Underwriting Guidelines

December 1, 2018

RADIAN

Revision Notes

Revisions for December 1, 2018

General Updates

This revision features the changes to the 2019 Base Conforming and FHFA High Cost maximum loan amounts announced by Fannie Mae and Freddie Mac. In order to accommodate changes Agency Base Conforming and FHFA High Cost have been inserted into the matrices and text wherever applicable.

Radian Underwriting Guidelines

Table of Contents

Revision Notes 2
Revisions for December 1, 2018 2
Introduction 4

Section I – Eligibility Matrices

One Underwrite (AUS)
Agency AUS Approve, Accept/Eligible 6
Agency AUS Approve, Accept/Ineligible 7

Manual Underwriting
Base Conforming Loan Amounts; Primary Residence . . . 8
Base Conforming Loan Amounts; Second Home; Investment Property 9
FHFA High Cost; Primary Residence 10
Affordable Housing; Housing Finance Agencies (HFAs); Federal Home Loan Banks (FHLBs); Primary Residence 11
Medical Professional Program; Primary Residence 12
Non-Agency Jumbo; Primary Residence; Second Home 13
Super Jumbo; Primary Residence 14
Non-Prime Credit; Primary Residence 15

Section II – Policy Chapters

1 Doing Business with Radian 17
A. General Eligibility 17
1. Loan Features 17
2. Borrower 17
3. Occupancy Status 18
4. Property 20
B. Underwriting and Submission 21
1. Delegated; Non-delegated Submissions . . . 21
2. Submission Date 21
3. File Delivery 21
4. Loan Package 22
5. Loan Package Documentation 22
C. Mortgage Insurance Commitment 23
1. Conditions 23
2 One Underwrite (AUS) 26
A. Agency Automated Underwriting Systems 26
1. Recommendation/Response 26
2. Findings and Feedback Reports 26
3. Consideration(s) Outside of AUS 27
B. Maximum Loan Amount Subordinate Financing 27
C. Eligibility/Documentation 28
1. Streamlined Documentation 29
2. Lender Specific Approvals and Variances . 29
3. Underwriting Exclusions 29
D. Program Considerations 29
1. Radian supports the following Agency Programs 29
2. New Construction/ Construction-to-Permanent 30
E. Project Acceptance 30
1. Planned Unit Development (PUD) 30
2. Condominium 30
3. Cooperatives 30
3 Manual Underwriting
• Conforming Loan Amounts • FHFA High Cost
• Affordable Housing/Housing Finance Agencies (HFAs) Federal Home Loan Banks (FHLBs)
• Non-Agency Jumbo • Non-Prime Credit . . . 31
A. Specific Eligibility 31
1. Maximum Loan Amount 31
2. New Construction/ Construction-to-Permanent 32
3. Postponed Improvements/ Financed Improvements 33
B. General Terms 33
1. Borrower Eligibility 33
2. Documentation 33
3. Transaction Types 34
4. Transaction Characteristics/ Property Features 35
C. Borrower 36
1. Borrower Credit Classification and Evaluation 36
2. Borrower Capacity 39
a. Income/Employment 39
Assets 42
2) Reserves 44
D. Property 44
1. Eligibility 44
2. Assessment of Value and Condition 46
E. Loan Specifics 47
1. Interested Party Contributions 47
2. Loan Features 48
3. Payment Qualification 48
4. ARM Maximum Interest Rate Caps 48
4 Special Programs: Debt Ratio 45.01%–50%; Medical Professional Program; Super Jumbo $1,000,001–$1,500,000 49
Debt Ratio 45.01%–50% to $650,000 Manual Underwriting Guidelines 50
Medical Professional Program Manual Underwriting Guidelines 51
Super Jumbo Manual Underwriting Guidelines 52

Effective: December 1, 2018

Introduction

Radian is proud to be a mortgage insurance industry leader. As a leader, we strive to accommodate the needs of the lending community by offering a variety of comprehensive mortgage insurance products while streamlining the application process. We continuously review Fannie Mae and Freddie Mac guidelines to align our eligibility and policy, whenever possible, and identify opportunities to support Non-Agency lending by providing mortgage insurance on loans not aligned with current Fannie Mae and Freddie Mac offerings.

Our guidelines are structured to simplify the mortgage insurance process and provide underwriting clarity. Loans which receive an Agency AUS Approve, Accept/Eligible Recommendation or Response and satisfy a limited number of underwriting overlays generally meet Radian's eligibility criteria.

Eligibility is also available for Manual underwriting, including Non-AUS, AUS ineligible recommendations, the Medical Professional Program, Jumbos, and Non-Prime Credit.

To make it easier to locate the requirements specific to your loan, the Policy section of our guidelines is organized into four chapters:

1. **Doing Business with Radian**
   Here you can learn about general eligibility criteria, underwriting types, submission options, commitment details and activation.
2. **One Underwrite (AUS)**
   This chapter provides the underwriting criteria and program requirements for Radian's *One Underwrite (AUS)* Program.
3. **Manual; Non-Agency Jumbo and Non-Prime Credit**
   For loans that do not meet *One Underwrite (AUS)* eligibility, manual underwriting guidelines are provided in addition to eligibility details for Non-Agency Jumbo and Non-Prime Credit.
4. **Special Programs**
   This section includes enhancements to Radian Manual Guidelines including Debt Ratio 45.01% – 50%; Medical Professional Program and Super Jumbo.

As you navigate the guidelines you will find **Bookmarks** displayed on the left side of the Adobe Acrobat Reader® screen that can be used to easily navigate through the various sections of the guidelines. All eligibility matrix(s) and topics can be accessed by simply expanding and clicking on the bookmark of the section, chapter or subject matter you wish to review.

In addition, **hyperlinks** are provided to take you to another area within the guidelines where you can find additional information on a particular topic. If you click a hyperlink, you may *return to your previous place* by pressing down the alt (Microsoft) or command (Macintosh) key and the back arrow key at the same time on your keyboard.

Should you have any questions about Radian's underwriting guidelines, please contact our Customer Care team at *877.RADIAN1 (723.4261)* or your Radian representative.

Effective:
December 1, 2018

Section I – Eligibility Matrices

The Eligibility Matrices can be used to quickly identify eligibility criteria specific to the transaction and property type. The *One Underwrite (AUS)* eligibility matrices are distinguished by AUS findings/response while the remaining matrices apply to Manual Eligibility, Non-Agency Jumbo loans, Medical Professionals, Super Jumbo and Non-Prime Credit. Please see the Policy section of our manual for complete underwriting guidelines.

One Underwrite (AUS)

Agency AUS Approve, Accept/Eligible

Minimum 620 FICO

Link to Program Considerations

Property Type	Maximum LTV/CLTV	Maximum Loan Amount for the Contiguous States, AK & HI*	Minimum Credit Score Maximum DTI	Exclusions Specific
1–2 Units detached/ attached, includes PUDs; Condos; Co-ops; Manufactured Housing	**Primary Residence; Second Home Purchase; Rate/Term Refinance; New Construction/Construction-to-Permanent****			
	Per AUS	Agency Base Conforming	Per AUS***	Per AUS
		FHFA High Cost		
3–4 Units	95%/95%	3 Unit $749,650 4 Unit $931,600	700 DTI per AUS***	Per AUS
	Investment Property Purchase; Rate/Term Refinance			
1 Unit detached/attached, includes PUDs; Condos	85%	Agency Base Conforming Including AK & HI	680 DTI Per AUS***	Manufactured Housing; Co-ops; ARMs with initial fixed term < 5 years; Temporary Buy downs; Balloon Mortgages; Properties located in Guam
		FHFA High Cost		

*Loan amounts in Guam limited to FHFA Base Conforming for the Contiguous States.

**New Construction/Construction-to-Permanent 12 month commitment: Manufactured Housing must conform to FNMA MH Advantage. 2–4 Units; Cooperatives; ARMs with initial fixed period < 3 years and properties located in Guam are ineligible

***Link to DTIs for Single Premium Mortgage Insurance

Unless specifically excluded from this version of Radian's guidelines or subsequent Radian Announcement, future FNMA or FHLMC guideline changes are likewise eligible for One Underwrite (AUS) concurrent with their FNMA or FHLMC announced effective dates.

See following page for Agency AUS Approve, Accept/Ineligible

One Underwrite (AUS)

Agency AUS Approve, Accept/Ineligible

Ineligible Findings for:
Cash-out
LTVs 95.01%–97%
LTVs 80.01 to 97% for ARMs
(Arms with initial fixed period less than 3 years excluded)

Minimum 620 FICO
2–4 Unit property; Manufactured Housing excluded

Property Type	Maximum LTV/CLTV	Maximum Loan Amount for the Contiguous States, AK & HI*	Minimum Credit Score Maximum DTI	Exclusions Specific
1 Unit detached/attached, includes PUDs; Condos; Co-ops	**Primary Residence; Purchase Rate/Term Refinance; New Construction/Construction-to-Permanent****			
	97%	Agency Base Conforming	Per AUS***	Per AUS
	95%	FHFA High Cost		
	Primary Residence Cash-out Refinance			
	85%	Agency Base Conforming Including AK & HI	720/45%	Temporary Buy downs; Non-traditional credit
1 Unit detached/attached, includes PUDs; Condos; Co-ops	**Second Home Purchase; Rate/Term Refinance; New Construction/Construction-to-Permanent***			
	90%	Agency Base Conforming	Per AUS***	Properties located in Guam
1 Unit detached/attached, includes PUDs; Condos	**Investment Property Purchase; Rate/Term Refinance**			
	85%	Agency Base Conforming	680 DTI Per AUS***	ARMs with initial fixed term < 5 years; Temporary Buy downs; Balloon Mortgages; Properties located in Guam

*Loan amounts in Guam limited to FHFA Base Conforming for the Contiguous States.

**Ineligible for New Construction/Construction-to-Permanent financing: Cooperatives; ARMS with initial fixed period < 3 years; Properties located in Guam

***Link to DTIs for Single Premium Mortgage Insurance

Unless specifically excluded from this version of Radian's guidelines or subsequent Radian Announcement, future FNMA or FHLMC guideline changes are likewise eligible for One Underwrite (AUS) concurrent with their FNMA or FHLMC announced effective dates.

Effective:
December 1, 2018

Loans that do not meet One Underwrite (AUS) eligibility

Manual Underwriting
Base Conforming Loan Amounts
Primary Residence

General exclusions for properties located in Guam:

Cash-out Refinance
LTVs > 90% Purchase, Rate/Term Refinance
Loan amounts > FHFA Base Conforming for the Contiguous States
New Construction/Construction-to-Permanent 12 month commitment

Property Type	Maximum LTV/CLTV	Maximum Loan Amount for the Contiguous States, AK & HI	Minimum Credit Score Maximum DTI	Exclusions Specific
	Purchase; Rate/Term Refinance; New Construction/Construction-to-Permanent*			
1 Unit, detached/attached, includes PUDs; Condos; Co-ops	97%	Agency Base Conforming	680/45%	ARMs with initial fixed term < 3 years; Balloon Mortgages
	95%		660/45%	ARMs with initial fixed term < 1 year
	90%			ARMs with initial fixed term < 6 months
Manufactured Housing	90%			ARMs with initial fixed term < 7 years
2 Units	95%			ARMs
3 – 4 Units	95%	$749,650	720/45%	ARMs
	Cash-out Refinance			
1 Unit, detached/attached, includes PUDs; Condos; Co-ops	85%	Agency Base Conforming	720/45%	Manufactured Housing; ARMs with initial fixed term < 3 years; Temporary Buy downs
	90%		740/45%	

*Ineligible for New Construction/Construction-to-Permanent financing: 2 – 4 Units; Cooperatives; Non-traditional Credit

Link to Payment Qualification/ARM Maximum Interest Rate Caps
Link to Non-traditional Credit
Link to Debt Ratio 45.01% – 50%

See following page for Second Home & Investment Property

Effective:
December 1, 2018

Loans that do not meet One Underwrite (AUS) eligibility

Manual Underwriting
Base Conforming Loan Amounts
Second Home
Investment Property

General Exclusions:
2–4 Units
Non-traditional Credit
Manufactured Housing
Properties located in Guam

Property Type	Maximum LTV/CLTV	Maximum Loan Amount for the Contiguous States, AK & HI	Minimum Credit Score Maximum DTI	Exclusions Specific
	Second Home Purchase; Rate/Term Refinance; New Construction/Construction-to-Permanent*			
1 Unit, detached/attached, includes PUDs; Condos; Co-ops	90%	Agency Base Conforming	700/45%	ARMs with initial fixed term < 3 years
	85%			ARMs with initial fixed term < 6 months
	Investment Property Purchase; Rate/Term Refinance			
1 Unit, detached/attached, includes PUDs; Condos	85%	Agency Base Conforming	720/45%	Cooperatives; ARMs with initial fixed term < 5 years; Temporary Buy downs; Balloon Mortgages

*Ineligible for New Construction/Construction-to-Permanent financing: Cooperatives; Manufactured Housing; Non-traditional Credit

Link to Payment Qualification/ARM Maximum Interest Rate Caps

Loans that do not meet One Underwrite (AUS) eligibility
(FHFA designated high cost areas)

Manual Underwriting
FHFA High Cost
Primary Residence

General Exclusions:
2–4 Units
Second Homes
Investment Property
Non-traditional Credit
Manufactured Housing
Properties located in Guam

Property Type	Maximum LTV/CLTV	Maximum Loan Amount for the Contiguous States, AK & HI	Minimum Credit Score Maximum DTI	Exclusions Specific
1 Unit, detached/attached, includes PUDs; Condos; Co-ops	**Purchase; Rate/Term Refinance; New Construction/Construction-to-Permanent***			
	95%	Not to exceed FHFA High Cost Limits	660/45%	ARMs with initial fixed term < 1 year

*Ineligible for New Construction/Construction-to-Permanent financing: Cooperatives

Areas designated as high cost and their corresponding maximum loan limits can be located on the FHFA website.
http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx

Link to Payment Qualification/ARM Maximum Interest Rate Caps
Link to Debt Ratio 45.01% – 50%

Loans that do not meet One Underwrite (AUS) eligibility

Manual Underwriting
Affordable Housing; Housing Finance Agencies (HFAs); Federal Home Loan Banks (FHLBs)
Primary Residence

General Exclusions:

Properties in Guam

New Construction/Construction-to-Permanent 12 month commitment

Property Type	Maximum LTV/CLTV	Maximum Loan Amount for the Contiguous States, AK & HI	Minimum Credit Score Maximum DTI	Exclusions Specific
	Purchase; Rate/Term Refinance			
1 Unit, detached/attached, includes PUDs; Condos	97%/105%	Agency Base Conforming	680/45%	ARMs with initial fixed term < 5 years; Balloon Mortgages
	95%/105%		660/45%	ARMs with initial fixed term < 5 years
Co-ops	97%/97%		680/45%	ARMs; Balloon Mortgages; Non-traditional credit
	95%/95%		660/45%	ARMs with initial fixed term < 5 years; Non-traditional credit
Manufactured Housing	95%/95%		680/45%	ARMs with initial fixed term < 7 years; Non-traditional credit
2 Units	95%/105%		660/45%	ARMs; Non-traditional credit
3 – 4 Units	95%	$749,650	720/45%	ARMs; Non-traditional credit

Note: requirements for and compliance with income limits and/or Homebuyers Education/Counseling are the responsibility of the Lender or Investor.

Areas designated as high cost and their corresponding maximum loan limits can be located on the FHFA website.
http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx

Link to Payment Qualification/ARM Maximum Interest Rate Caps

Manual Underwriting
Medical Professional Program
Primary Residence

Medical Doctor (MD, DO, OD, DPM)
Dentist (DDS, DMD)
Actively practicing medical doctors, dentist or dental surgeons, physician assistants, medical teaching professors, OR newly licensed medical residents who are currently employed or are in residency, OR newly licensed medical, dentists or dental students who are about to begin their new employment/residency within 90 days of closing.

AUS Document Waivers

For Medical Profession loans with a valid Agency AUS Approve/Accept Credit Recommendation or Response follow the respective Agency documentation requirements including AUS Validations for employment, income, and assets
Follow Radian Manual Underwriting Guidelines for all other loans.

Minimum Borrower Contribution from own Funds

3% minimum contribution ≤ FHFA Base Conforming for the Contiguous States
5% minimum contribution > FHFA Base Conforming for the Contiguous States

General Exclusions:

2–4 Units
Balloon Mortgages
Non-traditional Credit
Manufactured Housing
Properties located in Guam
ARMs with initial fixed term < 3 years
New Construction/Construction-to-Permanent 12 month commitment

Deferred Student Loans

Link to Medical Professional Program Underwriting guidelines

Property Type	Maximum LTV/CLTV	Maximum Loan Amount	Minimum Credit Score Maximum DTI
1 Unit, detached/attached, includes PUDs; Condos; Co-ops	**Purchase; Rate/Term Refinance**		
	97%	FHFA Base Conforming for the Contiguous States	680/45%
	95%	$650,000	680/45%
	95%	$850,000	720/45%
	90%		680/45%
	90%	$1,000,000	720/43%
	85%		700/43%

Link to Payment Qualification/ARM Maximum Interest Rate Caps

Effective:
December 1, 2018

Manual Underwriting
Non-Agency Jumbo
Primary Residence; Second Home
Loan amounts to $1,000,000

AUS Document Waivers ≤ $850,000

For Non-Agency Jumbo loans with a valid Agency AUS Approve/Accept Credit Recommendation or Response follow the respective Agency documentation requirements including AUS Validations for employment, income, and assets. Follow Radian Manual Underwriting Guidelines for all other loans.

All Loan Amounts

5% minimum contribution from occupant borrower own funds required.

General Exclusions:

2–4 Units
Non-traditional Credit
Manufactured Housing
Properties located in Guam
Balloon Mortgages < 5 years
ARMS with initial fixed period < 3 years

Property Type	Maximum LTV/CLTV	Maximum Loan Amount	Minimum Credit Score Maximum DTI
1 Unit, detached/attached, includes PUDs; Condos; Co-ops	**Primary Residence Purchase; Rate/Term Refinance; New Construction/Construction-to-Permanent***		
	95%	$650,000	680/45%
	95%	$850,000	720/43%
	90%		680/45%
	90%	$1,000,000	720/43%
	85%		700/43%
1 Unit, detached/attached, includes PUDs; Condos	**Second Home Purchase; Rate/Term Refinance; New Construction/Construction-to-Permanent***		
	90%	$650,000	720/45%
		$850,000	740/43%

*Ineligible for New Construction/Construction-to-Permanent financing: Cooperatives; Second Homes > $650,000

Link to Payment Qualification/ARM Maximum Interest Rate Caps
Link to Debt Ratio 45.01% – 50%

Manual Underwriting
Super Jumbo
Primary Residence
Loan amounts $1,000,001–$1,500,000

All Loan Amounts

5% minimum contribution from occupant borrower own funds required.

General Exclusions:

2–4 Units
Cooperatives
Balloon Mortgages
Non-traditional Credit
Manufactured Housing
Properties located in Guam
Attached Condominium Units
Non-Occupant Co-borrowers
ARMs with initial fixed term < 3 years
New Construction/Construction-to-Permanent 12 month commitment

Link to Super Jumbo Underwriting guidelines

Property Type	Maximum LTV/CLTV	Maximum Loan Amount	Minimum Credit Score Maximum DTI
	Primary Residence Purchase; Rate/Term Refinance		
1 Unit, detached/ attached, includes PUDs; Detached Site Condos	90%	$1,250,000	720/43%
	85%	$1,500,000	

Link to Payment Qualification/ARM Maximum Interest Rate Caps

Effective:
December 1, 2018

Manual Underwriting
Non-Prime Credit
Primary Residence

General Exclusions:

2–4 Units
Cooperatives
Second Homes
Investment Property
Non-traditional credit
Manufactured Housing
Properties located in Guam
New Construction/Construction-to-Permanent 12 month commitment

Property Type	Maximum LTV	Maximum Loan Amount for the Contiguous States, AK & HI	Minimum Credit Score Maximum DTI	Exclusions Specific
	Purchase; Rate/Term Refinance			
1 Unit, detached/attached, includes PUDs; Condos	95%	Agency Base Conforming	680/41%	ARMs
	90%			ARMs with initial fixed term < 5 years

Link to Payment Qualification/ARM Maximum Interest Rate Caps

Section II – Policy Chapters

1 Doing Business with Radian

A. General Eligibility

The following information applies to all Radian insured loans.

1. Loan Features

a. Loan Origination

Radian insures first lien mortgages only. The loan must have been originated as a full documentation loan. Third party originations are eligible.

b. Credit Quality

Prime and Non-Prime mortgage insurance coverage is available and issued under separate qualifying criteria.

Prime: Industry A credit extended to borrowers considered to be the most credit worthy and qualified to borrow at the market's best interest rate.

Non-Prime: Industry A Minus credit extended to borrowers unable to meet Prime credit eligibility requirements as defined within these guidelines or for loans receiving a non-prime credit AUS Underwriting Response.

c. DTIs for Single Premium Mortgage Insurance

Debt ratios (DTI) exceeding 45% for Single Premium mortgage insurance including applications with an Agency AUS response of Approve, Accept/Eligible, Ineligible are subject to:

- a minimum credit score of 700 or;
- a maximum LTV of 95%

Examples: Credit Score/LTV combinations

Credit Score	LTV	Eligible	Ineligible
Greater than or equal to 700	Greater than 95%		X
Less than 700	Less than or equal to 95%		X
Greater than or equal to 700	Less than or equal to 95%	X	

d. Transaction

Coverage is available on mortgage loans used to purchase or refinance a primary residence, second home or investment property. Radian also insures Fannie Mae's HomeStyle® rehabilitation/renovation loans through our One Underwrite (AUS) program.

e. Subject property location

Loans securing property located within the United States and Guam are eligible, certain restrictions apply. Radian does not insure property located in Puerto Rico or the U.S. Virgin Islands.

f. Maximum insured loans per borrower

Radian will insure up to two loans per borrower with a maximum of one investment property.

2. Borrower

a. Identification

Radian provides mortgage insurance on loans to Individuals and Inter vivo revocable trusts that meet standard Agency requirements.

The submitting lender must validate the identity of the borrower.

All borrowers on the mortgage loan must have a valid social security number and reached the age at which a mortgage note is legally enforceable.

Borrowers with an Individual Tax Identification Number (ITIN) in lieu of a Social Security number are not eligible.

b. Citizenship Status

The borrower may be a U.S. Citizen, permanent resident alien, or a non-permanent resident alien.

The lender must determine that the borrower is legally in the US and has an expectation of continuance. Radian does not review visa or other such documentation in lieu of the lender's own review and determination.

The borrower must be subject to all United States laws and regulations. Borrowers with diplomatic immunity are not eligible.

c. Relocation Borrowers

Guidelines specific to Relocation Borrowers are not offered. However, in certain cases, favorable pricing is available for Relocation Borrowers who meet the following conditions. Please see rate cards for details.

- The borrower is purchasing a primary residence.
- The borrower is a transferred or new employee.
- The borrower is participating in a formal Relocation program administered by the employer or its agent.
- The employer contributes to mortgage loan financing through the payment of closing costs, discount points or pre-paid items.

3. Occupancy Status

Occupancy type is a component of mortgage insurance eligibility. Radian provides insurance on mortgages secured by property occupied by the borrower as a primary residence or second home. Radian also insures investment property. For Radian insurance eligibility purposes, a property with occupancy or use characteristics inconsistent with those of primary residence or second homes is classified as an investment property.

The terms under which Radian will insure an owner occupied property vary depending on whether the property is classified as a primary residence or second home. As a result, for mortgage insurance qualification purposes, Radian provides primary residence and second home occupancy classification requirements. To ensure proper underwriting, all delegated and non-delegated mortgage insurance applications must accurately identify occupancy type. Prior to submission, the lender is to confirm the occupancy type selected on the mortgage insurance application is consistent with Radian's occupancy classification requirements and supported by documentation contained within the loan file.

It may be necessary for a lender to perform due diligence before selecting an occupancy type on the mortgage insurance application when the loan details do not provide adequate motivation or clear intent. In these instances, it is prudent for the submitting lender to include with their mortgage insurance application, a summary of the actions taken which provided the details necessary to confirm their selection. Examples of loan file circumstances which may benefit from lender explanation include:

1) Borrower currently owns a primary residence in close proximity to the subject property.

Effective:
December 1, 2018

2) Borrower currently owns a property in the subject market area which competes with the subject property in regards to features and benefits.
3) Borrower has acquired other real estate within the past twelve months or is in the process of purchasing other real estate.
4) Borrower is purchasing a home that requires significant updates or improvements to align condition with that which is typical for the neighborhood.
5) Borrower currently co-habits the primary residence owned by their non-entering spouse/domestic partner
6) Subject property is tenant occupied.
7) A non-owner occupant co-borrower transaction when the occupant borrower does not contribute qualifying income.

In the event actions taken by a lender do not provide the details necessary to confirm occupancy type classification, the file may be forwarded to the Service Center for a non-delegated underwriting review provided it is identified accordingly (not available for HARP loans due to certificate modification only requirements).

a. Primary Residence

Radian considers the occupancy of a property to be a primary residence when:

- The property characteristics are adequate to accommodate the borrower's immediate dependent family.
- It is occupied by the borrower for the majority of the year.
- It is located within a reasonable distance from the borrower's place of employment.
  Note: *In the event the borrower is military personnel stationed overseas, all the above occupancy requirements may be met by the borrower's immediate family member(s) when no other real estate is owned by the borrower or occupying family member(s).*
- For purchase and new construction/construction-to-permanent transactions:
  - The borrower states an intention to occupy the property as a primary residence, and occupancy will occur no later than (60) days from the date the loan is closed.
- For existing property refinance transactions:
  - The borrower occupies the property as a primary residence at the time of loan application, and it is the borrower's address of legal record.
- In addition Radian will insure loans to borrowers as their primary residence up to a maximum of Agency Base Conforming, including Alaska and Hawaii, loan amounts when the subject property is owned or purchased by the borrower to accommodate their:
  - Parents, who do not have adequate income or financial resources to qualify for a mortgage on their own.
  - Parents or legal guardians wanting to provide housing for their physically handicapped or developmentally disabled child.
    Note: *The elderly parent or handicapped/disabled child's inability to qualify for a mortgage must be addressed in the loan file.*

b. Second Home

Radian will insure loans to borrowers occupying the subject property as a second home subject to the following restrictions:

- The property will be occupied by the borrower for some portion of the year.
- The property is:
  - Located in an area that is accessible yet remote enough from the borrower's primary residence to function reasonably as a second home.

- Available for the borrower's exclusive use and controlled solely by the borrower.
- Not under a shared ownership, revenue sharing or rental agreement.
- Seasonal occupancy is permitted provided that:
  - Seasonal second homes are common for the area and supported by the comparables.

c. Investment Property

Radian will insure investment property defined as property that the borrower does not intend to occupy and use as their primary residence or second home.

4. Property

Radian does not insure mobile homes, time-share properties or lot loans. Each eligible property type is defined below.

a. Eligible Property Type Defined

Single Family Residence

- A 1 unit detached or attached home.
- Held in fee simple or leasehold estate.*

Planned Unit Development (PUD); Condominium

PUD or Condominium classification can be determined by the legal description.

- A 1 unit detached or attached home.
- Held in fee simple or leasehold estate.*
- Located in a project or subdivision which includes common property owned and maintained by a homeowners' association.
- Subject to mandatory membership in the homeowners association and payment of assessments.
- Condominium projects made up of student housing ("kiddie condos") are ineligible.

Cooperatives

- A 1 unit attached home.
- Held in fee simple estate.
- Designed for residential use.
- Consists of five or more units.
- Form of ownership in which the buyer obtains shares in a corporation which owns the building where the unit is located.

2–4 Unit Properties

- Provides separate, self-contained living units, attached to or detached from each other that are legally permissible and located on the same parcel.
- Held in fee simple or leasehold estate.*
- Not subject to a mandatory homeowners association.

Manufactured Housing

- Multi-width, 1 unit detached home.
- Held in fee simple estate.
- Legally classified and taxed as real estate.
- Permanently affixed to the lot.

* The lender must assure properties held in a leasehold estate conform to Agency requirements. Radian does not review leasehold estate documents.

b. Declining Property Values

Properties located in neighborhoods experiencing declining values, an oversupply of homes for sale, and marketing times in excess of six months represent a higher risk of loss of equity for the borrower. These properties require additional scrutiny of the appraisal, e.g., use of recent sales, sales and financing concessions. Please refer to the Agency Guidelines for additional information.

Radian monitors internal and external housing market data and may identify certain markets as declining or distressed markets. There are no markets currently identified as declining or distressed. Markets that are identified as declining or distressed are not eligible for delegated underwriting.

B. Underwriting and Submission

1. Delegated; Non-delegated Submissions

Non-delegated underwriting requires submission to a Radian Service Center or Radian on-site contract underwriter. Lenders who have executed an Underwriting Review Agreement with Radian may submit loan files for compliance underwriting in addition to mortgage insurance eligibility.

Delegated underwriting requires a Radian Delegated Underwriting Endorsement to the submitting Lender's Master Policy.

Lenders who have been granted delegated underwriting authority are expected to use this authority, employ prudent judgment and underwrite all loans prior to ordering mortgage insurance.

The file must include adequate support for the underwriting decision. Radian reserves the right to request additional documentation, if upon review, the file is found to be insufficient.

A delegated lender may choose to submit a file non-delegated specifically those that present unique circumstances however once a file has been submitted non-delegated, the lender may not exercise delegated authority on the file.

Ineligible for Delegated Submissions

- Manually underwritten loans that include Non-traditional Credit
- Loan amounts > $1,000,000

2. Submission Date

Borrower-Paid (BPMI) and Lender-Paid Mortgage Insurance (LPMI) must be submitted no later than the end of the month in which the first mortgage payment is scheduled.

3. File Delivery

Loan packages may be submitted for non-delegated underwriting through a variety of avenues:

a. Electronic Delivery

Register, check eligibility and upload your loan file via Radian's MI Online data transmission system www.mionline.biz.

b. Email

Send to Radian's Service Center via secured email to intake@radian.biz.

c. Fax

Fax to Radian's Service Center at 866.496.8764.

d. Overnight Delivery

Packages may be sent to:

Radian Guaranty Inc. Service Center
250 East Wilson Bridge Road, Suite 175
Worthington, OH 43085-2323

e. Blitz Docs

For specific information please contact our Customer Care team at *877.RADIAN1 (723.4261)* or your Radian representative.

4. Loan Package

For Non-delegated lenders or Delegated lenders requesting a Non-delegated submission, Radian offers a variety of Loan Package options.

Radian will review each type of loan package for eligibility, however an appraisal must be provided in order to obtain a mortgage insurance commitment. Radian's decision on a submission without an appraisal will be communicated by a Lender Notice subject to the appraisal and any other loan-specific outstanding information.

a. Complete Loan Package

A property has been selected by the borrower. The mortgage insurance application includes both the sales contract and appraisal along with all required credit documents. *Note: Super Jumbos must be submitted as complete loan packages and are ineligible for Credit Only or Pre-Qualification underwriting. Reminder: Loan amounts exceeding $1,000,000 require two appraisals.*

b. Credit Only

A property has been selected by the borrower. The mortgage insurance application includes all credit documents however the sales contract and/or appraisal are not currently available for review.

c. Pre-Qualification

A property has not been selected by the borrower. The mortgage insurance application includes all credit documents.

d. Radian ExpressTrack℠ for Delegated Lenders

A property has been selected by the borrower. The mortgage insurance application submitted to Radian for underwriting includes four documents: 1008, 1003, credit report and appraisal.

Radian reviews the credit report and appraisal to confirm eligibility. The submitting lender represents and warrants that the information presented and contained within the 1008 and 1003 has been properly documented, reviewed for accuracy and accepted as true and complete. In the event an AUS Recommendation is identified on the mortgage insurance application and used to satisfy One Underwrite (AUS) eligibility, the lender must also represent and warrant the validity of the Findings/Feedback Report reporting the AUS Recommendation.

Ineligible for ExpressTrack℠

- Manually underwritten loans that include Non-traditional Credit
- Loan amounts > $1,000,000

5. Loan Package Documentation

Depending on the transaction and type of Loan Package, all or some of the following documents are necessary to render a decision on the mortgage insurance application.

- A Radian Mortgage Insurance Application. *Applications may be obtained through your Radian Representative or* our Customer Care team at *877.RADIAN1 (723.4261).*
- Initial 1003, signed and dated by the interviewer (and borrower if available).
- Final 1003/1008
- Agency AUS Findings Report/Feedback Certificate, if applicable
- Credit Report
- Income/employment verification
- Verification of down payment and reserves
- Purchase Agreement if applicable
- Appraisal in PDF format
- Additional documentation as needed to support the mortgage insurance application.

C. Mortgage Insurance Commitment

1. Conditions

At the time of submission and activation the insured lender must be an active Radian Master Policy holder.

Mortgage insurance commitments that have yet to be activated may only be cancelled by the submitting lender.

a. Term

Mortgage insurance commitments are issued by Radian with a commitment term of 120 days or 12 months for new construction/conversion of construction-to-permanent financing. Commitment expiration dates cannot be extended.

120 day Commitment

The home must be complete and habitable including a Certificate of Occupancy prior to activation of the commitment.

New Construction/Construction-to-Permanent 12 month commitment

In the event Radian's 120 day commitment term will not accommodate the property completion date, and subsequent initiation or closing of the permanent financing, or the lender requires coverage during the construction period, a New Construction/Conversion of Construction-to-Permanent, 12 month, commitment term may be requested when initially ordering mortgage insurance. The home must be complete and habitable, per plans and specs, including a Certificate of Occupancy, prior to consideration of a claim filing. Please see Radian's Master Policy for more detail.

Link to New Construction/Construction-to-Permanent under One Underwrite (AUS) guidelines

Link to New Construction/Construction-to-Permanent under Manual guidelines

b. Coverage

The percentage of mortgage insurance coverage issued is subject to published pricing and based upon lender request.

c. Pricing

The cost of Radian's mortgage insurance options can be found on our published rate cards located at http://www.radian.biz/page?name=RatesAndGuidelinesNew.

1) **Non-traditional Credit**
   Loan files which do not contain any FICO score and therefore are qualified using non-traditional credit references are priced using the lowest credit score offered on the rate cards specific to the mortgage insurance product. These no FICO, non-traditional credit loan files are not eligible for Radian's SplitEdge® program.

d. Delegated Commitments

Radian provides delegated lenders the opportunity to obtain a mortgage insurance commitment in one of the following ways:

1) **The loan information may be entered into Radian's MI Online, data transmission system.**
   It is important to note, *Radian's MI Online system validates the eligibility of specific loan features however it is not an underwriting system.*
   The lender is required to adhere to Radian's published guidelines and any representations/warranties associated with their delegated underwriting authority endorsement.

2) **The loan information may be transferred through EDI Transmission.**

3) **The loan information may be submitted to a Radian Service Center.**
   Please provide a completed, signed 1008 with the FICO-based credit score clearly noted and applicable AUS Underwriting Recommendation/Response.

Delegated lenders will be asked to provide channel information when requesting a commitment.

Please identify channel according to the following definition:

Retail:	Submitting Lender took loan application.
Wholesale:	Submitting Lender did not take loan application.
Correspondent:	Submitting Lender did not take loan application but is the investor buying the loan.

e. Post Commitment Data Changes

The mortgage insurance commitment is contingent on the lender closing the loan as approved by Radian. Subsequent qualification is based on current pricing and eligibility at the time of re-qualification. It is not based on the pricing and eligibility published at the time of the original mortgage insurance application or commitment.

Applications that are restructured after the mortgage insurance approval must be resubmitted for a revised approval. Failure to advise Radian of any changes after approval may invalidate the mortgage insurance policy.

Resubmission is not required when:

1. One Underwrite – Changes are within Agency AUS resubmission tolerances.
2. Manual Underwriting – A new credit report is obtained and the representative credit score continues to meet published pricing and eligibility.

In all cases, any change to the loan file must be documented on a revised 1003 provided prior to certification.

f. Activation

The loan, including FNMA HomeStyle® Renovation mortgages, must close and the coverage be activated with Radian (i.e., loans must be certified) before the commitment expires, New Construction/Conversion of Construction-to-Permanent, 12 month, commitment, may be activated during the construction period, prior to completion of the home, but before the 12 month commitment expires. Activation is accomplished through Radian's receipt of the initial premium due along with the reported date on which the loan closed, or in the case of deferred premium payment option, report the date to Radian on which the loan closed.

Mortgage or interim construction financing payment history at activation retained in the lender's loan file.

- 120 day commitment.
  - One Underwrite
    - Payment history must conform to Agency guidelines and AUS.
  - Manual Underwriting
    - Payment history 0X30
- New Construction/Conversion of Construction-to-Permanent, 12 month, commitment.
  - One Underwrite and Manual Underwriting
    - Payment history 0X30

2 One Underwrite (AUS)

Fannie Mae and Freddie Mac (The Agencies) analyze credit characteristics and risk features through their proprietary automated underwriting systems (Agency AUS) to identify first lien mortgage loans of prime credit quality. Radian recognizes the value of this assessment and will allow certain prime credit recommendations/ responses in conjunction with a limited number of underwriting overlays to satisfy eligibility requirements. Although Radian presents this opportunity to our lending partners, we promote prudent underwriting and risk assessment as an inherent part of responsible lending and anticipate our clients will complete appropriate due diligence when submitting a loan for mortgage insurance coverage.

Unless specifically excluded from this version of Radian's guidelines or subsequent Radian Announcement, future FNMA or FHLMC guideline changes are likewise eligible for One Underwrite (AUS) concurrent with their FNMA or FHLMC announced effective dates.

Link to Eligibility/Documentation

A. Agency Automated Underwriting Systems

1. Recommendation/Response

- Agency AUS eligibility includes Desktop Originator (DO).
- Radian accepts the following Agency AUS Recommendation/Responses:
  - Approve, Accept/Eligible
  - Approve, Accept/Ineligible for:
    LTVs 95.01%–97%, LTVs 80.01 to 97% for ARMs (Arms with initial fixed period less than 3 years excluded); or cash-out refinance.

Loans submitted to an Agency Custom AUS or Non-Agency AUS; or loans receiving any recommendation/response other than Approve, Accept/Eligible or Approve, Accept/Ineligible must meet Radian Manual published guidelines.

2. Findings and Feedback Reports

a. Identification

The final AUS Findings/Feedback Report, a result of the most recent submission, must be included in the loan file. Eligibility details, including special program considerations, must be identifiable.

b. Conditions/Alerts

All conditions identified within the Findings/Feedback Report must be satisfied as required by respective Agency guidelines. Red flags identified within the Findings/Feedback Report are to be addressed within the loan file.

c. Compliance

The loan must close according to the terms and conditions of the AUS Findings/Feedback Report. Resubmission tolerances as identified by the respective Agency are permitted.

d. Data Integrity

The transmission of accurate loan data to the Agency AUS is critical to the meaning and effectiveness of the AUS assessment. Therefore the submitting lender is responsible to verify and confirm the accuracy of the data submitted to the Agency AUS which result in the Eligible Underwriting Recommendation/Response. This includes but is not limited to the Borrower's credit history, source and amount of qualifying income and assets, transaction and property type.

3. Consideration(s) Outside of AUS

a. Loan Details

At times, the Agencies identify loan details and circumstances which are not captured and/or considered with the AUS. These may vary depending on effective date, system limitations or scheduled upgrades. Files which include loan details not considered within the applicable AUS recommendation/response, including but not limited to required reserves, derogatory credit waiting periods, and multiple financed property limitations, must be given manual underwriting consideration to confirm the loan file continues to meet applicable agency guidelines. In the event the file no longer meets applicable agency guidelines, the loan is no longer eligible for *One Underwrite (AUS)* and must meet manual published guidelines.

Link to Chapter 3 Manual Underwriting

Link to Medical Professional Program guidelines

Link to Super Jumbo guidelines

b. Underwriting Assessment

When approving a loan as a result of an AUS Recommendation, employ prudent underwriting judgment in assessing the appropriateness of the AUS Recommendation.

- Confirm the accuracy of the data submitted, including a complete and accurate 1003 and declarations, making sure the submission did not fail to include any data that might have affected the AUS recommendation had it been known.
- Ensure that the loan complies with all of the verification messages and approval conditions specified in the AUS Underwriting Findings report.
- Apply due diligence when reviewing the documentation in the loan file.
- Review the credit report to confirm that the AUS evaluated credit report data with respect to the borrowers' credit history was accurate and complete including but not limited to Agency guidance regarding Authorized User accounts.
- Determine if there is any potentially derogatory or contradictory information that is not part of the data analyzed by the AUS.
- Take action when erroneous data in the credit report or contradictory or derogatory information in the loan file would justify additional investigation or potentially deliver a decision that is different from the AUS recommendation.

B. Maximum Loan Amount Subordinate Financing

Loan Features: Amortization; Adjustable Rate Mortgages; Temporary Buy downs

Link to Eligibility Matrices

Radian Underwriting Guidelines

C. Eligibility/Documentation

Tool/Guideline	AUS Approve, Accept/Eligible	AUS Approve, Accept/Ineligible
AUS Income Validation Services	Yes	Yes
AUS Employment Validation Services	Yes	Yes
AUS Asset Validation Services	Yes	Yes
Property Inspection Waiver*	Yes	N/A
FNMA Collateral Underwriter® with score of ≤ 2.5 FHLMC Collateral Representation and Warranty Relief	Appraisals are fully underwritten including the assessment of value.	

*If the lender exercises a Property Inspection Waiver (PIW) offer, the lender is not responsible for the representations and warranties related to the value, marketability, and condition of the subject property. The lender continues to be required to represent and warrant to Radian that all of the information and data submitted to the Agency AUS are complete and accurate and all Agency requirements regarding the PIW are met.

Radian follows the Agency Selling Guides for eligibility and documentation required to support the AUS Findings/Feedback report for:

- Age of Documents
- Credit – Traditional and Non-traditional

  As a reminder: The Non-traditional Credit Indicator must be marked as "yes" and the credit score field left blank in MI Online for any borrower without a credit score. Radian systems will accommodate uploads from lender origination systems programmed with the non-traditional credit option.
- Income and Assets

  Renewal of existing Agency variances or new variances granted after March 19, 2018 require Radian approval.
- Property

  Radian will accept as identified within the Findings/Feedback Report, the appraisal/property inspection to be performed and the form on which it is to be reported and completed. In the event the inspection or report is not adequate to identify property type or ensure the loan meets minimum property standards, the lender will need to provide supplemental detail. Follow all other Agency requirements including due diligence when reviewing the appraisal/property inspection report.

  Appraisal/Property Inspection reports must follow:
  - The Agency Uniform Appraisal Dataset (UAD)
  - Uniform Standards of Professional Appraisal Practice (USPAP).
  - Federal Housing Finance Agency (FHFA) Appraisal Independence Requirements (AIR).
- Other Documentation

  Follow the Agency AUS Findings/Feedback reports and Selling Guides for all other eligibility and documentation requirements including:
  - Interested Party Contributions (IPCs)
  - Gifts, grants, and other down payment assistance not derived from premium pricing for purchases and rate/term refinances.

  As a reminder: These loans must be properly identified in MI Online by populating "No" to Borrower 3% Funds field and answering the corresponding questions regarding source of funds for closing.

Effective:
December 1, 2018

Adjustment to value

Adjustment to value based on a field/desk review must follow the respective Agency guidelines. All appraisal/property inspection reports and field/desk reviews obtained on the subject property must be included in the loan file.

1. Streamlined Documentation

Radian will accept streamlined documentation as permitted within the applicable AUS recommendation/response. However, consistent with Agency guidance; there may be instances where AUS streamlined documentation is not sufficient to adequately support the loan details as submitted. On these occasions, the lender must identify and require the documentation necessary to support the loan details and subsequent AUS recommendation/response.

2. Lender Specific Approvals and Variances

Radian accepts specific lender approvals or variances to a lender's master agreement issued by the Agencies:

- Fannie Mae's HomeStyle® renovation mortgages.
- Mortgages secured by properties located in Guam.
- A cooperative share loan.
- Secondary financing in conjunction with Affordable Housing programs.
- Additional variances including condominium units that are sold with recourse in exchange for reduced project eligibility reps and warrants require prior approval.
- In addition, for mortgage insurance purposes, Radian offers the following Manual flexibilities:
  Link to Rate/Term Refinance
  Link to Employment Contracts
  Link to Increase in Salary/Wage
  Link to Financing Concessions
  Link to Abatements
  Link to Program Considerations
  Link to Student Loans

3. Underwriting Exclusions

- DU Refi Plus; FHLMC Open Access Refinance
- Agency AUS Approve, Accept/Eligible
- Agency AUS Approve, Accept/Ineligible
  - 2–4 Units; Manufactured Housing

D. Program Considerations

1. Radian supports the following Agency Programs

- **Fannie Mae**
  - HomeReady™
  - HomeStyle® Renovation & HomeStyle Energy Mortgages
    Link to Activation
  - MH Advantage
  - 97% Purchase & Refinance Mortgages
- **Freddie Mac**
  - Home Possible & Home Possible Advantage
  - HomeOne℠

2. New Construction/Construction-to-Permanent

AUS Eligible and Ineligible Recommendations specific to Construction-to-Permanent loan files are subject to Radian's commitment term of 120 days. The home must be complete and habitable including a Certificate of Occupancy prior to activation of the commitment.

In the event Radian's 120 day commitment term will not accommodate the property completion date, subsequent initiation or closing of the permanent financing, or the lender requires coverage during the construction period, a New Construction/Conversion of Construction-to-Permanent, 12 month, commitment term may be requested when initially ordering mortgage insurance.
Link to New Construction/Construction-to-Permanent under Manual guidelines

---

E. Project Acceptance

For both delegated and non-delegated submissions, the submitting lender must determine whether the Planned Unit Development, Condominium or Cooperative project is warrantable under the applicable Agency eligibility requirements. This determination must include an evaluation of the integrity of all data submitted to obtain an Agency project approval.

1. Planned Unit Development (PUD)

Project Acceptance

An attached unit within a Planned Unit Development project must meet Agency warranty requirements.

2. Condominium

Project Acceptance

The sustainability of a condominium project is an important underwriting consideration influenced by a number of factors, including but not limited to: investor concentration, non-residential use, percentage of units owned by a single entity and the financial strength of the homeowners association. A project warranted as meeting Agency eligibility requirements may suggest the characteristics of the project present acceptable risk. However, there may still exist unfavorable or atypical features or influences which can present a layering of risk, warranting underwriter evaluation. Radian reserves the right to limit eligibility including the number of units insured within a project when the project or transaction presents unique risk or unusual circumstances. Lenders using their delegated authority are also encouraged to exercise caution under these circumstances.

- An attached condominium unit must meet Agency warranty requirements.
- A detached condominium must meet Agency Limited Review warranty requirements.
- Condominium units that are sold with recourse in exchange for reduced project eligibility reps and warrants require prior Radian approval.

3. Cooperatives

Project Acceptance

A cooperative unit must meet Agency warranty requirements.

3 Manual Underwriting

- **Conforming Loan Amounts**
- **FHFA High Cost**
- **Affordable Housing/Housing Finance Agencies** (HFAs)
  Federal Home Loan Banks (FHLBs)
- **Non-Agency Jumbo**
- **Non-Prime Credit**

The guidelines contained within this chapter apply to all loans which do not meet One Underwrite (AUS) eligibility.

Loan matters which are not specifically addressed within Radian's published guidelines default to:

- Manual Fannie Mae guidelines if the submission contains a DU Findings Report.
- Manual Freddie Mac guidelines if the submission contains an LPA Feedback Certificate.
- If the loan is a manual underwrite and not being sold to Fannie Mae or Freddie Mac, either of the Agencies' underwriting requirements can be applied.

Loans subject to the following guidelines include:

- Manual Agency Base Conforming, Manual Agency High Cost; Manual Affordable products for the Contiguous States, Alaska and Hawaii: The loan amount conforms to Agency loan limits for the area in which the property is located.
  - Fannie Mae/Freddie Mac (The Agencies) loans which do not meet the One Underwrite (AUS) program.
  - Loans that are manually underwritten, including agency and non-agency loans.
  - The loan is a first lien mortgage originated though a private lender as part of its affordable housing program, state, county, municipal housing finance programs (HFAs), or Federal Home Loan Banks (FHLBs).
- Non-Agency Jumbo Super Jumbo: The loan amount or parameters are outside Manual Conforming Agency loan criteria for the area in which the property is located.
  - Loans retained in portfolio by the originating lender.
  - Loans sold to an investor other than Fannie Mae or Freddie Mac.
- Non-Prime Credit: The loan does not meet industry Prime credit standards.
  - Loans that are manually underwritten, including agency and non-agency loans.
  - Loans that receive a non-prime credit AUS Underwriting Recommendation/Response.

A. Specific Eligibility

1. Maximum Loan Amount

Link to Eligibility Matrices

a. Determining Eligibility

Value	Definition	Calculation
Property Value	The property value is defined as the lesser of: • The current sales price, net of any sales concessions or incentives to purchase OR • Current appraised value.	Property Value Sales price – concessions or incentives = $100,000 Appraised Value = $110,000 Property Value = $100,000
Eligibility	Reflected on the Radian matrices as LTV/CLTV.	Eligibility Calculation LTV+CLTV+HCLTV = Eligibility
LTV Loan-to-Value	The LTV ratio is defined as the 1st mortgage loan amount (excluding any financed MI premium), divided by the property value. Eligibility and pricing are based on the LTV.	LTV Calculation 1st mortgage loan amount before any MI financed premium/Property value = LTV
GLTV Gross Loan-to-Value	The GLTV ratio is defined as the 1st mortgage loan amount plus the financed portion of a borrower paid mortgage insurance premium (MI financed premium), divided by the property value. The borrower may finance any portion of a borrower paid up-front mortgage insurance premium not to exceed a GLTV Ratio of 100% or the maximum GSE loan limit.	GTLV Calculation 1st mortgage loan amount + the MI financed premium/ Property value = GLTV
CLTV Combined Loan-to-Value	The CLTV ratio is defined as the 1st mortgage loan amount plus the unpaid balance of any closed end subordinate financing plus the drawn balance on any HELOC divided by the property value. The MI financed premium is excluded from this calculation.	CLTV Calculation 1st mortgage loan amount + balance on all closed-end second liens + the drawn balance of a HELOC/ Property value = CLTV
HCLTV Home Equity Combined Loan-to-Value	The HCLTV is defined as the 1st mortgage loan amount and the full amount of any HELOC (including undrawn funds) and the unpaid balance of all closed end subordinate financing divided by the property value. The MI financed premium is excluded from this calculation.	HCLTV Calculation 1st mortgage loan amount + balance on all closed-end second liens + drawn and undrawn amounts of all HELOCs/Property value = HCLTV

2. New Construction/Construction-to-Permanent

Follow Agency guidelines and definitions for One Close or Two Close; Purchase or Refinance; and determining Loan to Value (LTV).

a. New Construction/Construction-to-Permanent (12 month commitment)

In the event Radian's 120 day commitment term will not accommodate the property completion date and subsequent initiation or closing of the permanent financing, or the lender requires coverage during construction, a New Construction/Conversion of Construction-to-Permanent, 12 month, commitment term may be requested when initially ordering mortgage insurance by a notation on the Mortgage Insurance application or by selecting *Const. to Perm 12 month commitment* in MI Online and subject to:

- 1 Unit primary residence including manufactured housing, second home, detached single family unit, including Planned Unit Development (PUD), detached (Site) Condominium.
- Rental income from the borrower's current primary residence cannot be considered in qualifying the borrower.

Effective:
December 1, 2018

- A copy of the Certificate of Occupancy is to be obtained by the lender and retained in the loan file.

Age of Documentation at Activation (12 month Commitment):
If underwriting documentation is over 120 days old at the time that coverage is activated, the following updates to that documentation, current to within 120 days of activation are required:

- The construction financing may have no late payments and must be current as of the date the insurance is activated.
- Recertification of value
- Verbal verification of employment

A decrease in value or change in employment would require the borrower to qualify based on Radian's guidelines at the time of the original commitment.

3. Postponed Improvements/Financed Improvements

a. Postponed Improvements

Radian does not restrict the lender from establishing an escrow account for postponed improvements that meet Agency guidelines.

b. Financed Improvements

Radian insures loans that include financed improvements:

- Eligible for Manual Conforming prime credit only.
- Improvements may be no more than 35% of the completed value.
- LTV is based on the as completed value.

As a reminder: The value entered into the Purchase Price field in MI Online must be the *as completed* value.

B. General Terms

1. Borrower Eligibility

a. Non-Permanent Resident Aliens

A non-permanent resident alien must be legally present, with the opportunity to remain, in the United States. Evidence of a two year credit and employment history is required.

b. Non-occupant Co-Borrowers

Radian will insure loans with non-occupant co-borrowers subject to the following restrictions:

- Non-occupant co-borrower may not have an interest in the property sales transaction.
- Occupying borrower's Debt to Income (DTI) ratio is not to exceed the published maximum DTI for the applicable LTV/transaction type.
- Occupying borrower must meet the minimum equity/cash down payment from their own funds.

2. Documentation

a. Full or Standard Documentation

Mortgage insurance applications are to include documentation sufficient to meet Agency defined requirements for full/standard documentation.
Click here for guidelines specific to Radian insured transactions refinanced under HARP/HAMP

b. AUS Documentation Waivers

Link to Medical Professional Program matrix Link to Non-Agency Jumbo matrix

c. Subordinate Financing Eligibility

1) For secondary financing eligibility for Manual Affordable; Housing Finance Agencies (HFAs); Federal Home Loan Bank (FHLBs) Purchase; Rate/Term Refinance transactions including community seconds or grants. See eligibility matrix for CLTV limits.
Link to Manual Affordable; Housing Finance Agencies (HFAs) Federal Home Loan Bank (FHLBs) Eligibility matrix

2) **Manual; Non-Agency Jumbo; Non-Prime**

Purchase and Cash-out Refinance transactions

- Radian does not insure purchase or cash-out refinance transactions with simultaneous subordinate mortgage liens or secondary financing.

Rate/Term Refinance transactions

- Radian will permit the subordination of an existing subordinate mortgage lien subject to LTV/CLTV/HCLTV limitations.
- New subordinate mortgage liens/secondary financing simultaneous with the closing of the first mortgage refinance transaction are not permitted.

3. Transaction Types

a. Purchase

- The seller must be the owner of record and identifiable on the purchase contract.
- The buyer must be named on the purchase contract (not an assignee).
- The appraiser must review a complete and executed copy of the purchase contract, including any applicable addendum(s).
- Non arms-length transactions must be disclosed and analyzed by the appraiser.

b. Rate/Term Refinance

Repayment of a borrower's debt in which all loan proceeds are used for one or more of the following items:

- Payoff an existing first mortgage.
- No seasoning requirement when the mortgage being paid off is a purchase money transaction.
- Payoff of a subordinate lien that was used in its entirety to purchase the subject property as evidenced by the original purchase transaction HUD-1 Settlement Statement/ Closing Disclosure.
- Pay off of a non-purchase money fixed subordinate lien seasoned for at least 12 months or a Home Equity Line of Credit evidencing total draws not exceeding $2000 within the last 12 months.
- Pay off a Property Assessed Clean Energy (PACE) loan or other debt (secured or unsecured) that was used solely for energy improvements.
  - For a PACE loan originated prior to July 6, 2010, there is no limit on how much of the limited cash-out refinance loan amount may be used to pay off the PACE loan.
  - For a PACE loan originated on or after July 6, 2010, or other debt used for energy improvements, the payoff amount included in the limited cash-out refinance is limited to 15% of the appraised value of the property.

- Payment of reasonable and customary closing costs and prepaids, including discount points and prepayment penalty.
- Cash back to the borrower not to exceed the lesser of 2% of the new loan amount or $2,000.
- Existing subordinate liens may be re-subordinated provided the maximum CLTV/HCLTV is not exceeded for the program. New subordinate mortgage liens/secondary financing are not allowed.
  Link to Mortgage Eligibility – LTV
- Buyout of an owner's interests following Agency guidelines may be considered as a limited cash-out refinance.
- Transactions that meet Agency Delayed Financing guidelines and documentation requirements.

c. Cash-out Refinance

A cash-out refinance transaction provides funds in excess of what is permitted under rate/term refinance eligibility. These additional proceeds may be used to satisfy existing subordinate lien(s) and/or provide the borrower with cash. A cash-out refinance may also secure a property with no existing lien.

For certain transactions on properties that have a Property Assessed Clean Energy (PACE) loan, borrowers who refinance the first mortgage loan and have sufficient equity to pay off the PACE loan but choose not to do so will be ineligible for a cash-out refinance.

Restrictions

- Properties located in Guam are not eligible.
- The subject property listed within six months of the loan application date.
- If the subject property was purchased within the last 6 months the mortgage amount is limited to the original purchase price plus closing costs, minus any gift funds.
- The maximum cash a borrower may receive after the satisfaction of the first mortgage lien is $150,000.
- Transaction may not include subordination of existing or new secondary financing.
- Non-traditional credit, ARMs, temporary buy downs are not eligible.

4. Transaction Characteristics/Property Features

a. Property Flips

Increases in value as a result of the sale of a property recently acquired by the seller after a brief holding period typically for profit must be documented and analyzed to ensure the risk presented within the transaction is appropriate.

b. Installment Land Contracts, also known as, Contract for Deed

The proceeds of a mortgage loan may be used to satisfy the current remaining balance of a fully executed installment land contract. Installment land contracts are not eligible as a Cash-out Refinance transaction.

1) Contracts executed within the twelve (12) months preceding the date of the loan application:
- Are to be underwritten as a purchase transaction.
- Require the LTV ratio be determined by dividing the outstanding balance by the lesser of:
  - The appraised value as determined by a current appraisal, or

- The total acquisition cost (purchase price plus the cost incurred by the purchase for renovation) with all included expenditures fully documented by the borrower.

2) Contracts executed more than twelve (12) months before the date of the loan application:

- Are eligible as a Rate/Term Refinance transaction.
- Allow the LTV ratio to be determined by dividing the outstanding balance by the appraised value as determined by a current appraisal.

C. Borrower

1. Borrower Credit Classification and Evaluation

A borrower is classified as meeting Prime or Non-Prime credit eligibility. The criteria for each are contained within this chapter. A borrower may qualify for Prime credit through the use of traditional or non-traditional credit evaluation however Non-Prime credit is limited to traditional credit evaluation.

Credit classification is determined based on the following:

- The extent and depth of a borrower's credit history.
- The borrower's demonstrated ability and willingness to pay credit obligations as agreed.
- The borrower's current credit exposure and profile.

Therefore, Radian requires an established minimum credit history with complete and accurate identification of the borrower's prior and current credit obligations.

a. Prime Credit

1) Traditional Credit Requirements

Each borrower on the loan application must meet all three (3) of the following traditional credit eligibility requirements:

Minimum representative FICO-based credit score as required per the eligibility matrix	A minimum of three trade lines on the credit report which have been active and evaluated for a minimum of twelve months
The minimum representative credit score is based on the lowest representative credit score of all borrowers. A minimum of two credit scores from two credit repositories per borrower is required to establish the representative credit score and this score is determined as follows: • If two scores are provided, the lower score will be used. • If three scores are provided and two are identical, the identical score will be used. • If three scores are provided, the middle score will be used.	• A trade line is defined as a housing, installment or revolving account listed on a credit report that is the responsibility of the borrower. – Housing payment history reported on the credit report may not exceed 0X30 last 12 months and must be current as of application and closing. – Authorized user accounts are not eligible unless the borrower can evidence they have made all required payments for the past twelve (12) months. • An active and evaluated trade line requires that payments were made on an account to satisfy an amount owed by the borrower with the payment history reported by the creditor to a credit repository. – It is not required the account(s) be currently open. However if the borrower's credit history consists of only dated, closed accounts, sufficient data may not exist to establish an acceptable current credit profile.

Judgments; Tax Liens

Any judgment or lien which may impact title must be satisfied.

Significant Derogatory Credit Events Requirements

Derogatory Event	Waiting Period Requirements with satisfactory re-established credit	Waiting Period Requirements with Agency defined extenuating circumstances and satisfactory re-established credit
Bankruptcy Chapter 7 or 11	4 years from discharge date	2 years from discharge date Maximum LTV 95%
Bankruptcy Chapter 13	2 years from discharge date 4 years from dismissal date	2 years from discharge date 2 years from dismissal date Maximum LTV 95%
Bankruptcy Multiple filings within last 7 years	5 years from most recent discharge or dismissal date	3 years from most recent discharge or dismissal date Maximum LTV 95%
Foreclosure	5 years	3 years Primary Residence Maximum LTV 90% Purchase; Rate/Term Refinance
Short sale; Deed in Lieu of Foreclosure; Mortgage Charge-off; Modification resulting in principal forgiveness	4 years	2 years Maximum LTV of 95%

Note: *When both a bankruptcy and foreclosure are disclosed on the loan application or on the credit report, the lender may apply the bankruptcy waiting period. Documentation must be included in the loan file that the mortgage loan in question was discharged in the bankruptcy. Otherwise the greater of the bankruptcy or foreclosure waiting period applies.*

Satisfactory re-established credit requires all of the following after the date of the bankruptcy discharge/dismissal or completion date of the foreclosure, deed in lieu of foreclosure, short sale, mortgage charge-off or modification resulting in principal forgiveness:

- All accounts are current.
- A housing related reference that covers a twenty four month period reflecting all payments paid as agreed and current.
- Three credit references, in addition to a housing reference, which are current and have been open and active within the most recent twenty-four (24) month period reflecting no more than 2 x 30; 0 x 60.
- No other derogatory credit such as judgments, collections, liens etc.

2) Non-traditional credit requirements

Manually Underwritten files using Non-traditional credit must be underwritten by Radian. Borrowers who have not been extended traditional credit or have an insufficient number of traditional trade lines may meet credit eligibility by evidencing regular and consistent payment of non-traditional credit obligations. Non-traditional credit qualification is not acceptable to offset a derogatory traditional credit history. Non-traditional credit qualification is limited to the following transactions and property types:

- Purchase or Rate/Term Refinance
- Primary residence
- Single family, attached or detached PUD or condominium

- Maximum Agency Base Conforming for the Contiguous States, Alaska and Hawai loan amounts
- Arms-length transaction
- Non-delegated submission

Each borrower on the loan application must meet all four of the following non-traditional credit qualifications:

1. **An Agency compliant credit report which:**
   a) Provides the results of FICO scoring.
   b) Reports all "in file" traditional credit references and recent inquiries.
   c) Confirms and discloses the results of a public records search.

2. **Housing reference verified by a non-interested third party for the most recent twelve month period.**

   Borrowers without an available housing reference may evidence systematic monthly savings over the most recent twelve months in an amount equal to or greater than the proposed mortgage payment including taxes, insurance, HOA.

3. **Two additional non-payroll deducted credit references. The borrower must be required to make periodic payments no longer than every three months, and evidence payments made over a minimum period of twelve months on each account.**

4. **Satisfactory credit quality defined as follows:**

Mortgage or Rental History	• 0 x 30 in the past 12 months. Must be current at the time of loan application and closing. • Borrowers without an available housing reference may evidence systematic monthly savings over the most recent twelve months in an amount equal to or greater than the proposed mortgage payment including taxes, insurance, HOA.
Non-traditional Credit Reference	No more than 1 x 30 in the past 12 months.
Traditional Credit Reference	No more than 1 x 30 in the past 12 months.
Judgments, Collections, Charge-offs, Garnishments, Repossessions, Tax Liens, Housing related default	None in the past 60 months. All credit references used to meet eligibility requirements must have originated after the date the public record was filed. Medical collections may be exempt with a letter of explanation and resolution in place.

b. Non-Prime credit eligibility requirements

For loans receiving a Non-Prime credit AUS Underwriting Response, or for those not meeting Prime Credit eligibility, Non-Prime credit coverage is available subject to the following traditional credit history: Non-Prime credit is not eligible for Non-traditional credit qualification.

Mortgage or Rental History **Including HELOC(s) and subordinate financing**	Maximum 2 x 30 in the past 12 months. Must be current at the time of loan application and closing.
Short sale; Deed in Lieu of Foreclosure; Modification resulting in principal forgiveness, Bankruptcy; Foreclosure	Minimum 36 months since the event or bankruptcy discharge with re-established satisfactory credit.
Judgments; Tax Liens	Any judgment or lien which may impact title must be satisfied.

1) **Outside of Manual Credit Eligibility**
For primary residence purchase and limited cash-out refinance transactions, Radian will permit:

- An occupying spouse, who is not contributing any individual income or individual assets to the loan qualification, to co-borrow without meeting the minimum number of trade line requirements provided the payment history of all the individual's reported credit references meet the satisfactory payment history requirements.
- An occupant borrower on a non-occupying co-borrower transaction to qualify without meeting the minimum number of trade line requirement as long as the non-occupying co-borrower is an immediate family member of the occupying borrower, the occupying borrower has a representative credit score that meets the minimum required for the program and all credit references meet the satisfactory payment history requirements.

Liabilities

All debts must be included in the debt-to-income ratio. Installment debts with less than 10 months remaining for the balance to be paid in full may be excluded from the debt ratio. However, if continued payment of such debt will have a material effect on the borrower's ability to repay all obligations in a timely manner, then it must be included in the DTI calculation. Follow all other Agency requirements.

Student Loans

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below.

- If the borrower is on an income-driven payment plan, the lender may obtain documentation to verify the actual monthly payment is $0. The lender may then qualify the borrower with a $0 payment.
- The lender may calculate:
  - a payment equal to 0.5% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
  - a fully amortizing payment using the documented loan repayment terms.

2. Borrower Capacity

Employment Gap

Employment gaps are defined as any period of 6 months or greater.

- Any employment gap identified in the borrower's most recent two-year work history must be explained.
- The reason for the employment gap must be analyzed to determine if the borrower's work history demonstrates stability and consistency of income.

a. Income/Employment

The following income used to qualify the borrower must come from a source that is stable, likely to continue, defined and documented per Agency guidelines.

Base pay, bonus, and overtime
Commission
Second Job
Seasonal employment
Housing or Parsonage allowance
Interest and Dividends
Mortgage Credit Certificates
Mortgage Differential Payment income

Variable income
Self-employed income
Alimony or child support
Link to Alimony or child support
Automobile allowance
Capital gains
Disability income, long term
Employment Related Assets as qualifying income
Foreign income
Notes receivable
Public Assistance
Retirement, Pension
Restricted Stock
Royalties
Temporary Leave income
Tip income
Trust income
Unemployment Benefits
VA Benefits

Non-Occupant Co-Borrower

Link to Non-Occupant Co-Borrower

Non-Taxable Income

If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, the lender may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income.

If the actual amount of federal and state taxes that would generally be paid by a wage earner in a similar tax bracket is more than 25% of the borrower's nontaxable income, the lender may use that amount to develop the adjusted gross income, which should be used in calculating the borrower's qualifying ratio.

Examples of non-taxable income include:

- Child support payments
- Social Security benefits
- Workers' compensation
- Certain types of public assistance and food stamps
- Other income documented per Agency guidelines as being non-taxable.

b. Additional Income Sources

Alimony or Child Support

- Follow Agency requirements.
  - In lieu of court documents provide the voluntary payment agreement with evidence of 12 months on-time receipt of payments.

Asset Depletion Allowance

Qualifying income may be derived from liquid assets. Qualifying income is determined by taking the available liquid assets divided by 10 years to define an annual income. The annual amount is then divided by twelve and considered monthly qualifying income.

- Available liquid assets remain after the satisfaction of loan requirements which are equal to or greater than the loan amount.
- Remaining balances must be adjusted to consider a maximum of 70% of the value of stock, bonds, and mutual funds.
- The assets being considered are currently under the control and ownership of the borrower and have been for a minimum of two years.

Boarder Income

Boarder income may be used as qualifying income when one of the following is met:

- When a borrower with disabilities receives rental income from a live-in personal assistant, whether or not that individual is a relative of the borrower, the rental payments can be considered as acceptable stable income in an amount up to 30% of the total gross income that is used to qualify the borrower for the mortgage loan. Personal assistants typically are paid by Medicaid Waiver funds and include room and board, from which rental payments are made to the borrower.
- Boarder income meeting Fannie Mae HomeReady™ or Freddie Mac Home Possible eligibility.

Employment Contracts

Radian will consider base salary or hourly wages as defined in the terms of an Employment Contract subject to all of the following requirements:

- The borrower and employer have executed a complete, legally binding employment contract which identifies start date, source of income and rate of pay.
- All conditions of employment must be evidenced as satisfied.
- The borrower is employed in a profession which typically works under an employment contract; i.e., doctor, teacher, professor, professional athlete.
- Borrower is currently involved and can demonstrate a two-year continuous history in the profession. (advanced schooling permitted, i.e., medical residency)
- Borrower can evidence that, after loan requirements have been met, sufficient liquid assets remain to satisfy all current and proposed financial obligations from the date the loan closes until the borrower is scheduled to receive pay from the new employer. This transition period is not to exceed ninety days.

Foster Care

Income received from a state- or county-sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the borrower can document a two year history of providing foster care.

If the borrower has not been receiving this type of income for two full years, the income may still be counted as stable income if:

- the borrower has at least a 12-month history of providing foster-care services, and
- the income does not represent more than 30% of the total gross income that is used to qualify for the mortgage loan.

Increase in Salary/Wage

The calculation of the borrower's Stable Monthly Income and documentation of the amount in the Mortgage File may include income from a future salary increase provided that:

- The borrower's employer verifies in writing the amount and effective date of the salary increase and the documentation is retained in the Mortgage file; and
- The effective date of the salary increase is not more than 90 days after the Note Date.
- The borrower must have reserves to cover any shortfall in monthly income until the effective date of the increase.

Military Income – Base Pay, Flight or hazard pay, rations, clothing allowance, quarters' allowance

The discharge date must extend at least three years from the application date or the borrower must have the ability to re-enlist.

Rental Income

The method used to calculate net rental income for an eligible property and the documentation required is determined by the length of time the property has been owned by the borrower.

Property	Calculation/Documentation
New Acquisition or Conversion of existing primary or second home being converted into an investment property	The lesser of: 75% of the fair market rent as established by a Comparable Rent Schedule, or 75% of gross rental income as evidenced by a fully executed lease agreement by a tenant that is a disinterested party to the transaction
Investment purchase as subject property or recently acquired property not on most recent tax returns	Calculation and documentation per Agency guidelines
Established Property reflected on Schedule E of the most recent tax return(s)	Gross rental income reported on the schedule E less operating and repair expenses including but not limited to monthly PITIA • Principal • Interest • Taxes • Insurance • Association Dues

Underwriting Tip: *When a mortgage exists on the property, identify the net rental income (loss) from the tax returns, add back depreciation, mortgage interest, taxes and insurance, divide by 12 and then deduct the monthly PITI mortgage payment in order to capture the principal payment expense incurred by the borrower.*

Ineligible Sources of Income

Trailing Spouse Income.

Tax Returns, Tax Extensions, Transcripts

Follow Agency guidelines and documentation requirements.

Assets

1) **Down payment Requirements**

   a) **A Minimum Investment from the *Occupant Borrower Own Funds* is required for all transactions.**

   Purchase and refinance transactions require the following cash down payment or equity position in the subject property.

Manual Conforming Manual Affordable	1–2 Unit 3% 3–4 Unit 5%
Manual High Cost Non-Agency Jumbo	5%
Manual Conforming Cash-out Refinance Manual Conforming/Non Agency Jumbo Second Home	10%
Manual Conforming Investment Property	15%

Link to Medical Professional Program guidelines
Link to Super Jumbo guidelines

Note: *The minimum investment required from the Borrower Own Funds, in some cases, may be less than the total down payment required.*

(1) *Occupant Borrower Own Funds* are defined as:

- Depository assets which have been seasoned or sourced and are under the ownership and control of the borrower.
- Personal gifts, gifts of equity, and down payment assistance loans or grants from employers, non-profit organizations, or non-profit credit unions, meeting Agency eligibility requirements, are acceptable sources of occupant borrower own funds for purchases and rate/term refinances when:

  - The property is a single family primary residence under Radian's prime credit eligibility, Agency Base Conforming for the Contiguous States Alaska and Hawaii loan amounts and;
  - The 3% is verified as available in the borrower's asset accounts (Depository, Retirement, Stock) or;
  - The borrower's FICO ≥ 680.
  - Down payment assistance as a result of premium pricing is ineligible.

  For both delegated and non-delegated submissions, the submitting lender must determine whether the down payment assistance loan(s) or grant(s) comply with the applicable Agency eligibility requirements and must include an evaluation of the data submitted to determine Agency eligibility upon request.

  As a reminder: These loans must be properly identified in MI Online by populating "No" to Borrower 3% Funds field and answering the corresponding questions regarding source of funds for closing.

- Borrower entitled proceeds from the sale of real estate owned.
- Non-depository assets which are owned by the borrower.
  - Evidence of liquidation is required for Non-Prime Credit transactions.
- Sale of personal assets meeting the following requirements:
  - Borrower's seasoned ownership of the asset is evidenced.
  - Current value is determined by an independent and reputable source.
  - Bill of sale is provided along with evidence of borrower's receipt of the funds.
  - The party purchasing the asset may not be related to the borrower or a party to the transaction.
- Funds held by or for the benefit of the seller including:
  - Earnest money deposit which is seasoned or sourced.
  - Rent paid on an Option to Purchase which exceeds fair market rent and is defined in the contract as down payment.
- Secured borrowed funds, as long as the party providing the secured loan is not a party to the transaction.

Seasoned funds

Funds which are and have been under the ownership and control of the borrower for a minimum of sixty days prior to the date of loan application are considered seasoned.

Sourced funds

- A large deposit, not originating from an established income source, identified on any asset statement located in the file must be sourced and documented.
- **Individual** or **aggregate** deposits, exceeding fifty percent (50%) of the borrower's monthly gross income, are generally defined as large.

Business Assets

Business assets may be used to satisfy the minimum investment required from *Occupant Borrower Own Funds* subject to the following conditions and documentation:

- The business is 51% or more owned by the borrower or 100% owned by the borrower if the business is a corporation.

- Business tax returns are provided.
- Business assets are seasoned or sourced, under the control of the borrower and related to the business documented in the loan file.
- A cash flow analysis demonstrating that removal of business assets will not negatively impact the ability of the business to continue operating, or producing revenue, or CPA letter stating the withdrawal of said funds will not negatively impact the business.

(2) Ineligible Sources of *Occupant Borrower Own Funds*:

- Funds held in a joint account that:
  - Were not deposited by the occupant borrower, or
  - Do not meet seasoning requirements.
- Cash on hand
- Unsecured borrowed funds
- Trade equity
- Sweat equity
- Non-liquid assets including retirement accounts which are not eligible for liquidation upon request.

2) Reserves

The borrower must evidence assets defined, sourced, and documented per Agency guidelines in excess of the amount required to close the transaction.

These reserves must be sufficient to pay the housing expense, including principal, interest, taxes, insurance, and association fees for the minimum number of months indicated below:

Purchase and Refinance Transactions	Number of months
1 Unit Primary; Second Home Purchase; Rate/Term or Cash-out Refinance	
Rate/Term refinance resulting in reduced monthly housing expense	**0**
≤ $650,000	**2**
$650,001 – $850,000	**6**
$850,001 – $1,000,000	**9**
> $1,000,000	**12**
2–4 Unit Primary	**6**
1 Unit Investment	**6**

Link to Medical Professional program reserves
Link to Super Jumbo reserves

D. Property

1. Eligibility

To identify qualifying criteria specific to property type and transaction click here:
Link to Eligibility Matrices

a. Eligible property types

Eligible property types are identified and defined here:
Link to Chapter 1.A.4 Eligible Property Type Defined

1) Restrictions

Specific property restrictions are identified below:

a) **Acreage**
A lot size in excess of ten acres is limited to a 35% land-to-value ratio. The property must be used exclusively for residential purposes and cannot be income producing.

b) **Land-to-value ratio**
Lot value exceeding 35% of appraised value must be typical for the area and supported by comparable sales.

c) **Out-buildings**
Outbuildings may not accommodate agriculture or business use and must be typical for the area with value and marketability supported by comparable sales. The contributory value must be incidental.

d) **Unique or non-conforming properties**
The appraisal must provide sufficient information to develop a reliable opinion of market value. This requires comparable sales with similar unique and/or non-conforming features, and demonstrated marketability consistent with other conforming properties in the market area.

e) **Zoning**
The subject property must constitute a legally permissible use of the land and land use regulations may not restrict reconstruction or maintenance.

2) **Exclusions**
The following are not eligible for Radian mortgage insurance:
- Agency non-warrantable, PUDs and cooperatives
- Condotels
- Single-wide manufactured homes
- Manufactured housing that is either a site condominium or located within a Planned Unit Development (PUD)
- Projects made up of student housing ("Kiddie Condos")

b. Project Acceptance

For both delegated and non-delegated submissions, the submitting lender must determine whether the Planned Unit Development, Condominium or Cooperative project is warrantable under the applicable Fannie Mae/Freddie Mac eligibility requirements. This determination must include an evaluation of the integrity of all data submitted to obtain a Fannie Mae/Freddie Mac project approval.

1) **Planned Unit Development (PUD)**
An attached unit within a Planned Unit Development project must meet Fannie Mae or Freddie Mac warranty requirements.

2) **Condominium**
The sustainability of a condominium project is an important underwriting consideration influenced by a number of factors. A project warranted as meeting Fannie Mae/Freddie Mac eligibility requirements may suggest the characteristics of the project present acceptable risk. However, unfavorable or typical features still may exist which can present a layering of risk, warranting underwriter evaluation.

A condominium unit must meet standard Fannie Mae or Freddie Mac project warranty requirements. In addition the following criteria must be met:

- Condominium units that are sold with recourse in exchange for reduced project eligibility reps and warrants require prior Radian approval.

- Lenders targeting and marketing loan services within a project are limited to the higher of one unit or 40% of the project.

3) Cooperatives

A cooperative unit must meet Fannie Mae or Freddie Mac warranty requirements.

2. Assessment of Value and Condition

Follow all Agency requirements including due diligence when reviewing the appraisal. The appraisal is to be reported on the appropriate form for the property type as determined by the Agencies and subject to:

- The Agency Uniform Appraisal Dataset (UAD)
- Uniform Standards of Professional Appraisal Practice (USPAP).
- Federal Housing Finance Agency (FHFA) Appraisal Independence Requirements (AIR).

1) The appraisal may not be more than 120 days old at the time the note is signed. Radian will consider a Recertification of Value when all the following apply:
- The original appraisal was performed within the 12 months preceding the note date.
- The original appraisal reports stable or appreciating market conditions.
- The appraiser performs a re-inspection of the property exterior.
- The appraiser performs a review of current market data to determine the property has not declined in value since the date of the original appraisal.

2) Radian will allow the use of an origination appraisal for a subsequent transaction if the following requirements are met:
- The subsequent transaction may only be a Limited Cash-Out Refinance.
- The appraisal report must not be more than 12 months old on the note date of the subsequent transaction. If the appraisal report is greater than 4 months old on the date of the note and mortgage, then an appraisal update is required. (See previous section)
- The lender must ensure that the property has not undergone any significant remodeling, renovation, or deterioration to the extent that the improvement or deterioration of the property would materially affect the market value of the subject property.
- The borrower and the lender/client must be the same on the original and subsequent transaction.

3) A full interior/exterior inspection is required.

4) Field reviews obtained by the lender to satisfy Agency or investor program underwriting guidelines are to be included in the loan file. The use of a field review value to determine LTV requires the following:
- Changes in value must be in compliance with Agency guidelines.
- Receipt of the original appraisal.
- Documentation and/or explanation as to why the original appraisal report was not accepted by the lender.

5) Radian will accept FHA appraisals to establish property value. Repairs required by an FHA appraisal may be satisfied as follows:
- **a)** Completion of required repair(s)
- **b)** Postponed Improvement
- **c)** Lender may waive the repair of minor conditions or deferred maintenance items that do not affect the livability, soundness, or structural integrity of the property as long as value of the subject property reflects current condition.

Link to Postponed or Financed Improvements

E. Loan Specifics

1. Interested Party Contributions

a. Financing Concessions

1) Eligibility

Financing concessions are permitted per Agency limits. Credits for repairs or decorating may be included within these limits up to a maximum of 3%.
Link to Abatements

2) Disclosure

Financing concessions must be identified within the sales contract and the appraisal report. The appraiser must analyze the impact of financial concessions on the value of the subject property.

3) Restrictions

Radian will not accept an increase in the sales price to accommodate seller paid financial concessions after the terms of sale have been negotiated and accepted by all parties.

b. Sales Concessions

Sales Concessions exceeding Radian's maximum for repair or decorating credits require a dollar for dollar reduction of the purchase price in order to compute the maximum loan to value ratio for underwriting and eligibility purposes. Included in sales concessions are any interested party contributions that exceed the maximum permitted financing concessions.

c. Personal Property

The parties involved in a purchase transaction may choose to include personal property items in the contract as a negotiated term of the sale. In such cases, personal property items must be disclosed and addressed by the appraiser. Radian will consider the impact to subject property value as analyzed by the appraiser and determine if the personal property is, for eligibility purposes, considered to be a sales concession. Personal property items which will convey with the subject property may not be removed from the purchase agreement for the sole purpose of eligibility.

Personal property is considered to be a sales concession for eligibility purposes when:

- Removal of the item from the transaction impacts the value of the subject property.
- It motivates the buyer to purchase the property.
- Can be removed from the subject property and has a recognizable re-sale value.

Personal property not meeting the above definition is not considered a sales concession for eligibility purpose when:

- The item is not easily transportable and left with the property for the convenience of the seller.
- The item cannot be easily removed and whose value is equal to or less than the cost to remove.
- The item due to poor condition, advanced age or lack of functionality provides minimal utility.

In the event the underwriter is unable to clearly exclude personal property as a sales concession; it should be considered a sales concession for eligibility purposes.

The value of a personal property item, defined as a sales concession for eligibility purposes, is to be determined by the parties to the transaction based on an estimate of current re-sale market value.

d. Abatements

1) Eligible

The first 12 monthly mortgage insurance premiums may be paid on behalf of the borrower by the builder/seller of a newly constructed or existing primary residence within Agency Interested Party Contribution limits. The borrower is qualified on the full PITI(A).

2) Ineligible

- Except under an eligible temporary buydown plan payment of the loan principal and interest by a party to the transaction other than the borrower.
- Payment of monthly pre-paid expenses (taxes, homeowner insurance, homeowner association dues) by an interested party to the transaction that exceed the amount required to establish the escrow account associated with the mortgage closing.
- Payments made directly to the borrower.

2. Loan Features

a. Amortization

Radian will insure mortgage loans with a maximum loan term of 30 years.
Interest only, graduated payment and negative amortization mortgages are not eligible.

b. Balloon Term

- Eligible on Primary and Second Homes Purchase and Rate/Term Refinance transactions.
- Maximum LTV 95%.
- The minimum balloon term is five years.

c. Temporary Buy Downs

Eligible on Primary and Second Homes Purchase and Rate/Term Refinance transactions only with a maximum 3-2-1 buy down.

3. Payment Qualification

Fixed Rate	Note Rate	Temporary Buy Down Not Included in Qualifying Payment Calculation
Balloon	Note Rate	
ARMs with initial fixed period ≤ 5 years	Qualify using the higher of the Note Rate plus 2% or the Fully Indexed; Accrual Rate (margin plus index value), also referred to as FIAR.	
ARM with initial fixed period > 5 years	Starting Note Rate	

4. ARM Maximum Interest Rate Caps

Initial Fixed Period	Initial Cap	Periodic Cap	Lifetime Cap
6 months	1%	1%	5%
1–2 year	2%	2%	6%
3/1 and 3/3 year	3%	2%	6%
5/1 and 5/5 year ≥ 5 year	6%	2%	6%

4 Special Programs: Debt Ratio 45.01%–50%; Medical Professional Program; Super Jumbo $1,000,001–$1,500,000

The matrices contained within this chapter were developed in partnership with lenders and investors serving a particular market segment and underwriting for their own portfolios. Interested correspondent lenders should contact their Radian account representative for secondary market information.

Debt Ratio 45.01%–50% to $650,000 Manual Underwriting Guidelines

1 Unit Primary Residence
Purchase; Rate/Term Refinance
Conforming; FHFA High Cost; Non-Agency Jumbo

Credit	• 740 FICO • Housing history 0X30 last 12 months all borrowers • 5 institutional trade lines on credit report reflecting at least 24 months payment histories – With 3 of the trade lines open and active in the last 12 months – Authorized User accounts excluded • Judgments or liens which may impact title must be satisfied • No bankruptcies; foreclosures; short sales, deed in lieu
Documentation	Manual underwriting only; Agency AUS document waivers ineligible
Exclusions	New Construction/Construction-to-Permanent 12 month Commitment
Gifts	Gifts are permitted after borrower's 5% minimum contribution
LTV	Maximum 95%
Property	Single family, detached and attached, includes Planned Unit Development (PUD); FNMA/FHLMC warrantable Attached/Detached Condominiums; Cooperatives
Transaction	Maximum term 30 years; Fixed rate; ARMs with initial fixed period 5 years or greater
Submission	Delegated; Non-delegated
All other Radian Manual Underwriting Guidelines apply	

Effective:
December 1, 2018

Medical Professional Program Manual Underwriting Guidelines

Primary Residence
Purchase; Rate/Term Refinance

Appraisal	1 full appraisal
Borrower	US citizens; Permanent and Non-Permanent Resident Aliens Medical Doctor or Surgeon (MD, DO, OD, DPM) Dentist (DDS, DMD) actively practicing medical doctors, dentist or dental surgeons, or professors, physician assistants; OR newly licensed medical residents who are currently employed or are in residency; OR newly licensed medical, dentists or dental students who are about to begin their new employment/residency within 90 days of closing
Credit	Follow Radian Manual Underwriting criteria
Debt Ratio (Student loans)	45% – Student loans payments documented as deferred at least 12 months from closing are excluded from Debt to Income Ratio Medical Residents with a minimum of 6 months residency remaining may use the alternative documentation listed below as evidence that student loan will be in deferment for at least 12 months: • Letter from employer verifying the medical resident's start date, or • Letter from the employer verifying at least 6 months residency remaining, or • Letter from the student loan servicer confirming that student loan payments will be in deferment for at least 12 months
Gifts	Gifts are permitted after borrower's minimum contribution from own funds 3% minimum contribution ≤ FHFA Base Conforming for the Contiguous States 5% minimum contribution > FHFA Base Conforming for the Contiguous States
Income	Salary; Executed employment contract or offer letter • Start date within 90 days of closing Self-employed minimum of 2 years • Income documented with 2 years tax returns evidencing at least 13 months self-employment income Income from non-occupant co-borrower ineligible
Property	Fee Simple 1 Unit detached/attached, includes FNMA/FHLMC warrantable PUDs; Condos; Co-ops
Reserves	2 months ≤ $650,000 6 months $650,001 – $850,000 9 months $850,001 – $1,000,000
Transaction	Maximum term 30 years; Fixed rate; ARMs with initial fixed period 3 years or greater
Submission	Delegated; Non-delegated; Must be submitted through MI Online
All other Radian Manual Underwriting Guidelines apply	

Effective:
December 1, 2018

Super Jumbo
Manual Underwriting Guidelines

Primary Residence
Purchase; Rate/Term Refinance
Loan amounts $1,000,001 – $1,500,000

Appraisal	2 full appraisals or 1 full appraisal and 1 field review
Borrower	Non-Occupant co-borrowers excluded
Credit	• Housing history 0X30 all borrowers • 3 institutional trade lines on credit report open and active last 12 months • Authorized User accounts excluded • Judgments or liens which may impact title must be satisfied • No bankruptcies; foreclosures; short sales, deed in lieu
Debt Ratio	43%
Documentation	Agency AUS document waivers ineligible
Gifts	Gifts are permitted after borrower's 5% minimum contribution
Property	Single family, detached and attached, includes Planned Unit Development (PUD)
Reserves	12 months
Transaction	Maximum term 30 years; Fixed rate; ARMs with initial fixed period 3 years or greater
Submission	Non-delegated Must be underwritten by Radian
All other Radian Manual Underwriting Guidelines apply	

Effective:
December 1, 2018

Radian Guaranty Inc.

1500 Market Street
Philadelphia, Pennsylvania
19102-2148

800.523.1988
215.231.1000

RADIAN

11/18