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“Beyond the Rate”

with Patrick Schwerdtfeger

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“Beyond the Rate” with Patrick Schwerdtfeger is a detailed and candid information series for homeowners covering mortgages, underwriting, loan qualification, interest rates and investing strategies.

Information is available via podcast on the iTunes Music Store as well as a variety of online podcast directories. The text versions are also available in PDF format at the [website](#). Patrick holds regular classes and seminars where he shares this information with existing and prospective clients.

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Continued ...

MGIC

Fannie Mae

Freddie Mac

Underwriting

Guidelines

Reference

Guidelines listed in this document are based on standard Fannie Mae and Freddie Mac seller guide requirements. It is not a substitute for the information found in the respective seller guides and any master agreements or commitments between the lender and the respective agency. Both Desktop Underwriter® and Loan Prospector® use comprehensive risk models to assess mortgage applications. Loans assessed through these systems may require less documentation and may be subject to flexible guidelines. Eligibility for certain programs may be dependent upon assessment by one of the above underwriting systems.

MGIC will automatically approve loans for mortgage insurance that receive a Desktop Underwriter Approve/Eligible or a Loan Prospector Accept for Purchase recommendation.

MGIC underwriting guidelines stated in this brochure apply to all loans, whether labeled "Affordable Housing" or not. MGIC does not guarantee the accuracy of the Fannie Mae and Freddie Mac sections of this Reference.

For MGIC's complete Underwriting Guide, go to www.mgic.com > Guides > Underwriting Guides > Underwriting Guide

January 2005

| Max LTV / Loan Amount | MGIC | | Fannie Mae | | Freddie Mac | |
|-------------------------------------|---|-------------------------------------|--|--|--|--|
| | Max LTV ¹ | Max Loan Amount | Max LTV ¹ | Max Loan Amount | Max LTV ¹ | Max Loan Amount |
| Primary Residence | | | | | | |
| • 1 Unit | 103% 95% 90%* | \$450,000 \$500,000 \$650,000 | 95% ² 90% | \$359,650 \$359,650 | 95% ² 90% | \$359,650 \$359,650 |
| • 2 Units | 95% 90% | \$500,000 \$650,000 | 95% ³ | \$460,400 | 95% | \$460,400 |
| • 3-4 Units | 90% | \$650,000 | 80% | \$556,500 (3 Units) \$691,600 (4 Units) | 80% | \$556,500 (3 Units) \$691,600 (4 Units) |
| | *Manufactured Housing – Max LTV 90% See MGIC's Underwriting Guide for details. | | Affordable Housing⁴ Max. LTV Single-family, detached/ attached, PUD.....100% Manufactured Housing..... 95% | | Affordable Housing⁴ (1 unit owner-occupied primary residences only) Freddie Mac 100.....100% Alt 97, AG Alt 97 & AG 97.....97% AG 3/2 & AG.....95% Loan amount limits - same as above Manufactured Housing (LP Accepts)....95% | |
| Vacation/2nd Home | | | | | | |
| • 1-2 Units | 95% 90% | \$500,000 \$650,000 | 95% ³ | \$359,650 | 95% | \$359,650 (1 Unit) |
| Investment Property | | | | | | |
| • 1-2 Units | 90% | \$500,000 | 90% ³ | \$359,650 (1 Unit) \$460,400 (2 Units) | 90% | \$359,650 (1 Unit) \$460,400 (2 Units) |
| • 3-4 Units | 80% | \$400,000 | 75% | \$556,500 (3 Units) \$691,600 (4 Units) | 75% | \$556,500 (3 Units) \$691,600 (4 Units) |
| | Note: See Transaction Types section for cash-out refinance loan limits. | | | | | |

| Loan Types | MGIC | Fannie Mae | Freddie Mac |
|-----------------------------|--|---|---|
| Fixed Rate | Max LTV: 103% Ratios: • 33%/41% • FICO requirements apply on LTV's greater than 97% | Max LTV: 95% ³ Total Debt-To-Income Ratio: • 36% • Affordable Housing ⁴ 38% | Max LTV: 95%, 100% (Affordable Products) Ratios: • 28%/36% Affordable Housing⁴ AG loans allow for: • No housing ratio calculation • 38-40% debt ratio • Loan Prospector makes its own ratio assessment • Fixed-rate/fixed-payment only. |
| Fixed Rate w/Buydown | Max LTV: 100% Ratios: 33%/41% Max Buydown: • 24 months - 200 bp 95.01% - 100% • 36 months - 300 bp ≤ 95% Qualification Rate: • Buydown Rate Annual Cap: 1% | Max LTV: 95% ³ Total Debt-To-Income Ratio: • 36% Max Buydown: • 36 months - 300 bp Qualification Rate: • Buydown Rate - if representative FICO ≥ 660 or ≥ 680 for self-employed • Note Rate - if representative FICO < 660 or < 680 for self-employed Annual Cap: 1% | Max LTV: 95% Ratios: 28%/36% Max Buydown: • 36 months - 300 bp Qualification Rate: • Primary residence with a 3-2-1 buydown > 80% LTV calculated using the monthly payment at second year interest rate • Second Home monthly payment calculated using the coupon rate Annual Cap: 1% |
| Balloons | Max LTV: 100% Minimum Term: 5 Years | Max LTV: 95% ³ Minimum Term: 7 Years | Max LTV: 95% Minimum Term: 5 Years |
| ARMs | Max LTV: 100% Ratios: 33%/41% Qualifying Rate: • ≤ 1-yr. ARM - annual adj. ≤ 1% @ start rate • ≤ 1-yr. ARM - annual adj. > 1% @ 2 nd yr. rate • > 1-yr. ARM @ start rate Max spread from FIAR: 300 bp Annual Cap: 2% Life Cap: 6% Potential Neg-Am: 90% Max LTV Scheduled Neg-Am: Not Offered Note: ARMs with 1st adjustment ≥ 5 years are eligible to 103% Max LTV | Max LTV: 95% ³ Total Debt-To-Income Ratio: • 36% Qualifying Rate: • 3/1, 5/1, 7/1 & 10/1 @ start rate • 1 yr. or less @ 2 nd yr. rate Max spread from FIAR: Varies by program Periodic Cap: Varies Life Cap: 6% Potential Neg-Am: 90% Max LTV Scheduled Neg-Am: Not Offered | Max LTV: 95% Ratios: 28%/36% Qualifying Rates: Qualified at no less than Note Rate, except for following ARM products that meet applicable conditions see Seller Guide 30.16 (b) • 6-month ARMs with Initial Cap of 1% & Periodic Cap of 1% • 1-year ARMs with Initial Cap of either 2 or 3% & Periodic Cap of 3% • 5/1 ARMs with an Initial Cap of 5% & Periodic Caps of 2% • 1% 1 yr. ARM, 2% 1 yr. ARM, 3 yr., 3/1, 5 yr., 5/1, 7/1, and 10/1 @ initial rate • LTV > 80% and initial period discount > 2% @ 2 nd yr. rate Max spread from FIAR: N/A Periodic Cap: Varies Life Cap: 5 or 6% Potential Neg-Am: Not Offered Scheduled Neg-Am: Not Offered |

¹Max LTVs may be lower for certain transaction types. (See Transaction Types section.)

²Fannie Mae and Freddie Mac offer 100% LTV programs which have separate requirements.

³Fannie Mae Enhanced Eligibility Criteria may apply; refer to Fannie Mae Guidelines for additional requirements.

⁴Affordable Housing is defined as Fannie Mae CHBP, Fannie 97 & Fannie 3/2, Freddie Mac Affordable Gold 5, Affordable Gold 3/2, Affordable Gold 97, and 97% Alt.

| Loan Types (cont.) | MGIC | Fannie Mae | Freddie Mac |
|-----------------------|--|--|---|
| ARMs w/Buydown | <p>Max LTV:</p> <ul style="list-style-type: none"> • 3 yr. ARMs to 100% LTV • 5 yr. ARMs to 100% LTV <p>Max Buydown:</p> <p>3 yr. ARM</p> <ul style="list-style-type: none"> • 95.01% - 100% LTV - 100 bp • 95% or less - 200 bp <p>5 yr. ARM</p> <ul style="list-style-type: none"> • 95.01% - 100% LTV - 200 bp • 95% or less - 300 bp <p>Qualification Rate:</p> <ul style="list-style-type: none"> • Buydown Rate <p>Annual Adj: 1%</p> | <p>Max LTV:</p> <ul style="list-style-type: none"> • 3 yr. ARMs to 95% LTV³ • 5 yr. ARMs to 95% LTV³ <p>Max Buydown:</p> <ul style="list-style-type: none"> • 36 months - 200 bp • 60 months - 300 bp <p>Qualification Rate:</p> <ul style="list-style-type: none"> • Buydown Rate - if representative FICO ≥ 660 or ≥ 680 for self-employed • Note Rate - if representative FICO < 660 or < 680 for self-employed <p>Annual Cap: 1%</p> | <p>Max LTV:</p> <ul style="list-style-type: none"> • 3 yr. ARMs to 95% LTV • 5 yr. ARMs to 95% LTV <p>Max Buydown:</p> <ul style="list-style-type: none"> • 3 yr. ARMs, 2-1 buydown • 5 yr. ARMs, 2-1 or 3-2-1 buydown • 7/1 ARM, 2-1 or 3-2-1 buydown • 10/1 ARM, 2-1 or 3-2-1 buydown <p>Qualification Rate:</p> <p>For 2-1:</p> <ul style="list-style-type: none"> • Primary residence use initial interest rate, • Second Home use Note Rate <p>For 3-2-1:</p> <ul style="list-style-type: none"> • Primary residence LTV ≤ 80% use initial interest rate • Primary residence LTV > 80% use second year interest rate • Second Home use Note Rate <p>Annual Cap: 1%</p> |

| Transaction Types | MGIC | Fannie Mae | Freddie Mac |
|----------------------------------|--|---|--|
| Rate-&Term Refinances | <p>Max LTV:</p> <ul style="list-style-type: none"> • Primary Residence - 103% • Vacation/2nd Home - 95% • Investment Property - 90% <p>Max Cash Out: To Borrower or any other payee the lesser of \$2,000 or 2% of the loan amount</p> <p>Jr. Liens: May be included in payoff if > 12 mos. or documented home improvements evidenced by receipts, or Equity LOC with < \$2,000 in draws in the last 12 months, or if entire amount used to acquire the property (evidenced by HUD-1 settlement statement).</p> | <p>Max LTV: (Limited Cash Out)</p> <ul style="list-style-type: none"> • Primary Residence - 95%³ • Vacation/2nd Home - 95%³ • Investment Property - 90%³ <p>Max Cash Out: To Borrower the lesser of \$2,000 or 2% of the loan amount</p> <p>Jr. Liens: May be included in payoff if entire amount used to acquire the property (evidenced by HUD-1 settlement statement).</p> | <p>Max LTV: (No Cash Out)</p> <ul style="list-style-type: none"> • Primary Residence 1 unit - 100% (Affordable Products) • 2 units & Vacation/2nd Home - 95% • Investment Property - 90% <p>Note: Refer to Freddie Mac Seller Guide for details on 3-4 Unit LTV limits.</p> <p>Max Cash Out: To Borrower or any other payee the lesser of \$2,000 or 2% of the loan amount</p> <p>Jr. Liens: May be included in payoff if entire amount used to acquire the property</p> |
| Equity Buyouts | <p>Max LTV: 95%</p> <p>Limited Cash-Out Refinance</p> <p>Divorce Settlement or Family Estate:</p> <ul style="list-style-type: none"> • Owner-occupied, primary residence • No cash back to occupant-borrower • The file contains a copy of the property settlement agreement. • An independent determination of value is provided. | <p>Max LTV: 95%</p> <p>Limited Cash-Out Refinance</p> <p>Buyout Divorce:</p> <ul style="list-style-type: none"> • No cash back to occupant-borrower • Property settlement documentation must be obtained <p>Buyout Domestic Partner or Fiancee/Fiance:</p> <ul style="list-style-type: none"> • The property was jointly owned at least 12 months, and • Evidence of occupancy as their principal residence by both parties, and • A signed written agreement that states the terms of the property settlement, and • No cash back to occupant-borrower, and • Remaining borrower must qualify to Fannie Mae's standard underwriting guidelines. | |
| Cash-Out Refinances | <p>Primary Residence - \$500,000:</p> <ul style="list-style-type: none"> • 1-2 Unit to Max 95% LTV • Max Cash Out \$100,000 > 90% LTV • Min FICO 680 • Max Cash Out \$200,000 @ ≤ 90% LTV • Min FICO 660 <p>Vacation/2nd Home - \$500,000:</p> <ul style="list-style-type: none"> • 1-2 Units to Max 90% LTV • Max Cash Out \$100,000 • Min FICO 720 <p>Investment Property - \$400,000:</p> <ul style="list-style-type: none"> • 1-2 Unit to Max 85% LTV • 3-4 Unit to Max 80% LTV • Max Cash Out \$100,000 • Min FICO 720 <p>"Market" Restrictions:</p> <ul style="list-style-type: none"> • LTVs > 85% must be in "strong" or "stable" markets <p>Bankruptcy/Foreclosure:</p> <ul style="list-style-type: none"> • None in the last 7 years <p>Potential or Scheduled Neg-Am ARMs:</p> <ul style="list-style-type: none"> • Not Offered | <p>Primary Residence:</p> <ul style="list-style-type: none"> • 1-2 Unit to Max 90% LTV³ <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • 1 Unit to Max 90% LTV³ <p>Investment Property:</p> <ul style="list-style-type: none"> • 1-2 Unit to Max 85% LTV³ <p>Max Cash-Out:</p> <ul style="list-style-type: none"> • Equal to Max Loan Amount <p>"Market" Restrictions:</p> <ul style="list-style-type: none"> • Maximum financing not permitted in a declining market. <p>Bankruptcy/Foreclosure:</p> <ul style="list-style-type: none"> • None <p>Note: For manually underwritten cash-out refinances with LTV ratios > 70%, a minimum representative credit score of 720 is required.</p> | <p>Primary Residence:</p> <ul style="list-style-type: none"> • 1-2 Unit - Max 90% LTV <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • 1 Unit - Max 90% LTV <p>Investment Property:</p> <ul style="list-style-type: none"> • 1-2 Unit - Max 85% LTV <p>Note: Refer to Freddie Mac Seller Guide for details on 3-4 Unit LTV limits.</p> <p>Max Cash-Out:</p> <ul style="list-style-type: none"> • Equal to Max Loan Amount <p>"Market" Restrictions:</p> <ul style="list-style-type: none"> • Standard seller guide requirements apply <p>Bankruptcy/Foreclosure:</p> <ul style="list-style-type: none"> • Standard seller guide requirements apply <p>Note: For manually underwritten cash-out refinance mortgages with settlement dates on or after April 1, 2003, and with an LTV > 70%, a minimum indicator score of 720 is required.</p> |
| Construction/Perms | <p>Max LTV:</p> <ul style="list-style-type: none"> • Purchase to 103% • Refinance to 97% | <p>Max LTV:</p> <ul style="list-style-type: none"> • Purchase to 95%³ • Refinance to 95%³ | <p>Max LTV:</p> <p>Treated as a purchase - 95% LTV</p> |

³Fannie Mae Enhanced Eligibility Criteria may apply; refer to Fannie Mae Guidelines for additional requirements.

| Co-Borrowers | MGIC | Fannie Mae | Freddie Mac |
|------------------------------|---|--|---|
| Non-Occupying | <p>Max LTV: ≤ 90%</p> <p>Occupant Ratios: Occupant-borrower's debt to income should not exceed 50%</p> <p>Borrower Funds: Occupant-borrower must have 3% of their own funds</p> | <p>Max LTV: ≤ 90%</p> <p>Occupant Ratios: Occupant-borrower must have monthly debt to income ratio ≤ 43%.</p> <p>Borrower Funds: For LTV > 80% Occupant-borrower must have the first 5% from their own funds</p> | <p>Max LTV: ≤ 90%</p> <p>Occupant Ratios: Occupant-borrower's monthly housing expense to income ≤ 35%, debt payment to income ≤ 43% of borrower's stable monthly income.</p> <p>Borrower Funds: For LTV > 80% Occupant-borrower must have the first 5% from their own funds</p> <p>Note: For FM100, Alt 97, AG Alt 97, AG 97, AG 3/2 - Nonoccupants not allowed.</p> |
| Trailing Co-Borrowers | <p>A trailing co-borrower is one who resides with the relocating borrower, was employed at the previous location, and intends to seek employment at the new location.</p> <p>MGIC recognizes 100% of the wages/salary income when all of the following apply:</p> <ul style="list-style-type: none"> • Average income for 24 months does not exceed 33% of the total qualifying income, • Income is not from self-employment, • Continuously employed in the same occupation for 2 years, • A statement of intent to work from the trailing co-borrower is received, and • Owner-occupied primary residence. | <p>Trailing Secondary Wage Earner's Income: treatment of a trailing secondary wage earner's income may be used only for relocations that take place in connection with a documented corporate relocation program offered by the primary wage earner's employer. All of the following must be satisfied:</p> <ul style="list-style-type: none"> • 100% of the secondary wage earner's income can be used to qualify if the income does not exceed 33% of the total qualifying income. If the income exceeds 33% of the total qualifying income, only 50% of the income can be used for qualifying. • The min. representative FICO score for the mortgage must be 680 or higher. • The secondary wage earner is a relative, domestic partner, or fiancée/fiance of the primary wage earner. • Employed as a salaried, hourly, or commissioned employee in the same profession for the 2 years preceding the relocation. • Provide a written statement indicating intention to obtain employment in the new location. • Total debt-to-income ratio ≤ 36% based on combined anticipated income and debt. • Cash reserves at least six months total monthly recurring debt. | <p>A trailing co-borrower is a borrower other than the relocating employee who resided with the relocating employee, was employed at the previous location, and intends to seek new employment at the new location. Trailing co-borrower income is the amount of income previously received by the trailing co-borrower from employment at the previous location, which is verified and documented.</p> <p>The seller may use 100% of the trailing co-borrower's income as stable monthly income when all the following conditions are met:</p> <ul style="list-style-type: none"> • The income used does not exceed 33% of the total qualifying income. • The income is not from self-employment. • The trailing co-borrower was continuously employed in the same occupation for 2 years immediately preceding the relocation. • The trailing-co-borrower provides a statement of intent to work in the new location and describes the occupation for which he or she intends to seek employment. • Based upon a review of the job market in the new location, the seller reasonably determines that employment opportunities and earning potential for the trailing co-borrower are comparable or better than the opportunities in the former location. <p>Note: If mortgage is subject to a temporary subsidy buydown, the note rate must be used for qualification purposes.</p> |

| Minimum Equity Gifts/Reserves | MGIC | Fannie Mae | Freddie Mac |
|-------------------------------|--|--|--|
| Borrower Equity | <p>Min Borrower Contribution:</p> <p>Primary Residence LTV 90.01% to 97%:</p> <ul style="list-style-type: none"> • 0% - if FICO Credit Score ≥ 660 • 3% - if FICO Credit Score < 660 <p>Primary Residence LTV 97.01% to 100%:</p> <ul style="list-style-type: none"> • 0% - if FICO Credit Score ≥ 700 • 3% - if FICO ≥ 660-699 <p>Primary Residence LTV 100.01% to 103%:</p> <ul style="list-style-type: none"> • 0% - if FICO Credit Score ≥ 700 <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • All LTVs/FICOs - 5% <p>Investment Property:</p> <ul style="list-style-type: none"> • All LTVs/FICOs - 10% | <p>Min Borrower Down Payment:</p> <p>Primary Residence</p> <ul style="list-style-type: none"> • > 80% LTV - 5% • ≤ 80% LTV - 0% • 97% LTV - 3% <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • All LTVs - 5% <p>Investment Property:</p> <ul style="list-style-type: none"> • No gifts or grants allowed | <p>Min Borrower Contribution:</p> <p>Primary Residence</p> <ul style="list-style-type: none"> • > 80% LTV - 5% • ≤ 80% LTV - 0% • 97% LTV - 3% <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • All LTVs - 5% <p>Investment Property:</p> <ul style="list-style-type: none"> • No gifts allowed |
| Borrower Reserves | <p>Primary Residence:</p> <ul style="list-style-type: none"> • 2 Months' PITI with < 720 FICO <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • 2 Months' PITI with < 720 FICO <p>Investment Property:</p> <ul style="list-style-type: none"> • 6 Months' PITI | <p>Primary Residence:</p> <ul style="list-style-type: none"> • None, unless required for a specific product <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • None, unless required for a specific product <p>Investment Property:</p> <ul style="list-style-type: none"> • 6 Months' PITI | <p>Primary Residence 2-4 Units:</p> <ul style="list-style-type: none"> • If rental income used to qualify - 6 Months' PITI <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> • None <p>Investment Property:</p> <ul style="list-style-type: none"> • If rental income used to qualify - 6 Months' PITI |

| Minimum Equity Gifts/Reserves (cont.) | MGIC | Fannie Mae | Freddie Mac |
|---------------------------------------|---|--|--|
| Gifts | <p>Gifts to the borrower are acceptable within the following parameters:</p> <ul style="list-style-type: none"> A gift letter is received from the donor stating that no repayment is required, and The gift donor is not a party to the transaction. <p>Gifts from a family member who has resided with the borrower for at least the last 12 months and who intends to continue to do so may be considered the same as borrower funds. MGIC may require information or documentation to confirm that these requirements are met.</p> | <p>Gifts must be from a related person as evidenced by a gift letter signed by the donor with the following information:</p> <ul style="list-style-type: none"> The dollar amount of the gift and the date the funds were transferred, The donor's name, address, telephone number and relationship to the borrower, and The donor's statement that no repayment is expected. <p>Documentation must include evidence of receipt of funds.</p> <p>Affordable Housing⁴ Fannie 3/2: 5% down with 3% from borrower's own funds and 2% from the following sources:</p> <ul style="list-style-type: none"> Gift or grant; Unsecured loans from public agencies or nonprofit organizations; Employers; or Grant-like secured financing from public agencies, and 1 month's PITI required at closing. <p>Fannie 97:</p> <ul style="list-style-type: none"> 3% down from borrower's own funds; 1 month's PITI required at closing. <p>Fannie Mae CHBP: Cash reserves waived but 5% of borrower's own funds required.</p> | <p>Gift from a related person of the borrower that does not have to be repaid. The gift letter or information provided by the applicant must:</p> <ul style="list-style-type: none"> State the donor's name and that the funds are given by a related person, Include the donor's mailing address, Identify the property being purchased, State the amount of the gift, If a letter is provided, it must be signed by the donor, and Show evidence of receipt of funds from the donor to the borrower. <p>Affordable Housing⁴ 97% LTV with 3% down from borrower's own funds.</p> |
| Max Seller Contributions | <p>Primary Residence:</p> <ul style="list-style-type: none"> 90.01% - 103% LTV = 3% ≤ 90% = 6% <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> 90.01% - 95% LTV = 3% ≤ 90% = 6% <p>Investment Property:</p> <ul style="list-style-type: none"> All LTVs = 3% | <p>Primary Residence:</p> <ul style="list-style-type: none"> > 90% = 3% 76% to 90% = 6% ≤ 75% = 9% <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> > 90% = 3% 76% to 90% = 6% ≤ 75% = 9% <p>Investment Property:</p> <ul style="list-style-type: none"> All LTVs = 2% | <p>Primary Residence:</p> <ul style="list-style-type: none"> > 90% = 3% 76% to 90% = 6% ≤ 75% = 9% <p>Vacation/2nd Home:</p> <ul style="list-style-type: none"> > 90% = 3% 76% to 90% = 6% ≤ 75% = 9% <p>Investment Property:</p> <ul style="list-style-type: none"> All LTVs = 2% |

| Attached Housing | MGIC | Fannie Mae | Freddie Mac |
|---------------------|--|---|---|
| Condominiums | <p>Max Exposure: Up to 33% of completed units</p> <p>Investor concentration:</p> <ul style="list-style-type: none"> 30% > 30% on a case-by-case basis <p>Presale Requirement: None</p> | <p>Max Exposure: No limit</p> <p>Investor concentration:</p> <ul style="list-style-type: none"> Type A - 40% Type B - 30% <p>Presale Requirement:</p> <ul style="list-style-type: none"> Type A - 90% Type B - 70% | <p>Max Exposure: No limit</p> <p>Investor concentration:</p> <ul style="list-style-type: none"> Class III - 40% permitted[‡] Class II - 40% permitted <p>Presale Requirement:</p> <ul style="list-style-type: none"> Class III - 90% required Class II - 70% required |
| LTV Limits | <p>Condo, PUDs, Attached Non-Condo:</p> <ul style="list-style-type: none"> Max LTV 103% <p>Co-op:</p> <ul style="list-style-type: none"> Max LTV 90% | <p>Condo, PUDs, Attached Non-Condo:</p> <ul style="list-style-type: none"> Max LTV 95% <p>Co-op:</p> <ul style="list-style-type: none"> Max LTV 90% | <p>Condo, PUDs:</p> <ul style="list-style-type: none"> Max LTV 95% <p>Co-op:</p> <ul style="list-style-type: none"> Not Offered |

| Mortgage Insurance Coverage | MGIC | Fannie Mae | Freddie Mac | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|---|---|-------------|-----------|-----------|-----------|-----|-----|-----------|-----|-----|-----------|-----|-----|-----------|-----|----|--------------------|--|-----------|-----|-----------|-----|-----------|-----|--|-----|-----------|-----------|-----------|-----|-----|-----------|-----|-----|-----------|-----|-----|-----------|-----|----|--------------------|--|-----------|-----|-----------|-----|-----------|-----|
| Mortgage Insurance Coverage | <p>The amount of coverage required is generally set by the investor. MGIC offers a wide range of mortgage insurance coverage to satisfy the requirements of most investors.</p> | <p>These are current standard coverage requirements and are subject to change.</p> <p><u>Fixed-rate loans</u></p> <table border="1"> <thead> <tr> <th>LTV</th> <th>25-30 yr.</th> <th>10-20 yr.</th> </tr> </thead> <tbody> <tr> <td>95.01-97%</td> <td>35%</td> <td>35%</td> </tr> <tr> <td>90.01-95%</td> <td>30%</td> <td>25%</td> </tr> <tr> <td>85.01-90%</td> <td>25%</td> <td>12%</td> </tr> <tr> <td>80.01-85%</td> <td>12%</td> <td>6%</td> </tr> </tbody> </table> <p><u>Non-fixed-rate loans</u></p> <table border="1"> <thead> <tr> <th>LTV all loan terms</th> <th></th> </tr> </thead> <tbody> <tr> <td>90.01-95%</td> <td>30%</td> </tr> <tr> <td>85.01-90%</td> <td>25%</td> </tr> <tr> <td>80.01-85%</td> <td>12%</td> </tr> </tbody> </table> | LTV | 25-30 yr. | 10-20 yr. | 95.01-97% | 35% | 35% | 90.01-95% | 30% | 25% | 85.01-90% | 25% | 12% | 80.01-85% | 12% | 6% | LTV all loan terms | | 90.01-95% | 30% | 85.01-90% | 25% | 80.01-85% | 12% | <p>These are current standard coverage requirements and are subject to change.</p> <p><u>Fixed-rate loans</u> (Including 5 & 7 yr. balloon reset mortgage)</p> <table border="1"> <thead> <tr> <th>LTV</th> <th>25-30 yr.</th> <th>15-20 yr.</th> </tr> </thead> <tbody> <tr> <td>95.01-97%</td> <td>30%</td> <td>25%</td> </tr> <tr> <td>90.01-95%</td> <td>30%</td> <td>25%</td> </tr> <tr> <td>85.01-90%</td> <td>25%</td> <td>12%</td> </tr> <tr> <td>80.01-85%</td> <td>12%</td> <td>6%</td> </tr> </tbody> </table> <p><u>Non-fixed-rate loans</u></p> <table border="1"> <thead> <tr> <th>LTV all loan terms</th> <th></th> </tr> </thead> <tbody> <tr> <td>90.01-95%</td> <td>30%</td> </tr> <tr> <td>85.01-90%</td> <td>25%</td> </tr> <tr> <td>80.01-85%</td> <td>12%</td> </tr> </tbody> </table> | LTV | 25-30 yr. | 15-20 yr. | 95.01-97% | 30% | 25% | 90.01-95% | 30% | 25% | 85.01-90% | 25% | 12% | 80.01-85% | 12% | 6% | LTV all loan terms | | 90.01-95% | 30% | 85.01-90% | 25% | 80.01-85% | 12% |
| LTV | 25-30 yr. | 10-20 yr. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 95.01-97% | 35% | 35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 90.01-95% | 30% | 25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 85.01-90% | 25% | 12% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 80.01-85% | 12% | 6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| LTV | 25-30 yr. | 15-20 yr. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Note: Refer to agency seller guides for program specific requirements.

⁴Affordable Housing is defined as Fannie Mae CHBP, Fannie 97 & Fannie 3/2, Freddie Mac Affordable Gold 5, Affordable Gold 3/2, Affordable Gold 97, and 97% Alt.

[‡]Limitation waived - If primary residence/2nd home, purchase or no c/o refi & TLTV ≤ 90% or c/o refi & TLTV ≤ 75%.

| Credit Guidelines | MGIC | Fannie Mae | Freddie Mac |
|---------------------------------|---|--|---|
| <p>Credit Guidelines</p> | <p>MGIC believes credit scores are an objective and consistent measure of credit risk and encourages their use. However, all available information from traditional or alternative credit sources should be considered when determining credit quality.</p> <p>History/Documentation Requirements: Borrower file must contain:</p> <ul style="list-style-type: none"> Residential Mortgage Credit Report (RMCR), OR two-repository, in-file, merged/purged credit report, and Mortgage/rental history for 12 months must be verified. Minimum 3 credit references open and active in the last 12 months If 3 credit references cannot be documented, supplement with alternative credit sources (open and active for the last 12 months) for a total of 3 references. <p>MGIC generally requires 12 months of credit history and defines the acceptable level of late payments as:</p> <ul style="list-style-type: none"> Housing (mortgage, rent): 0x30 last 12 months, 1x30/no 60 days or beyond last 24 months Installment: 1x30/no 60 days or beyond last 12 months, 2x30 or 1x60/no 90 days or beyond last 24 months Revolving: 2x30/no 60 days or beyond last 12 months, 2x30 or 1x60/no 90 days or beyond last 24 months <p>Files with adverse credit issues:</p> <ul style="list-style-type: none"> Judgment, tax liens, collections, charge-offs, repossessions: Must be paid in full. Bankruptcies: Must be discharged 2 years* prior to loan application. Foreclosure/deeds-in-lieu/short sales: Must be complete 3 years* prior to loan application. Reestablished credit: A minimum of 2 accounts, documented by a traditional credit report. The accounts must have been open and active for the most recent 24 months and have had no late payments during this period. Consumer Credit Counseling: After credit counseling, 12 months reestablished credit is required prior to loan application. <p>*Note: If cash-out refi, investor loan or reduced-doc., bankruptcy and/or foreclosure must be discharged 7 years prior to loan application.</p> <p>In addition to standard credit criteria, the following transaction types have Minimum FICO Credit Score Requirements:</p> <p>Primary Residence Purchase/Rate-&Term:</p> <ul style="list-style-type: none"> 97.01% to 100% LTV - Min FICO 660 100.01% to 103% LTV - Min FICO 700 <p>Primary Residence Cash Out:</p> <ul style="list-style-type: none"> 90.01% to 95% LTV - Min FICO 680 ≤ 90% LTV - Min FICO 660 <p>Second Home:</p> <ul style="list-style-type: none"> Cash Out - Min FICO 720 / 90% LTV Max <p>Investment Property:</p> <ul style="list-style-type: none"> Purchase/Rate-&Term - Min FICO 680 / 90% LTV Max Cash Out - Min FICO 720 / 85% LTV Max <p>Potential Negative Amortization ARM:</p> <ul style="list-style-type: none"> Purchase/Rate-&Term - Min FICO 660 <p>Transactions with Min. Credit Score Requirements:</p> <ul style="list-style-type: none"> When 2 scores are obtained, use the lower score. When 3 scores are obtained, use the middle score. The primary occupant-borrower (borrower that contributes at least 50% of qualifying income) must meet the minimum credit score requirement. If there is no primary occupant-borrower, then all borrowers must meet the minimum credit score requirement. | <p>For manually underwritten mortgages, the lender must assess the default risk of each mortgage application by performing a comprehensive risk assessment. This involves an evaluation of a borrower's credit history as well as other risk factors associated with a mortgage that work together to form the overall level of default risk in the mortgage application.</p> <p>To do this, Fannie Mae encourages the use of credit scores in the overall evaluation of the borrower's credit history. Fannie Mae recommends that a lender obtain at least two credit scores for each borrower, then select a representative score to use in underwriting the borrower. The lower score should be used when two credit scores are obtained; the middle score when three are obtained.</p> <p>When underwriting without a credit score, the lender must approximate a credit score by evaluating the following credit characteristics:</p> <ul style="list-style-type: none"> Type and amount of credit, Number and age of accounts, Payment history and current status of accounts, Credit utilization, Recent attempts to obtain new credit, and Public records and collections. <p>The lender must evaluate the borrower's credit score/history in combination with equity investment and other risk factors such as financial reserves, employment classification, mortgage term, product type, property type, transaction type, presence of co-borrowers, debt-to-income ratio, previous mortgage delinquency, and existence of a prior bankruptcy or foreclosure, to determine the overall level of risk associated with the mortgage application.</p> <p>The lender must be careful not to layer other high-risk factors with a low credit score. When a low credit score is a result of an extenuating circumstance, it may be disregarded. Extenuating circumstances are characterized by the following:</p> <ul style="list-style-type: none"> Nonrecurring event that was beyond the borrower's control, Reduced income and/or increase in financial obligations that caused the borrower not to be able to pay, Borrower had an excellent credit record before the event occurred, Event can be thoroughly documented, and Borrower has reestablished an acceptable credit history. | <p>For manually underwritten mortgages, the lender must manually underwrite each borrower individually. The conclusion that a Mortgage is acceptable must be based on a determination that the Borrower is creditworthy (acceptable credit reputation and capacity) and collateral is adequate for the transaction. If one of these components is not acceptable or if there is excessive layering of risk across components, the Mortgage is not acceptable for sale to Freddie Mac.</p> <p>Freddie Mac recommends the lender use FICO credit scores to determine the level of underwriting necessary, as follows:</p> <p>Basic: Underwrite the file as required to confirm the Borrower's willingness to repay.</p> <ul style="list-style-type: none"> 1-unit - over 660 2-unit - over 680 3-4 unit - over 700 <p>Comprehensive: Underwrite all aspects of the Borrower's credit history to establish the Borrower's willingness to repay.</p> <ul style="list-style-type: none"> 1-unit - 620 to 660 2-unit - 640 to 680 3-4 unit - 660 to 700 <p>Cautious: Perform a particularly detailed review of all aspects of the Borrower's credit history to ensure that the Seller has satisfactorily established the Borrower's willingness to repay as agreed. Unless there are extenuating circumstances or major factors related to credit reputation that offset the risk indicated, a FICO score in this range should be viewed as a strong indication that the Borrower does not have an acceptable credit reputation.</p> <ul style="list-style-type: none"> 1-unit - less than 620 2-unit - less than 640 3-4 unit - less than 660 <p>Note: See Chapter 37 of the Seller Guide for details.</p> <p>An acceptable credit reputation for one borrower cannot offset an unacceptable reputation of another. At least one borrower must have a minimum credit history of at least three trade lines or four nontraditional payment references.</p> <p>For credit reputation, the lender must evaluate:</p> <ul style="list-style-type: none"> Type and amount of credit outstanding How long credit has been established How the borrower uses credit, including revolving balances-to-limits Recent changes in number of opened accounts or overall credit outstanding Payment history and status of all accounts Recent inquiries shown on the credit report Public records and collections <p>For manually underwritten mortgages, the seller is responsible for determining that the mortgage is acceptable for sale to Freddie Mac by:</p> <ul style="list-style-type: none"> Evaluating all risk factors present in the mortgage file, and Identifying offsetting factors needed to ensure that the mortgage is acceptable, and Documenting in the mortgage file those offsetting factors and the overall conclusion of acceptability. <p>Requirements for loans with significant derogatory information due to extenuating circumstances or financial mismanagement can be found in Section 37.7 of the Seller Guide.</p> |