

**Clarifications added below on Jan. 11, 2012.**

MGIC announces underwriting guideline changes affecting the following areas:

- ARM qualifying rates
- Loans with both traditional and nontraditional credit borrowers
- Condominium project eligibility requirements for projects with 10 or fewer units has been segmented into 2 categories to better address projects with 3 or fewer units
- Non-HARP Refi-to-Mod loan requirements

These guideline changes will be effective for all mortgage insurance applications received on or after Monday, Jan.16, 2012.

### ARM Qualifying Rate Changes

To better align with industry standards, MGIC is changing several ARM requirements:

- Maximum first adjustment cap for a 2-year ARM is being reduced from 3% to 2%
- ARMs with fixed initial terms of 5 years will now be qualified at the note rate plus 2%
- ARMs with fixed initial terms of more than 5 years will now be qualified at the note rate

### Loans with both Traditional and Nontraditional Credit Borrowers

The following are key expansions to our credit guidelines for when the Primary Borrower\* meets MGIC's traditional credit documentation requirements and a co-borrower does not. **(If all borrowers meet MGIC's traditional credit documentation requirements standard guidelines apply.)** See Section 4.06c of our Underwriting Guide for complete details:

- If the Primary Borrower\* independently qualifies without including income or assets from a co-borrower, regardless of whether the co-borrower has a credit score:
  - The co-borrower is not required to meet MGIC's minimum tradeline or nontraditional credit documentation requirements **(Credit scores for co-borrowers who do not meet traditional credit documentation requirements are not used to determine the Loan Indicator Score)**
  - The Loan Indicator Score is the Primary Borrower\* Indicator Score
  - An MGIC manual underwrite is not required
- If the Primary Borrower\* does not independently qualify without including the income or assets from a co-borrower:
  - When the co-borrower has a credit score:
    - The co-borrower is not required to meet MGIC's minimum tradeline or nontraditional credit documentation requirements
    - The co-borrower's credit scores are used to determine a Borrower Indicator Score
    - The Loan Indicator Score is the lowest Borrower Indicator Score
    - An MGIC manual underwrite is not required
  - When the co-borrower has no credit score:
    - There is no Loan Indicator Score and the loan is subject to MGIC's nontraditional underwriting requirements and premium rates
    - An MGIC manual underwrite is required

- **All borrowers must still meet MGIC's requirements for Payment History (4.06d); Bankruptcy & Foreclosure (4.06e); and Adverse Credit Issues (4.06f).**

\* A Primary Borrower is an occupying borrower who contributes more than 50% of the qualifying income.

### Condominium Projects with 3 or Fewer Units

Requirements for condo projects with 4 to 10 units remain the same as our current requirements for 10 or fewer units.

Requirements for condo projects with 3 or fewer units now include the following. See Section 5.02a of our Underwriting Guide for complete condo project requirements.

- Construction of the project or phase must be complete
- If the project is a conversion, common elements and renovation work for all units must be complete
- One unit in the project or phase (not counting the subject unit) must be sold and conveyed to owner-occupants for use as a primary residence or second home
- All facilities related to the project must be owned by the homeowners' association or unit owners
- None of the units may be owned by an investor
- No single entity may own more than one of the units in the project
- No space within the development may be used for commercial purposes
- Condominium documents must be enforceable against unit owners by binding arbitration
- MGIC may insure up to one unit in the project
- All loans must be manually underwritten by MGIC

### Non-HARP Refi-to-Mod Loan Requirements

In November, MGIC introduced its new HARP-specific Refi-to-Mod program to complement Fannie Mae's and Freddie Mac's enhanced HARP programs. For MGIC-insured loans not owned or guaranteed by Fannie Mae or Freddie Mac, we provide similar borrower benefits through our existing Same Insured/Servicer and New Insured/Servicer Refi-to-Mod programs with these changes:

- Eligible loans are limited to loans insured by MGIC before June 1, 2009
- Eligible borrower change situations have been added
- Loans with an LPMI monthly plan can be converted to BPMI monthly plan
- A loan may be modified only one time under MGIC's Refi-to-Mod Program
- For Non-HARP New Insured/Servicer Refi-to-Mod, the maximum LTV is 125%

For complete Non-HARP Refi-to-Mod requirements, go to [www.mgic.com](http://www.mgic.com) and click the MGIC & HARP link and open the Non-HARP Same Insured/Servicer or Non-HARP New Insured/Servicer Requirements document.