Use **Rate-Term Refinance Transaction** (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 1.10.04 regarding extensions
- **Ineligible:** Attached, condominium, co-op

### 3.06.04b Two-Time Close

*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 Underwriting Summaries (3.02) and these MGIC guidelines:

- Use guidelines for **Rate-Term Refinance Transactions (3.06.02)**
- Submit loan purpose as Construction-Perm to receive a 12-month Commitment/Certificate. See 1.10.04 regarding extensions
- **Ineligible:** Attached, condominium, co-op

### 3.06.05 Home Improvement/Renovation Transaction

*A home improvement/renovation mortgage loan allows a borrower to purchase a property or refinance their existing loan and include in the loan amount funds to cover the costs of repairs, remodeling or renovations that are permanently affixed to the property.*

Follow our Underwriting Summaries (3.02) and these MGIC guidelines:

- When the borrower is not the owner of the property as of loan closing date
  - Follow **Purchase Transaction (3.06.01)** guidelines
  - To determine property value for LTV calculations, use the lesser of:
    - Purchase price plus documented cost of improvements; OR
    - Current appraised value as completed per plans and specs
- When the borrower has legal ownership of the property as of loan closing date
  - Follow **Rate-Term Refinance Transaction (3.06.02)** guidelines, including ability to pay off unseasoned home improvement subordinate lien
  - To determine property value for LTV calculations, use current appraised value as completed per plans and specs
- Typical expenses and fees that may be included are:
  - Architectural, consulting and engineering fees
  - Labor
  - Materials
  - Permits
  - Title and property inspections
  - Contingency reserve not to exceed 15% of the improvement/renovation costs. All unused contingency reserves must be applied as a principal reduction
- Renovations must be completed in a workmanlike manner by professionals meeting industry standards
  - Document with the contract and any borrower-provided bids itemizing the cost of labor and materials
- We'll consider borrower-completed improvements provided:
  - The borrower has the skill to perform the work (for example, a borrower who is a licensed electrician may complete electrical work)
  - They do not exceed 10% of the "as completed" value of the property
  - They are clearly identified in the construction contract

**Questions?** Contact your Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice).



### 3.06.06 Payoff of Installment Land Contract

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

### 3.06.07 Seasoned/Closed Loan

*A loan is seasoned when one or more mortgage loan payments have been made prior to the application date.*

Follow MGIC Underwriting Summaries (3.02) and these guidelines:

- We'll consider seasoned loans on a case-by-case basis provided the loan:
  - Is current, AND
  - Has had no late payments 30 days or greater
- Submit for non-delegated underwriting (1.08) and include the following:
  - Origination file (1.06.02)
  - Closing file (1.06.03)
  - Ever to date loan payment history
  - Current credit report, if loan file credit report is older than 4 months
  - Current appraisal, if loan file appraisal is older than 12 months
  - Verbal Verification of Employment
- MGIC Underwriting Guidelines and premium rates in effect at the time of submission apply. You are responsible for all premium due based on the premium type

## 3.07 Occupancy Types

### 3.07.01 Primary Residence

Follow [Agency guidelines and Agency selling guide documentation requirements](#), MGIC Underwriting Summaries (3.02) and these guidelines:

- Parents or legal guardians may purchase or refinance (rate-term only) a property to provide housing for an adult child with a physical or developmental disability who is unable to work or does not have sufficient income to qualify for a mortgage on their own
- Children may purchase or refinance (rate-term only) a property to provide housing for a parent or parents who are unable to work or do not have sufficient income to qualify for a mortgage on their own
- **Ineligible:** Properties intended for use as a group home

### 3.07.02 Second Home

Follow [Agency guidelines and Agency selling guide documentation requirements](#), MGIC Underwriting Summaries (3.02) and these guidelines:

- Borrower must not own any other residential properties other than their primary residence
- Rental income from subject property may not be used to qualify
- **Ineligible:** Properties intended for use as a group home

### 3.07.03 Investment Property

Investment properties are **ineligible**.

## 3.08 Loan Types and Terms

### 3.08.01 Fixed-Rate Mortgage (FRM)

Follow MGIC Underwriting Summaries (3.02) and these guidelines:

- Must be fully amortizing
- Maximum term: 40 years
  - If manufactured home, 30 years
- Must have level monthly principal and interest payments
- Must be qualified at the note rate

### 3.08.02 Adjustable-Rate Mortgage (ARM)

Follow MGIC Underwriting Summaries (3.02) and these guidelines:

- Must be fully amortizing
- Maximum term: 40 years
  - If manufactured home, 30 years
- Minimum adjustment period: 6 months
- Maximum initial interest rate discount from Fully Indexed Accrual Rate (FIAR): 300 basis points
- Maximum margin: 300 basis points
- Must be based on a publicly available index that is not controlled by the lender or servicer

Initial Fixed Period	Adjustment Frequency	Rate Adjustment Caps			Qualifying Rate
		Max. 1st Adjustment	Max. Subsequent Adjustments	Lifetime Cap	
≥ 6 months to < 1 year	≥ 6 months to < 1 year	1%	1%	6%	Greater of Note Rate + 2% or FIAR
	≥ 1 year	1%	2%	6%	
≥ 1 year to < 3 years	≥ 6 months to < 1 year	2%	1%	6%	
	≥ 1 year	2%	2%	6%	
≥ 3 years to < 5 years	≥ 6 months to < 1 year	3%	1%	6%	
	≥ 1 year	3%	2%	6%	
5 years	≥ 6 months	6%	6%	6%	
> 5 years	≥ 6 months	6%	6%	6%	

### 3.08.03 Balloon Mortgage

Follow MGIC Underwriting Summaries (3.02) and these guidelines:

- Minimum initial term: 5 years

**Questions?** Contact your Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice).

- Maximum amortization term: 40 years
  - If manufactured home, 30 years
- Maximum LTV/CLTV: 95%
- Must be qualified at the note rate
- When the balloon payment is due, the loan must be renewed or replaced with a new first-lien mortgage loan:
  - At rates and terms generally prevailing in the marketplace
  - With no re-underwriting of the loan

#### 3.08.04 Bi-Weekly Mortgage

Follow this MGIC guideline:

- Borrower must qualify using the monthly amortization payment (3.12.02)

#### 3.08.05 Interest Rate Buydown (Temporary or Permanent)

Follow MGIC Underwriting Summaries (3.02) and these guidelines:

- Buydown funds may be paid by the:
  - Borrower
  - Employer as part of an employee relocation benefit
  - Lender
  - Seller as part of the maximum allowable interested party contribution
- Maximum temporary buydown:

Eligible Loan Types	Max. Annual Rate Increase	Property Unit Count	Max. LTV/CLTV	Buydown Schedule
Fixed-rate, ARMs with ≥ 5 year initial fixed period, Balloons	1%	1	95%	2% – 1%
			90%	3% – 2% – 1%
		2	95%	2% – 1%

- Qualification:
  - ARM with an initial term of 5 years – Use greater of note rate + 2% or FIAR
  - Fixed-rate or ARM with an initial term > 5 years – Use note rate
  - **Ineligible:** Cash-out refinance transactions, manufactured homes

#### 3.08.06 Ineligible Loan Types

Loan types **ineligible** for MGIC mortgage insurance include:

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

## 3.09 Income and Employment

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.

### 3.09.01 General Income Guidelines

Follow these MGIC guidelines:

- Minimum 2-year employment history
  - 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)
  - Income histories less than 24 months require non-delegated underwriting ([1.08](#))
- Qualifying income should be likely to continue for 3 years after the note date

### 3.09.02 Income Eligibility

Follow [Agency guidelines and Agency selling guide documentation requirements](#) for these eligible income types along with additional MGIC guidelines where noted below.

Eligible Income Type	Additional MGIC Guidelines
Alimony, child support, maintenance	
Automobile allowance	
Boarder income	
Capital gains	
Commission income	
Disability income – long term	
Disability income – short term	See guidelines for temporary leave, <a href="#">3.09.02a</a>
Employment by others (base pay, bonus and overtime)	
Employment offers or contracts / Future employment	Start date ≤ 90 days after the note date
Employment by relative	
Foreign income	Provide 2 years' tax returns
Foster care income	
Housing or parsonage income	
Interest and dividends	
Military income	
Mortgage Credit Certificates (MCCs)	
Mortgage differential payments	
Nontaxable/Tax-exempt income	
Notes receivable income	
Public assistance	
Rental income	

Retirement, government annuity and pension income	
Royalty payments	
Schedule K-1 income	
Seasonal income	
Second job or multiple jobs	
Self-employed	Minimum 2-year self-employment history
Social Security	
Temporary leave, maternity or paternity leave	See guidelines for temporary leave, <a href="#">3.09.02a</a>
Tip income	
Trust income	
Unemployment benefits	
VA benefits	

#### Ineligible Income Types

Asset depletion/Employment-related assets as income

Expense account reimbursement

Non-occupant co-borrower income ([3.04.03](#))

Trailing co-borrower income

### 3.09.02a Temporary Leave: Short Term Disability, Maternity or Paternity Leave

If a borrower will be on temporary leave at the time of closing, and income from that borrower is needed to qualify, you must confirm employment and determine qualifying income.

Follow these MGIC guidelines:

- 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:
  - The regular employment income in the amount the borrower earned prior to the leave, or the borrower’s verified post-leave income, if different; OR
  - The temporary leave income the borrower is earning while on leave
- If the temporary leave income is insufficient, you may supplement this income with available liquid reserves divided by the number of months between the first mortgage payment due date and the return to work date
  - 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 = Verified 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

**Questions?** Contact your Underwriting Office, [mgic.com/uwoffice](http://mgic.com/uwoffice).

Example: Temporary Leave Income Received Until Return to Work		
Calculate available liquid reserves	\$16,000	Available liquid assets
	- \$12,000	Funds to close the mortgage and PITI reserves
	<b>\$4,000</b>	<b>Available liquid reserves</b>
Determine number of months	April 1	First payment date
	June 1	Date borrower will return to work
	<b>2 months</b>	<b>Number of months of supplemental income</b>
Calculate supplemental income	\$4,000	Available liquid reserves
	÷ 2	Number of months of supplemental income
	<b>\$2,000</b>	<b>Monthly supplemental income</b>
Calculate qualifying income	\$3,000	Monthly temporary leave income
	+ \$2,000	Monthly supplemental income
	<b>\$5,000</b>	<b>Monthly qualifying income</b>

## 3.10 Assets

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.

### 3.10.01 Borrower's Own Funds

Minimum borrower's own funds requirements, expressed as a percentage of the loan amount, vary by property type and loan amount (see our Underwriting Summaries, [3.02](#)). Our eligible asset type table ([3.10.04](#)) identifies acceptable sources for borrower's own funds that are used towards down payment, closing costs, pre-paid expenses and reserves.

### 3.10.02 Reserves

Our minimum reserve requirements vary by loan amount and other characteristics (see our Underwriting Summaries, [3.02](#)). Any asset eligible as a source for borrower's own funds or to complete the loan transaction is an acceptable source of reserves (see eligible asset type table, [3.10.04](#)).

<b>Reserves Calculation</b>		Funds remaining after loan closing
	÷	Monthly Housing Expense
		<b># Months of reserves</b>

### 3.10.03 Large Deposits

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

### 3.10.04 Eligible Asset Types

All assets in the following table are acceptable sources of funds for reserves (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 (3.10.01).

Follow [Agency guidelines and Agency selling guide documentation requirements](#) along with additional MGIC guidelines where noted below.

Asset type eligible for reserves and to complete the loan transaction	Also eligible to meet borrower's own funds requirements	Additional MGIC guidelines
1031 Exchange	x	
Bridge loan	x	
Bonds	x	
Borrower's real estate commission	x	
Business assets	x	
Cash on hand	x	
Cash value life insurance	x	
Certificates of deposit	x	
Checking accounts	x	
Community/pooled savings	x	See 3.10.04a
Disaster relief grants		
Earnest money deposit	x	
Employer assistance		
Gifts (cash and equity)	x	See 3.10.04b
Grants/Donations from entities		
Individual Development Account (IDA)	x	
Interested party contributions (IPCs)		See 3.10.04c
Lease purchase/Rent credit for option to purchase	x	
Lender contributions		
Lender incentives		
Money market accounts	x	
Mutual funds	x	
Real estate sale proceeds	x	
Retirement accounts	x	
Savings accounts	x	
Secured borrowed funds	x	Source of borrowed funds may not be from an interested party to the transaction
Sale of personal assets	x	

Stocks	✘	See Ineligible Asset Types (3.10.05) for exceptions
Subordinate financing (includes Community/Affordable Seconds as defined by the Agencies)		See 3.05.03
Sweat equity		See 3.10.04d
Trade equity	✘	
Trust accounts	✘	

### 3.10.04a Community Savings

Follow these MGIC guidelines:

- Only funds deposited by the borrower are eligible
- Verify funds via account statements or directly from the non-profit organization administering the program
- Consider future required contributions a monthly debt obligation when calculating the DTI ratio (3.12.01)

### 3.10.04b Gifts

Follow [Agency guidelines and Agency selling guide documentation requirements](#), MGIC Underwriting Summaries (3.02) and these guidelines:

- Gift funds are an eligible source of funds toward the minimum borrower's own funds requirement, subject to the following:

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: \$1,000,000</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>
If the donor has resided with the borrower for the most recent 12 months and intends to continue to do so:	<p>Provide:</p> <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>

### 3.10.04c Interested Party Contributions (IPCs)

Interested parties to the transaction may include, but are not limited to, the seller, builder/developer, real estate agent, broker or any other individual or entity that benefits from or can influence the subject property sale. The lender is not considered an interested party unless they are affiliated with the builder/developer or property seller.

Follow MGIC Underwriting Summaries (3.02) and these guidelines:

- IPCs are limited to:
  - Normal and customary closing costs, prepaid items not to exceed the actual amount
  - Payment of interest rate buydowns



- Deduct excessive IPCs and other incentives, such as sales concessions (e.g., cash, furniture, decorator allowance) from the sales price and recalculate the LTV and CLTV to determine eligibility and premium rates
- **Ineligible:** Transactions with payment abatements

#### 3.10.04d Sweat Equity

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

- Purchase of a primary residence only
- Maximum sweat equity credit: 5% of the property value
- Borrower must have the skill to perform the work (for example, a borrower who is a licensed electrician may complete electrical work)
- Borrower-completed work must be outlined in the building contract or its equivalent

#### 3.10.05 Ineligible Asset Types

The following types of assets are **ineligible** for down payment, closing costs, prepaid expenses and reserves, or to complete the transaction:

- Cash-out refinance proceeds
- Credit card advances or financing
- Funds held in foreign countries or foreign accounts
- Health Savings Accounts (HSA)
- Salary advance
- Certain types of stock:
  - Non-vested options
  - Non-vested restricted stock units
  - Companies not listed on a public exchange or marketplace
- Assets in a minor/custodial account
- Unsecured loans, other than those as part of an Employer Assistance Program
- Prorated real estate taxes

### 3.11 Credit

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

#### 3.11.01 Credit Report

Follow these MGIC guidelines:

- 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

### 3.11.02 Credit Score

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

Follow our Underwriting Summaries (3.02) 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 (3.11.03)
  - When no borrower on a loan has a valid credit score, follow Underwriting Guidelines for nontraditional credit (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 (3.11.03)
    - For borrowers without a valid credit score, follow Underwriting Guidelines for nontraditional credit (3.11.04)
    - A borrower with no valid score is not considered in determining the Representative Credit Score

### 3.11.03 Traditional Credit

Follow these MGIC guidelines:

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

### 3.11.04 Nontraditional Credit

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 Underwriting Summaries (3.02) and these MGIC guidelines:

- Borrowers must establish a nontraditional credit profile including 3 or more open and active, documented credit references as detailed in our guidelines below, 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: \$1,000,000
  - Requires non-delegated underwriting (1.08)
- 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

#### 3.11.04a Nontraditional Credit Profiles

Follow these MGIC guidelines:

- 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>	<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>

### 3.11.05 Adverse Credit Events and Payment History

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.

Follow these MGIC guidelines:

- **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
- **Collections, charge-offs, judgments, liens:** Must be paid in full at or prior to closing
- **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
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
Consumer Credit Counseling Service (CCCS)*	Purchase, Rate/Term 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

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

### 3.11.05a Re-Established Credit

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

### 3.11.06 Disputed Tradelines/Erroneous Credit

When a credit report indicates 1 or more disputed or erroneous tradelines, follow these MGIC guidelines:

- To omit a disputed obligation from consideration, you must obtain a written explanation from the borrower and direct written documentation from the creditor showing the disputed credit report data is erroneous or inaccurate
- If there is no evidence to support omission of an obligation, it must be included in the total monthly debt

### 3.11.07 Credit Freezes

Follow these MGIC guidelines:

- If a borrower has a credit freeze, you must access their credit report to determine their credit profile ([3.11.01](#))

### 3.11.08 No Credit

Borrowers who have no financial obligations documented through either traditional or nontraditional credit are **ineligible**.

## 3.12 Liabilities and Debts

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

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 ([3.12.03](#))
- Total Monthly Gross Income = The sum of all income from eligible sources

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

DTI Ratio %

Follow these MGIC guidelines:

- Our maximum DTI ratios vary by occupancy, loan type, loan amount and other characteristics (see our Underwriting Summaries, [3.02](#))
- 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

### 3.12.02 Monthly Housing Expense

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 ([3.05.03](#))

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

### 3.12.03 Monthly Debt Obligation

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 [3.12.03a](#) for certain exclusions)
- Unreimbursed business expenses

### 3.12.03a Exclusion of Certain Student Loan Payments

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

### 3.12.03b Payoff or Paydown of Debt to Qualify

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.

Follow these MGIC 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

## 3.13 Property Types and Considerations

### 3.13.01 General Property Eligibility

Follow these MGIC guidelines:

- All properties must be:
  - Located within the US, the District of Columbia, Guam or Puerto Rico
  - Attached, detached or semi-attached
  - Held in fee simple or leasehold estate
  - Meet the guidelines outlined in the sections below and in our Underwriting Summaries, [3.02](#)

### 3.13.02 Special Markets

We continuously monitor internal and external data to evaluate markets nationwide. At any given time, individual market conditions may require consideration that expands or limits the Underwriting Guidelines 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 [mgic.com/guides](http://mgic.com/guides).

### 3.13.03 1-Unit Detached

*A single-family property not attached to other units. May include, but is not limited to, homes on individual lots, modular homes, factory-built or prefabricated homes, properties located in a planned unit development (PUD) and site condos.*

Follow our Underwriting Summaries (3.02) and general property guidelines (3.13.01).

### 3.13.04 1-Unit Attached

*One of a series of single-family homes connected by common sidewalls forming a continuous group, such as a townhome or row house. Each unit may or may not be subject to the bylaws of a homeowners association (HOA).*

Follow our Underwriting Summaries (3.02) and general property guidelines (3.13.01).

### 3.13.05 Condominium

*A unit in a condominium project whereby each unit owner has title to their individual unit, an individual interest in the project's common areas and sometimes exclusive use of certain limited common areas.*

Follow our Underwriting Summaries (3.02) as well as the following MGIC guidelines. Calculate tolerances and limitations using all units complete or under construction.

- Commercial space limits
  - Projects ≤ 10 units: 0%
  - Projects > 10 units: 20%
- Single-entity ownership limits
  - 2- to 4-unit projects: 1 unit
  - 5- to 20-unit projects: 2 units
  - Projects > 20 units: 10%
- Investor concentration limits
  - Projects < 4 units: 0%
  - Projects ≥ 4 units: 30%
- New projects (those that are not 100% complete, where less than 90% of the units are sold and conveyed to individual owners and the HOA is still in the developer's control)
  - A minimum 50% of units in a project must be sold and conveyed or under contract for use as a primary residence or second home



- 2- to 4-unit projects
  - Must be 100% complete
  - Without an HOA, including monthly maintenance fees, require a binding arbitration agreement or as required by state law
  - Require non-delegated underwriting (1.08)
- Conversions require 100% completion of all units and common elements
- HOA budget must provide for:
  - Deferred maintenance of at least 10% of current budget
  - Replacement reserves for capital improvements
  - Insurance deductibles
- MGIC maximum exposure: 33% of the total sold units in a project
- Review and retain in the mortgage loan file:
  - All project information you relied on to review the project
  - A project questionnaire completed by the HOA or its Authorized Representative
- **Ineligible:**
  - Condo hotels
  - Timeshare, fractional or segmented ownership
  - Manufactured housing units
  - Houseboats
  - Continuing-care facility
  - 15% or more of units have delinquent HOA fees exceeding 60 days
  - Projects with:
    - Environmental issues
    - Litigation impacting construction-related defects impacting habitability, structural integrity or safety
    - Reserve study or current budget inadequate to fund current budget or replacement reserves
    - 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

### 3.13.06 Cooperative Share Properties (Co-Ops)

*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.*

Follow [Agency guidelines and Agency selling guide documentation requirements](#) along with MGIC Underwriting Summaries (3.02) and general property guidelines (3.13.01).

### 3.13.07 2-Unit

Follow MGIC Underwriting Summaries (3.02), general property guidelines (3.13.01) and these additional guidelines:

- Property must be legally permissible as a 2-family residence according to local zoning requirements
- A single dwelling with 2 separate living spaces must have:
  - Separate entrances for each unit
  - Public utilities metered separately for each unit
- A 2-unit property consisting of 2 separate dwellings on a single parcel
  - Must have a single tax key
  - Each dwelling considered suitable for year-round occupancy
  - Supported by Appraisal Form 1025/72 with at least 2 sales sharing the same functionality dated within 12 months of appraisal date

### 3.13.08 Manufactured Home

Follow MGIC Underwriting Summaries (3.02), general property guidelines (3.13.01) and these additional guidelines:

- The manufactured home must:
  - Be classified as real property and held fee simple only
  - Be double-wide or greater
  - Have wheels, axles and hitch removed
  - Be attached to a permanent foundation system, and meet local and state codes and the manufacturer’s installation requirements
  - Not have been moved from a different location other than the dealer or manufacturer’s place of business
  - Have the appearance, characteristics and functional utility of a site-built home
  - Be permanently connected to public or private utilities and considered suitable for year-round occupancy
  - Have a HUD Data Plate and HUD Certification label affixed and clearly visible in an accessible location, or an alternative IBTS letter
- Must be identified to MGIC as a manufactured home regardless of the property’s designation as eligible for Fannie Mae MH Advantage or Freddie Mac HOMEChoice
- Appraisal requirements
  - Form 1004C/70B or full URAR
  - Comparables should include at least 2 manufactured home sales
  - Value may not include nonrealty items
- **Ineligible**
  - Single-wide
  - Leaseholds
  - Condos
  - Co-Ops
  - Term over 30 years

### 3.13.09 Rural Properties

Follow these MGIC guidelines:

- We'll consider rural properties under the same conditions as those located in suburban or urban locations when:
  - The appraiser deems the property's best use as residential
  - No income derived from the property is used for qualifying
- Properties with more than 20 acres:
  - Maximum loan amount: \$1,000,000
  - Land value may not exceed 50% of the total value
  - Require non-delegated underwriting (1.08)
- For properties accessed by a private road, see 3.13.11c

### 3.13.10 Unique Property Types

**Ineligible:** Properties with nontraditional design (e.g., earth berm, geodesic, straw bale, constructed from a box car or shipping container).

### 3.13.11 Special Property Considerations

#### 3.13.11a Accessory Unit

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

#### 3.13.11b Community Land Trust

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

#### 3.13.11c Community-Owned or Privately Maintained Roads

Follow these MGIC guidelines:

- We'll consider properties subject to a legally enforceable agreement or covenant that outlines the terms, conditions and responsibilities for the care and maintenance of a community-owned or privately maintained road
  - The agreement should be recorded in local land records
  - For states that have statutory legislation that govern these situations, no separate agreement or covenant is needed
- Owners must have unlimited and unrestricted use

#### 3.13.11d Leaseholds

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

#### 3.13.11e Mixed-Use

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

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

#### 3.13.11f Multiple Parcels

*Mortgaged property consists of more than one parcel of real estate*

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

### 3.13.11g Properties with Deed Restrictions

We'll consider mortgages secured by properties subject to deed restrictions that vary in type (e.g., income limits, initial sales price, maximum resale price) and duration (e.g., terminate upon foreclosure, a deed in lieu of foreclosure or expiration of a redemption period).

Follow these MGIC guidelines:

- The property must be a primary residence
- The provider or sponsor of the deed restriction must be one of the following:
  - Non-profit
  - Church
  - Employer
  - University
  - Municipality
  - Entity that administers a government sponsored subsidy program
- The appraisal report must note the existence of any deed restriction and address any impact the restrictions have on the property's value and marketability
- Restrictions must be documented
- Resale restrictions that survive foreclosure require non-delegated underwriting (1.08)
- Use MGIC LTV/CLTV/HCLTV calculation methodology (3.05.01) to determine eligibility and premium rate

### 3.13.11h Solar Panel Equipment

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

### 3.13.11i Utilities

Follow this MGIC guideline:

- Utilities must be common, customary and meet market standards

## 3.13.12 Compliance with Law

Follow these MGIC guidelines:

- 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
- We may consider a property that does not comply in certain situations (e.g., it may not meet current local zoning requirements or is considered a legal non-conforming improvement due to ordinance changes since the property was constructed), in which case:
  - In the appraisal report, the appraiser should address any issue that impacts the marketability or market value of the subject property
  - The appraiser should provide at least 2 comparable sales with similar features or functional obsolescence

## 3.14 Appraisals and Property Valuation

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.

### 3.14.01 Property Valuation

You are responsible for:

- The value as represented in the MI application
- Ensuring the property securing the loan is sufficient collateral
- Ensuring the property has no physical damage or environmental impairment at time of application

The market value should represent the most likely price the property would sell for when:

- The property is exposed to an open and competitive market for a reasonable amount of time
- The transaction is not subject to undue influence by any interested parties to the transaction by financial considerations or other similar incentives
  - This does not include costs traditionally paid by the seller in the market
- The buyer and seller are all motivated, informed and acting in their own best interest

### 3.14.02 Appraisal Guidelines

Follow these MGIC guidelines:

- You must obtain an appraisal to establish the property's value
- You are responsible for:
  - Ensuring the correct appraisal report is used ([3.14.02b](#))
  - Selection and monitoring of qualified appraisers
  - Ensuring the appraiser has used sound reasoning and judgment when developing their opinion of market value
  - Ensuring the appraisal form used complies with Federal Finance Housing Authority (FHFA) Appraisal Independence Requirements
  - Confirming and documenting the owner of the subject property based on publicly available information
  - Disclosing to the appraiser all information about the property:
    - Condo or PUD fees
    - Non-realty items included
    - Environmental hazards at the property location or in the vicinity of
    - Soundness or structural integrity
    - Any items that impact safety
  - Disclosing all financing and sales concessions that have been granted by anyone associated with the transaction
- An appraiser must:
  - Describe the property and neighborhood factually and in specific terms

- Consider all factors that may impact marketability or value
- Be objective and unbiased in their opinion of market value
- Complete the report according to the Uniform Standards of Professional Appraisal Practice (USPAP)
- Legibly include their name, firm name if applicable, and state license number in the required field on the report
- Appraisals completed as anything other than as-is will be considered per the appraiser's recommendations indicated in the reconciliation portion of the appraisal report
- If we require more than 1 appraisal or a field review in addition to an appraisal, the lowest value reported will be considered the property value
- Appraisals must have a condition rating C4 or better
- Appraisals must have a quality rating Q5 or better

See our Rescission Relief Guide, [mgic.com/gold-cert](https://mgic.com/gold-cert), for complete Valuation Defect Rescission Relief information (RRG 2.02).

### 3.14.02a Appraisal Report Assessment

When reviewing the appraisal report, evaluate the following factors, when applicable, to determine if the subject property is sufficient collateral:

- If a sales comparison approach was used, the report contains at least 3 sales considered comparable to the subject property in terms of size, room count, condition, location, etc.
- The prior listing and sales history of the property and prior sales activity of the comparable sales used
- Presence of large adjustments lacking adequate justification from the appraiser
- Adjustments attributed to furniture, fixtures or other personal property
- Appraiser's evaluation of a leasehold agreement and its impact on value and marketability
- Opinion of value falls outside of the neighborhood price range, or is at the high end or low end of the range
- Non-compliant with current zoning use
- Adverse site conditions, easements, environmental issues
- Presence of special assessments
- Construction features or design not typical for the area
- Rural properties:
  - Considered residential
  - Readily accessible via a public, community-owned or privately maintained street
  - No undesirable influences in the immediate area that may affect value
- Adverse market conditions, such as declining property values, oversupply of housing or residential property marketing periods greater than 6 months
- Structural or other physical impairments not easily cured when the report is completed as-is

### 3.14.02b Appraisal Report Forms and Exhibits

Follow these MGIC guidelines:

- The property appraisal must use the most recent form available applicable to the property type:

Fannie Mae/ Freddie Mac Form Number	Appraisal Report Name	Property and Inspection Type
1004/70	Uniform Residential Appraisal Report	<ul style="list-style-type: none"> <li>- 1-unit detached properties including PUDs and Detached/Site Condos</li> <li>- Interior and exterior inspections</li> </ul>
2055/2055	Exterior-Only Inspection Residential Appraisal Report	<ul style="list-style-type: none"> <li>- 1-unit detached properties including PUDs</li> <li>- Exterior inspections</li> </ul>
1004C/70B	Manufactured Home Appraisal Report	<ul style="list-style-type: none"> <li>- Manufactured home</li> <li>- Interior and exterior inspections</li> </ul>
1073/465	Individual Condominium Unit Appraisal Report	<ul style="list-style-type: none"> <li>- 1-unit properties in condo projects</li> <li>- Interior and exterior inspections</li> </ul>
1075/466	Exterior-Only Inspection Individual Condominium Unit Appraisal Report	<ul style="list-style-type: none"> <li>- 1-unit properties in condo projects</li> <li>- Interior and exterior inspections</li> </ul>
2090	Individual Cooperative Interest Appraisal Report	<ul style="list-style-type: none"> <li>- 1-unit properties in co-op projects</li> <li>- Exterior inspections</li> </ul>
2095	Exterior-Only Inspection Individual Cooperative Interest Appraisal Report	<ul style="list-style-type: none"> <li>- 1-unit properties in co-op projects</li> <li>- Interior and exterior inspections</li> </ul>
1025/72	Small Residential Income Property Appraisal Report	<ul style="list-style-type: none"> <li>- 2- to 4-unit properties</li> <li>- Interior and exterior inspection</li> </ul>
1004D/442	Appraisal Update and/or Completion Report	Updates and/or completion reports

- An acceptable appraisal will also include supporting exhibits such as, but not limited to:
  - A building sketch including dimensions and calculations to support those represented within the report
  - Appraisal update or completion report
  - Interior and exterior photos
  - Single family comparable rent schedule
  - Street map

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