



Non-HARP New Insured/Servicer RTM Program Q & A

MGIC's Non-HARP New Insured/Servicer RTM Program offers a quick and easy way to provide flexible refinance options to borrowers. As the name suggests, this program combines a lender refinance with a modification of the existing mortgage insurance. This combination allows for the greatest underwriting flexibility.

The Non-HARP New Insured/Servicer RTM Program is only available to lenders that are **not** the current Insured/Servicer of the Original Loan. The following Q & As are specific to the Non-HARP New Insured/Servicer RTM Program.

Throughout this Q & A, the term **Original Loan** refers to the existing insured loan and **Refinance Loan** refers to the new loan the borrower is seeking.

General Q & A

Q: Why is MGIC offering RTM to lenders who are not the current insured?

A: The spirit of the HARP initiative is to make refinance options available to as many borrowers as possible and MGIC supports this goal.

Q: Can the current Insured/Servicer submit loans under this new program?

A: No, the Refi-to-Mod Request for the Modification Commitment/Certificate must come from a different Insured/Servicer. In order to offer the borrower the best available MI option, MGIC requires that the current insured use either the HARP RTM or the Non-HARP Same Insured/Servicer RTM Program.

Q: If I am selling the loan to the "same" insured/servicer, do the additional requirements and modification premium apply?

A: If the RTM is requested by the same insured/servicer, the additional requirements and modification premium are not required. If the RTM is requested by a new insured / servicer, then the additional requirements apply and the modification premium is due at closing.

Q: Why is MGIC charging a modification premium under this program?

A: By charging the modification premium, MGIC is able to continue coverage at the original premium rate (which is lower than our current premium rate) while no longer enforcing the representations and other policy terms associated with the origination and servicing of the original loan.

- Q:** If the Original Loan is currently subject to a Captive Reinsurance agreement with MGIC, will the Refinance Loan remain in the Captive?
- A:** Yes, because this is a continuation of coverage, the Refinance Loan remains subject to the Captive Reinsurance agreement and MGIC will continue to pay the applicable reinsurance premium.
- Q:** Will MGIC Mortgage Services, LLC (MMSL), contract underwrite Refinance Loans for the RTM New Insured/Servicer Program?
- A:** Yes, MMSL will accept Refinance Loans for contract underwriting through our Contract Underwriting Solutions team. If you are interested in obtaining contract underwriting services for the HARP RTM Program, please contact your MGIC Account Manager.
- Q:** How does the origination of the Refinance Loan impact the potential contract underwriting liability of MGIC Investor Services Corporation (MISC) associated with the Original Loan?
- A:** Any liability MISC may have had for the contract underwriting of the Original Loan will be extinguished upon payoff of the Original Loan.

MI Premiums Q & A

- Q:** Is the modification premium different for different premium plans?
- A:** No, the one-time nonrefundable modification premium is .50% (or 50 basis points) of the Refinance Loan amount for all premium plans. Payment of the modification premium is required to activate the modification.
- Q:** Can MGIC's modification premium be included as a closing cost and added to the loan amount?
- A:** MGIC does not have any objection to the modification premium being added to the loan amount, but check your investor requirements.
- Q:** Can the current premium amount change?
- A:** Yes, while the premium rate does not change, that rate is applied to the Refinance Loan balance. In instances where the loan balance increases, the premium amount will increase. If there has been a principal curtailment and the Refinance Loan balance decreases, then the premium amount will decrease.
- Q:** How are BPMI and LPMI loans with single premiums treated?
- A:** MGIC will waive the premium on increased loan balances where a single premium was paid.
- Q:** What happens to the premium change date with constant renewals?
- A:** The Insured's refinance transaction resets the renewal rate timing. The refinance closing date should be used to calculate the 10-year constant renewal period for disclosure purposes.
- Q:** What happens if a loan with constant renewals has already adjusted?
- A:** If the loan was already in the eleventh year and the premium had adjusted, the adjusted premium will remain in place.

Underwriting Q & A

Q: Is any cash back to the borrower allowed at closing?

A: The borrower can receive up to \$250 cash back at closing. Cash back greater than \$250, as identified on the HUD-1, must be applied as a principal curtailment to the Refinance Loan.

Q: What costs can the Refinance Loan balance include?

A: The Refinance Loan balance can include the unpaid principal balance of the Original Loan plus reasonable and customary closing costs not to exceed 4% of the unpaid principal balance of the Original Loan amount or \$5,000, whichever is lower. The modification premium is not subject to this limit.

Q: Can the borrower's monthly payment increase?

A: Yes, in some circumstances. However, in all cases, the borrower's ability to repay the loan must be improved.

Q: What options do borrowers with LTVs greater than 105%, DTIs greater than 45% or not current have?

A: Have borrowers in those situations contact their current servicers.

Q: What are some examples of how the borrower's ability to repay might be improved?

A: The following are some examples (this list is not all-inclusive):

- a lower interest rate that results in a lower monthly payment
- replacing a higher-risk loan instrument with a more stable one, such as going from an ARM to an FRM
- a change in term (which may result in an increased payment) that does not compromise the borrower's ability to repay the loan

Q: Can a loan have a 30-day late in the past 12 months?

A: Yes, the loan is eligible, as long as it is current when the Non-HARP New Insured/Servicer Refi-to-Mod Request is submitted and when the Refinance Loan closes.

Submission Process Q & A

Q: How does the RTM submission process differ from current new insurance submission processes?

A: There are two available submission options available under our New Insured/Servicer RTM program. They are:

1. The Loan Center (MGIC's secure center for submitting electronic documents), or
2. Fax the documents to our local underwriting office.

Q: Will MGIC issue a new Commitment/Certificate?

A: No, a Modification Commitment/Certificate will be issued. MGIC will process Refinance Loans as modifications to the insurance coverage on the Original Loan.

Q: How will a Modification Commitment/Certificate differ from a Commitment/Certificate?

A: A Modification Commitment/Certificate will look very similar to a Commitment/Certificate. It will show any premium due at closing and a schedule for any future premium due. The Modification Commitment/Certificate also will show an effective date and an expiration date.

Q: Will the modification premium be displayed on the Modification Commitment /Certificate?

A: Yes, the modification premium will be displayed separately on the Modification Commitment /Certificate. Any other premium due at closing will be displayed as will a total due at closing.

Q: How do I activate the Modification Commitment/Certificate?

A: Mail the Modification Commitment/Certificate indicating the refinance closing date along with the modification premium and any other premium due at closing to:

**MGIC
PO Box 566
Milwaukee, WI 53201-0566**

Q: How does the activation of the Modification Commitment/Certificate affect the premium?

A: All premium plans require payment of the .50% to activate the modification.

Specific premium types are affected as follows:

- ZOMP! – If premium on the Original Loan has been prepaid (paid in advance), a premium adjustment will be returned to you. If premium on the Original Loan is due, you will be billed through the month in which the Refinance Loan closed. The Modification Commitment/Certificate will show the premium schedule under which you will be billed monthly for the Refinance Loan.
- Standard Monthlies – If premium on the Original Loan has been prepaid, a premium adjustment will be returned to you. If premium on the Original Loan is due, you will be billed through the month in which the Refinance Loan closed. The Modification Commitment/Certificate will show the premium due at closing and the premium schedule under which you will be billed monthly for the Refinance Loan.
- Annual premiums – A premium adjustment will be returned to you for that portion of the prepaid annual premium that covers the period from the closing date of the Refinance Loan to the next Anniversary Date of the Original Loan. The Modification Commitment/Certificate will show the premium due to activate the modification and continue the coverage. The annual premium rate will be the second year rate of the Original Loan.
- Singles – Until we announce a change, there will be no premium adjustments and no additional premium will be due.
- Splits – The monthly portion of a Split will be processed the same as ZOMP!

Q: Our systems are set to automatically cancel the MI on the loan being refinanced. Do we need to adjust our systems?

A: No, as long as you have submitted an RTM request and received a Modification Commitment/Certificate, we will flag the loan in our system. If you do not activate the Modification Commitment/Certificate before it expires, we will contact you to determine whether the Refinance Loan closed.