



PUERTO RICO  
UNDERWRITING SUMMARY

EFFECTIVE  
MAY 21, 2019

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

**Where this summary's requirements vary from our Underwriting Guide, the summary's requirements apply.**

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

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

**MGIC Go! streamlines MI for:**

- Loans with a valid DU Approve/Eligible or Accept/Eligible response

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

Follow Findings/Feedback requirements for:

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

Apply applicable MGIC Go! overlays (p. 3 in this document); otherwise, refer to the respective Agency seller guide for requirements not provided in the Findings/Feedback.

**Requirements for Standard Loans apply to:**

- All other loans with a valid DU Approve or Loan Product Advisor Accept response
- Loans not processed through an Agency AUS

These loans must meet requirements stated in All Loans (UWG Section 1) and Standard Loans (UWG Section 3).

For Standard Loans with a valid DU Approve or Loan Product Advisor Accept response, follow the respective Agency AUS documentation requirements for employment, income and assets.

**REFERENCES**

Throughout this summary, we will refer you to supporting information in our Underwriting Guide. For example, (UWG 2.06) means you will find related information in Section 2, subsection 6 of the Guide. Changes from the previous version are indicated in **green**.

**SUPPORT**

If you have questions about information presented in this summary, contact the MGIC-Puerto Rico Underwriting Service Center, (787) 765-6545 or:

- [ivonne\\_rodriquez-colon@mgic.com](mailto:ivonne_rodriquez-colon@mgic.com)
- [lorena\\_ortiz-valle@mgic.com](mailto:lorena_ortiz-valle@mgic.com)

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## PUERTO RICO MGIC GO! STREAMLINED MI – PRIMARY RESIDENCE AND SECOND HOME

FOR LOANS WITH A VALID DU APPROVE/ELIGIBLE OR A LOAN PRODUCT ADVISOR ACCEPT/ELIGIBLE RESPONSE, FOLLOW FINDINGS/FEEDBACK REQUIREMENTS FOR:

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

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

### DU Approve/ELIGIBLE or Loan Product Advisor Accept/ELIGIBLE Response

Occupancy	Loan Purpose	Units	Max. LTV/CLTV	Min. Credit Score
Primary Residence	Purchase, Construction-Permanent	1	95%	700
		2	95%	700
	Rate/Term Refinance, Construction-Permanent	1	90%	700
		2	90%	700
Second Home	Purchase, Rate/Term Refinance, Construction-Permanent	1	90%	700
Submission Options	Loans require an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)			
Loan Type	<ul style="list-style-type: none"> <li>• Fully amortizing ARM with an initial term of 5 years or more</li> <li>• Ineligible: Balloon, interest-only</li> </ul>			
Minimum Credit Score	<ul style="list-style-type: none"> <li>• Use the lowest Borrower Indicator Score (Representative Credit Score) among all borrowers with an Agency-acceptable credit score to determine eligibility and premium rates. See UWG 2.03</li> <li>• If no borrower has an Agency-acceptable credit score: <ul style="list-style-type: none"> <li>- Follow the respective Agency's requirements for nontraditional credit; see UWG 2.03.03</li> <li>- The loan must receive a DU Approve/Eligible or Loan Product Advisor Accept/Eligible response to be Go!-eligible</li> </ul> </li> </ul>			
Property Type	<ul style="list-style-type: none"> <li>• Condominiums must meet all MGIC project requirements (UWG 3.12.04c) <ul style="list-style-type: none"> <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> </ul> </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>• Ineligible: Manufactured homes, nonwarrantable projects, investment properties, 3- to 4-unit properties, co-ops, wood-and-zinc properties; studio or efficiency apartments</li> </ul>			
Borrower Contribution	<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>			
DTI Ratio	<p>45% Total DTI</p> <p>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>			
Program Notes	<ul style="list-style-type: none"> <li>• Loans must follow UWG Section 1 and Section 2 requirements</li> <li>• Information you submit to MGIC must be consistent with the final Agency AUS response</li> <li>• Lender-negotiated waivers or variances require MGIC approval, with the exception of these pre-approved programs: Fannie Mae Homestyle® Renovation Mortgages, affordable housing secondary financing</li> <li>• Maximum MI coverage – 95% LTV, 30%; 90% LTV, 25%; 85% LTV, 12%</li> <li>• Ineligible: <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>- DU Refi Plus™ and Freddie Mac Relief Refinance Mortgage<sup>SM</sup> — Open Access loans</li> <li>- Borrowers who already have the maximum number of MGIC-insured loans (1.03.04) or who have had a loan where MGIC paid or denied a claim (UWG 1.06.03)</li> </ul> </li> </ul> <p>*Subject to MGIC underwriter discretion</p>			

## PUERTO RICO – PRIMARY RESIDENCE

FOR LOANS NOT ELIGIBLE FOR PUERTO RICO MGIC GO! STREAMLINED MI.  
SEE MGIC.COM/UWGUIDE FOR ADDITIONAL CRITERIA.

Loan Purpose	Property Type	Units	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums	1	95%	\$500,000	700
		2	95%	\$700,000	700
Rate/Term Refinance, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums	1	90%	\$700,000	700
		2	90%	\$700,000	700
Documentation	Complete Loan Origination File (UWG 1.06.03)				
Submission Options	Loans require an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)				
Loan Type	<ul style="list-style-type: none"> <li>• Fixed-rate</li> <li>• Fully amortizing ARM with an initial term of 5 years or more and maximum initial cap of 5%</li> <li>• Balloon with an initial term of 5 years or more</li> <li>• Temporary buydown</li> <li>• Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am</li> </ul>				
Loan Purpose	<ul style="list-style-type: none"> <li>• See eligible loan purposes above</li> <li>• Ineligible: Cash-out refinance</li> </ul>				
Minimum Credit Score	<ul style="list-style-type: none"> <li>• Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02</li> <li>• When no borrower has a valid credit score, see UWG 3.10.02b <ul style="list-style-type: none"> <li>– Qualifying with nontraditional credit: Maximum 90% LTV/CLTV; see UWG 3.10.04</li> </ul> </li> </ul>				
Property Type	<ul style="list-style-type: none"> <li>• Condominiums must meet all MGIC project requirements (UWG 3.12.04c) <ul style="list-style-type: none"> <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> </ul> </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>• Ineligible: Manufactured homes, investment properties, 3- to 4-unit properties, co-ops, wood-and-zinc properties; studio or efficiency apartments</li> </ul>				
Borrower Contribution	<ul style="list-style-type: none"> <li>• Minimum 3% borrower's own funds toward the down payment, closing costs, prepaids and reserves</li> </ul>				
Reserves	<ul style="list-style-type: none"> <li>• Minimum 2 months' PITI</li> </ul>				
Seller/Builder Contribution	<ul style="list-style-type: none"> <li>• Maximum contribution: 95% LTV/CLTV, 3%; 90% LTV/CLTV, 6%</li> </ul>				
DTI Ratio	<ul style="list-style-type: none"> <li>• 41% Total DTI, nonfixed-rate/payment &lt; 5 years</li> <li>• 45% Total DTI, fixed-rate/payment ≥ 5 years</li> </ul> <p>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>				
Program Notes	<ul style="list-style-type: none"> <li>• Maximum MI coverage – 95% LTV, 30%; 90% LTV, 25%; 85% LTV, 12%</li> </ul>				

## PUERTO RICO – SECOND HOME

FOR LOANS NOT ELIGIBLE FOR PUERTO RICO MGIC GO! STREAMLINED MI.  
SEE MGIC.COM/UWGUIDE FOR ADDITIONAL CRITERIA.

Loan Purpose	Property Type	Units	Max. LTV/CLTV	Max. Loan Amount	Min. Credit Score
Purchase, Rate/Term Refinance, Construction-Permanent, Home Improvement	Detached, Attached, Condominiums	1	90%	\$500,000	700
Documentation	Complete Loan Origination File (UWG 1.06.03)				
Submission Options	Loans require an MGIC MI Underwrite/Full-Doc Review (UWG 1.06.03)				
Loan Type	<ul style="list-style-type: none"> <li>• Fixed-rate</li> <li>• Fully amortizing ARM with an initial term of 5 years or more</li> <li>• Balloon with an initial term of 5 years or more</li> <li>• Temporary buydown</li> <li>• Ineligible: Interest-only, GPM, scheduled neg-am, potential neg-am</li> </ul>				
Loan Purpose	<ul style="list-style-type: none"> <li>• See eligible loan purposes above</li> <li>• Ineligible: Cash-out refinance</li> </ul>				
Minimum Credit Score	<ul style="list-style-type: none"> <li>• Use the lowest of all Borrower Indicator Scores — the lower of 2 or middle of 3 valid credit scores for each borrower. See UWG 3.10.02</li> <li>• Ineligible: When no borrower has a valid credit score, see UWG 3.10.02b</li> </ul>				
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>- Be suitable for year-round occupancy</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> <li>- Be located in a resort or recreational area</li> </ul> </li> <li>• Condominiums must meet all MGIC project requirements (UWG 3.12.04c) <ul style="list-style-type: none"> <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> </ul> </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>• Ineligible: Manufactured homes, investment properties, 2- to 4-unit properties, co-ops, wood-and-zinc properties; studio or efficiency apartments</li> </ul>				
Borrower Contribution	Minimum 10% borrower's own funds toward the down payment, closing costs, prepaids and reserves				
Reserves	Minimum 2 months' PITI				
Seller/Builder Contribution	Maximum contribution: 3%				
DTI Ratio	<ul style="list-style-type: none"> <li>• 41% Total DTI, nonfixed-rate/payment &lt; 5 years</li> <li>• 45% Total DTI, fixed-rate/payment ≥ 5 years</li> </ul> <p>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>				
Program Notes	<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> <li>• Maximum MI coverage: 90% LTV, 25%; 85% LTV, 12%</li> </ul>				

# UNDERWRITING CRITERIA

## Mortgage Insurance Premium Plans

### Borrower-Paid Monthly Premiums

- When monthly premiums are cancelled, the monthly mortgage payment is reduced by the amount of the MI premium
- Coverage is provided through the date MI is cancelled
- Borrowers pay \$0 at closing
- Borrowers pay monthly as part of their mortgage payment; MGIC bills the lender for premium due
- Coverage can be cancelled based on investor requirements or under the Homeowners Protection Act of 1998 (HPA)
- A refundable option is available with a slight premium adjustment; refunds are prorated
- If coverage is cancelled or terminated under the HPA, unearned premium is refunded

### Borrower-Paid Single Premiums

- Coverage is provided until scheduled amortization reaches 78% of original value, unless coverage has been previously cancelled, but coverage will continue for any existing default
- The borrowers or a third party, such as a builder or a seller, pays a one-time, single payment at closing or the borrowers can finance into the loan amount
- Coverage can be cancelled based on investor requirements or under the Homeowners Protection Act of 1998 (HPA)
- When coverage is cancelled under the HPA, non-refundable single premiums are refunded based on our HPA refund schedules, [mgic.com/rates/refunds.html](http://mgic.com/rates/refunds.html)

## Mortgage Insurance Submission Options (UWG 1.06.03)

### MGIC MI Underwrite/Full-Doc Review

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

#### Submission Documents

- Submit documentation as required in UWG [Section 2](#) or [Section 3](#), including the following:
- MGIC Mortgage Insurance Application
- Agency AUS Findings/Feedback Report, if applicable
- 1008/1077 Uniform Underwriting and Transmittal Summary
- 1003/65 Original loan application
- Credit report and all other credit documentation, including Verification of Rent (VOR) or Verification of Mortgage (VOM)
- Income and employment verification for all borrowers
- Asset verification for all borrowers
- Appraisal, including all addenda, attachments, schedules, photographs and other information included by the appraiser
- Sales contract or equivalent
- Loan approval notes
- Underwriting and processing notes
- Any other document used in the underwriting process not listed above

# UNDERWRITING CRITERIA

## Documentation Age (UWG 3.06)

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

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

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

## Loan Purpose

**Purchase Loan (UWG 3.03.01)** – A loan whose proceeds are used to acquire a residential property

Eligible uses for loan proceeds include:

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

Ineligible: Cash back to any borrower

**Rate/Term Refinance (UWG 3.03.02)** – Payoff of an existing mortgage using proceeds from a new mortgage and using the same property as security. An ownership interest must exist.

Eligible uses for loan proceeds include:

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

*continued*

# UNDERWRITING CRITERIA

## Loan Purpose *continued*

### Ineligible:

- Borrowers are paying off a short-term refinance drawn within the past 6 months that combined a first mortgage and nonpurchase-money second lien
- Payoff of an existing loan that was restructured within the last 4 years

**Construction-Permanent Loan (UWG 3.03.04a)** Construction-permanent transactions may be structured as either a single-close (aka "one-time close /OTC") or a "two-time close" with 2 separate closings.

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

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

### Underwriting Requirements

- Eligible property types:
  - 1-unit, single-family detached
  - 2-unit
- Indicate the loan purpose as construction-permanent to receive a 12-month Commitment/Certificate. See UWG 1.01.05c regarding extension requests
- See UWG 1.01.05a regarding activation options

### Single-close transaction

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

### Two-time close transaction

- We require a mortgage insurance application reflecting permanent financing under a two-time close scenario.
- Follow the underwriting and documentation requirements for a:
  - Rate/term refinance (UWG 3.03.02)
  - Cash-out refinance (UWG 3.03.03)



# UNDERWRITING CRITERIA

## Borrower

### Borrower Eligibility (UWG 1.03)

Each borrower must:

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

### Borrower Contribution (UWG 3.09.03)

Borrowers must meet the Minimum Borrower Contribution Requirement toward the down payment, closing costs, prepaids and reserves from their own funds or certain other eligible sources upon meeting Underwriting Requirements.

#### Gift Funds (UWG 3.09.04i)

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

#### Documentation Requirements

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

## Credit

### Credit Report (UWG 3.10.01)

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

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

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

# UNDERWRITING CRITERIA

## Credit *continued*

### Credit Score (UWG 3.10.02)

**Credit Score** – A numerical rating representing a borrower’s credit history, provided by a national credit repository

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

**Borrower Indicator Score** – The borrower credit score used to determine the Representative Credit Score (UWG 3.10.02b)

- 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

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

- When all borrowers have a valid credit score:
  - Follow Underwriting Requirements for traditional credit (UWG 3.10.03)
  - Use the lowest of all Borrower Indicator Scores as the Representative Credit Score
- When 1 or more borrowers have a valid credit score, but 1 or more co-borrowers do not:
  - For borrowers with a valid credit score:
    - Follow Underwriting Requirements for traditional credit (UWG 3.10.03)
    - Use the lowest of all Borrower Indicator Scores as the Representative Credit Score, regardless of whether the co-borrower has a credit score
  - For borrowers without a valid credit score, follow Underwriting Requirements for nontraditional credit (UWG 3.10.04)
- When no borrower has a valid credit score:
  - Follow Underwriting Requirements for nontraditional credit (UWG 3.10.04)
  - Nontraditional credit premium rates apply
  - The file requires an MGIC MI Underwrite/Full-Doc Review (UWG 1.05.03)

### Traditional Credit (UWG 3.10.03)

**Traditional Credit** comprises recurring financial obligations reported to a credit reporting agency

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

### Nontraditional Credit (UWG 3.10.04)

**Nontraditional Credit** comprises recurring financial obligations not reported to a credit reporting agency

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

# UNDERWRITING CRITERIA

**Credit** *continued*

**Nontraditional Credit**  
(UWG 3.10.04) *continued*

**Acceptable Sources of Nontraditional Credit**

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

**Adverse Credit**  
(UWG 3.10.05)

**Bankruptcy**

- For purchase loans and rate/term refinances:
  - Chapter 7 bankruptcy was discharged or dismissed 4 years prior to loan application
  - Chapter 13 bankruptcy was filed 4 years prior to loan application and discharged or dismissed 2 years prior
- Re-established credit (UWG 3.10.06)

**Consumer Credit Counseling Service (CCCS)**

- Counseling must be completed 12 months prior to loan application

**Disputed Accounts**

For disputed accounts with an outstanding balance: Include the monthly payment in the total monthly debt, unless there is evidence the borrower is not liable

**Foreclosure/Deed in Lieu of Foreclosure/Short Sale/Restructured Loans**

- For purchase loans: The foreclosure, deed in lieu, short sale or restructured loan was discharged/completed/restructured 4 years prior to loan application
- For rate/term refinances:
  - The foreclosure, deed in lieu, short sale or restructured loan was discharged/completed/restructured 4 years prior to loan application

**Judgments/Garnishments/Liens**

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

**Late Payments**

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

**Housing — Mortgage and/or Rent**

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

**Revolving and Installment Credit**

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

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

## UNDERWRITING CRITERIA

### Credit *continued*

#### **Adverse Credit (UWG 3.10.05)** *continued*

#### **Re-Established Credit (UWG 3.10.06)**

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

### Debt

#### **Debt-to-Income (DTI) Ratio (UWG 3.07)**

See Summary tables above for program requirements.

**DTI Calculation** – The sum of the borrowers' total monthly obligations divided by their total monthly gross income

**Total Monthly Obligations Calculation** – The sum of the proposed monthly housing expense and the total of all other monthly liabilities and debt

#### **Proposed Monthly Housing Expense Calculation\***

Use the sum of:

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

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

#### **Total of all Other Monthly Liabilities and Debts Calculation**

Use the sum of all other liabilities and debts:

- Installment debts with more than 10 monthly payments remaining (UWG 3.11.04)
- Installment debts with 10 or fewer monthly payments remaining if the debt materially affects the borrower's ability to pay (UWG 3.11.04)
- Expected monthly payment after end of deferment, for deferred installment debt/student loans
- Student loans (UWG 3.11.04) (deferred, forbearance or repayment):
  - Use the verified monthly payment from the credit report or other documentation, including the income-based repayment (IBR) approval letter
  - If the monthly payment is not verified on the credit report or other documentation, use 1% of the outstanding loan balance
  - You may exclude student loan payments from the total monthly obligation under the following conditions:
    - Payment will be deferred for a minimum of 12 months after the loan closing date, and
    - The borrower responsible for the debt is in one of the following professions:
      - Medical Resident
      - Medical Doctor
      - Doctor of Dental Science
      - Doctor of Dental Medicine or Surgeon
      - Doctor of Optometry
      - Doctor of Ophthalmology

# UNDERWRITING CRITERIA

## Debt *continued*

### Debt-to-Income (DTI) Ratio (UWG 3.07) *continued*

See Summary tables above for program requirements.

- Doctor of Pediatric Medicine
- Doctor of Osteopathy
- Revolving accounts with an outstanding balance (UWG 3.11.11)
- Lease payments, regardless of the number of months remaining on the lease (UWG 3.11.06)
- Alimony/child/family support payments with more than 10 months remaining (UWG 3.11.01)
- Payments for other recurring monthly liabilities
- Net loss on rental properties (UWG 3.08.04)
- Housing-related expenses for other real estate owned (UWG 3.11.09)

### Payoff or Paydown of Debt

- Revolving or open account payments (UWG 3.11.11, 3.11.08)
  - Borrowers cannot pay down accounts to qualify
  - Borrowers can pay the account in full and close it to exclude the debt from their total monthly obligation
- Installment account payments (UWG 3.11.04)
  - Borrowers can pay the account in full
  - Borrowers can pay the account down to 10 or fewer monthly payments
    - Exclude the payments from total monthly obligations if debt does not materially affect the borrower's ability to pay

### Total Monthly Gross Income Calculation

- Use the sum of all eligible sources of qualifying income
- Subtract unreimbursed, job-related expenses (UWG 3.11.05)

### Nonoccupant Co-Borrower DTI

- The occupant-borrower's DTI ratio may not exceed the maximum, after excluding the nonoccupant co-borrower's income and liabilities

## Income & Employment (UWG 3.08)

### Documentation Requirements (UWG 3.08)

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

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

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

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

### Employment Income (UWG 3.08.01)

See UWG 3.08.01 for a complete list of eligible sources of employment income.

### For all employment income

- Minimum 2-year employment history
  - 12- to 24-month income histories will be considered if the loan application demonstrates positive factors that reasonably offset the shorter history:
- When the earnings trend is level or increasing (and the increase is reasonable), use standard calculations based on the income types below
- When the earnings trend is decreasing, use the current income
- Analyze income and employment to determine stability and likelihood of continuance

# UNDERWRITING CRITERIA

## Income & Employment *continued*

### Employment Income (UWG 3.08.01)

See UWG 3.08.01 for a complete list of eligible sources of employment income.

### Base Salary/Wages (UWG 3.08.01a)

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

#### Documentation Requirements

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

### Commission (UWG 3.08.01c) – Compensation based on a percentage of goods or services sold

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

#### Documentation Requirements

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

### Self-Employed Income (UWG 3.08.02)

For borrowers with 25% or more ownership interest in a business

- Minimum 2-year self-employment history
- Business income must be stable or increasing
- For borrowers with Schedule K-1 income/loss:
  - Minimum 2-year history of K-1 cash distribution or
  - The business's liquidity must be adequate to support withdrawals/distributions and its income must be stable or increasing with the likelihood of continuance
- Calculate monthly gross income using the 2-year monthly average

#### Documentation Requirements

Self-employed income analysis worksheet

- Most recent 2 years' signed, personal federal tax returns
- For borrowers with an ownership interest ≥ 25%, most recent 2 years' corporate, S-corp, limited liability company or partnership returns, including any Schedule K-1s
- Evidence of the business's sales and earnings history and liquidity for the most recent 2 years
- For borrowers with DBA income:
  - Most recent 2 years' signed, personal federal tax returns
  - Current year-to-date income and financial statements
  - Bank statements for the most recent 6 months
- For Schedule K-1s without cash distribution or guaranteed payments:
  - Most recent 2 years' corporate, S-corp, limited liability company or partnership returns
  - Evidence of the borrower's ability to access and withdraw funds
  - Evidence of the business's sales and earnings history and liquidity
- For loan applications dated more than 120 days after the end of the business tax year, current year-to-date income and financial statements
- For borrowers who have filed a federal tax extension for the most recent tax year:
  - Evidence of the extension
  - Income and financial statements for the unfiled tax year
  - Current year-to-date income and financial statements
  - Prior 2 years' signed, personal federal tax returns

# UNDERWRITING CRITERIA

## Income & Employment *continued*

### Other Income (UWG 3.08.03)

See UWG 3.08.03 for a complete list of eligible sources of other income.

### Alimony/Maintenance/Child Support/Family Support (UWG 3.08.03a)

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

#### Documentation Requirements

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

### Automobile Allowance (UWG 3.08.03b)

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

#### Documentation Requirements

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

### Pension/Retirement Income (UWG 3.08.03k)

- Continuance for a minimum of 3 years from loan closing date
- If the income is tax-exempt, see UWG 3.08.03q, Tax-Exempt Income
- Use current monthly benefit in the monthly gross income calculation

#### Documentation Requirements

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

### Rental Income (UWG 3.08.04)

**Investment Property Income** – Rental income received for a property that is not the borrower's primary residence

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

#### Documentation Requirements

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

**Owner-Occupied/2-Unit Property** – Rental income received for a unit that is not the borrower's primary residence

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

#### Documentation Requirements

- Properties acquired during the current year – Operating income statement or, if applicable, copies of the current lease agreement

## UNDERWRITING CRITERIA

### Assets (UWG 3.09)

#### Source of Funds

See UWG 3.09.04 for a complete list of eligible sources of funds.

The borrowers' funds toward the down payment, closing costs, prepaid expenses and reserves can include:

- Cash on Hand – Cash accumulated but not on deposit in a financial institution
- Depository Accounts – Funds on deposit with a financial institution
- Earnest Money Deposit – Funds from the borrowers included with an offer to purchase property to show good faith in completing the transaction
- Grants – Funds provided by a federal/state/municipal housing agency, nonprofit organization, employee assistance program or a regional Federal Home Loan Bank; may include a repayment provision
- Retirement Accounts – An account established for the benefit of the borrower intended for retirement

### Appraisal

#### Property (UWG 3.12)

- Condominiums must meet all MGIC project requirements
  - Condominiums must have separate rooms
  - All condominium units must have at least one owned or assigned parking space, or condominium projects must have at least one parking space per unit
- All properties must be constructed using reinforced concrete walls and concrete slabs
- Minimum 500 square feet of living area for attached housing units
- The property must be habitable and in acceptable condition
- Ineligible properties include, but are not limited to:
  - Cooperatives
  - Manufactured homes
  - Wood-and-zinc properties
  - Studio or efficiency apartments
  - 3- to 4-unit properties
  - Condo-hotels
  - Timeshare, fractional or segmented ownership
  - Houseboats
  - Continuing-care facility
  - Projects with:
    - Environmental issues
    - Litigation pertaining to construction defects related to habitability, structural integrity and safety
    - A reserve study/budget indicating current funding is inadequate to fund projected replacements or meet current annual budget needs
    - 15% or more of the units having delinquent HOA fees exceeding 60 days
- MGIC maximum exposure: 33% of the total sold units in a project

#### Appraisal

- Comparables must be recent
- At least 1 of the 3 comparables must not be older than 3 months; the other 2 must not be older than 6 months. We will consider properties that do not meet this requirement on a case-by-case basis
- For condominiums, at least 1 comparable must be from the same project

## Mortgage Guaranty Insurance Corporation

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71-43149 5/21/19