National MI TrueGuide®

Underwriting Guidelines

VERSION 4.6

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COVID-19 Guidelines

National MI has aligned with all of Fannie Mae's and Freddie Mac's (GSE's) temporary COVID-19 changes for AUS and Non-AUS loans.

National MI will continue to monitor future GSE updates and, as referenced in TrueGuide® Section 1.1, future GSE changes are eligible for insurance on the same effective dates announced by the GSEs unless otherwise communicated by National MI. (Note: National MI's Bulletins are located at www.nationalmi.com/bulletins/.)

Please refer to the applicable GSE publications for details regarding the GSEs' temporary COVID-19 guideline revisions.

1.0 Introduction

1.1 National MI TrueGuide® Underwriting Philosophy

National Mortgage Insurance Corporation (National MI) offers mortgage insurance (MI) in the 50 states and the District of Columbia. National MI does not offer MI in Guam, Puerto Rico or the U.S. Virgin Islands.

MI plays an important role in the housing finance system expanding home ownership opportunities by helping people, especially first-time homebuyers, purchase homes with less than 20% down.

National MI brings new capital to the market unburdened by legacy exposures – this strong capital position provides National MI's customers with a low counterparty risk MI solution.

National MI seeks to partner with its customers to prudently manage insured risk. The process starts with the approval of insured originators and monitoring of credit performance. Credit guidelines and pricing are continuously monitored and updated when necessary as environmental conditions change.

National MI's underwriting philosophy is to determine whether a borrower qualifies for a mortgage loan and if the borrower can successfully maintain homeownership. National MI performs an independent underwriting review of the credit worthiness of the borrower. Our underwriting is based on a careful assessment of mortgage credit risk as follows:

- Credit and Income History, Assets and Liabilities: The borrower's willingness and ability to repay the loan
- Equity and Down Payment: The borrower's commitment
- Appraisal: The marketability of the property and justification of its value as documented in the appraisal (or compliance with alternative approved means of property valuation)
- Comprehensive Credit Assessment: The file documentation does not evidence and the underwriter making the mortgage insurance approval is unaware of any outstanding or unreconciled inconsistency, red flag, misrepresentation, fraud, or omission prior to providing a mortgage insurance approval. Any information that arises during the origination process raising questions about, or potentially contradictory to, variables that are part of the basis of the credit approval must be fully investigated to conclusion.

Insurance is underwritten and approved by National MI or by partners with delegated approval authority. Each insured originator's delegated underwriting approval is either independently validated or subject to selection for a Quality Control audit. This process provides valuable feedback to both the originators and National MI. This process also provides customers with a high level of confidence that a valid claim will be paid by reducing the risk of rescissions due to missing/insufficient documentation and/or fraud/misrepresentation.

Guidelines are organized around the following segments:

- Conforming Loans with GSE Automated Underwriting System (AUS) Approval
- Conforming High Balance Loans with GSE AUS Approval
- Non GSE AUS – Standard Guidelines

Loans which receive a Fannie Mae Desktop Underwriter® (DU®) Approve/Eligible Recommendation or a Freddie Mac Loan Product Advisor® (LPA®) Accept/Eligible Response and satisfy a few credit underwriting overlays generally meet National MI's eligibility criteria. Approval for mortgage insurance will depend upon approval by a National MI underwriter for non-delegated loans or approval by a lender underwriter for delegated loans. Lender underwriters are expected to practice prudent and comprehensive underwriting and risk assessment.

In the event National MI's guidelines are silent on a topic, the standard agency guidelines (excluding any custom variances that may have been negotiated) of an agency (Fannie Mae or Freddie Mac) that the insured originator is delivering loans to applies, even in situations where the loan amount is not eligible for delivery to either agency. If the originator is retaining loans rather than selling loans to Fannie Mae or Freddie Mac, then the default guidelines will be one or the other agency as agreed to in the insured originator's approval.

Future Fannie Mae or Freddie Mac guideline changes are eligible for insurance by National MI on the same effective dates announced by the GSEs unless National MI's TrueGuide® or a National MI announcement otherwise excludes or modifies such terms. National MI's announcements are available at www.nationalmi.com/bulletins/. As of the date of this TrueGuide®, the National MI announcements posted on our website have been incorporated into these guidelines. Any announcements issued after the date of this TrueGuide® are considered part of National MI's TrueGuide® Underwriting Guidelines.

Insured originators who seek to make exceptions to National MI's guidelines must submit the request to National MI for approval.

1.2 Compliance with Laws and Regulations

Insured originators must comply with application laws and regulations including but not limited to the following:

- **Fair Lending**
  It is illegal to discriminate against credit applicants on the basis of race, color, religion, sex, marital status, national origin or ancestry, and conditions, characteristics, or trends in the neighborhood or geographic area surrounding a housing accommodation. National MI is committed to treating all mortgage insurance applicants in a fair and responsible manner in accordance with all applicable federal, state and local fair lending laws and regulations. We expect our approved originators to be equally diligent in conducting their lending in accordance with all applicable fair lending laws and regulations.
- **Fair Credit Reporting**
  The Fair Credit Reporting Act (FCRA) requires that when an insurance application is denied on the basis of information provided by a consumer reporting agency, the applicant must be given notice identifying the consumer reporting agency and includes a statement of the applicant's rights under FCRA. If the lender has approved the request and National MI has denied it, the Statement of Denial will be sent directly to the applicant by National MI. Refer to National MI's website (www.nationalmi.com/fcra/) for additional details on FCRA.
- **Taxpayer First Act**
  By submitting an Application for mortgage insurance to National MI with respect to a loan, the originator certifies to National MI that it has obtained valid written consent from all

Borrower(s) on the related loan in compliance with the Taxpayer First Act (26 USC 6103(b) and (c)), permitting (i) the originator to obtain, use and share each Borrower's tax return information for the express purpose of underwriting, maintaining, managing, monitoring and servicing mortgage guaranty insurance for the loan with any or all such activities deemed to be included by use of the phrase "providing mortgage insurance"); (ii) the mortgage insurer, including National MI, to obtain, use and share such tax return information with its service providers, agents, affiliates, successors and assigns who need to use such information in connection with providing mortgage insurance (the "additional recipients"); and (iii) all such additional recipients to obtain, use and share with the mortgage insurer the tax return information for the purpose of providing mortgage insurance.

1.3 Insured Originator Approval

Insured originators must be approved by National MI before an insurance Certificate can be issued. Originators should contact their Account Manager to initiate this process or call National MI toll free at 855.317.4NMI (4664). Insured originators may also apply to be an approved servicer.

Approved originators are eligible for insurance covering most loans. Certain programs (listed below) require a special approval. Insured originators seeking special approval should ask their Account Manager about the application process and requirements.

Programs Requiring Special Approval:

- Variances to standard agency AUS requirements
- Variances to National MI Guidelines for non-agency loans and amounts

Refer to TrueGuide® Section 7.0 for additional details on becoming a National MI Master Policy Holder.

1.4 Delegation of Underwriting Authority

Insured originators must be separately approved for delegated authority. Delegated authority may be requested in conjunction with the initial approval or by current National MI customers without delegated authority. Originators should contact their Account Manager to learn more about the application process and requirements.

Approved originators with delegated authority may approve most loans for insurance. Certain loans are not eligible for delegated approval and must be submitted to National MI for approval. These include:

- Loan amounts greater than $1,100,000
- Properties with more than 20 acres
- Non-warrantable condominiums
- Manufactured Housing properties with an LTV above 95%
- Seasoned Loans (insurance application received after first payment due date)
- Policy Exceptions

If a delegated lender submits a non-delegated loan and National MI pends the loan for additional information or declines the loan, that same lender may not also approve that same loan for mortgage insurance using their National MI delegated authority.

1.5 National MI AXIS Online System

National MI's underwriting platform, just one component of National MI's AXIS system, is in no way an automated underwriting engine. It does, however, contain a systematized key subset of National MI's eligibility rules, enabling internal and external users to submit loan data for a swift response indicating whether any of those key eligibility rules are in violation. This initial response provides customers with an efficient early indicator of a loan's potential mortgage insurance qualification. If this initial eligibility check indicates that the systematized eligibility rules have been met, the loan package may be submitted to National MI for approval. Full time, experienced underwriters will manually underwrite the entire credit package and collateral (appraisal) of the file. For lenders with delegated approval authority, a delegated Commitment is issued after the lender submits the required data to the National MI AXIS system, which automatically invokes the eligibility rule check, and the pricing algorithms.

Beyond the systematized eligibility rules, the National MI's AXIS system supports, and provides structure for, the underwriting process followed by the underwriters when manually underwriting loans. It provides workflow functionality, a secure facility for storing and retrieving loan document images, mechanisms for capturing and monitoring underwriting findings and conditions, a facility for generating customer facing communications and documents, and a web based application that securely enables customers to submit and track MI applications, and retrieve National MI generated correspondence and insurance Commitments.

1.6 GSE AUS Systems

Fannie Mae's Desktop Underwriter® (DU®) and Freddie Mac's Loan Product Advisor® (LPA®) are Automated Underwriting Systems (AUS) with embedded credit eligibility requirements that line up closely with National MI's credit eligibility requirements. Where National MI considers the AUS outcome in its review process (AUS Plus Overlays guidelines), the AUS outcome is not sufficient to determine insurance eligibility. The loan must also: (i) meet National MI credit requirements described within these guidelines (refer to TrueGuide® Section 2 for details); and (ii) be underwritten by a National MI underwriter (non-delegated loans) or underwritten by a lender underwriter (Delegated loans).

1.7 Delegated Assurance Review (DAR) with Independent Validation

When a Master Policy Holder uses its delegated authority to obtain the Certificate of insurance on a loan and then submits the underwriting package post-close pursuant to our Delegated Assurance Review (DAR) independent validation process, the conclusion of such review with a finding of "Insurable" provides the Master Policy Holder with confidence of coverage that such loan was underwritten consistent with these Underwriting Guidelines and such loan will have rescission relief in accordance with the terms specified in the applicable National MI Master Policy.

- Refer to TrueGuide® Section 6.0 Delegated Underwriting Requirements for additional details on National MI's Delegated Program Requirements.
- Refer to National MI's Rescission Relief Guide (at www.nationalmi.com/master-policy-resources/) for details on National MI's rescission relief program.

1.8 Premium Plans and Financed Mortgage Insurance Premium

National MI utilizes a risk-based pricing approach driven by LTV, FICO® score, product type (fixed or non-fixed); with additional adjustments for other risk variables. Fixed pricing applies to fixed rate loans and ARMs with initial fixed periods of 5 years or more.

Borrower paid monthly refundable, monthly non-refundable, single refundable, and single non-refundable plans are available. Options for amortizing renewal, annual premium, deferred monthly are offered on monthly plans. Non-refundable lender paid monthly and single plans are also available.

For the most current premium plans and pricing, refer to www.nationalmi.com/products-rates/.

1.8.1 Financed Mortgage Insurance

When premiums are financed:

- The base LTV is calculated excluding the amount of the financed premium;
- The base LTV is used to determine the mortgage insurance premium amount;
- The gross LTV is calculated including the financed premium amount; and
- The loan amount including the financed premium amount and the gross LTV must not exceed the maximum allowed per the applicable National MI Eligibility Matrix.

1.9 Guideline Questions

National MI is available to answer guideline questions. Please contact your Account Manager, call National MI toll free at 855.317.4NMI (4664), or submit your question via email to solutioncenter@nationalmi.com.

2.0 Mortgage Insurance Eligibility - AUS Plus Overlays

2.1 AUS Requirements and Comprehensive Credit Assessment

2.1.1 DU®/LPA® Outcomes

Fannie Mae or Freddie Mac AUS approvals may be utilized as a guidepost for MI approval provided the requirements in this section of the TrueGuide® are satisfied. AUS approvals are not relied upon to determine National MI eligibility.

National MI underwriting of non-delegated loans and review of delegated loans will entail a comprehensive assessment of eligibility (credit, capacity and collateral) and National MI's own underwriting requirements.

Loans that are not run through a GSE AUS must be manually underwritten and meet the eligibility criteria described in TrueGuide® Section 3.0.

2.1.2 Data Integrity

The decision from the AUS is only insurable if the decision is based on valid and verified inputs to the decision engine. The insured originator must verify and confirm: (1) the accuracy of the data submitted to the AUS; and (2) that the documentation supporting the data inputs has been appropriately evaluated.

2.1.3 Documentation

The DU®/LPA® decision (final AUS report) must be present in the file and all approval conditions related to the AUS decision must be satisfied in accordance with agency requirements. Any red flags identified in the report or in the course of evaluating the file must be satisfactorily addressed in the loan file. When a file is submitted to National MI for underwriting, all conditions necessary for the MI underwriting approval must be satisfied and documented (excluding closing conditions) prior to issuance of our Commitment and Certificate of Insurance. At time of closing, all conditions must be satisfied and documented in the file.

2.1.4 Comprehensive Credit Assessment

The insured originator must make a prudent comprehensive credit assessment considering all factors relevant to the granting of credit. This assessment is not limited solely to factors that are considered in the AUS but also includes related agency eligibility criteria (credit, capacity, collateral, etc.) not evaluated by the AUS, and National MI requirements (credit, capacity, collateral, etc.). The assessment should also address the layering of risk variables to ensure that they are not excessive and confirm that the intent of National MI guidelines and pricing is not circumvented. Any information that arises during the origination process raising questions about, or potentially contradictory to, variables that are part of the basis of the credit approval must be fully investigated to conclusion. Any excessive layered risks or risk characteristics must be mitigated. If the insured originator is unable to obtain additional information necessary to allay the concerns and/or mitigate excessive risk characteristics, the loan is not insurable.

Lenders warrant that the loan meets the requirements of the applicable agency's guidelines (including any factors that must be considered outside of the AUS) and National MI's TrueGuide® Section 2 AUS overlay requirements. Consequently, when there are differences between agency and National MI TrueGuide® Section 2 AUS overlay requirements, the lender must originate to the more restrictive of the two guidelines. This rule applies at the level of individual policy topics.

Material risk considerations including, but not limited to, the following must be evaluated in the comprehensive credit assessment:

- A minimum history of two years of continuous employment income is recommended and qualifying income should be based on hours worked in not less than the preceding 12 months. A shorter employment history and/or work hours look-back may be used when it is prudent to do so and documented in the file (and, when appropriate, explained in writing).
  - Examples of when it is appropriate to do so include a borrower returning from parental leave, becoming employed after graduation, converting from part-time to full-time long before loan application, etc.
  - Examples of when it is not appropriate to do so include recent conversion to full-time, using income from a single pay period (or short duration of time) for a borrower with a history of working variable hours or temporary assignments (with gaps between), or a history of not continuously working and earning income in an amount similar to the qualifying income.
- Qualifying income should reasonably be expected to continue for a minimum of three years. The documentation required to determine the amount of income that can be relied upon varies according to the income type and materiality, the applicant's ownership interest in the income source, and other factors.
- The documentation and calculation of income must adhere to the applicable Fannie Mae or Freddie Mac guidelines.
- Boarder income or rental income from the borrower's non-borrowing spouse (including domestic partner or future spouse that does not sign the mortgage note) may not be used as qualifying income.
- In rare instances, the appraiser will identify health and safety issues that need to be corrected to make the property habitable. In these cases, sufficient funds should be documented evidencing that the borrower can afford to make the necessary property repairs after closing; or evidence that the property seller has completed the repairs as of closing. Health and safety related repairs include, but are not limited to, damaged roofs with material deficiencies and water intrusion, second story decks without railing, septic systems needing replacement, widespread mold problems, unfinished kitchens, etc.

Lender negotiated variances to standard agency requirements ("custom" DU® or LPA®, etc.) are not insurable unless the variances are:

- Specifically reviewed and approved by National MI; or
- Already addressed in Section 2 (Co-ops, Renovation Loans, Corporate Relocation, etc.) and the loan meets the requirements within Section 2 and the applicable AUS Product Eligibility Matrix; and

- The following TrueGuide® Section 3 Non-AUS or manually underwritten terms are allowed for AUS Approval loans:
  - Trusts – Section 3.2.4
  - Military Service Members Occupancy – Section 3.3.2
  - Rate and Term Refinance – Section 3.4.2
  - Medical Professionals Program – Sections 3.4.8.1 and 3.13.4
  - Employment Offers and Compensation Increases – Section 3.5.1.8
  - Retirement Assets & Other Assets Used as Qualifying Income – Section 3.5.1.19
  - Other Eligible Income – Section 3.5.1.36
  - Asset Documentation – Depository Balances – Section 3.5.3.1
  - Uniform Transfers to Minor Act (UTMA) accounts – Section 3.5.3.2
  - Student Loans and Revolving Credit– Section 3.5.5.2
  - Postponed Improvements – Completion Escrows – Section 3.6.1.11
  - Second Homes Not Suitable for Year-Round Occupancy – Section 3.6.1.14

2.2 General Eligibility Requirements

2.2.1 Products

Both fixed and adjustable rate products are insurable. ARMs with interest only, negative amortization (scheduled or potential), or pay-option features are not eligible.

2.2.2 Purpose

Purchase, rate-and-term refinance, and cash-out refinance loans are insurable. Fannie Mae RefiNow™ DU® Approved/Eligible and Freddie Mac Refi Possible℠ LPA® Accept/Eligible on conforming loan amounts are insurable (regardless of the current mortgage insurer), provided the loan complies with the eligibility criteria in Section 2.3.1 Product Eligibility Matrix – AUS Conforming Loans and otherwise complies with the applicable GSE requirements. Refer to National MI's Servicing Guide for options regarding new refinance transactions of an existing National MI insured loan, such as Fannie Mae High LTV Refinance or Freddie Mac Enhanced Relief Refinance programs.

2.2.3 Construction to Permanent

Construction to permanent one-time close loans must meet the following requirements:

- GSE eligibility requirements;
- The applicable AUS eligibility matrix in Section 2.3;
- Prior to finalizing claim payment, the lender must:
  - Document that the subject property and its improvements have been completed to standards consistent with the original valuation (evidenced by the appraiser's final inspection and occupancy permit from the appropriate jurisdiction);
  - If the MI activation occurred more than 120 days after Commitment (and updated documents were not previously submitted to National MI), provide updated credit, assets, income, employment (including verbal VOE) and valuation documents obtained prior to MI activation and that meet the documentation requirements outlined in Section 3.4.5; and
  - If the MI is activated after completion of construction, both of the following are required:
    (a) Payment history showing no 30-day or more delinquencies during the construction phase; and
    (b) Verbal VOE that meets the requirements outlined in Section 3.5.2.

2.2.4 Renovation Loans

National MI will insure renovation loans to borrowers who are individuals. Renovation loans may be either a purchase transaction or a rate-and-term refinance and such loans must meet GSE eligibility requirements and the applicable AUS eligibility matrix in Section 2.3.

Prior to finalizing claim payment, the lender must document that the subject property and its improvements have been completed to standards consistent with the original valuation (evidenced by appraiser's final inspection and occupancy permit (when applicable) from the appropriate jurisdiction). Refer to Section 2.2.13 regarding Appraisal Reviews with Fannie Mae Collateral Underwriter® (CU®) and Freddie Mac Loan Collateral Advisor® (LCA®) for a renovation loan.

2.2.5 Occupancy

Primary residence, second home and investment properties are eligible. The occupancy indicated on the borrowers' signed application is sufficient to document that the borrowers intend to occupy the property as a primary residence, provided the risk variables within the transaction do not contradict the borrower's primary residence occupancy attestation on the application. Occupancy should occur within 60 days of closing, unless: (i) one or more borrowers are military service members and (ii) the occupancy requirements in Section 3.3.2 are met in addition to loan meeting the requirements in Section 2 and the applicable AUS Product Eligibility Matrix.

For purchase and refinance transactions on 2-4 unit primary residences or 1-unit investment properties, rental income from the subject property cannot be used to qualify if the borrower does not own a primary residence and does not have a current housing expense.

2.2.6 Citizenship & Residency

All of the following requirements must be satisfied:

- Borrowers who are U.S. citizens, permanent resident aliens, non-permanent resident aliens, or Deferred Action for Childhood Arrivals (DACA) are insurable. In addition, if income from the DACA individual is used to qualify, they must have a current Employment Authorization Document (EAD) with a minimum 2-year history of U.S. employment and income.
- A borrower with an Individual Tax Identification Number (ITIN) who is contributing qualifying income must be a permanent resident alien, non-permanent resident alien or DACA individual. If income from the ITIN borrower is used to qualify, they must have a minimum 2-year history of U.S. employment and income.
- Individuals with diplomatic immunity are not eligible borrowers.

2.2.7 Credit History & Representative FICO Score

One or more borrowers must have at least one FICO score. The representative FICO score must meet National MI's TrueGuide® Section 2.3 AUS matrix minimum to be eligible. Foreign credit reports and loans where not even one borrower has a credit score are not eligible.

The representative credit score should be determined using the middle/lower method in accordance with the applicable GSE representative credit score requirements.

Note: National MI does not consider an averaged credit score for underwriting eligibility or pricing purposes.

2.2.8 Non-arm's Length Transactions

Non-arm's length transactions are eligible for delegated underwriting. A non-arm's length purchase transaction occurs when there is a direct relationship or business affiliation (family, employer, employee, etc.) between the borrower and another party (including but not limited to the seller, real estate broker, loan originator, builder, appraiser, closing agent, etc.).

2.2.9 Assets and Equity

Cash-on-hand does not qualify as an eligible asset for verification purposes, except cash-on-hand is eligible for an Affordable Lending mortgage per applicable GSE and/or HFA requirements and complies with the eligibility criteria within Section 2.3.3 Product Eligibility Matrix – AUS Affordable Lending.

For loans with LTVs in excess of 90%, up to 4% (rather than 3%) maximum interested party contributions (IPCs) are permitted, provided all the following requirements are met:

- The loan is originated for delivery to a housing finance agency (HFA) and complies with the eligibility criteria within Section 2.3.3 Product Eligibility Matrix – AUS Affordable Lending; and
- The additional 1% of the IPC must be used for borrower's closing costs.

2.2.10 Wholesale Lending

Loans sourced through the Wholesale channel (broker) are only eligible for insurance if the lender has been specifically approved for Wholesale following National MI's review of the lender's practices.

2.2.11 Corporate Relocation

National MI does not have any special guidelines or overlays applicable to borrowers with employer assisted relocations. Standard AUS plus Overlays guidelines apply.

National MI may offer a pricing benefit (refer to www.nationalmi.com/products-rates/ for details) to a borrower participating in an employer-sponsored corporate relocation program or U.S. military-sponsored relocation assistance/readiness program, provided all of the following conditions are satisfied:

- The borrower is a transferred or new employee purchasing a primary residence;
- The borrower is participating in a formal program sponsored by the borrower's employer (or agent) evidenced by a copy of the relocation agreement and/or other documentation detailing the nature and amount of the employer's contribution; and
- The employer's contribution is used for closing costs (on property being purchased and/or sold), discount points, below-market bridge-loan financing, ongoing subsidy payments related to cost differences, moving expenses, or other expenses related to the relocation.

2.2.12 State Restrictions

New York

New York prohibits the placement of MI on certain loans according to specified means of calculating LTV (the "New York LTV Assessment"). National MI has therefore established the following requirements:

- For BPMI and LPMI loans, the New York LTV Assessment must be made to determine if MI may be placed for properties located in New York.

When required, the following New York LTV Assessment must be made to determine if MI may be placed. The assessment considers property type and loan purpose.

- All Property Types except Cooperative Property:
  - All purposes: If LTV (based on the appraised value) is less than 80%, then MI cannot be placed on the loan. If MI is allowed, then to determine the level of MI required, the LTV must be calculated based on the lower of the purchase price or appraised value.
- Cooperative Property:
  - Purpose is purchase: If LTV (based on the purchase price) is less than 80%, then MI cannot be placed on the loan. If MI is allowed, then for mortgage insurance purposes the LTV must be calculated based on the lower of the purchase price or appraised value.
  - All other purposes: If LTV (based on the appraised value) is less than 80%, then MI cannot be placed on the loan. If MI is allowed, then to determine the level of MI required, the LTV must be calculated based on the lower of the purchase price or appraised value.

All Other States

National MI offers MI in the 50 states and the District of Columbia. National MI does not offer MI in Guam, Puerto Rico or the U.S. Virgin Islands.

2.2.13 Appraisal Review

The underwriter must ensure that the appraised value is well supported and does not include material deficiencies affecting the value conclusion. The collateral assessment is especially important in soft markets and those experiencing price declines and/or volatility. The appraised value should be consistent with the insurance application and incorporated into the LTV calculation as prescribed by policy. Unless otherwise described, National MI defers to GSE appraisal review requirements.

Appraisal Review with Fannie Mae Collateral Underwriter® (CU®)

If the CU® Score is <= 2.5 and the following documentation requirements and criteria are satisfied, National MI will deem the value conclusion to be considered approved/validated and no further assessment of the appraisal is required:

- Evidence of CU® Score <= 2.5 and loan is eligible for Fannie Mae Day 1 Certainty Appraisal Rep & Warrant relief as documented on either:
  - DU® CU® Findings report; or
  - Messaging on the most recent DU® Findings report indicates the loan is eligible for Appraisal Rep & Warrant relief; or
  - CU® Print Report or the UCDP Submission Summary Report (SSR) from CU®
- Loan is AUS Eligible per DU® and the appraisal qualifies for limited review according to CU® Day 1 Certainty Eligibility requirements for appraisals with CU® scores <=2.5
- Appraisal is present, complete, current, and consistent with the purchase contract and application. An inconsistency that arises solely due to a purchase contract amendment occurring after the effective date of the appraisal that does not affect the description

of the property is acceptable (the appraiser need not be provided an amended contract and a revised appraisal is not required).

- Review of the appraisal narrative and photos do not reveal any influences on value that cannot be modeled and appropriately considered by CU®
- Condition rating of the property in its current condition is C4 or better (a property that is subject to work to bring it to C4 is not eligible)
- The appraiser's description of the subject property is not erroneous or misleading
- The subject property meets Fannie Mae eligibility requirements
- Renovation loans are not eligible

Refer to Section 2.2.15 Automated Tools for additional details.

Appraisal Review with Fannie Mae Appraisal Waiver & Freddie Mac Automated Collateral Evaluation (ACE)

National MI will accept the value and does not require that the lender provide an appraisal if the loan satisfies the eligibility requirements of Fannie Mae appraisal waiver (including Fannie Mae's rural high-needs appraisal waiver) or Freddie Mac's automated collateral evaluation (ACE). National MI's review will consist of confirmation that the appraisal waiver requirements have been satisfied as specified in the DU® or LPA® message indicating that the loan receives an appraisal waiver offer and that there are no situations present for which Fannie Mae or Freddie Mac requires an appraisal even though an appraisal waiver offer was made (e.g., resale restriction, leasehold, etc.).

Refer to Section 2.2.15 Automated Tools for additional details.

Appraisal Review with Freddie Mac Loan Collateral Advisor (LCA)

For loans processed by the Seller (or originating lender) through the Loan Advisor Suite® (LCA® and LPA®) that meet certain eligibility requirements, Freddie Mac will not exercise certain remedies with respect to the Seller's representations and warranties. National MI requires a full appraisal review irrespective of the LCA® findings.

2.2.14 Manufactured Homes

A manufactured home is any dwelling unit built on a permanent chassis and attached to a permanent foundation system (wheels and hitch removed). An eligible manufactured home must meet all of the following requirements:

- Limited to 1-unit detached Primary Residence or Second Home
- Double-wide (single-wide not permitted; and properties with an accessory unit that is a single-wide manufactured home are not permitted)
- Classified and titled as real property including the land to which it is affixed
- Is not on leased land
- Is not on communal land (aka resident-owned community or ROC)
- Satisfies or exceeds all GSE eligibility requirements and satisfies National MI requirements including those described in the applicable Product Eligibility Matrix.

2.2.15 Automated Tools

Automated Tool is defined in the Master Policy (AS08.12.01.03.20 for MI Applications submitted to National MI on or after 3/1/2020) and means a system, process or tool that National MI has approved for use in underwriting or validating a loan or loan component in accordance with the requirements for such use described in National MI's TrueGuide® Underwriting Guidelines.

The following "Automated Tools" are approved by National MI, provided the loan complies with all the TrueGuide® requirements (including, but not limited to, the Comprehensive Credit Assessment requirements outlined in Section 2.1.4) and the applicable GSE requirements:

- **AUS Automated Tools**
  - Fannie Mae DU® Approve/Eligible and Approve/Ineligible (*)
  - Freddie Mac LPA® Accept/Eligible and Accept/Ineligible (*)

  (*) The AUS ineligibility must be due to either: (i) ARM plan/type that meets TrueGuide® Section 3.1.4; or (ii) primary residence due to cash-out refinance loan purpose to 85% LTV on a fixed rate.
- **Valuation Related Automated Tools**
  - Appraisal with Fannie Mae Collateral Underwriter® (CU®) when the score is <=2.5 and with DU® Approve/Eligible
  - Fannie Mae Appraisal Waiver with DU® Approve/Eligible
  - Fannie Mae Rural High-Needs Appraisal Waiver with DU® Approve/Eligible
  - Freddie Mac Automated Collateral Evaluation (ACE) with LPA® Accept/Eligible
- **Borrower Income and Assets Related Automated Tools**
  - Fannie Mae Validation Services with DU® Approve/Eligible
  - Freddie Mac Asset and Income Modeler (AIM) with LPA® Accept/Eligible

Consistent with Section 17(f) of the Master Policy, National MI's approval of an Automated Tool means that National MI will not rescind coverage because of a Significant Defect based on or arising from inaccurate results from the Automated Tool if:

1) The Master Policy Holder used the Automated Tool in accordance with the requirements of National MI's Underwriting Guidelines;
2) The inputs to the Automated Tool were accurate and the outputs of the Automated Tool were accurately reflected in the insurance Application, and
3) The Master Policy Holder did not have, prior to the Certificate Effective Date, any information that conflicts with or invalidates the inputs or results of the Automated Tool that were not fully evaluated and shared with National MI prior to the Certificate Effective Date.

National MI does not track or report when Automated Tool Rescission Relief is effective for individual loans but will consider and incorporate them in its validations, QC audits and claims reviews.

Refer to National MI's Rescission Relief Guide (at www.nationalmi.com/master-policy-resources/) for details on National MI's rescission relief program.

2.3 Credit Overlay Requirements

National MI's credit overlays are included on the following product matrices. Overlays establish minimum requirements according to National MI policy – if the agency has a more restrictive policy requirement, the more restrictive agency requirement must be met. Insured loans must meet the eligibility criteria in the matrices on the following pages:

2.3.1 Product Eligibility Matrix – AUS Conforming Loans

2.3.2 Product Eligibility Matrix – AUS Conforming High Balance Loans

2.3.3 Product Eligibility Matrix – AUS Affordable Lending

For additional details, refer to the applicable AUS Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming   Sec. 2.3.2 – AUS Conforming High Balance Loans   Sec. 2.3.3 – AUS Affordable

PRODUCT ELIGIBILITY

Section 2.3.1 – AUS Conforming Loans

AUS PLUS OVERLAYS GUIDELINE SUMMARY – CONFORMING LOANS

A DU® Approve/Eligible or LPA® Accept/Eligible loan is insurable provided it meets the requirements described in Section 2 of the TrueGuide® and the following underwriting overlays[1]:

- One or more borrowers must have at least one FICO score
- Cash-on-Hand does not qualify as an eligible asset for verification purposes
- Geographic Exclusions: None
- For >$1,100,000 loan amounts: Non-Delegated Underwriting MI submission path required

A DU® Approve/Ineligible or LPA® Accept/Ineligible loan that meets National MI's AUS Plus Overlay requirements is insurable if:

- AUS ineligibility due to ARM plan/type and that plan/type meets National MI's Standard ARM Guidelines in Section 3.1.4
- AUS ineligibility for primary residence due to cash-out refinance loan purpose to 85% LTV on a Fixed Rate

Occupancy	Loan Purpose[2,3]	Property Type[3,4]	Loan Amount[5]	Maximum LTV/CLTV[6]	Minimum FICO[7]	Maximum DTI[8]
Primary Residence	Purchase or Rate / Term Refinance[2] or Construction to Permanent[3]	Single Family Condo, Co-op or Manufactured Hm[3,4]	$726,200[5]	97%/105%[6]	620[7]	Per AUS Approval[8]
	Cash-Out Refinance	Single Family Condo or Co-op	$726,200[5]	85%/85%	620[7]	Per AUS Approval[8]
	Purchase or Rate / Term Refinance or Construction to Permanent	Two-Unit	$929,850[5]	90%/90%	620[7]	Per AUS Approval[8]
Second Home	Purchase or Rate / Term Refinance or Construction to Permanent[3]	Single Family Condo, Co-op or Manufactured Hm[3,4]	$726,200[5]	90%/90%	620[7]	Per AUS Approval[8]
Investment Property	Purchase or Rate / Term Refinance or Construction to Permanent[3]	Single Family Condo or Co-op[3]	$726,200[5]	85%/85%	680[7]	Per AUS Approval[8]

1 When there are differences between agency and National MI requirements, lenders must originate to the more restrictive of the two guidelines. This rule applies at the level of individual policy topics.

2 Rate/Term Refinance for 1-unit Primary Residence conforming loan amounts includes Fannie Mae RefiNow™ & Freddie Mac Refi Possible℠ loans (regardless of current mortgage insurer), provided the loan complies with the eligibility criteria within this matrix and otherwise complies with the applicable GSE requirements.

3 Construction to Permanent excludes attached condos and co-ops

4 Manufactured homes:
a) Must meet requirements in Section 2.2.14; and
b) If > 95% LTV, then limited to MH Advantage® or CHOICEHome® properties; and must be submitted to National MI for non-delegated underwriting review (ineligible for delegated underwriting).

5 Maximum Loan Amounts for AK and HI are $1,089,300 (1 unit) and $1,394,775 (2 units)

6 For 1-unit Primary Residences with CLTVs > 97%, in addition to the first mortgage loan meeting the agency and National MI's AUS overlay requirements, the subordinate financing must also meet the requirements of Fannie Mae's Community Seconds® or Freddie Mac's Affordable Seconds® program, as applicable.

7 Representative FICO using middle/lower method is required for underwriting and pricing purposes.

8 MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

For additional details, refer to the applicable AUS Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming   Sec. 2.3.2 – AUS Conforming High Balance Loans   Sec. 2.3.3 – AUS Affordable

PRODUCT ELIGIBILITY — Section 2.3.2 – AUS Conforming High Balance Loans

AUS PLUS OVERLAYS GUIDELINE SUMMARY – CONFORMING HIGH BALANCE LOANS

A DU® Approve/Eligible or LPA® Accept/Eligible loan is insurable provided it meets the requirements described in Section 2 of the TrueGuide® and the following underwriting overlays[1]:

- One or more borrowers must have at least one FICO score
- Cash-on-Hand does not qualify as an eligible asset for verification purposes
- For >$1,100,000 loan amounts: Non-Delegated Underwriting MI submission path required
- Geographic Exclusions: None

A DU® Approve/Ineligible or LPA® Accept/Ineligible loan that meets National MI's AUS Plus Overlay requirements is insurable if:

- AUS ineligibility due to ARM plan/type and that plan/type meets National MI's Standard ARM Guidelines in Section 3.1.4

Occupancy	Loan Purpose[2]	Property Type[2,3]	Loan Amount[4]	Maximum LTV/CLTV	Minimum FICO[5]	Maximum DTI[6]
Primary Residence	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Single Family Condo, Co-op or Manufactured Hm[2,3]	$1,089,300[4]	95%	620[5]	Per AUS Approval[6]
	Cash-Out Refinance	All	All	Not Eligible	Not Eligible	Not Eligible
	Purchase or Rate / Term Refinance or Construction to Permanent	Two-Unit	$1,394,775[4]	85%	620[5]	Per AUS Approval[6]
Second Home	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Single Family Condo or Co-op[2]	$1,089,300[4]	90%	620[5]	Per AUS Approval[6]
Investment Property	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Single Family Condo or Co-op[2]	$1,089,300[4]	85%	680[5]	Per AUS Approval[6]

1 When there are differences between agency and National MI requirements, lenders must originate to the more restrictive of the two guidelines. This rule applies at the level of individual policy topics.
2 Construction to Permanent excludes attached condos and co-ops
3 Manufactured homes must meet requirements in Section 2.2.14
4 Available only for loan amounts eligible according to Fannie Mae high balance or Freddie Mac super conforming limits
For 2023, the GSEs have not established different high balance/super conforming amounts for AK and HI
Refer to the county specific loan limits to determine the maximum amount for a specific area
5 Representative FICO using middle/lower method is required for underwriting and pricing purposes.
6 MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

For additional details, refer to the applicable AUS Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming   Sec. 2.3.2 – AUS Conforming High Balance Loans   Sec. 2.3.3 – AUS Affordable

PRODUCT ELIGIBILITY — Section 2.3.3 – AUS Affordable Lending

AUS PLUS OVERLAYS GUIDELINE SUMMARY – CONFORMING AFFORDABLE LENDING

A DU® Approve/Eligible HomeReady Mortgage or LPA® Accept/Eligible Home Possible Mortgage loan is insurable provided it meets the requirements described in Section 2 of the TrueGuide® and the following underwriting overlays[1]:

- One or more borrowers must have at least one FICO score
- For >$1,100,000 loan amounts: Non-Delegated Underwriting MI submission path required
- Geographic Exclusions: None

A DU® Approve/Ineligible or LPA® Accept/Ineligible loan that meets National MI's AUS Plus Overlay requirements is insurable if:

- AUS ineligibility due to ARM plan/type and that plan/type meets National MI's Standard ARM Guidelines in Section 3.1.4

Occupancy	Loan Purpose[2]	Property Type[3, 4]	Loan Amount[5,6]	Maximum LTV/CLTV	Minimum FICO[7]	Maximum DTI[8]
Primary Residence	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Single Family Condo, Co-op or Manufactured Hm[3]	$726,200[5]	97%/105%	620[7]	Per AUS Approval[8]
			$1,089,300[6]	95%/95%		
	Cash-Out Refinance	All	All	Not Eligible	Not Eligible	Not Eligible
	Purchase or Rate / Term Refinance or Construction to Permanent	Two Unit	$929,850[5]	95%/105%	620[7]	Per AUS Approval[8]
			$1,394,775[6]	85%/95%		
		3-4 Units[4]	$1,123,900[5]	95%/105%	700	
Second Home	All	All	All	Not Eligible	Not Eligible	Not Eligible
Investment Property	All	All	All	Not Eligible	Not Eligible	Not Eligible

1 When there are differences between agency and National MI requirements, lenders must originate to the more restrictive of the two guidelines. This rule applies at the level of individual policy topics.
2 Construction to Permanent excludes attached condos and co-ops
3 Manufactured homes:
   a) Must meet requirements in Section 2.2.14; and
   b) If > 95% LTV, then limited to MH Advantage® or CHOICEHome® properties; and must be submitted to National MI for non-delegated underwriting review (ineligible for delegated underwriting).
4 Minimum 6 months reserves (PITIA) for 3-4 units
5 Maximum Loan Amounts for AK and HI are $1,089,300 (1 unit), $1,394,775 (2 units), and $1,685,850 (3-4 units)
6 Available only for loan amounts eligible according to Fannie Mae high balance or Freddie Mac super conforming limits
For 2023, the GSEs have not established different high balance/super conforming amounts for AK and HI
Refer to the county specific loan limits to determine the maximum amount for a specific area
7 Representative FICO using middle/lower method is required for underwriting and pricing purposes.
8 MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

3.0 Mortgage Insurance Eligibility – Non AUS Dependent – Standard Guidelines

Loans that do not meet the requirements of Section 2.0 of the TrueGuide® must be manually underwritten and meet the eligibility criteria described in this section of the TrueGuide®. Where these guidelines are silent on a topic, standard agency guidelines (excluding any negotiated variances) apply. Lenders that do business with both agencies or neither agency must designate an agency for purposes of application of this default guideline rule. Lenders may not pick and choose between the guidelines of the different agencies on individual policy questions.

3.1 Mortgage Products (Loan Type)

3.1.1 Fixed Rate Mortgages

Fixed rate fully amortizing products are eligible up to a maximum term of 40 years.
Fixed rate interest only products are not eligible.

3.1.2 Graduated Payment Mortgages

Fixed or adjustable rate graduated payment mortgages are not eligible.

3.1.3 Balloon Mortgages

Balloon mortgages are not eligible. Note: Balloon mortgages take the form of interest-only loans or partially amortizing mortgages. Balloon mortgages require borrowers to make regular payments for a specific interval and then pay off the remaining balance within a relatively short time. Some types of balloon mortgages can be interest-only for 10 years, and the final "balloon" payment to pay off the balance comes as one large installment at the end of the term.

3.1.4 Adjustable Rate Mortgages (ARMs)

ARMs that are fully amortizing are eligible up to a maximum term of 30 years. ARMs with interest only, negative amortization (potential or scheduled) or payment option features are not eligible.

The most common ARM caps are the "initial cap", "periodic cap" and "lifetime cap". The initial cap limits how much the interest rate can be increased the first time it is adjusted. The periodic cap limits how much the interest rate can be increased each subsequent time that it is adjusted after the initial adjustment. The lifetime cap sets a maximum amount by which the interest rate can be increased during the life of the loan.

The following additional requirements apply to ARMs:

Eligible Indices:	Index must be: GSE, FHA, VA, or FHLB eligible; or Eligible in accordance with a U.S. Bank/Credit Union Portfolio program
Initial Fixed Periods:	Minimum 12 months (unless indicated differently in the applicable eligibility matrix (see Section 3.13) Minimum 5-years for Investment Property
Initial Adjustment Cap:	Required for all ARMs Maximum 2% of initial fixed periods < 5 years Maximum 3% for initial fixed periods >= 5 to < 7 years Maximum 5% for initial fixed periods >= 7 years
Per Adjustment Cap:	Required for all ARMs; Maximum 2%
Lifetime Rate Cap:	Required for all ARMs; Maximum 6%
Maximum Shortfall:	Maximum initial discount from the fully indexed rate is 300 bps
Temporary Buydowns:	Disregarded for qualifying purposes
Qualifying Rate:	Initial fixed term < 5 years: a) Initial note rate plus 2%; or b) Greater of fully indexed rate or initial note rate plus 2% Initial fixed term >= 5 years: Initial note rate Refer to Section 3.5.5.2 for additional details
Cash-out Refinance:	Ineligible for ARMs
Amortization Term:	Maximum 360 months

3.1.5 Subordinate Financing

General Requirements

- Purchase and refinance transactions with new subordinate financing are not permitted.
- Existing subordinate financing may not be resubordinated as part of a refinance transaction (unless the existing secondary financing is a Community Second or an Affordable Second.

Affordable Lending Programs

Subordinate financing is permitted for affordable lending programs meeting the requirements in Section 3.4.7.1.

3.1.6 Buydowns

Temporary interest rate buydowns are permitted subject to the following restrictions:

- Fixed Rate Mortgages permitted
- Adjustable Rate Mortgages permitted if:
  - LTV <= 95% and
  - Maximum 2-1 buydown for initial fixed term < 5 years
- Not permitted for cash-out refinances or investor properties
- Must be established and fully funded at closing

The temporary buydown must be ignored for qualifying purposes (refer to qualifying payment amount guidelines in Section 3.5.5.2).

3.2 Borrower Eligibility

3.2.1 Citizenship and Residency Requirements

The following are eligible borrowers and eligibility requirements:

- U.S. citizens, permanent resident aliens, non-permanent resident aliens or Deferred Action for Childhood Arrivals (DACA). In addition:
  - If income from the DACA individual is used to qualify, they must have a current Employment Authorization Document (EAD) with a minimum 2-year history of U.S. employment and income.
  - For > $1,000,000 loan amounts insured in accordance with National Mi's Non-AUS Jumbo guidelines described in the matrix in Section 3.13.2, borrowers contributing qualifying income must be U.S. citizens or permanent resident aliens.
- A borrower with an Individual Tax Identification Number (ITIN) who is contributing qualifying income must be a permanent resident alien, non-permanent resident alien or DACA individual. If income from the ITIN borrower is used to qualify, they must have a minimum 2-year history of U.S. employment and income.
- An Inter Vivos Revocable (Living) Trust, provided it complies with Fannie Mae or Freddie Mac eligibility criteria.
- A Land Trust, provided it meets the requirements in Section 3.2.4

The following are ineligible borrowers:

- Borrowers without a valid social security number or ITIN number
- Corporations or Limited Liability Corporations
- Foreign nationals with diplomatic immunity or non-permanent resident aliens with diplomatic immunity
- Foreign nationals that are not legal permanent or non-permanent residents
- Illegal aliens
- Irrevocable Trusts
- Partnerships or Limited Partnerships

3.2.2 Non-occupant Co-borrowers

This section of the guidelines applies to primary residence loans only.

A non-occupant co-borrower is an individual who is a borrower obligated on the note, not residing in the subject property, and may or may not have an ownership interest in the property (may or may not be an owner of record on title).

Non-occupant co-borrowers are permitted subject to the following restrictions:

- Maximum 95% LTV/CLTV
- Minimum 3% Occupant Borrower Funds (unless indicated differently in the applicable product eligibility matrix – See section 3.13)
- The income and debts of non-occupant co-borrowers must be ignored for qualifying purposes (the occupant borrowers must meet National's DTI requirements)

3.2.3 Co-signers, Shared Equity Agreements

- **Co-signers**: An occupant co-borrower (who is obligated on the note) who does not have an ownership interest (not an owner of record on title) is permitted.

- **Shared Equity Agreements**: A shared equity plan is a written agreement between an owner occupant purchaser and an investor non-occupant co-purchaser whereby the investor assists with the purchase (typically contributing a substantial portion of the down payment) in exchange for a share of future equity growth that is to be paid to the investor no later than a "cash out" date specified in the agreement. Such shared equity arrangements are not eligible for insurance.

3.2.4 Trusts

- Revocable Living Trusts are a permitted borrower if the trust complies with Fannie Mae or Freddie Mac eligibility criteria.
- Land Trusts are a permitted borrower if the land trust in no way limits rights to pursue Default remedies, provided:
  - One or more of the borrowers is a beneficiary of the land trust;
  - The subject property is:
    - » the only asset of the land trust; and
    - » located in a state that by statute recognizes and permits land trusts;
  - All beneficiaries and the trustee (on behalf of the land trust) are obligated on the

Note; and

  - In the event of Default, the lender may be conveyed clear title in accordance with applicable loss mitigation requirements.
- Irrevocable trusts are not eligible.

3.2.5 Non-Arm's Length Transactions

A non-arm's length purchase transaction occurs when there is a direct relationship or business affiliation (family, employer, employee, etc.) between the borrower and another party (including but not limited to the seller, real estate broker, loan originator, builder, appraiser, closing agent, etc.).

These transactions are eligible for delegated underwriting.

For purchase transactions where there is a non-arm's length relationship between seller and the borrower:

- The non-arm's length relationship should be disclosed to the appraiser and the appraiser should comment about the relationship
- Only primary residences are eligible for insurance

3.2.6 Maximum Number of Insured Loans

National MI reserves the right to limit new insurance to borrowers with multiple existing loans insured by National MI. National MI will monitor for borrower concentrations internally and does not expect lenders to complete these assessments.

3.2.7 Borrowers with Previously Paid Claims

National MI may decline to provide new insurance to borrowers with previously paid claims on loans involving suspected fraud or misrepresentation. National MI will monitor for these borrowers internally and does not expect lenders to complete this screening.

3.3 Occupancy

3.3.1 Types

Occupancy is determined in accordance with the borrower's intent as of the time of loan closing. The following occupancy types are permitted subject to LTV and FICO restrictions:

- Owner-Occupied Primary Residence
- Owner-Occupied Second Home
- Non-Owner Occupied-Investment Property

Refer to the applicable product eligibility matrix for the specific guidelines.

3.3.1.1 Primary Residence Classification – Buying for Parent or Child

For loan amounts up to $650,000, National MI will classify the loan as primary residence when the subject property is purchased by the borrower for their parent or adult child in the following limited instances:

- Borrower buying for parent who is unable to work or does not have sufficient income to qualify; or
- Borrower buying for their adult child who is disabled, and the child is unable

to work or does not have sufficient income to qualify.

Note: Kiddie condominiums are an ineligible property type; refer to Section 3.6.2 for additional details.

3.3.2 Documentation

Occupancy must be consistent with and supported by documentation in the file. When circumstances arise that raise questions about the borrowers' intent to occupy the property as a primary residence, the originator should confirm occupancy and include the confirmation in the file. Circumstances that raise questions include:

- Borrower is employed a long distance from the intended primary residence
- The size of the proposed residence is inconsistent with the size of the borrower's family and number of dependents
- Borrower already owns a primary residence near the subject property and is intending to retain it (as a rental or second home) rather than sell it
- The proposed primary residence is near the existing primary residence, but the new residence is not worth materially more than, or is worth less than, the existing residence
- Borrower is currently purchasing another property or has done so in the last 12 months
- Borrower is in the business of "flipping" homes

The occupancy indicated on the borrower's signed application is sufficient to document that the borrowers intend to occupy the property as a primary residence, provided the risk variables within the transaction do not contradict the borrower's primary residence occupancy attestation on the application. Occupancy as primary residence should occur within 60 days of closing, unless one or more borrowers are **military service members** (as evidenced by a current Leave and Earnings Statement) and the following additional requirements are satisfied:

- Property: 1 Unit
- Purpose: Purchase or Rate/Term Refinance
- Rental Income: Rental income from the subject property may not be used for qualifying purposes
- Ownership of other residential property: No borrower may own other residential property
- History of subject property occupancy: For a refinance, at least one borrower must have occupied the subject property as their primary residence immediately prior to military member reporting for the duty that requires the borrowers to reside outside of the subject property (e.g., the spouse resides in the subject property while the military member is on duty elsewhere in a nearby state, and the new overseas assignment causes the whole family to relocate)
- Commitment to re-occupy as primary residence: The borrowers must provide a signed letter stating they intend to occupy the subject property as their primary residence as soon as their duty assignment (or retirement from the military) allow
- Ability to occupy within 60 days of closing: The borrowers must be unable to occupy the subject property within this timeframe due to their active military service as evidenced a copy of borrower's military service orders evidencing that the borrower's occupancy absence corresponds to the military assignment timelines stated in the military orders.

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.4 – Non AUS Medical Professional Program

3.3.3 Occupancy Conversions

When a borrower purchases a new property, this may cause the occupancy of an existing owned property ("departure residence") to change. There are legitimate reasons that lead to an occupancy change for a departure residence, but misrepresentations regarding intent to occupy present elevated risk. Most often, misrepresentation involves the miss-stated intent to convert a departure residence to a rental and occupy the new property as a primary residence.

Because of the elevated risk, National MI applies the restrictions described below when a departure residence will be or recently has been converted to a rental or second home. For purposes of this policy, a recent conversion is one that occurred within the last 60 days and/or one that is not evidenced by both a signed lease agreement and bank statements evidencing deposit of the security deposit or one or more rental payments.

If the departure residence is being **converted to an investment property**, the following requirements apply:

- The PITIA on the converted departure residence must be included in qualifying the borrower
- Rental income from the departure residence converted to an investment may be used to qualify only if all of the following additional requirements are satisfied:
  - Evidenced by fully executed lease with a minimum original term of 6-months (use 75% of amount in calculations)
  - Evidenced by copy of check or transfer of funds for security deposit
  - Bank statements showing the deposit of the security deposit (and rent payments if any made to date) are present
  - For previously rented units in a 2-4 unit departure residence that includes an occupied unit being converted, income may be utilized from units previously and currently rented provided the income can be documented per the borrower's tax returns. Leases are only permitted if the converted departure residence was acquired in the current tax year (use 75% of rental amount in calculations if leased used).
- In addition to the reserves required in Section 3 of the TrueGuide®, the following reserves are also required: 6 months PITIA for the converted to an investment property departure residence.

If the departure residence is being **converted to a second home**, the following requirements apply:

- The PITIA on the converted departure residence must be included in the debt ratio
- Rental income from the converted to a second home departure residence may not be used to qualify
- In addition to the reserves required in Section 3 of the TrueGuide®, the following reserves are also required: 2 months PITIA for the converted to a second home departure residence

3.3.4 Pending Sale of Departure Residence

If the departure residence is pending sale rather than being converted, the following requirements must be satisfied:

- The PITIA and/or bridge loan payment on the departure residence must be included in the qualifying ratios unless there is either:
  - An executed sales contract with no outstanding financing contingencies, or
  - An executed buyout agreement as part of an employer relocation plan (of the type qualifying for the relocation discount as defined in Section 3.4.4) where the employer/relocation company are responsible for the outstanding mortgages and/or bridge loan payment on the property pending sale.
- In addition to the reserves required within Section 3 of the TrueGuide®, the following reserves are also required:
  - Departure residence is pending with executed sales contract or buyout agreement satisfying the requirements above
    - » If PITIA and/or bridge loan payment on the departure residence is included in the DTI: 0 months PITIA and bridge loan payment reserves on the departure residence, or
    - » If PITIA and/or bridge loan payment on the departure residence is excluded from the DTI: 2 months PITIA and bridge loan payment reserves on the departure residence
  - Other pending and For Sale not pending on departure residence:
    - » If PITIA and/or bridge loan payment on the departure residence is included in the DTI: 2 months PITIA and bridge loan payment reserves on the departure residence, or
    - » If PITIA and/or bridge loan payment on the departure residence is excluded from the DTI: 6 months PITIA and bridge loan payment reserves on the departure residence

3.4 Purpose

Eligible purposes are listed below with applicable restrictions.

3.4.1 Purchase

Refer to Section 3.2.5 for purchase restrictions related to non-arm's length transactions.

3.4.2 Rate and Term Refinance

To qualify for rate and term refinance, the following requirements must be satisfied:

- One of the following requirements must be satisfied:
  - At least one borrower on the new loan must be on title, and if primary residence or second home, have resided in the subject property for 6 or more months immediately preceding the application date
  - At least one borrower on the new loan must have inherited the property or been legally awarded the property through divorce, separation or dissolution of a domestic partnership
  - Cash back to the borrower is limited to the greater of $2,000 or 1% of the new loan amount and the borrower may not have taken cash-out (similarly defined) within the last 6 months of the new loan closing date (via either a first or subordinate lien).
- The new loan proceeds may only be used for one or more of the following:
  - Pay off the existing first lien
  - Pay off subordinate liens used entirely to purchase the property or paydown in

those instances where the product eligibility matrix permits existing Community Seconds or Affordable Seconds to be resubordinated.
    - Pay off non-purchase-money subordinate liens seasoned for at least 12 months prior to the loan application date and (if a home equity line of credit) with total draws during the 12 months preceding the application date not in excess of $3,000
    - Pay an individual who has been a joint owner for at least 12 months immediately prior to the application date (12-month requirement does not apply in the case of inheritance) for their interest in the property pursuant to a written agreement (e.g., divorce, separation, dissolution of a domestic partnership, etc.)
    - Pay reasonable and customary financing costs/closing costs/prepaids (consistent with the GSE's definition of permissible expenses)
    - Payoff of Property Assessed Clean energy (PACE) obligations. A PACE obligation includes any energy retrofit obligation used to finance energy conservation improvements that is repaid through a property tax assessment
- The following requirements of Section 3.6.1.12 must also be satisfied:
    - The subject property may not currently be listed For Sale and must have been taken off the market on or before the application date.
    - If the subject property was listed For Sale within the 6 months prior to the application date, the documentation must include a signed statement from the borrowers indicating their intent to retain the property.
- Fannie Mae RefiNow™ and Freddie Mac Refi Possible℠ loans are insurable (regardless of the current mortgage insurer), provided the loan complies with the eligibility criteria in Section 3.13.1 Product Eligibility Matrix – Non AUS Conforming Loans and otherwise complies with the applicable GSE requirements.
- Refer to Section 3.4.5 Construction to Permanent and Section 3.4.6 Home Renovation for guidelines on treating such transactions as a Rate and Term refinance.
- Refer to National MI's Servicing Guide for options regarding new refinance transactions of an existing National MI insured loan, such as Fannie Mae High LTV Refinance, Freddie Mac Enhanced Relief Refinance or Non-GSE Rate/Term Refinance programs.

3.4.3 Cash-Out Refinance

Any refinance that does not meet the rate and term refinance requirements is considered cash-out for guideline interpretation purposes. The following requirements must also be satisfied:

- The subject property may not currently be listed For Sale and must have been taken off the market on or before the application date.
- If the subject property was listed For Sale within the 6 months prior to the application date, the documentation must include a signed statement from the borrowers indicating their intent to retain the property.
- ARMs are ineligible for cash-out.

3.4.4 Corporate Relocation

National MI does not have any special guidelines applicable to borrowers with employer assisted relocations. Standard underwriting guidelines apply.

National MI may offer a pricing benefit (refer to www.nationalmi.com/products-rates/ for details) to a borrower participating in an employer-sponsored corporate relocation program or U.S. military-sponsored relocation assistance/readiness program, provided all of the following conditions are satisfied:

- The borrower is a transferred or new employee purchasing a primary residence
- The borrower is participating in a formal program sponsored by the borrower's employer (or agent) evidenced by a copy of the relocation agreement and/or other documentation detailing the nature and amount of the employer's contribution
- The employer's contribution is used for closing costs (on property being purchased and/or sold), discount points, below-market bridge-loan financing, ongoing subsidy payments related to cost differences, moving expenses, or other expenses related to the relocation.

Refer to Section 3.3.4 Pending Sale of Departure Residence for additional details on qualifying a borrower participating in an employer-sponsored corporate relocation program.

3.4.5 Construction to Permanent

Construction to Permanent loans must meet the eligibility requirements described in this section and in the applicable eligibility matrix contained within the TrueGuide®.

National MI will insure one-time close loans and two-time close loans as follows:

- **One-time close eligible** – the interim construction financing and the permanent end loan financing are combined into a single closing (no second closing needed because the original documents from the single closing specify the terms of the permanent financing). The lender may elect to activate coverage at closing so that the coverage includes the construction phase or elect to activate coverage upon completion of the property and forego coverage during the construction phase.
- **Two-time close eligible** – defined as a construction loan that upon property completion (following construction period where lender manages draws/disbursements) is replaced by a permanent end loan evidenced by a new note signed by the borrowers and originated via a second closing in which the construction loan is replaced with the new permanent loan. The lender that provides the permanent financing may be different from the lender that provides the interim construction financing. In the two-time close scenario, the loan should be submitted as a refinance and not as Construction to Permanent.
- Limited to 1-2 unit properties, manufactured home, or a detached condominium.
- Cash-out is not permitted for either one-time or two-time close loans. Cash to the borrower at closing that is reimbursement for documented borrower-paid construction expenses is not considered cash-out.
- Transactions where the borrower uses the construction financing to: (i) both purchase the lot and finance construction of the property ("purchase" as defined by the GSEs), or (ii) only finance construction of the property when title to the lot is owned either prior to the loan application or before the first advance from the construction financing ("limited cash-out" or "no cash-out" as defined by the GSEs) are permitted as one-time or two-time close loans.

One-time Close Construction to Permanent

The following terms apply to a one-time close construction to permanent loan:

- One-time close construction to permanent loan LTV should be calculated as follows:
  (a) Lot acquired either after date of construction loan application or after the first advance from the interim construction financing, then use lesser of:
    - As completed appraised value**,** or
    - Purchase price (lot sales price plus sum of the construction costs)
      » If lot was gifted or otherwise obtained via means other than purchase after the date of the construction loan application, use the current appraised value of the lot

  (b) Lot acquired either prior to the date of the construction loan application or before the first advance from the interim construction financing, then use the as-completed appraised value
- The value of a lot obtained via gift or inheritance does not count toward borrower contribution requirements described in the applicable eligibility matrix.
- 12-month mortgage insurance Commitment periods are issued for one-time close construction to permanent loans
- Guidelines and pricing in effect at the time of the mortgage insurance Commitment will be honored during the 12-month mortgage insurance Commitment period (even if the guidelines and/or pricing change), provided the terms of the loan/insurance do not change. Proposed changes to existing mortgage insurance Commitments alter the risk profile of the Commitment and must be re-approved as described below.
- Upon completion of construction, a property completion report (Fannie Mae Form 1004D / Freddie Mac Form 442 or equivalent form) must be completed which includes an exterior inspection and photos of the property, and a review of the current market data to determine whether or not the value has declined. If the value has declined, then a new appraisal is required, and the borrower must qualify (using guidelines and pricing in effect at original Commitment) at the new higher LTV.
- Age of Documentation:
  The following age of documentation requirements apply for one-time close construction to permanent loans:
  (a) Credit, income, employment, assets and appraisal documents must be within 120-days aged at time of construction loan closing;
  (b) If the appraisal becomes more than 12-months old, a new appraisal is required;
  (c) The only supporting documentation that must be updated is the following if they are more than 120 days old as of the mortgage insurance activation date:
    (i) Verbal VOE: If the employment and income verifications are more than 120 days old as of the mortgage insurance activation date, then a verbal VOE is required. If the verbal VOE reveals that the borrower has changed employment from what was initially disclosed and verified, then updated loan application, employment and income documentation from the borrower is required, and the mortgage insurance must be re-underwritten taking into consideration changes to any of the updated information.
    (ii) Recertification of Value: If the appraisal is more than 120 days old as of the mortgage insurance activation date, then an appraisal update (Fannie Mae

Form 1004D / Freddie Mac Form 442 or equivalent form) must be completed which includes an exterior inspection and photos of the property, and a review of the current market data to determine whether or not the value has declined. If the appraisal update shows the current value is lower, a new appraisal is required, and the borrower must qualify (using guidelines and pricing in effect at original Commitment) at the new higher LTV.

(iii) Payment history on the subject property loan showing no 30-day or more delinquencies during the construction phase.

Note: If the updated documents are not submitted to National MI prior to mortgage insurance activation and a claim is later made, the documents will be required to perfect the claim.

- If an extension is needed, National MI may require an updated application, income/asset documentation, borrower credit information, and appraisal. Extensions are subject to National MI guidelines and pricing in effect at the time the extension request occurs.
- Changes to existing Commitments alter the risk profile of the Commitment. Consequently, changes require re-approval and will be evaluated according to National MI guidelines in effect at the time of the change. For non-delegated Commitments with changes affecting underwriting eligibility and/or pricing, the revised circumstances must be documented and submitted to National MI for re-evaluation. If it is decided that a new Commitment is required reflecting the changes, then the timeframe (12 months) starts again from the date of the new Commitment.
- MI coverage on a one-time close construction to permanent loan may be activated on either the date of the interim construction loan closing or conversion or modification to a permanent loan, provided the following requirements are met:
  - The loan must be current at the time of MI Commitment activation
  - If the loan is activated at conversion or modification to a permanent loan following completion of construction, no 30-day or more delinquencies during the construction loan are allowed
  - Prior to finalizing claim payment, the lender must document that the subject property and its improvements have been completed to standards consistent with the original valuation (evidenced by appraiser's final inspection and occupancy permit from the appropriate jurisdiction)

3.4.6 Home Renovation (Improvement)

Renovation loans are either purchase or limited cash-out (rate and term) refinance loans that include funds for the borrower covering costs of repairs, remodeling, renovations and/or energy improvements (condo/co-op work must be limited to the interior). Loan proceeds must be fully dispersed at closing into an escrow or similar account, and the lender must ensure the improvements are completed. The improvements must be permanently affixed to the real property.

National MI will insure renovation loans that satisfy the following requirements:

- 1-unit single family primary residence or second home

- Borrowers are individuals
- LTV is calculated based on an "as completed" appraised value
- For a 1-unit single-family (does not include a manufactured home), cost of renovation may not exceed 75% of the "as completed" appraised value. If the existing structure will be completely torn down and replaced by a new structure, the loan is not eligible as a renovation loan (even if the cost is less than 75% of the "as completed" value) and the loan must be approved as construction-to-permanent
- For a manufactured home:
  - The renovation loan proceeds may only be used for basic energy and/or water efficiency improvements (ineligible for insurance if funds used for other purposes);
  - The improvements may not exceed 15% of the "as completed" value; and
  - The improvements must not impact the structural integrity of the property.
- Standard 120-day MI Commitments apply and standard Age of Documentation requirements (contained in Section 3.11) must be satisfied. Guidelines and pricing in effect at the time of the Commitment will be honored during the Commitment period (even if the guidelines and/or pricing change) provided the terms of the loan/insurance do not change. Proposed changes to existing Commitments alter the risk profile of the Commitment and must be re-approved.
- Insurance must be activated at closing
- Renovation work must be completed no later than 12 months from the date the mortgage is closed for a 1-unit single-family; and within 6 months for a manufactured home
- Prior to finalizing claim payment, the lender must document that the subject property and its improvements have been completed to standards consistent with the original valuation (evidenced by appraiser's final inspection and occupancy permit (when applicable) from the appropriate jurisdiction)
- Lenders must follow GSE requirements, as applicable, with respect to the following:
  - Expenses that may be considered part of the renovation costs
  - Plans and specifications
  - Contractor requirements
  - Energy Report requirements
  - Escrows for mortgage payments during the renovation phase
  - Contingency Reserves
  - Renovation Escrow Account
  - Completion Documentation (certificate of completion, title update, lien releases, etc.)
  - Energy Improvement limits and requirements
- Refer to Section 3.6.7 regarding Appraisal Reviews with Fannie Mae Collateral Underwriter® (CU®) or Freddie Mac Loan Collateral Advisor® (LCA®) for a renovation loan.

3.4.7 Affordable Lending

3.4.7.1 General Requirements

National MI's Non-AUS (Manual Underwriting) affordable guidelines are applicable to both Housing Finance Agency (HFA) and non-HFA loan programs so long as the individual loans meet National MI's guidelines described in the applicable eligibility matrix and this section of the TrueGuide®:

- One-unit (detached, attached, condos and coops), manufactured homes and 2-4-unit properties are eligible.
- Borrowers must meet GSE affordable lending eligibility requirements and income limitations (and applicable HFA requirements (if any) that may be more restrictive than GSE requirements). This applies to all borrowers (e.g., even if the loan is originated in accordance with a non-GSE portfolio program).
- First-time Home Buyers must complete GSE-eligible pre-purchase homebuyer education. All borrowers must also comply with other educational requirements (if any) per applicable GSE and/or HFA requirements.
- Cash on Hand is an eligible source of funds for an Affordable Lending mortgage per applicable GSE and/or HFA requirements.
- Fixed rate loans and adjustable rate loans with an initial fixed term of 3 years or more are permitted. ARM LTVs may be limited based on the length of the initial fixed period – refer to the Non-AUS Affordable Lending Eligibility Matrix in Section 3.13.3 for details.
- Second liens that meet Fannie Mae Community Seconds or Subordinate Financing or Freddie Mac Affordable Seconds or Secondary Financing guidelines are permitted. Refer to the Non-AUS Affordable Lending Eligibility Matrix in Section 3.13.3 for the maximum LTV and CLTV.
- Financed MI must meet the requirements in Section 1.8.1 and the following requirements:
  - 1-Unit: The gross LTV (with the financed MI premium amount) must adhere to National MI LTV limits in Section 3.13.3 Non-AUS Affordable Lending Eligibility Matrix.
  - 2-4 Units: Financed MI is not permitted.

3.4.7.2 Reserves

Refer to the Non-AUS (Manual Underwriting) Affordable Lending eligible matrix in Section 3.13.3 for any reserve requirements.

3.4.7.3 Borrower Contributions

Borrowers approved in accordance with National MI's Non AUS Affordable Lending guidelines must meet borrower contribution requirements. Occupant borrowers must contribute a minimum 3% from their own funds, except gifts and grants apply toward the 3% if 1-unit Primary, no secondary financing and either: (i) a minimum 3% must be verified in the occupant borrower's asset accounts; or (ii) the occupant borrower has a minimum 720 FICO score (see Section 3.5.3.1). Contributions must be verified and be from sources that qualify as borrower contributions in accordance with GSE requirements.

3.4.7.4 Gifts and Grants

National MI's Non AUS Affordable Lending guidelines permit gifts and grants from a GSE eligible source, but these amounts do not count toward the minimum borrower contributions or reserves requirements, except gifts and grants apply toward the 3% if 1-unit Primary, no secondary financing and either: (i) a minimum 3% must be verified in the occupant borrower's asset accounts; or (ii) the occupant borrower has a minimum 720 FICO score (see Section 3.5.3.1).

3.4.8 Special Programs

3.4.8.1 Medical Professional Program

This program is applicable to borrowers actively practicing in their field (may be in internship or resident phase; or serving a medical clinical fellowship) in one of the following professions:

- Medical (MD, DO, OD, DPM)
- Dental (DDS, DMD)
- Eye (MD, OD or DO)
- Veterinarian (DVM, VMD, DACVS)
- Pharmacist (PharmD)
- Physician Assistant (PA)

Qualifying medical professionals must satisfy the eligibility requirements described in the Medical Professionals Program matrix contained in Section 3.13.4 (Product Eligibility Matrices) and in this section of the TrueGuide®.

Monthly payments on student loans may be excluded from the debt calculation provided the borrower provides either:

- A letter from student loan servicer confirming that student loan payments were approved for a minimum of 12 months of deferment or a letter from the employer verifying the residency will continue for a minimum of 6 months (both from the mortgage loan application date); or
- Evidence that the medical professional's employer is making the student loan payments on the borrower's behalf as evidenced by an employment contract or other written documentation indicating the amount and duration of the payments approved for the borrower and that those payments will continue for a minimum of 3 years from the mortgage loan application date.

Lender must track and monitor loans and provide reports to National MI upon request.

Also refer to the Medical Professionals Eligibility Matrix in Section 3.13.4.

3.4.9 Seasoned Loans

Seasoned loans (insurance application received after first payment due date) will be considered for insurance by National MI on a case-by-case basis when submitted via Non-Delegated Underwriting. Mortgage insurance premiums are based on current rates. At a minimum, the following is required:

- The loan must meet National MI's current underwriting guidelines
- Complete copy of the original loan file must be submitted
- The credit report, verbal verification of employment and appraisal must be dated within 120-days of mortgage insurance submission
  (a) The credit Report must reflect that there has been no new subordinate financing placed on the subject property; (b) If the original credit report is >120-days aged, then

an updated Credit Report aged <= 120-days is required; (c) If the VVOE is >120-days aged, then an updated VVOE aged <= 120 days is required for each borrower with qualifying income; (d) If the Appraisal is >120-days aged but <-12-months aged, then a Recert of Value aged <=120-days is allowed when the appraisal report is also provided; and if the appraisal is >12-months aged, then an updated Appraisal is required.

- Mortgage payment history reflecting all payments since closing must be submitted
- (a) The credit report may not substitute for the detailed ever-to-date mortgage payment history; (b) 0x30 ever-to-date is required; and (c) there is no evidence that the loan is currently or has ever been in forbearance, modified, in workout, or in default
- A copy of the note, closing disclosure (or HUD-1), mortgage deed of trust and insurance policy must be submitted
- Additional documentation may also be required

3.5 Underwriting the Borrower

3.5.1 Income Documentation and Calculations

3.5.1.1 General and Form 4506 Requirements

This section of the guidelines describes minimum income documentation requirements. Insured originators should require additional documentation at their discretion when necessary to verify income.

Qualifying income should reasonably be expected to continue for a minimum of three years. Income that is not expected to continue for a minimum of three years will not be considered. The documentation required to determine the amount of income that can be relied upon varies according to the income type and materiality, the applicant's ownership interest in the income source, and other factors described in the guideline sections that follow. The requirements described for each type of income within TrueGuide® Section 3.5.1 and the applicable GSEs requirements must be satisfied.

Originators do not need to document a 3-year continuance for the following types of income:

- Automobile allowance
- Base salary
- Bonus, overtime, commission or tip income
- Corporate retirement or pension
- Long-term disability
- Foster care income
- Interest and dividend income unless evidence exists the related assets will be depleted
- Military income
- Part time, second job, or seasonal income
- Rental income
- Self-employed income
- Social security, VA, or other governmental retirement or annuity

Income Stability

Income trending is a relevant consideration for borrowers with variable or self-employment income. If the trend is stable or increasing, the calculated income (as described by detailed income type within Section 3.5.1) should be utilized. If the income was declining but has since stabilized, the lower current level should be used. If the income continues to decline, but may not be stable, further analysis must be conducted to document the appropriate income, if any, to utilize.

Gross Up

Income that is verified to be nontaxable, with a tax-exempt status that is likely to continue, may be adjusted up by adding an amount equivalent to 25% of the income.

Form 4506

A complete and signed IRS Form 4506 (4506-C or 8821) is required from each borrower with qualifying income. The IRS-issued tax transcripts are required and must be submitted to National MI as follows:

- IRS-issued tax transcripts for the most recent two years when self-employed income is included for qualifying;

OR

- When income included in qualifying is not from self-employment and the lender has obtained the tax transcripts prior to submitting (for underwriting if non-delegated; and for audit or validation if delegated) the file to National MI.

Definition of "Last Year" (i.e., Most Recent Year)

In the following subsections of Section 3.5.1, the terms "last years" or "last 2 years" are used to describe income documentation requirements. Early in a new year, precisely what "last year" means may be uncertain. Last Year (i.e., most recent year) means the following for purposes of income documentation:

- **W-2s**
  - If the loan application is dated prior to 2/1 of the current year, and income verification documentation is current and not expired at the time of underwriting, the W-2 from the prior year is preferred but not required (e.g., MI Underwriting on 3/1/22 for an application dated 1/1/22, then the W-2 for 2020 may be accepted as "last years" W-2 (in lieu of the 2021 W-2), and the W-2s for 2019 and 2020 may be accepted as the last 2-years (in lieu of 2020 and 2021).
  - If the loan application is dated on or after 2/1 of the current year, then the W-2 from the prior year is required (e.g., MI underwriting on 3/1/22 for an application dated 2/3/22, then "last years" W-2 is the W-2 for 2021, and the last 2 years W-2s are those for 2020 and 2021.)
- **Tax Returns**
  - The most recent years (or last years) tax return is defined as the last return scheduled to be filed with the IRS (e.g., on 4/15/22 the 2021 returns become the most recent year for new applications). National MI defers to GSE requirements with respect to this document, so additional details can be found in the applicable GSE's guidelines.

3.5.1.2 Alimony or Child Support

Alimony and Child Support Received

- A copy of the final court approved Divorce Decree (separation agreement or other written agreement/court decree) containing the amount and duration. The income must continue for a minimum of 3 years (check for limitations on duration such as the ages of children).
- Evidence of regular receipt for the last 6 months (inconsistent or sporadic payments may not be included as income)
- Calculation:
  - Utilize the current payment amount

Alimony and Child Support Paid

- Alimony paid is considered a debt (refer to Section 3.5.5.1)
- Child support paid is considered a debt (refer to Section 3.5.5.1)
- The monthly amount of the paid alimony and/or paid child support may not be deducted from the income when calculating the debt ratio.

3.5.1.3 Auto Allowance

- Requires a two-year history
- Utilize auto allowance amount from current paystub and related expenses reported on the applicable forms described below
- Calculation:
  - Income and Debt Approach: If the borrower does not report the allowance on either Schedule C or IRS Form 2106, include the allowance in income and the auto loan/lease payments in monthly obligations.

3.5.1.4 Bonus or Overtime

- Minimum of most recent paystub with year-to-date information representing a minimum of 30 days AND

  Either: (a) Last 2 years W-2s; or (b) Last 2 years signed federal tax returns or IRS-issued tax transcripts
- Calculation:
  - Develop a 2 year average of the income

3.5.1.5 Capital Gains

- Capital Gains are often one-time events that are not expected to continue for 3 or more years. These types of capital gains are not an eligible income source.
- Income from capital gains that meets all of the following requirements may be considered:
  - Last 2 years signed federal tax returns or IRS-issued tax transcripts obtained AND
  - Documentation is obtained showing the borrower has sufficient assets to generate similar income over the next 3 years
- Calculation:
  - Utilize the 2 year average amount

3.5.1.6 Commission

- Minimum of most recent paystub with year-to-date information representing a minimum of 30 days AND
- Either: (a) Last 2 years W-2s; or (b) Last 2 years signed federal tax returns or IRS-issued tax transcripts
- Calculation:
  - Develop a 2 year average of the income

3.5.1.7 Disability

This policy section does not apply to temporary leaves (see Section 3.5.1.28).

- Copy of award letter or current disability statement
- If amount and duration is not disclosed in awards letter, a copy of the disability policy may be required
- If the benefits have a defined expiration date (not long-term disability), verify that the remaining term is at least 3 years from the date of the mortgage application.
- Calculation:
  - If higher short-term disability payment will fall to lower long-term payment during the next 3 years, use the lower long-term payment for qualifying purposes. Otherwise use the current payment. If disability income will not continue for 3 years, it cannot be included in income.

3.5.1.8 Employment Offers and Compensation Increases

- Employment offers and compensation increases may only be utilized if all of the following requirements are met:
  - Offer/Increase (amount and effective date) is documented by an employment contract signed by both the borrower and the employer or otherwise well documented
  - The employment and income are in the same line of work and/or consistent with education (new graduates) and is reasonable given the borrower's circumstances and information contained in the loan file
  - Additional reserves are verified to enable the borrower to make the mortgage payment during the pre-job/pre-increase period
  - Eligible source is base pay (salary, hourly, social security, etc.) – variable pay (commission, overtime, bonus, etc.) or self-employment income requires a history and new offers or increases cannot be considered
  - The borrower's first day of employment or the date of the increase is within 90 days of closing
- Calculation:
  - Use the offer or increased amount

3.5.1.9 Foreign Income

- Include foreign income that is reported on the U.S. individual federal tax returns or IRS-issued tax transcripts only
- Verify that the foreign income will continue for at least 3 years from the date of the application

3.5.1.10 Foster Care

- Borrowers must have a 24 month history of foster care income (12 months if the income does not exceed 30% of qualifying income)
- Letters from organization providing income OR copies of deposit slips or bank statements confirming regular deposit of the payments; OR
- Last 2 years signed federal tax returns or IRS-issued tax transcripts
- Calculation:
  - Utilize current payment amounts

3.5.1.11 Hourly

Refer to "Salaried/Hourly" Section 3.5.1.23

3.5.1.12 Interest and Dividend

- May be used as income if received for the last 2 years and borrower must have assets used to generate this income (subtracting any funds utilized to close)
- If interest and dividend income is greater than 25% of the applicant's total income, sufficient remaining asset balances must be verified via copies of current statements or other documentation
- Last 2 years signed federal tax returns or IRS-issued tax transcripts
- Calculation:
  - Develop a 2 year average of the income from the tax returns/transcripts.

3.5.1.13 Military

Military personnel may be eligible for pay in addition to their base pay. These additional sources (hazard, housing, clothing allowance, etc.) are acceptable provided they are documented.

- VOE or Leave and Earnings Statement (LES Statement)
- Calculation:
  - Use sum of Base, Basic Housing Allowance (BAH), and Basic Allowance for Subsistence (BAS) and other documented amounts from current LES statement or VOE

3.5.1.14 Note Receivable

- Copy of note including amount, frequency, and term of at least 3 years from the date of the mortgage application AND
- Document regular receipt of income for the past 12 months as verified by consistent deposits into the borrower's bank account or copies of signed federal tax returns or IRS-issued tax transcripts
- Calculation:
  - Use current amount as specified by the note

3.5.1.15 Overtime

See "Bonus or Overtime" Section 3.5.1.4

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.4 – Non AUS Medical Professional Program

3.5.1.16 Part-Time or Secondary

- Minimum 24 month total history (multiple employers)
- Minimum of most recent paystub with year-to-date information representing a minimum of 30 days AND
- Either: (a) Last 2 years W-2s; or (b) Last 2 years signed federal tax returns or IRS-issued tax transcripts
- Calculation:
  - Develop a 2 year average of the income.

3.5.1.17 Public Assistance (Including Housing Choice Voucher – Section 8)

- Letters or exhibits from paying agency stating amount, frequency, and duration of benefit payments (can be expected to continue for a minimum three years) AND
- Document a 2 year history of income from public assistance (not required for Section 8)
- Calculation:
  - Use current amount as income (not as a deduction to the mortgage payment)

3.5.1.18 Rental

Rental Property Other Than Subject Property

- If the borrower has a history of renting the property extending back into the last tax filing year:
  - Copy of most recent year of signed federal personal tax return with Schedule E including the rental property
  - Calculation: Utilize pre-income tax cash flow
- If the borrower does not have a history of renting the property, or the borrower's history does not extend back into the last tax filing year:
  - Obtain rent from lease agreement or
  - If there is no lease agreement, rental income cannot be counted unless an appraisal of the rental property is obtained with a market rent analysis from the appraiser
  - Calculation: Estimate cash flow using 75% of gross rent less PITI and HOA dues
    - » If resulting income is positive, add to income.
    - » If result is loss, add to debt payments.

Subject Property is Rental Property

- For purchase and refinance transactions on 2-4 unit primary residences or 1-unit investment properties, rental income from the subject property cannot be used to qualify if the borrower does not own a primary residence and does not have a current housing expense.
- If the borrower has a history of renting the property extending back into the last tax filing year (refinance transaction):
  - Copy of most recent year of signed federal personal tax return with Schedule E including the rental property

    - Calculation: Utilize pre-income tax cash flow
- If the borrower does not have a history of renting the property (purchase transaction), or the borrower's history does not extend back into the last tax filing year:
    - Obtain appraisal including market rent analysis and
    - Obtain subject property lease agreement
        - Copy of lease not required for purchase loan
        - Copy of lease required for prior purchase unless the owner can document that the property was not leased during a period of renovation or improvement
    - Calculation: Estimate cash flow using 75% of gross rent less PITI and HOA dues. When both the appraisal market rent analysis and the lease are required or present, the lower of the two must be used in the above calculation.
        - If resulting income is positive, add to income.
        - If result is loss, add to debt payments.

3.5.1.19 Retirement Assets & Other Assets Used as Qualifying Income

The following types of assets may be used as qualifying income for 1-unit Primary Residence or Second Home:

- An IRS-recognized retirement account (e.g., 401(k), IRA, Keogh, etc.)
- A depository account and securities account

The following is also required when using an eligible asset account as qualifying income:

- For a retirement account, copies of most recent monthly, quarterly or annual account statement
- For a depository or securities account, copies of most recent two-months' statements or most recent quarterly or annual account statement
- The asset account may not be used as any other source of qualifying income (e.g., interest or dividend income, capital gains income, etc.)
- Sufficient account balance remains after loan closing to sustain a 3-year continuance of income distribution
- Documentation evidencing source of funds for deposits or cumulative deposits exceeding 10% of the borrower's total verified assets if such deposits are not related to normal transaction activity (e.g., payroll deposits, rental income deposits, social security deposits, etc.)
- Documentation evidencing the borrower has unrestricted access without penalty to the funds (e.g., typically a 10% penalty is applied for early distribution of 401(k), IRA or Keogh accounts before the age of 59½ and documentation must evidence the borrower will not experience any penalty upon withdrawal of the funds)
- Calculation:
    - To calculate the adjusted balance of the eligible account(s): From the account balance remaining after loan closing subtract gift funds, borrowed funds, assets pledged as loan collateral, or encumbered assets;
    - Monthly income equals adjusted balance divided by 240 months (regardless of loan term)

3.5.1.20 Retirement, Government Annuity and Pension

- Copies of retirement award letters or current statements OR
- Tax returns/transcripts showing retirement income OR
- 1099 forms OR
- Copies of borrower's 2 most recent bank statements showing deposits
- Calculation: Use the current amount

3.5.1.21 Reverse Mortgage Income

Reverse Mortgage Income is an Ineligible Source of Income.

3.5.1.22 Royalty Payments

- Minimum 24 month history required
- Last 2 years signed federal tax returns including Schedule E or IRS-issued tax transcripts
- Document that payments will continue for a minimum of 3 years at levels equal to the calculated 2-year average
  - Calculation: Use current amount
- If documentation showing continuing payments as described above cannot be obtained:
  - Calculation: Use 70% of the current 2-year average amount; or Utilize a 4-year average amount based on a documented 4-year history

3.5.1.23 Salaried/Hourly

- Minimum of most recent paystub with year-to-date information representing a minimum of 30 days
- Last 2 years W-2s or IRS-issued tax transcripts
- Applicant must be currently employed at the employer listed on the paystub.
- Note: A written VOE may be substituted for the above. For loan amounts >$1,000,000 originated to National MI's Jumbo program described in Section 3.13.2, when income is verified by a VOE, documentation must include at least one paystub supporting the income.
- Refer to Section 3.5.1.8 for new employment offers and compensation increases
- Calculation:
  - Use the base salary (semi-monthly, bi-weekly, or hourly rate as supported by YTD) from current paystub. Examples:
    - » Semi-monthly: Semi-monthly amount multiplied by 2 equals monthly income
    - » Bi-weekly: Bi-weekly amount multiplied by 26 divided by 12 equals monthly income
    - » Teacher paid for 9 months: Monthly amount multiplied by 9 months divided by 12 months equals monthly qualifying income

3.5.1.24 Seasonal

- Minimum 24 month total history (multiple employers)

- Documentation from employers is required that:
  - Describes the nature of the seasonal employment work and
  - States that there is a reasonable chance of re-employment
- Minimum of most recent paystub with year-to-date information representing a minimum of 30 days AND
- Either: (a) Last 2 years W-2s; or (b) Last 2 years signed federal tax returns or IRS-issued tax transcripts
- Calculation:
  - Develop a 2 year average of the income
  - Also refer to unemployment benefits detailed in Section 3.5.1.31

3.5.1.25 Secondary Employment (Second Job)

Refer to Part-Time or Secondary income in Section 3.5.1.16

3.5.1.26 Self-Employment

Qualifying Income – General Requirements

Self-employment income that reasonably can be expected to be distributed to the borrower (or is in possession of the borrower, e.g., Schedule C income) and can reasonably be expected to continue for at least the next three years may be included in qualifying income. A reasonable expectation requires a documented history of receipt (typically 2 years) and an analysis assessing the stability of business income and the ability of the business to continue to generate income consistent with the distributions used for qualifying purposes. The documentation and level of analysis required to determine the amount of income that can be relied upon varies according to the income type and materiality, the applicant's ownership interest in the income source, and other factors described in this section. The requirements described for self-employment income within the TrueGuide® and the applicable GSEs requirements must be satisfied.

Documentation of Income History

- Copy of last 2 years signed federal tax returns or IRS-issued tax transcripts (see also "Definition of 'Last Year'" (i.e., Most Recent Year) in Section 3.5.1.1) including:
  (a) All schedules including K-1's (if applicable); and
  (b) Last 2 years Business tax returns (if applicable)
- Notes:
  - Unless there is something to the contrary in the documentation, borrowers are presumed to have ongoing access to business income and need not provide partnership agreements or corporate resolutions to evidence ongoing access.
  - Complete and legible IRS-issued tax transcripts may be used in lieu of personal and/or business tax returns

In the following circumstances, lesser documentation may be accepted (unless otherwise indicated in the applicable product eligibility matrix - See Section 3.13)

- Business returns may be waived if two years of personal returns are provided and applicable (if any) GSE requirements permitting waiver are satisfied
- Only one year of personal and business returns may be provided if consistent with the GSE AUS approval and provided that applicable (if any) GSE

requirements permitting waiver are satisfied

- If the borrower previously worked in a similar occupation (same products/services and/or similar responsibilities) as supported by the most recent tax returns showing income from a similar occupation in an amount at the same or greater level than used in qualifying; then a 12-24 month history may be considered in lieu of a 2 year history
- If the qualifying borrower's income excludes self-employment income entirely, and there is a co-borrower that is self-employed that will not be used for qualifying, then National MI does not require that the co-borrower's self-employment income be documented or analyzed. Note that the GSEs may require a minimum level of documentation and if there is a meaningful loss, additional documentation and an analysis of personal and business tax returns.

Less Than 25% Ownership – Schedule K-1 Income

The general requirements described above apply even though this income is not considered self-employment (because of the borrowers' lower ownership interest). If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income consistent with the qualifying K-1 business income, then no further documentation or analysis of business income is required. If the Schedule K-1 does not reflect the above, then the business must be analyzed to confirm sufficient liquidity to support ongoing withdrawals of income consistent with the amount used for qualifying.

Greater Than 25% Ownership – Schedule K-1 Income

Any individual who has a 25% or greater ownership interest in a business is considered to be self-employed.

A written analysis of the borrower's personal federal tax returns must be completed to determine stable and continuing qualifying self-employment income. However, if the borrower is qualified using only income that is not derived from self-employment and the self-employment is secondary and a separate source of income, then in this case a written analysis of self-employment income is not required.

A written analysis of the borrower's business income is also required if self-employment income is used for qualifying purposes. The analysis should confirm that the business has sufficient liquidity to support ongoing withdrawals of income consistent with the amount used for qualifying. A 2 year average income should be calculated. Trends should be evaluated and considered in accordance with the Income Stability requirements in Section 3.5.1.1.

If assets from the business rather than personal assets are being used for the down payment, closing costs or reserves, then a cash flow analysis must be completed to assess the impact and confirm it will not affect the ability of the business to earn income consistent with the borrower's qualifying income.

Calculation of Qualifying Income

- Develop a 2 year average of the income.
- Refer to Fannie Mae or Freddie Mac requirements for details on underwriting self-employed borrowers.

3.5.1.27 Social Security

- Copy of the award letter OR
- Social Security Benefit Statement OR
- Copy of the most recent check or bank statement reflecting receipt OR
- Last year's signed federal tax return or IRS-issued tax transcript showing amount of Social Security received for the year

Calculation: Use current amount from documentation. Refer to Section 3.5.1.1 for guidelines regarding gross up of non-taxable income.

3.5.1.28 Temporary Leave

Temporary leaves include maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the employer

- A borrower on temporary leave is considered employed
- In order for income to be counted, the borrower must provide:
  - Written confirmation of his or her intent to return to work on a specific date and
  - Confirmation of the agreed upon date of return evidenced by written documentation from the employer or employer designee (if a third party manages leave for the employer).
- When the borrower documents return to work will occur on or before the first mortgage payment due date, documented pre-leave income should be used or the borrower's verified post leave income if different.
- If the borrower will not return to work by the first payment due date, the lesser of the following must be used:
  - Documented pre-leave income or the borrower's verified post leave income if different; or
  - Documented temporary leave income. If needed to qualify, an additional amount may be added to temporary leave income for qualifying purposes – the addition is from verified liquid assets available to pay short-term living expenses. The additional amount is calculated by dividing the borrower's verified liquid assets (minus any funds needed to close and required reserves) by the number of months the liquid assets will be used to supplement income.
    - » The number of months should be the sum of the months beginning with the month in which the first payment is due and ending with the month which the borrower returns to work. For example, if the first payment will be due January 1st, and the borrower will return to work on April 15, the number of months is 4 in the above calculation.
    - » Liquid assets include cash and other assets that are easily converted to cash by the borrowers. They include:
      - Checking or savings accounts
      - Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds and trust accounts (excluding those in retirement/tax deferred accounts)
      - If tax deferred retirement/IRA/401k/etc. funds will be used, the

amount utilized in the calculation should be net of estimated income taxes (based on the borrower's income level) and estimated penalties for early withdrawal (if applicable). Note: If a loan secured by these assets is obtained to generate liquid assets, the corresponding payment must be included in the qualifying ratios.
   - Cash value of fully vested life insurance
- Calculation: Use regular employment income or temporary income as described above

3.5.1.29 Tips

- Minimum of most recent paystub with year-to-date information representing a minimum of 30 days AND
- 2 years W-2s or IRS-issued tax transcripts
- Note: A written VOE may be substituted for the above
- Calculation:
   - Use a 2 year average

3.5.1.30 Trust

- Trust Agreement containing the amount of disbursement, frequency and duration of payments. Verify that the trust income will continue for at least 3 years from the date of the application AND
- Last 2 years signed federal tax returns or IRS-issued tax transcripts if the above does not establish prior amounts
- Calculation:
   - Use current amount listed in trust agreement or a 2 year average if not specified

3.5.1.31 Unemployment Benefits

Unemployment benefits such as those received by seasonal workers may be considered stable income if properly documented as received for the last 2 years and likely to continue.

- Last 2 years signed federal tax returns or IRS-issued tax transcripts
- Calculation:
   - Develop a 2 year average of the unemployment benefit from the tax returns/transcripts

3.5.1.32 VA Benefits

- A copy of the award letter or documentation of receipt of benefits
- Documentation must evidence the income is expected to continue for a minimum of 3 years
- Calculation:
   - Use current amount

3.5.1.33 Mortgage Credit Certificate (MCC)

- A copy of the MCC award (purchase) or written confirmation (reissue certificate) from the MCC provider evidencing that the MCC will remain in place (refinance)
- Calculation:
  - Add the maximum MCC benefit (loan amount times note rate divided by 12) to the qualifying income (not a deduction to the mortgage payment)

3.5.1.34 Ineligible Sources of Income

- **Income types described above that cannot be documented** in accordance with National MI's requirements
- **Accessory Unit Income** (A single family or two-unit property with an accessory unit is an eligible property type if it meets the requirements in Section 3.6.1.9, but the income from the rental of the accessory unit is ineligible (cannot be counted))
- **Boarder income** (typically income from renting a bedroom in a single family residence; or rental income from the borrower's non-borrowing spouse (including domestic partner or future spouse that does not sign the mortgage Note))
- **Expense account payments** (reimbursement of out-of-pocket work related expenses is not income)
- **Future income** not yet being received and documented unless it satisfies the requirements in Section 3.5.1.8
- **Mortgage Differential Payments** (employer subsidy related to the difference between the employee's present and proposed mortgage payment)
- **Retained earnings** (when a self-employed borrower receives income paid out of retained earnings that is substantially in excess of the earning capability of the business (from prior years) rather than the business' current period income, this is not sustainable indefinitely and cannot be expected to continue for 3 or more years)
- **Reverse Mortgage income**
- **Second Home rental income**
- **Trailing Co-borrower** (in a relocation scenario, income earned from a non-relocated co-borrower (following or "trailing" the borrower who has the new job related to the relocation) that is still working in the prior location in a job that will be abandoned (income cannot be expected to continue for 3 or more years))
- **Unreported income** documented by bank statements or other alternative documentation
- **Unverifiable sources** (when documentation is required and cannot be provided)
- **VA educational benefits** (not income but reimbursement for expenses)

3.5.1.35 Unreimbursed Business Expenses

This section has been retired due to the changes in tax laws.

3.5.1.36 Other Eligible Income

- **Marijuana - cultivation, distribution and sale**: This activity is not permitted according to federal law but may be permitted in some states. The conflicting legal status raises questions about continuity. Only in states where the activity is legal, salary and hourly income (and related bonus, commission and overtime income) earned by borrowers employed in this industry is eligible. Bonus and commission income are eligible only if there is a 1-year history in the marijuana industry and a total history of 2 or more consecutive years including prior employment. Self-employment income is not eligible. Refer to Sections 3.5.1.23 (Salaried/Hourly), 3.5.1.4 (Bonus or Overtime) and 3.5.1.6 (Commission) for documentation and calculation requirements.

- **Restricted Stock (RS) and Restricted Stock Units (RSU):** Income from these sources is eligible provided all the following are met:
  - Any stock used to qualify must be fully vested and the current employer has distributed the stock to the borrower without any restrictions

    Note: Any stock with limitations on its accessibility is not an eligible source to qualify the borrower.
  - Must evidence income will continue for at least 3 years from the date of the application
  - Performance-based RS or RSUs: Borrower must have received such income for the most recent two consecutive years
  - Time-based RS or RSUs: Borrower must have received such income for the most recent one year
  - Required documentation:
    - » Two years W-2s or IRS-issued tax transcripts
    - » Most recent year-to-date paystub representing a minimum of 30 days from the current employer evidencing receipt of RS or RSU
    - » Evidence of receipt of previous year(s) payout(s) of RS or RSU with brokerage or bank statement showing transfer of shares or funds, payout(s), number of vested shares or cash equivalent distributed to the borrower
    - » Evidence the stock is publicly traded
    - » Copy of the RS or RSU agreement(s) or offer letter
    - » Most recent vesting schedule(s) detailing past and future vesting
  - Calculation:
    - » Performance-based distributed as shares: Multiply the 52-week average stock price by the total number of vested shares distributed (pre-tax) to the borrower in the most recent two-years, then divide by 24
    - » Performance-based distributed as cash: Use the total dollar amount from the cash equivalent of vested shares distributed (pre-tax) to the borrower in the most recent two years, then divide by 24
    - » Time-based distributed as shares: Multiply the 52-week average stock price by the total number of vested shares distributed (pre-tax) to the borrower in the most recent one-year, then divide by 12; and
    - » Time-based distributed as cash: Use the total dollar amount from the cash equivalent of vested shares distributed (pre-tax) to the borrower in the most recent one year, then divide by 12

3.5.2 Verbal Verification of Employment

Employment must be verbally verified within:

- 10 days prior to the note date (or the date a construction-to-permanent loan is converted to permanent financing) for employment income (including military personnel); and
- 120 days prior to the note date (or the date a construction-to-permanent loan is converted to permanent financing) for self-employment income

The phone number used to verify employment income should be obtained independently and the conversation should be documented (including source of number, date of verification, name/title of person confirming employment, and name/title of person completing verification). A third party vendor such as the Work Number is an acceptable source of verification.

A written verification may be substituted for the verbal one if the employer does not complete verifications by phone and the same information is captured. For military personnel, verification through the Defense Manpower Data Center or Leave and Earnings Statement dated no more than 120 days prior to the note date may be substituted.

The existence of businesses that are the source of self-employment income must be verified via a phone listing (telephone book, directory assistance or internet) or third party (licensing bureau, regulatory agency, CPA, etc.). The source of the information and name/title of person completing the verification should be documented in the file.

3.5.3 Asset Documentation and Calculations

Funds required to close the loan (down payment, closing costs, pre-paids, reserves and for paying off or paying down debts to qualify (per Section 3.5.5.1) must meet National MI's requirements.

When the applicable product eligibility matrix requires funds sufficient to meet National MI's minimum borrower contribution requirements, then such funds must be from the occupant borrower's own funds (per Section 3.5.3.1). The remaining funds may come from additional eligible sources (per Section 3.5.3.2). Certain assets may not be considered (are ineligible) for purposes of mortgage insurance underwriting and approval (per Section 3.5.3.3).

3.5.3.1 Source of Minimum Borrower Contributions (Occupant Borrower's Own Funds)

Minimum required borrower contributions are documented on the applicable product eligibility matrix. Unless otherwise indicated (below), eligible funds must be under the ownership and control of the borrower for a minimum of 90 days prior to the loan application. Large deposits or cumulative large deposits (exceeding 50% of monthly income) identified on an asset statement must be investigated if they are not related to normal transaction activity (payroll deposits, rental income deposits, social security deposits, etc.). The source of these deposits must be documented. Large deposits from sources that do not meet the requirements for the minimum borrower contribution cannot be used to meet the requirement. For purchase transactions using the VOD form, when the Current Balance exceeds the Average Balance by more than 50% of the monthly income, then additional source of funds documentation is required.

The following are acceptable sources of the occupant borrower's own funds:

- **Bridge loans** provided: (a) the bridge loan is not cross-collateralized against the subject property; and (b) borrower qualifies including mortgage payments on the departure residence (PITIA and bridge loan payments), except as allowed in Section 3.3.4 Pending Sale of Departure Residence and Section 3.5.5.2 Qualifying Payment Amounts

- **Business assets** provided the borrower owns a majority of the business and removal of the assets will not impair the ability of the business to continue operating. Asset balances must be verified by depository or other asset statements (as described below). Business viability must be evaluated using last 2 years business tax returns and balance sheets.
- **Depository balances** (checking, savings, CDs, etc.) verified via a VOD (with 2 month history) or 2 months bank statements. For loan amounts >$1,000,000 originated to National MI's Jumbo program described in Section 3.13.2, when balances are verified by a VOD, documentation must include at least one statement for the account.
  - If the lender is also the depository for a borrower's account, the lender may verify funds using a printout or other asset account statement produced directly from the lender's system that contains: Identity of financial institution, account owner(s), account number (min. last 4 digits), all transactions, show the period covered, ending balance, and any outstanding loans.
  - In addition, a transaction history that is computer-generated and downloaded by the borrower from the internet or by a financial institution representative from the institution's system is acceptable. The transaction history must identify the information required above for asset account statements.
- **Earnest Money Deposit** – the source need not be verified if sufficient borrower contributions and funds to close are verified separately.
- **Gift of funds, gift of equity or grant funds** (as described in Section 3.5.3.2) are considered eligible sources to meet the minimum borrower contribution (or occupant borrower's own funds) requirements and all of the following apply:
  - Such funds do not need to be under the ownership and control of the borrower for a minimum of 90 days prior to the loan application;
  - Loan amount must be within the GSE conforming or GSE high balance/super conforming loan limits;
  - 1-unit primary residence;
  - No secondary financing; and
  - Either: (i) a minimum 3% must be verified in the occupant borrower's asset accounts; or (ii) the occupant borrower has a minimum 720 FICO score.
- **Individual Development Account**: Some nonprofit agencies will match the funds a borrower regularly deposits into a savings account that has been designated as an account that is used solely for the accumulation of funds to purchase a home. Such accounts are referred to as individual development accounts, or IDAs. Sometimes the nonprofit agencies require the borrower to repay the funds, and sometimes they do not. Sometimes, when repayment is required, a lien is filed, and the obligation therefore becomes a junior lien.

  Funds that the borrower deposited into an IDA may be used to meet the borrower's minimum contribution provided all of the following requirements are met:

    - A statement segregating borrower contributions and matching funds (with vesting) is obtained. If the borrower contributions cannot be segregated, the funds cannot be used to meet minimum borrower contribution requirements
    - Documentation is obtained to determine whether or not repayment of matching funds is required, and if required, whether or not a lien will be recorded

  When the borrower must repay matching funds, the following additional requirements apply:
    - The payment must be included in the debt-to-income ratio calculation
    - No lien will be filed on the property related to the IDA. The loan is not eligible for insurance if a lien will be filed.
- **Investment balances** (stocks, bonds, mutual funds, savings bonds, etc.) verified via a VOD (with 2 month history) or statements covering a minimum of 2 months.
- **Lot value** verified via an appraised value to determine contribution (refer to Section 3.4.5 for requirements related to lot value for purposes of Construction to Permanent LTV calculation).
- **Proceeds from the sale of assets other than real estate owned,** provided: (i) the transaction is verified by a bill of sale, documentation of receipt of funds, and evidence that the sales price was at market value when the proceeds from the sale exceed 50% of the qualifying income; and (ii) the purchaser of the asset must not be an interested party to the subject property real estate transaction.
- **Proceeds from the sale of real estate owned** (verified via Loan Closing Document)
- **Rent** exceeding fair market rent accumulated under a documented Rent (or Lease) with Option to Purchase agreement and included in the purchase contract as down payment
- **Tax (Income) refunds** (either federal or state) evidenced by copy of return showing refund amount, copy of check and proof of increase in deposit balances
- **Trust funds** verified by documentation from the trustee

3.5.3.2 Additional Eligible Assets

In addition to the approved sources described in the preceding section, the following are also acceptable sources of funds once the minimum borrower contribution requirement has been met:

- **Employer Assistance** may be utilized if all of the following requirements are met:
    - Utilized on a primary residence
    - Made pursuant to an established company program
    - Borrower eligibility is documented
    - Repayment terms, if any, are evaluated and factored into the credit decision
    - Employer may not be an interested party to the transaction
    - May not be used to satisfy minimum borrower contribution requirements
- **Gifts of Equity** in the subject property provided the property seller is related to the borrower by blood, marriage, adoption or legal guardianship
- **Gifts of Funds** evidenced by:
    - A signed gift letter from a donor who is either related to the borrower by blood, marriage, adoption or legal guardianship; or can document an established

relationship with the borrower (domestic partner or future spouse); or
  - A borrower signed letter of explanation along with either a copy of the wedding invitation or marriage license to support receipt of wedding gift funds; and such funds are verified as being on deposit within 90-days of the wedding or marriage license date.
- **Grant Funds** permitted for primary residences only evidenced by documentation from a donor that is a public or non-profit organization, church, governmental agency (federal, state or local), or a federally recognized Native American tribe and their sovereign instrumentalities. In the event the grant results in a recorded lien on the subject property, LTV requirements must be met including the lien related to the grant. Repayment of the grant may not be required except upon sale or refinance of the property.
- **Individual Development Account** (IDA) funds contributed by the borrower, vested matching funds, or vested funds where the distinction between the two is not known, provided the other IDA requirements described in the preceding Section 3.5.3.1 are met.
- **Interested Party Contributions** provided they are within the maximums permitted in Section 3.5.3.4
- **Lender Incentive(s)** via cash or cash-like incentives (e.g., a gift card, etc.) that does not have to be included in the mortgage proceeds calculation or reflected on the loan closing disclosure and is not considered to be an Interested Party Contribution (as described in Section 3.5.3.4), provided the following requirements are met:
  - Maximum $500 lender incentive
  - No repayment is required
  - The amount of the lender incentive is documented in the file
- **Pooled or Community Savings Accounts** cannot be considered the borrower's own funds and used to satisfy borrower contribution amounts. However, they are an approved additional eligible asset provided the funds are deposited and verified in a financial institution prior to closing and the following requirements are met:
  - The borrower' participation must be verified from the party managing the pool
  - Documentation must be obtained evidencing both the borrower's history of contributions and obligation to make continued contributions
  - If the borrower is obligated to make future contributions, then the debt must be included when calculating the debt-to-income ratio
  - Repayment of the pooled amount may not be required and a lien related to the pooled amount is not permitted
- **Sweat Equity** is permitted only if the specific lending program is managed by a strong, experienced nonprofit organization with a minimum 5% down and a minimum 3% from the borrower's own funds (with 2% sweat equity).
- **Uniform Transfers to Minor Act (UTMA)** account funds cannot be considered the borrower's own funds and used to satisfy borrower contribution amounts. However, they are an approved additional eligible asset provided the following requirements are met:
  - Borrower is the beneficiary (minor who has reached adulthood) and has

unrestricted access to the funds
- UTMA account balances are not eligible assets for the parents or grandparents that established the account
- Account balance is verified via VOD (with 2 month history), 2 months account statements or a quarterly statement
- 70% of the account balance may be used as eligible funds for the transaction (and the remaining 30% of the funds set aside for taxes)

3.5.3.3 Ineligible Assets

The following are ineligible assets (sources of funds) for purposes of MI approval:

- Advances against future earnings
- Cash on Hand (except Cash on Hand is eligible for an Affordable Lending mortgage per applicable GSE and/or HFA requirements, provided the loan meets the requirements of Section 3.4.7)
- Gifts requiring repayment
- Loans against assets or unsecured loans where proceeds do not meet 90 days seasoning requirement
- Pledged assets in lieu of down payment (an asset transferred to the lender for the purpose of securing debt and retained by the lender until payoff)
- Secondary Financing
- Property seller funds dispersed indirectly via third parties in a way intended to circumvent requirements related to assets, interested party contributions, etc.
- Sweat Equity that does not meet the requirements of Section 3.5.3.2 (above)
- Equity in a borrower's primary residence drawn down through a Reverse Mortgage

3.5.3.4 Interested Party Contributions and Abatements

Interested parties are parties involved in the transaction such as the builder, seller, realtor, etc. Contributions from these parties are limited so they do not inflate the property value. Interested party contributions must meet the following requirements:

- May be used to fund normal and customary closing costs, the MI premium and prepaids; but cannot be utilized to cover the down payment.
- Primary Residence limited to 3% for LTVs above 90% and 6% for LTVs <= 90% (if a junior lien is present, utilize CLTV rather than LTV when establishing the limit)
- Second Homes limited to 6%
- Investment Property limited to 2%
- Must be identified in the sales contract and evaluated by the appraiser in the appraisal report to determine the impact, if any, on value. Unplanned buydowns arising just before closing and paid by the seller/builder to allow the borrower to maintain an interest rate after rates rise are considered contributions.
- Amounts in excess of the limit must be deducted dollar-for-dollar from the sales price for purposes of calculating the LTV to determine eligibility
- Non-monetary sales incentives must be deducted dollar-for-dollar from the sales price for purposes of calculating the LTV to determine eligibility
- Lender funded transaction costs are not considered contributions unless the

lender is affiliated with an interested party

Abatements

A payment abatement consists of funds provided by an interested party to pay or reimburse all or a portion of the borrower's monthly PITIA payments. Loans with payment abatements are ineligible for insurance unless the abatement is solely for the payment of no more than 12 months of HOA fees and such funds are included in the interested party contribution limits noted above.

3.5.3.5 Reserve Requirements

The minimum reserve requirements are specified in the applicable product eligibility matrix. Amounts to cover principal, interest, property taxes, insurance (flood and hazard) and homeowner's association dues should be included in the calculation. Additional reserves are required as follows:

- Conversions: If a purchase loan is being insured, and the borrower is changing the occupancy of their departure residence (e.g., current primary residence will become a rental), refer to Section 3.3.3, Occupancy Conversions, for additional reserve requirements
- Pending Sale: If the borrower's departure residence is pending sale, refer to Section 3.3.4, Pending Sale of Departure Residence, for additional reserve requirements
- For Sale: If the borrower's departure residence is For Sale but not yet pending sale, refer to Section 3.3.4 for additional reserve requirements
- Employment Offers and Compensation Increases: During the pre-job/pre-increase period, refer to Section 3.5.1.8 for additional reserve requirements.

3.5.4 Credit Reports and Scores

3.5.4.1 Traditional Credit Requirements

A credit report is required for every borrower based on data provided by the national credit repositories. Reported information cannot be changed but duplicate information may be deleted. Credit information must be developed by combining data from at least two of the national repositories (Experian, Equifax and TransUnion) as follows:

- A two or three-repository merged in-file credit report
- A Residential Mortgage Credit Report (RMCR)

Each eligible borrower must have:

- A minimum of 3 (open or closed) trade lines (excluding authorized user (except as noted Section 3.5.5.2), charge-off, collections, judgment, repossession, foreclosure, bankruptcy, credit counseling trades and trade lines for which a payment has never been made (i.e., deferred student loan)) reporting for a minimum of 12 months each
- Two FICO scores
- If the borrower has a previous foreclosure, deed-in-lieu, short-sale, charge-off of mortgage, restructured mortgage, property tax forfeiture or bankruptcy, the following additional requirements apply:

  - The following waiting periods apply:
    - » Previous foreclosure (or foreclosure included in bankruptcy): Must be a minimum of 7 years since completion date
    - » Previous deed-in-lieu, short-sale, charge-off of mortgage, restructured mortgage or property tax forfeiture: Must be a minimum of 4 years since completion date
    - » Previous bankruptcy: Must be a minimum of 4 years since discharge
    - » Previous multiple bankruptcies: Must be a minimum of 5 years since discharge of the most recent bankruptcy filing

    Note: Timeshare accounts should be treated as installment debts (and not as a mortgage debt) regardless of how it is reported on the credit report. The waiting periods noted above do not apply to timeshare accounts.
  - Must have re-established credit after discharge (similar to above 3 trade lines rule except 24 months and no delinquencies are required)
- If the borrower had previous credit counseling, credit must be re-established following completion (similar to above 3 trade lines rule except 24 months and no delinquencies are required)

3.5.4.2 Non-Traditional Credit

Borrowers must have an acceptable U.S. credit history meeting the Traditional Credit Requirements described above. Non-traditional credit, non-traditional credit reports, foreign credit reports, and borrowers without a credit history or credit score are not eligible.

3.5.4.3 Foreign Credit

Refer to Non-Traditional Credit requirements above.

3.5.4.4 Representative FICO Score for Underwriting

Each borrower's individual representative FICO score is determined by taking the middle of three or lower of two FICO scores. The representative FICO for the loan that must be used for underwriting and pricing is the lowest of the representative FICO scores among the borrowers (aka middle/lower method).

Note: National MI does not consider an averaged credit score for underwriting eligibility or pricing purposes.

3.5.4.5 Minimum Representative FICO Score

The minimum representative FICO score is described on the applicable product matrix.

3.5.4.6 Payment of Derogatory Amounts

Judgments, tax liens (including real estate tax liens), collections, charge-offs, repossessions and garnishments must be paid in full at or before loan closing. Collection accounts with documented disputes are excluded.

3.5.4.7 Fraud Alert Messages on Credit Reports

The credit reporting agencies include messages on the credit report identifying potentially fraudulent activities involving social security numbers, telephone numbers, borrower address, etc. All such messages appearing on the credit report must be sufficiently investigated to conclusion to ensure that the information upon which the insurance is approved is correct.

3.5.5 Liabilities and Ratios

3.5.5.1 General Requirements

The income and debts of the applicants should be utilized to calculate qualifying ratios. Income should be documented and calculated as described in TrueGuide® Section 3.5.1. Liabilities should be determined in accordance with the credit report requirements described in TrueGuide® Section 3.5.4.

> Note: The monthly amount of the paid alimony and/or paid child support (with greater than 10 payments remaining) may not be deducted from the income when calculating the debt ratio.

All debts for which the borrowers are obligated should be included in the debt ratio calculations with the following exceptions:

- Installment payments (including child support and alimony) where it has been documented that 10 or fewer payments remain (but lease payments must be included regardless of the number of remaining payments)
- Court-Ordered Assignment of Debt: When the borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement), the debt should not be counted as a recurring debt obligation unless the primary obligor has a history of being delinquent in making payments on the debt. For purposes of this guideline, a history of being delinquent is defined as any one or more of the following: a) currently 30+ days past-due, or b) one or more 60+ days past-due or two or more 30+ days past-due in the last 12 months.
- Borrower has cosigned for a loan: When the borrower has an outstanding debt that was co-signed, the debt should not be counted as a recurring debt obligation if the borrower can document that the primary obligor has been making payments on the debt for at least 12 months and the primary obligor does not have a history of being delinquent as defined above.
- Debt payments made by the business may be excluded if it is documented that the business is paying the debt (for a minimum of the preceding 12 months) and the debt payment was included in the business cash flows upon which the self-employment income was calculated
- Debts that are paid off or installment debts that are paid down between the initial loan application date and the mortgage loan closing date, provided the file evidences sufficient and eligible source of funds (per Section 3.5.3) used to pay off or pay down the debts

A debt payment should be included for the following even if the borrower is not currently obligated to make payments at the time of loan closing:

- Student loans payments for loans with payment deferment. The payment amount must be determined in the manner described in Section 3.5.5.2 for student loans, except for borrowers meeting the Medical Professional Program described in Sections 3.4.8.1 and 3.13.4

- A future obligation to make reverse mortgage payments on a property being vacated and retained by the borrower

  Note: The reverse mortgage payment amount, number of remaining payments and any acceleration clause impact must be documented with a letter from the reverse mortgage servicer and the letter must acknowledge that the servicer is aware the borrower will no longer occupy the reverse mortgage property as their primary residence.
- Authorized user account payments as described in Section 3.5.5.2

3.5.5.2 Qualifying Payment Amounts

Unless otherwise required in this or other sections of the TrueGuide®, the following qualifying payments should be utilized unless the Underwriter has determined it is more appropriate to use a higher amount:

- **Installment Debts:** Current payment amount
- **Lease Payments:** Current lease payment amount must be included regardless of the number of remaining payments
- **Student Loans:** For each borrower separately, the monthly payment amount used for calculating the debt ratio must be determined in one or more of the following methods, as applicable:
  (a) Sum the outstanding balances from all student loans (regardless of their payment status) and apply one of the following to calculate a qualifying minimum payment:
    (1) 0.50% of the total combined balance; or
    (2) 10% of the individual borrower's qualifying income;
    or
  (b) Fully amortizing payments (determined at the individual loan level) and if the student loan information does not provide sufficient information to calculate a fully amortizing payment for a particular loan, then use 0.50% of the individual loan balance.
  - **Student Loan Debt Paid by Others**: Monthly payments for student loan debt(s) may be excluded when calculating the debt ratio if all of the following are met:
    » The monthly payment on the student loan debt is paid by:
      (a) **Someone other than the borrower ("Payer")**, provided the borrower provides evidence that the student loan debt payer has been making the student loan payments in a timely manner for the most recent 12-months (cancelled checks, etc.);
      or
      (b) **Employer**, provided:
        (i) Borrower provides evidence that their employer is making the student loan payments on their behalf per an employment contract or other written documentation indicating the amount and duration of the payments approved for the borrower; and

(ii) The documentation evidences the employer student loan debt payments will continue for a minimum of 3 years;

and

- » Student loan payments must be current and have never been 30 or more days delinquent; and
- » Student loan debt payer or employer may not be an interested party to the transaction; and
- » The monthly amount of the payer or employer paid student loan debt may not be included as qualifying income. Only the monthly amount of the student loan debt that is paid by the payer or employer may be deducted from the monthly debt when calculating the debt ratio. If the borrower's monthly student loan debt is higher than the monthly amount paid by the payer or employer, then the differential or the remaining balance must be included in the borrower's monthly debt when calculating the debt ratio.

  - **Medical Professional**: Refer to Sections 3.4.8.1 and 3.13.4 for borrowers meeting the Medical Professional Program.

- **Revolving Credit:** Amount listed on the credit report or 3% of the outstanding balance when the credit report does not include a payment amount.
- **Open 30-Day Charge Accounts:** For accounts that require the outstanding balance be paid-off every month, either: (i) the file must evidence the borrower has sufficient funds verified to pay-off the open 30-day charge account in addition to the funds required to close the loan; or (ii) the full amount of the outstanding balance of the open 30-day charge account must be included in borrower's monthly debt when calculating the debt ratio.
- **Authorized User Accounts** as follows:
  - If another borrower on the mortgage loan is the primary account holder, then the payment must be considered in qualifying;
  - If the primary account holder is the borrower's spouse and the spouse is not a borrower on the mortgage loan, then the payment must be considered in qualifying;
  - If the primary account holder is not the borrower's spouse:
    (a) The debt is not considered in qualifying the borrower if it is documented (cancelled checks, etc.) that the primary account holder has made all payments in a timely manner for the most recent 12 months; or
    (b) The debt must be considered in qualifying the borrower if the account is new with less than 3 months' payments or if the borrower has actually been making the payments in the most recent 12 months.
  - When an authorized user debt is considered in qualifying the borrower, Section 3.5.4.1 continues to apply and the borrower must have a minimum of 3 (open or closed) trade lines (excluding authorized user accounts) reporting for a minimum of 12 months each – refer to Section 3.5.4.1 for additional details.
- **New Mortgage Payment:**
  - ARMs with an initial fixed term <= 5 Years: Fully amortizing payment calculated

using: (a) the initial note rate plus 2%; or (b) the greater of the fully indexed rate or the initial note rate plus 2%; and including property taxes, insurance (hazard, flood and monthly mortgage insurance) and HOA dues
    - All Others: Fully amortizing payment calculated using the initial note rate; and including property taxes, insurance (hazard, flood and monthly mortgage insurance) and HOA dues
- **Buydowns:** Refer to TrueGuide® Section 3.1.6.
- **Conversion of Property to Rental or Second Home; or pending sale of current primary residence or second home:** Refer to TrueGuide® Section 3.3.3.
- **Bridge Loans:** Borrower must be qualified including mortgage payments on the departure residence (PITIA plus bridge loan payments), except as allowed in Section 3.3.4 Pending Sale of Departure Residence.
- **Alimony, Child Support and separate Maintenance:** If the borrower:
    - Discloses specific payments for alimony, child support or separate maintenance in the liabilities section of the application; or
    - Discloses in the declaration that "yes" they are obligated to make such payments; or
    - Submits tax returns deducting alimony payments; or
    - Has provided some documentation that should cause an underwriter to believe alimony, child support or maintenance obligations may be present,

  Then written documentation supporting the payment is required. Absent such disclosure (even if the borrower is separated with dependents or unmarried with dependents), then written documentation is not required. If the borrower declares the payment is voluntary or that no written agreement exists (perhaps no such agreement has yet been finalized), then no payment needs to be included.

3.5.5.3 Debt-To-Income (DTI) Ratios

Maximum DTI ratios are documented in the applicable product eligibility matrix. When determining the qualifying DTI, National MI's mortgage insurance premium must be included in the DTI for underwriting eligibility purposes; and the mortgage insurance premium may be excluded from the DTI for pricing purposes.

Refer to section 3.2.2 for additional requirements for non-occupant co-borrowers.

3.6 Underwriting the Property

3.6.1 Eligible Property Types

National MI will insure loans secured by the following eligible property types:

3.6.1.1 Single Family/PUD

Properties where ownership includes the lot under the dwelling fall into this category. The category includes detached, semi-detached and attached units.

3.6.1.2 Condominiums

Properties where ownership excludes the lot under the dwelling fall into this category. Condominiums must meet agency eligibility and project requirements.

Non-warrantable condominiums will be considered for insurance by National MI on a case-by-case basis when submitted via Non-Delegated Underwriting. At a minimum, the subject property appraisal and a completed HOA Questionnaire must be submitted to Non-Delegated Underwriting for review. Depending upon the non-warrantable issue, additional documentation may be required.

Detached site condominiums (similar to a regular condominium except the units are detached) are underwritten as detached single family properties. Also refer to Section 3.6.1.7 Factory-Built and Manufactured Housing, as applicable, and Section 3.6.1.5 Mixed Use for additional restrictions.

National MI reserves the right to limit new insurance to borrowers seeking to finance properties in condominium projects where National MI has a high existing concentration of insured loans.

Note: Kiddie condominiums are an ineligible property type; refer to Section 3.6.2 for additional details.

3.6.1.3 Co-ops

Co-op share loans finance the borrower's ownership interest in a co-op housing corporation and accompanying occupancy rights to a particular unit owned by the co-op. A co-op share loan is secured by a pledge of the borrower's co-op shares and an assignment of the borrower's rights under a proprietary lease or occupancy agreement with the co-op housing corporation.

Co-op properties must meet agency requirements.

3.6.1.4 Two-Four (2-4) Units

Two-four unit properties must meet agency requirements.

3.6.1.5 Mixed Use

Mixed use properties must meet the following requirements:

- One-Unit Primary residence only
- Borrower is also both the owner and operator of the business
- Business use is compatible with residential use
- The property must be primarily residential in nature and the market value of the property must be primarily a function of its residential characteristics (rather than business use or business-specific modifications)
- The mixed usage represents a legal, permissible use of the property under local zoning and the neighborhood must be primarily residential in nature
- Property is not a condominium
- Appraiser adequately describes the mixed-use characteristics of the subject property

3.6.1.6 Acreage

The property should not exceed 20 acres and the amount of acreage must be typical for the area and supported with comparables of similar lot size. Properties larger than 20 acres require National MI's Non-Delegated Underwriting full-file review. A maximum 50% land-to-value ratio is required for: (a) Properties larger than 20 acres;

or (b) Manufactured Homes on larger than 10 acres. Value cannot be given to agricultural usage (such as crops or a ranch) or commercial usage – must be residential in nature (and appraised as residential) and zoned as a residential property.

3.6.1.7 Factory-Built and Manufactured Housing

A manufactured home is any dwelling unit built on a permanent chassis and attached to a permanent foundation system (wheels and hitch removed). An eligible manufactured home must meet all of the following requirements:

- Limited to 1-unit detached Primary Residence or Second Home
- Classified and titled as real property including the land to which it is affixed
- Is not on leased land
- Is not on communal land (aka resident-owned community or ROC)
- Double-wide (single wide not permitted; and properties with an accessory unit that is a single-wide manufactured home are not permitted)
- Satisfies or exceeds all GSE eligibility requirements and satisfies National MI requirements including those described in the applicable Product Eligibility Matrix.

Other types of factory-built housing (modular, prefabricated, panelized or sectional) that are not built on a permanent chassis (and do not therefore meet the definition of Manufactured Housing) are eligible. Other factory-built housing must assume the characteristics of site-built housing, be legally classified and taxed as real property, and conform to applicable local building codes.

3.6.1.8 Zoning

The property must be a legally permissible use of the land and there may not be any governmental restrictions or regulations prohibiting reconstruction or maintenance of the property.

3.6.1.9 Accessory Unit

A single family or two-unit property with an accessory unit (unit over detached garage, basement unit, guest house, etc.) is eligible provided all of the following requirements are met:

- The property and improvements must be a legally permissible use of the land
- The legal description and property tax assessment must show the property as single family or two-unit (as applicable) without counting the accessory unit
- The accessory unit is not a single-wide manufactured home
- Income from the accessory unit, if any, cannot be considered when qualifying the borrower
- The appraisal report must demonstrate that the improvements are typical and marketable for the area through an analysis including at least one comparable sale with an accessory unit

3.6.1.10 Property Condition

General Requirements

The appraisal report must identify and describe physical deficiencies that could affect a property's safety, soundness, or structural integrity. If the appraiser has identified any of these deficiencies, the property must be appraised subject to completion of the specific repairs or alterations needed to remedy the deficiency. In these instances, the property condition and quality ratings must reflect the condition and quality of the property based on the hypothetical condition that the repairs or alterations have been completed.

If the appraiser is not qualified to evaluate the alterations or repairs needed, the appraisal must identify and describe the deficiencies and the property must be appraised subject to a satisfactory inspection by a qualified professional.

The appraisal may have to be revised based upon the results of the inspection. If so, the report must indicate the impact, if any, on the final opinion of value. The lender must review the revised appraisal report to ensure that no physical deficiencies or conditions that would affect the safety, soundness, or structural integrity of the property are indicated. A certification of completion is required to ensure the necessary alterations or repairs have been completed prior to closing.

And "as is" valuation is acceptable providing any existing conditions are minor and do not affect the safety, soundness, or structural integrity of the property; and the appraiser's value opinion reflects these conditions.

Natural Disasters

Natural disasters caused by floods, hurricanes, tornados, earthquakes, forest fires, or other catastrophes may impact property condition and value. If the disaster occurs prior to the appraisal, the impact, if any, of the disaster must be reflected in the value conclusion. When the disaster occurs following the appraisal but prior to loan closing and issuing of insurance, the lender must take prudent and reasonable actions to determine whether the condition of the property was affected by the disaster and those actions and conclusions must be documented in the file. Lenders must warrant that the insured property has no damage affecting safety, soundness, structural integrity or property value. If the property has damage affecting any of these things, the property must be repaired prior to the issuance of the mortgage insurance.

3.6.1.11 Postponed Improvements – Completion Escrows

This section of the guidelines applies only to properties with conditions that do not affect the safety, soundness or structural integrity of the property (also refer to Section 3.6.1.10, Property Condition, above).

Appraised Value "As Is"

When there are minor condition and deferred maintenance issues that do not affect safety, soundness, structural integrity or ability to obtain the occupancy permit; and the appraiser has completed the appraisal "as is"; repairs need not be made prior to closing. Lenders may escrow for these items at their discretion without limitation. Additionally, the condition issues should not have a significant impact on marketability as evidenced by the appraiser's comments and marketing time not in excess of 6 months.

Appraised Value "As Completed"

When there are no condition issues or minor condition and deferred maintenance issues that do not affect safety, soundness, structural integrity or ability to obtain the occupancy permit; and the appraiser has completed the appraisal "as completed"; the loan is eligible for insurance only when all of the following requirements are met:

- The appraiser provides a list of the items needing completion
- A disinterested but relevant party provides a cost estimate to complete the items listed by the appraiser (must be part of the sales contract if new construction) and a timeline to complete the items in no more than 180 days following closing
- The cost of completing the improvements does not exceed:
  - 15% of the "As Completed" value and the lender must establish a completion escrow account controlled by the lender in an amount no less than 100% of the estimated cost of improvements;
    OR
  - Lesser of $12,500 or 5% of the "As Completed" value if the incomplete items are due to weather related postponed improvements and the lender may choose whether or not to establish an escrow account for the incomplete items
    OR
  - 2% of the "As Completed" value and the lender may choose whether or not to establish an escrow account
- A certificate of completion is completed by the appraiser stating the improvements were completed in accordance with the requirements/conditions in the original appraisal report and is accompanied by photographs of completed improvements
- Title report is obtained showing no mechanics liens are present on the subject property

3.6.1.12 Properties Listed or Previously Listed For Sale

For refinance transactions, properties may not currently be listed For Sale and must have been taken off the market on or before the application date. For rate and term refinance transactions, if the subject property was listed For Sale within the 6 months prior to the application date, the documentation must include a signed statement from the borrowers indicating their intent to retain the property. For cash-out refinance transactions, the subject property may not have been listed For Sale in the last 6 months.

3.6.1.13 Resale Restrictions

Resale restrictions are a right in perpetuity or for a certain number of years that may limit the use or resale of the property. They can take many forms including a restriction, covenant or condition of a deed. These restrictions are binding on current and subsequent property owners and remain in effect until they are formally removed or terminated in accordance with their terms (e.g., foreclosure). Because they can impair the marketability of the insured property, they are not permitted except in the following circumstances:

- Affordability-Related:
  - The loan must be originated in accordance with a program managed by a GSE-eligible sponsor with procedures for screening and processing applicants. The applicants' qualifying income cannot exceed GSE limits for affordable programs. Only 1-unit primary residence purchase and rate/term refinance loans are eligible.

- LTV Calculation:
  - » If the affordability-related resale restrictions terminate automatically upon foreclosure (or expiration of any applicable redemption period), the appraisal should reflect the market value of the property without resale restrictions, and it is permissible to calculate LTV based on the appraised value without resale restrictions (typically higher than the sales price) as an alternative to the approach described in Section 3.7 (lesser of sales price or appraised value with restrictions in place).
  - » If the affordability-related resales restrictions survive foreclosure, the appraisal must reflect the impact the restrictions have on value and be supported by comparable sales with similar restrictions. The LTV should be calculated based on the lesser of the sales price or appraised value with restrictions in place.
- Age-Related
  - Restrictions that require one or more occupants are age 55 and over are acceptable. Restrictions with higher age requirements or those that require all occupants meet age requirements are not eligible. Only 1-unit purchase and rate/term refinance loans are eligible. The LTV should be calculated in the same fashion as described in the above affordability-related section (in most cases the age-related restrictions will survive foreclosure).

Except for GSE loan amount limits or as otherwise specified above, loans with resale restrictions must be eligible according to the requirements of Fannie Mae or Freddie Mac.

3.6.1.14 Seasonal Second Homes Not Suitable for Year-Round Occupancy

Second Homes that are not suitable for year-round occupancy (i.e., seasonal occupancy) are eligible for insurance provided the market value is supported with comparables that are also seasonally occupied.

3.6.2 Ineligible Property Types

- Apartment/hotel conversions that do not satisfy agency eligibility and project requirements
- Condotels
- Berm, dome, earth, log, straw bale, converted container and pre-fab metal-siding building kit homes
- Float Homes
- Houseboats
- Bardominiums or barndos (a single structure that includes both living quarters and a barn, horse stalls, farm animal stalls, RV stall, farming equipment stall or airplane hangar, etc.)
- Kiddie condominiums (condominium projects made up of student housing)
- Land (including improved or unimproved lots)
- Located outside of the 50 states and the District of Columbia
- Lot loans
- Manufactured Homes – Single Wide: Refer to "Factory-Built and Manufactured Housing" in TrueGuide® Section 3.6.1.7 for requirements for double wide manufactured homes.
- Mobile homes
- Properties with an accessory unit that is a single-wide manufactured home
- Properties not appraised as residential

- Properties not primarily residential in nature (farms, ranches, orchards, vineyards, etc.)
- Properties not suitable for year-round occupancy (unless permitted as described in Section 3.6.1.14 Seasonal Second Homes Not Suitable for Year-Round Occupancy)
- Property of a type that is potentially eligible but fails to meet the specific requirements above
- Properties operated as a hotel
- Properties with resale restrictions (unless permitted as described in Section 3.6.1.13 Resale Restrictions)
- Timeshares
- Unique properties where marketability in the local market cannot be established

3.6.3 Eligible Ownership Types

3.6.3.1 Fee Simple Estate

Absolute exclusive ownership in perpetuity with greatest rights of possession, use and disposition

3.6.3.2 Leasehold Estates

Properties located on leasehold land are eligible provided all of the following requirements are met:

- Agency requirements must be met
- There must be an established market for leaseholds in the area and the comparable properties in the appraisal must include at least three leasehold properties
- The leasehold term must exceed the term of the mortgage by at least 5 years
- Community Land Trusts (CLTs) satisfying the above criteria are eligible. CLTs are developed by nonprofit organizations or public entities to create and preserve long-term affordable housing. The CLT sells the home, retains ownership of the land, and provides an affordable below-market ground lease to the buyer. Provisions of the ground lease typically guarantee continued use of the property for low and moderate-income borrowers via restrictions affecting resale of the property improvements. Because the buyer is paying a subsidized price, the sales price is not an indicator of market value – therefore the LTV ratio must be determined by dividing the loan amount by the appraised value of the improvements and leasehold interest. The appraisal must be prepared in accordance with applicable GSE requirements.

3.6.4 Property Flips

Property Flips occur when a property is resold within 6 months (close of escrow to close of escrow) of purchase. The following are excluded from the definition of property flips:

- Property obtained by the seller via foreclosure or deed-in-lieu of foreclosure
- A property that was recently inherited or obtained via a divorce settlement
- Sale occurring in conjunction with a corporate sponsored employee relocation

Loans to purchase properties sold via simultaneous or double closings (purchased and flipped simultaneously or concurrently) are not eligible for insurance.

Transactions involving property flips are eligible for delegated underwriting. Required documentation includes an explanation and evidence of any improvements made to the property and the HUD-1 or Loan Closing Document from the original purchase.

3.6.5 Geographic and Market Considerations

National MI offers mortgage insurance in the 50 states and the District of Columbia. National MI does not offer MI in Guam, Puerto Rico or the U.S. Virgin Islands.

In order to protect National MI and its insured policy holders, mortgage insurance may not be offered in markets experiencing or likely to experience severe declines in economic conditions and/or property values. These restrictions, if any, are described on the applicable product eligibility matrix.

National MI periodically evaluates the health of national, regional and local real estate markets. National MI may designate certain markets as "restricted". This indicates the market carries elevated risk and more restrictive guidelines will apply. In addition, National MI may establish specific underwriting criteria for individual markets when necessary.

3.6.5.1 Restricted Markets

Restricted markets and the related guideline restrictions are described in the applicable product matrix.

3.6.5.2 Appraisal Indicates Declining Market

If the appraiser indicates that values are declining, even if the larger market itself is not identified by National MI as restricted, the maximum LTV is limited to 95%. In addition, the Underwriter should take special care in the review of the appraisal to ensure the value conclusion is appropriately supported.

3.6.6 Appraisal Types

National MI requires a traditional full appraisal with an interior inspection. Exterior only appraisals or evaluations, appraisal waivers, AVMs or BPOs are not permitted.

Appraisals should include all required photos, exhibits and addendums and be on one of the following acceptable forms:

- Uniform Residential Appraisal Report (Fannie Mae 1004 / Freddie Mac 70)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073 / Freddie Mac 465)
- Individual Cooperative Interest Appraisal Report (Fannie Mae 2090)
- Small Residential Income Property Appraisal Report (Fannie Mae 1025 / Freddie Mac 72)
- Appraisal Update or Completion Certificate (Fannie Mae 1004D / Freddie Mac 442)

The appraisal must be in compliance with:

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

Note: FHA appraisals are acceptable provided they are on the Fannie Mae/Freddie Mac acceptable forms noted above.

3.6.7 Appraisal Review

The underwriter must ensure that the appraised value is well supported and does not include material deficiencies affecting the value conclusion. The collateral assessment is especially important in soft markets and those experiencing price declines and/or volatility.

The appraised value should be consistent with the insurance application and incorporated into the LTV calculation as prescribed by policy. Unless otherwise described, National MI defers to GSE appraisal review requirements.

Appraisal Review with Fannie Mae Collateral Underwriter® (CU®)

If the CU® Score is <= 2.5 and the following documentation requirements and criteria are satisfied, National MI will deem the value conclusion to be considered approved/validated and no further assessment of the appraisal is required:

- Evidence of CU® Score <= 2.5 and loan is eligible for Fannie Mae Day 1 Certainty Appraisal Rep & Warrant relief as documented on the CU® Print Report or the UCDP Submission Summary Report (SSR) from CU®
- The appraisal qualifies for limited review according to CU® Day 1 Certainty Eligibility requirements for appraisals with CU® scores <=2.5
- Appraisal is present, complete, current, and consistent with the purchase contract and application. An inconsistency that arises solely due to a purchase contract amendment occurring after the effective date of the appraisal that does not affect the description of the property is acceptable (the appraiser need not be provided an amended contract and a revised appraisal is not required).
- Review of the appraisal narrative and photos do not reveal any influences on value that cannot be modeled and appropriately considered by CU®
- Condition rating of the property in its current condition is C4 or better (a property that is subject to work to bring it to C4 is not eligible)
- The appraiser's description of the subject property is not erroneous or misleading
- The subject property meets Fannie Mae eligibility requirements
- Renovation loans are not eligible
- The loan amount may not exceed the applicable FHFA maximum

3.7 Loan-to-Value (LTV) and Home Equity Combined Loan-to-Value (HCLTV)

When mortgage insurance is required, the lesser of the appraised value or sales price is used to calculate the LTV and CLTV ratios and determine the applicable National MI guidelines and pricing (unless otherwise specific in Section 3.6.1.13 Resale Restrictions. Maximum LTVs and CLTVs are described in the applicable product matrix. Note that individual states may require that lenders and/or mortgage insurers use different calculations to determine whether or not mortgage insurance is required or permitted. Refer to Section 3.12.7 for state eligibility restrictions related to LTV.

3.7.1 Financed Premiums and LTV

When premiums are financed, the base LTV is calculated excluding the amount of the financed premium and the gross LTV is calculated including the financed premium amount. The base LTV is used to determine the mortgage insurance premium amount. The loan amount including the financed MI amount and gross LTV must not exceed the maximum allowed per the applicable National MI Eligibility Matrix.

3.7.2 Home Equity Combined Loan-to-Value (HCLTV)

The HCLTV is calculated by adding the first lien amount to the combined total of the junior liens (adding the outstanding balance of loans, the remaining balance of lines in repayment without ability to make new draws, and the greater of the line amount or outstanding balance for lines of credit that are active where the borrower continues to have the ability to make new draws). When a junior lien is present, payment must be included when calculating the qualifying ratios and the HCLTV must not exceed program guidelines.

3.8 Loan Amount

The maximum loan amount is contained in the applicable product eligibility matrix.

3.9 Insurance Requirements

3.9.1 Flood Insurance

Flood insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

3.9.2 Hazard Insurance

Hazard insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

3.9.3 Title Insurance

Title insurance consistent with standard Fannie Mae/Freddie Mac requirements must be in place.

3.10 Legal and Regulatory Requirements

Loans must be originated in accordance with applicable federal, state and local laws and regulations.

3.11 Age of Documentation

For Construction to Permanent 12-month MI Commitments, please also refer to Section 3.4.5

3.11.1 Credit Bureau and FICO Score

Must be dated within 120 days of closing

3.11.2 Income and Asset Documentation

Must be dated within 120 days of closing

3.11.3 Verbal Verification of Employment

Refer to TrueGuide® Section 3.5.2 for the applicable requirements.

3.11.4 Appraisal

Eligible appraisals must be dated within 120 days of closing. Note: Refer to Section 3.4.5 for Construction to Permanent loan requirements.

If the appraisal is more than 120 days old (but less than 6 months old), an update to the existing appraisal is required. The update must meet the following requirements:

- Include an inspection of the exterior of the property; and
- Include a review of the current market data to determine whether or not the value of the property has declined since the original appraisal
- Determine if the subject property for a refinance transaction is listed For Sale or was listed following the date of the original appraisal
- Be completed by the original appraiser (or if a substitute appraiser is used the file must include an explanation as to why the original appraiser was not used and the substitute appraiser must review the original appraisal and confirm in writing that the original appraiser's value conclusion as of the date of the original appraisal was reasonable)
- If the update indicates that the value has not declined, the appraiser must provide the lender with a signed written document evidencing the appraiser's conclusion and

describing the scope of the appraiser's work evidencing the above requirements have been met

- If the update indicates that the property value has declined, then a new appraisal is required.

When the original appraisal becomes more than 6 months old, a new appraisal is required.

3.12 Additional Requirements

3.12.1 Origination Channel (Retail and Non-Retail)

A non-retail loan is a loan where the entity taking the application and processing the loan differs from the entity that closes, funds and insures the loan. A retail loan is a loan for which these functions are unified within the same entity.

Retail loans are eligible for insurance. Non-retail loans are not eligible for insurance with one exception: Loans sourced through the Wholesale channel (broker) are only eligible for insurance if the lender has been specifically approved for Wholesale following National MI's review of the lender's practices.

3.12.2 Fraud Tools

Tools are increasingly available from a multitude of vendors that can assist lenders to identify fraud and misrepresentation related to identity, occupancy, employment, income, assets, property, undisclosed debt and other risk issues. Tools that are developed "in house" by lenders may also be deployed in the origination process.

National MI does not currently require the use of such tools but does consider them a best practice and encourages lenders to incorporate them into their origination processes. How lenders make use of such tools is one factor in the approval process utilized by National MI to assess prospective lenders.

When fraud tools are incorporated into the lender's origination process, the lender must evaluate the results when making the credit decision. Any issues raised by the tools should be investigated to conclusion and the results should be documented in the file.

3.12.3 Changes to MI Commitments

When a loan with an approved MI Commitment is changed during the course of the origination process, the loan must be re-approved if the change impacts any aspect of the variables affecting eligibility and qualification.

Lenders may make some changes without obtaining a new approval including:

- Decreasing the loan amount (provided sufficient down payments and reserves have been previously verified to cover the associated increase in down payment, if any)
- Decreasing the interest rate
- Corrections to typographical errors to names or address
- Changes to the renewal premium option (amortizing or level)

3.12.4 Incomplete/Denied Applications and Borrower Communication

The Fair Credit Reporting Act (FCRA) requires that when an insurance application is denied on the basis of information provided by a consumer reporting agency, the applicant must be given notice identifying the consumer reporting agency and includes a statement of the applicant's rights under FCRA. If the lender has approved the request and National MI has denied it, the Statement of Denial will be sent directly to the applicant by National MI.

3.12.5 Pre-Funding Audit

National MI strongly recommends but does not require that lender's implement a pre-funding audit process (such as those prescribed by Fannie Mae and Freddie Mac) to improve loan origination quality.

3.12.6 Comprehensive Credit Assessment

The insured originator must make a prudent comprehensive credit assessment considering all factors relevant to the granting of credit. This assessment includes but is not limited to factors described in National MI requirements (credit, capacity, collateral, etc.). The assessment should also address the layering of risk variables to ensure that they are not excessive and confirm that the intent of National MI guidelines and pricing is not circumvented. Any information that arises during the origination process raising questions about, or potentially contradictory to, variables that are part of the basis of the credit approval must be fully investigated to conclusion. Any excessive layered risks or risk characteristics must be mitigated. If the insured originator is unable to obtain additional information necessary to allay the concerns and/or mitigate excessive risk characteristics, the loan is not insurable.

Lenders warrant that the loan meets the requirements of National MI's guidelines.

Material risk considerations including, but not limited to, the following must be evaluated in the comprehensive credit assessment:

- A minimum history of two years of continuous employment income is recommended and qualifying income should be based on hours worked in not less than the preceding 12 months. A shorter employment history and/or work hours look-back may be used when it is prudent to do so and documented in the file.
  - Examples of when it is appropriate to do so include a borrower returning from parental leave, becoming employed after graduation, converting from part-time to full-time long before loan application, etc.
  - Examples of when it is not appropriate to do so include recent conversion to full-time, using income from a single pay period (or short duration of time) for a borrower with a history of working variable hours or temporary assignments (with gaps between), or a history of not continuously working and earning income in an amount similar to the qualifying income.
- Qualifying income should reasonably be expected to continue for a minimum of three years. The documentation required to determine the amount of income that can be relied upon varies according to the income type and materiality, the applicant's ownership interest in the income source, and other factors.
- The documentation and calculation of income must adhere to National MI's guidelines.
- In rare instances, the appraiser will identify health and safety issues that need to be corrected to make the property habitable. In these cases, sufficient funds should be documented evidencing that the borrower can afford to make the necessary property

repairs after closing; or evidence that the property seller has completed the repairs as of closing. Health and safety related repairs include, but are not limited to, damaged roofs with material deficiencies and water intrusion, second story decks without railing, septic systems needing replacement, widespread mold problems, unfinished kitchens, etc.

Lender negotiated variances to standard agency requirements ("custom" DU® or LPA®) are not insurable unless the variances are:

- Specifically reviewed and approved by National MI; or
- Already addressed in Section 3 (Co-ops, Renovation Loans, Corporate Relocation, etc.) and the loan meets the requirements within Section 3 and the applicable Non-AUS Product Eligibility Matrix.

3.12.7 State Restrictions

New York

New York prohibits the placement of MI on certain loans according to specified means of calculating LTV (the "New York LTV Assessment"). National MI has therefore established the following requirements:

- For BPMI and LPMI loans, the New York LTV Assessment must be made to determine if MI may be placed for properties located in New York.
- When required, the following New York LTV Assessment must be made to determine if MI may be placed. The assessment considers property type and loan purpose.
  - All Property Types except Cooperative Property
    - » All purposes: If LTV (based on the appraised value) is less than 80%, then MI cannot be placed on the loan. If MI is allowed, then to determine the level of MI required, the LTV must be calculated based on the lower of the purchase price or appraised value.
  - Cooperative Property
    - » Purpose is purchase: If LTV (based on the purchase price) is less than 80%, then MI cannot be placed on the loan. If MI is allowed, then for mortgage insurance purposes the LTV must be calculated based on the lower of the purchase price or appraised value.
    - » All other purposes: If LTV (based on the appraised value) is less than 80%, then MI cannot be placed on the loan. If MI is allowed, then to determine the level of MI required, the LTV must be calculated based on the lower of the purchase price or appraised value.

All Other States

National MI offers MI in the 50 states and the District of Columbia. National MI does not offer MI in Guam, Puerto Rico or the U.S. Virgin Islands.

3.12.8 Third Party Verification Services

The Master Policy Holder is responsible if ensuring the accuracy and integrity of the information provided by third-party verification services. Consequently, National MI does not vet these providers or maintain a list of approved companies.

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.4 – Non AUS Medical Professional Program

3.13 Product Eligibility Matrices – Non AUS Conforming, Non AUS Jumbo, Non AUS Affordable Loans and Medical Professionals Program

The following product eligibility matrices summarize National MI's standard or "non AUS" guidelines. The matrices may include non AUS dependent guidelines that are more restrictive than, and take precedence over, those described above.

3.13.1 Product Eligibility Matrix – Non AUS Conforming

3.13.2 Product Eligibility Matrix – Non AUS Jumbo

3.13.3 Product Eligibility Matrix – Non AUS Affordable Loans

3.13.4 Product Eligibility Matrix – Medical Professionals Program

SECTION **3**

Non-AUS/Standard Loans

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.4 – Non AUS Medical Professional Program

PRODUCT ELIGIBILITY — Section 3.13.1 – Non AUS Conforming Loans

NON AUS GUIDELINE SUMMARY – CONFORMING LOANS

Loans that are **not** originated in accordance with one of National MI's "AUS Plus Overlays" programs must meet the following underwriting rules and be originated in accordance with National MI's Standard Underwriting Guidelines:

- Full income documentation is required (Paystub + W2s; 2 Years Tax Returns; and/or standard requirements as applicable)[1]
- DU® Approve/Ineligible or LPA® Accept/Ineligible loans which meet the requirements in this matrix and are otherwise eligible in accordance with Section 3.0 guidelines may follow the AUS documentation requirements for income, assets and employment
- Minimum reserves (unless indicated differently in Section 3.5.3.5):

# Units	Occupancy	Loan Purpose	# Months Reserves
1-unit	Primary	Rate/Term Refinance with lower payments	0
	Primary	Purchase, Construction-to-Perm, Renovation Loan & all other eligible refinances	2
2-unit	Primary	All Eligible	6
3-4 unit	Primary	All Eligible	6
1-unit	2nd Home or Investment Property	All Eligible	6

- ARM maximum LTV/CLTV 95%, minimum initial fixed term 1 year (5 years for Investment Property) (see Section 3.1.4)
- ARM cash-out refinance ineligible for insurance (see Section 3.1.4)
- Minimum 3% from occupant borrower's own funds, except gifts/grants apply toward the 3% if 1-unit Primary, no secondary financing and either: (i) 3% verified in occupant borrower's asset accounts, or (ii) occupant borrower has minimum 720 FICO (see Section 3.5.3.1).
- Non-occupants are not considered when determining qualifying DTI.
- New secondary financing is not permitted
- Exterior only appraisals or evaluations; appraisal waivers, AVMs or BPOs are not permitted
- For >$1,100,000 loan amounts: Non-Delegated Underwriting MI submission path required
- Geographic exclusions: None

Occupancy	Loan Purpose[2,3]	Property Type[3,4]	Loan Amount[5]	Maximum LTV/CLTV	Minimum FICO[6]	Maximum DTI
Primary Residence	Purchase or Rate / Term Refinance[2] or Construction to Permanent[3]	Single Family Condo or Co-op[3]	$726,200	97%	620[6]	45%[7]
		Single Family Condo or Co-op[3]	$1,089,300[5]	95%	660[6]	45%[7]
		Manufactured Hm[4]	$726,200[5]	90%	640[6]	45%[7]
	Cash-Out Refinance	Single Family Condo or Co-op	$726,200	85%	680[6]	45%[7]
	Purchase or Rate / Term Refinance or Construction to Permanent	Two-Unit	$929,850[5]	95%	680[6]	45%[7]
			$1,394,775[5]	85%		
	Purchase or Rate / Term Refinance	3-4 Units[3]	$1,123,900[5]	90%	720[6]	45%[7]
Second Home	Purchase or Rate / Term Refinance or Construction to Permanent[3]	Single Family Condo, Co-op or Manufactured Hm[3,4]	$726,200	90%	680[6]	45%[7]
Investment Property	Purchase or Rate / Term Refinance or Construction to Permanent[3]	Single Family Condo or Co-op[3]	$726,200	85%	720[6]	45%[7]

1 Refer to Section 3.5.1 of the TrueGuide® for details on documentation for specific types of income
2 Rate/Term Refinance for 1-unit Primary Residence conforming loan amounts includes Fannie Mae RefiNow™ and Freddie Mac Refi Possible℠ loans (regardless of current mortgage insurer), provided the loan complies with the eligibility criteria within this matrix and otherwise complies with the applicable GSE requirements.
3 Construction to Permanent: (a) Excludes attached condos and co-ops; and (b) 3-4 units are ineligible
4 Manufactured homes must meet requirements in Section 3.6.1.7; and for Renovation Loans, Section 3.4.6
5 Maximum Amounts for AK and HI are $1,089,300 (1 unit), $1,394,775 (2 units) and $1,685,850 (3-4 units)
1 Unit: $1,089,300 denotes where FHFA High Balance maximums apply – Loan amount may not exceed the applicable FHFA maximum. Manufactured home maximum is $726,200.
2 Unit: $1,394,775 denotes where FHFA High Balance maximums apply
3-4 Units: FHFA High Balance Maximums do not apply
6 Representative FICO using middle/lower method is required for underwriting and pricing purposes.
7 MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

SECTION 3
Non-AUS/Standard Loans

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.4 – Non AUS Medical Professional Program

PRODUCT ELIGIBILITY — Section 3.13.2 – Non AUS Jumbo Loans

NON AUS GUIDELINE SUMMARY – JUMBO LOAN AMOUNTS

Loans that are not originated in accordance with one of National MI's "AUS Plus Overlays" programs must meet the following underwriting rules and be originated in accordance with National MI's Standard Underwriting Guidelines:

- For <= $1,000,000 loan amounts with a DU® Approve/Ineligible or LPA® Accept/Ineligible which meet the requirements in this matrix and are otherwise eligible in accordance with Section 3.0 guidelines may follow the AUS documentation requirements for income, assets and employment. For all other jumbo loans, full income documentation is required (Paystub + W2s; 2 Years Tax Returns; and/or standard requirements as applicable)[1]
- For >$1,100,000 loan amounts: Non-Delegated Underwriting MI submission path required
- For >$1,000,000 loan amounts: Borrowers contributing qualifying income must be U.S. citizens or permanent resident aliens.
- Minimum reserves (unless indicated differently in Section 3.5.3.5):

Loan Amount	Occupancy	Loan Purpose	# Months Reserves
<= $850,000	Primary	Rate/Term Refinance with lower payments	0
	Primary	Purchase, Construction-to-Perm, Renovation Loan & all other eligible refinances	2
<= $850,000	2nd Home	All Eligible	6
$850,001 – $1,050,000	Primary or 2nd Home	All Eligible	6
$1,050,001 – $2,000,000	Primary	All Eligible	12

- ARM minimum initial fixed term 1 year for <= $850,000 loan amounts; 3 years for > $850,000 to $1,000,000 loan amounts; and minimum 5 years for > $1,000,000 loan amounts (see Section 3.1.4)
- Minimum 3% from occupant borrower's own funds for <= $1,000,000 loan amounts; and minimum 5% for > $1,000,000 loan amounts
- Non-occupants are not considered when determining qualifying DTI
- New secondary financing is not permitted and existing subordinate liens may not be re-subordinated (refer to Section 3.1.5)
- Exterior only appraisals or evaluations; appraisal waivers, AVMs or BPOs are not permitted
- Geographic Exclusions: None

Occupancy	Loan Purpose[2]	Property Type	Loan Amount[3]	Maximum LTV/CLTV	Minimum FICO[4]	Maximum DTI[5]
Primary Residence	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Single Family Condo or Co-op[2]	$1,050,000[3]	95%	680[4]	45%[5]
			$850,000 $1,050,000 $1,500,000	90%	660[4] 680[4] 720[4]	45%[5]
			$1,775,000	85%	720[4]	45%[5]
			$2,000,000	85%	740[4]	45%[5]
	Cash-Out Refinance	All	All	Not Eligible	Not Eligible	Not Eligible
	All	Two-Unit 3-4 Units	All	Not Eligible	Not Eligible	Not Eligible
Second Home	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Single Family Condo or Co-op[2]	$850,000 $1,050,000	90%	700[4] 720[4]	45%[5]
Investment Property	All	All	All	Not Eligible	Not Eligible	Not Eligible
All	All	Manufactured Homes	All	Not Eligible	Not Eligible	Not Eligible

[1] Refer to Section 3.5.1 and Section 3.5.3 of the TrueGuide® for details on documentation for specific types of income and assets.
[2] Construction to Permanent excludes attached condos and co-ops
[3] Maximum Loan Amount for AK and HI is $1,350,000 (at 95% LTV)
[4] Representative FICO using middle/lower method is required for underwriting and pricing purposes.
[5] MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

PRODUCT ELIGIBILITY — Section 3.13.3 – Non AUS Affordable Lending

NON AUS GUIDELINE SUMMARY – CONFORMING AFFORDABLE LENDING LOANS

Affordable Lending loans that are **not** originated in accordance with National MI's "AUS Plus Overlays" Affordable Lending program must meet the following underwriting rules and be originated in accordance with National MI's Standard Underwriting Guidelines including the Affordable Lending requirements described in Section 3.4.7:

- Full income documentation is required (Paystub + W2s; 2 Years Tax Returns; and/or standard requirements as applicable)[1]
- DU® Approve/Ineligible or LPA® Accept/Ineligible loans which meet the requirements in this matrix and are otherwise eligible in accordance with Section 3.0 guidelines may follow the AUS documentation requirements for income, assets and employment
- Minimum reserves (unless indicated differently in Section 3.5.3.5):

# Units	Loan Purpose	# Months Reserves
1-unit	Rate/Term Refinance with lower payments	0
	Purchase, Construction-to-Perm, Renovation Loan & all other eligible refinances	2
2-unit	Rate/Term Refinance with lower payments	2
	Purchase, Construction-to-Perm, & all other eligible refinances	3
3-4 unit	All Eligible	6

- ARM minimum initial fixed term and maximum LTVs: 95% (initial fixed term 7+ years), 90% (3-<7 years) or ineligible (<3 years)
- Exterior only appraisals or evaluations, appraisal waivers, AVMs or BPOs are not permitted
- Non-traditional credit is not permitted
- Minimum 3% contribution from occupant borrower's own funds, except gifts/grants apply toward the 3% if 1-unit Primary, no secondary financing, and either: (i) 3% verified in occupant borrower's asset accounts, or (ii) occupant borrower has minimum 720 FICO (see Section 3.5.3.1).
- Non-occupant borrowers are not considered when determining qualifying DTI
- For >$1,100,000 loan amounts: Non-Delegated Underwriting MI submission path required
- Geographic Exclusions: None

Occupancy	Loan Purpose[2]	Property Type[2,3]	Loan Amount[4]	Maximum LTV/CLTV	Minimum FICO[5]	Maximum DTI[6]
Primary Residence	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Single Family Condo or Co-op[2]	$726,200[4]	97%/105%	620[5]	45%[6]
		Manufactured Hm[2,3]	$726,200[4]	90%/105%	640[5]	45%[6]
	Cash-Out Refinance	All	All	Not Eligible	Not Eligible	Not Eligible
	Purchase or Rate / Term Refinance or Construction to Permanent[2]	Two-Unit	$929,850[4]	95%/105%	680[5]	45%[6]
	Purchase or Rate / Term Refinance	3-4 Units[2]	$1,123,900[4]	90%/105%	720[5]	45%[6]
Second Home	All	All	All	Not Eligible	Not Eligible	Not Eligible
Investment Property	All	All	All	Not Eligible	Not Eligible	Not Eligible

1 Refer to Section 3.5.1 of the TrueGuide® for details on documentation for specific types of income
2 Construction to Permanent: (a) Excludes attached condos and co-ops; and (b) 3-4 units are ineligible
3 Manufactured homes must meet requirements in Section 3.6.1.7; and for Renovation Loans, Section 3.4.6
4 Maximum Loan Amounts for AK and HI are $1,089,300 (1 unit), $1,394,775 (2 units) and $1,685,850 (3-4 units)
5 Representative FICO using middle/lower method is required for underwriting and pricing purposes
6 MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

SECTION 3

Non-AUS/Standard Loans

For additional details, refer to the applicable Non AUS Product Eligibility Matrix:

Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.4 – Non AUS Medical Professional Program

PRODUCT ELIGIBILITY — Section 3.13.4 – Non AUS Medical Professionals Program

NON AUS GUIDELINE SUMMARY – MEDICAL PROFESSIONALS PROGRAM

Loans to Medical Professionals may be insured in accordance with the guidelines of any program within the TrueGuide®. The Medical Professionals Program is also available to qualifying medical professionals that satisfy requirements described in Section 3 of the TrueGuide® as amended by this matrix (Refer also to requirements in Section 3.4.8.1 – Medical Professionals Program)

- Applicants must be actively practicing in one of the following professions (may be internship or resident phase; or medical clinical fellowship) Medical, Dental or Eye doctor or surgeon (MD, DO, OD, DPM, DDS, DMD); Veterinarian (DVM, VMD, DACVS); Pharmacist (PharmD); or Physician Assistant (PA); and have never been 30 or more days late on student loan payments
- New employment and/or pay increases may be used for qualifying provided they are to occur within 90 days of loan closing
- Payments on student loans may be excluded from DTI provided they are deferred for a minimum of 12 months or will be paid by the employer for a minimum of 3 years (refer to Section 3.4.8.1 for documentation requirements)
- Minimum Borrower Contributions: 3% from occupant borrower's own funds for <= $1,000,000 loan amounts, except gifts/grants apply toward the 3% if loan amount within GSE conforming or high balance/super conforming loan limits and either (i) 3% verified in occupant borrower's asset accounts, or (ii) occupant borrower has minimum 720 FICO (see Section 3.5.3.1); and minimum 5% from occupant borrower's own funds for > $1,000,000 loan amounts
- Minimum reserves (unless indicated differently in Section 3.5.3.5):

Loan Amount	Loan Purpose	# Months Reserves
<= $800,000	Rate/Term Refinance with lower payments	0
	Purchase, Construction-to-Perm, Renovation Loan & all other eligible refinances	2
$800,001 – $1,775,000	All Eligible	6
$1,775,001 – $2,000,000	All Eligible	12

- For >$1,100,000 loan amounts: Non-Delegated Underwriting MI submission path required
- New secondary financing is not permitted
- Non-occupant borrowers are not considered when determining qualifying DTI
- For <= $1,000,000 loan amounts with a DU® Approve/Ineligible or LPA® Accept/Ineligible which meet the requirements in this matrix and are otherwise eligible in accordance with Section 3.0 guidelines may follow the AUS documentation requirements for income, assets and employment. For all other loans, full income documentation is required (Paystub + W2s; 2 Years Tax Returns; and/or standard requirements as applicable)[1]
- ARM maximum LTV 95%, minimum initial fixed term 1 year for <= $800,000 loan amounts; minimum 3 years for > $800,000 to $1,000,000 loan amounts; and minimum 5 years for > $1,000,000 loan amounts (see Section 3.1.4)
- Exterior only appraisals or evaluations, appraisal waivers, AVMs or BPOs are not permitted
- Geographic Exclusions: None

Occupancy	Loan Purpose[2,3]	Property Type[3,4]	Loan Amount	Maximum LTV/CLTV	Minimum FICO[6]	Maximum DTI[7]
Primary Residence	Purchase or Rate / Term Refinance[2] or Construction to Permanent[3]	Single Family Condo or Co-op[3]	$730,000	97%	620[6]	50%[7]
			$800,000	95%	620[6]	50%[7]
			$1,050,000[5]	95%	680[6]	50%[7]
			$1,200,000	90%	700[6]	50%[7]
			$1,500,000	90%	720[6]	50%[7]
			$1,775,000	85%	720[6]	50%[7]
			$2,000,000	85%	740[6]	50%[7]
	Cash-Out Refinance	All	All	Not Eligible	Not Eligible	Not Eligible
	Purchase or Rate / Term Refinance[2] or Construction to Permanent	Two-Unit 3-4 Units	All	Not Eligible	Not Eligible	Not Eligible
		Manufactured Homes[4]	$730,000	90%	640[6]	50%[7]
Second Home	All	All	All	Not Eligible	Not Eligible	Not Eligible
Investment Property	All	All	All	Not Eligible	Not Eligible	Not Eligible

1 Refer to Section 3.5.1 of the TrueGuide® for details on documentation for specific types of income
2 Rate/Term Refinance for 1-unit Primary Residence conforming loan amounts includes Fannie Mae RefiNow™ and Freddie Mac Refi Possible℠ loans (regardless of current mortgage insurer), provided the loan complies with the eligibility criteria within this matrix, and otherwise complies with the applicable GSE requirements.
3 Construction to Permanent excludes attached condos and co-ops
4 Manufactured homes must meet requirements in Section 3.6.1.7; and for Renovation Loans, Section 3.4.6
5 Maximum Loan Amount for AK and HI is $1,350,000 (at 95% LTV)
6 Representative FICO using middle/lower method is required for underwriting and pricing purposes.
7 MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

For additional details, refer to the applicable Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming | Sec. 2.3.2 – AUS Conforming High Balance | Sec. 2.3.3 – AUS Affordable

Sec. 3.13.1 – Non AUS Conforming | Sec. 3.13.3 – Non AUS Affordable

Sec. 3.13.2 – Non AUS Jumbo | Sec. 3.13.4 – Non AUS Medical Professional Program

4.0 Commitments and Certificates

4.1 Conditional Commitments and/or Pre-qualifications

National MI does not issue pre-qualifications for non-delegated approvals. All pertinent data must be transmitted to obtain a Commitment for insurance.

Originators with delegated authority may have various types of origination and prequalification processes. However, delegated loans must be fully documented, underwritten and qualified for insurance prior to submission to National MI for mortgage insurance.

4.2 Submission Requirements

4.2.1 Delegated Submissions

National MI requires that the following information be submitted so that an insurance Certificate may be issued:

- A fully completed National MI Application for Mortgage Insurance (data to be entered into National MI's AXIS system)
- One of the following must be completed (where data is defined as all of the 1003 (Loan Application) and 1008 (Underwriting Transmittal Summary) mortgage information):
  - A business to business transfer of all loan data
  - An upload of either an XML or DU® 3.2 file with all of the loan data
  - Lender to manually enter all of the loan data directly into National MI's AXIS system

For delegated loans with validation or that have been selected for review by National MI Quality Control, National MI requires that the following information be submitted post-closing:

- Final signed Loan Application (1003)
- 1008 Underwriting Transmittal Summary (optional)
- AUS final reports – DU® Findings/LPA® Feedback, if applicable
- Credit Reports (including all required letters of explanation (LOX))
- Verification of Rent (VOR)/Verification of Mortgage (VOM) as required
- Employment and income verification (paystubs, W-2's, tax returns, verifications of employment, verbal VOEs and letters of explanation)
- Current version of verification reports from vendors supporting components of the loan file (income, employment and assets) validated by a GSE approved vendor (via Fannie Mae's DU® validation service or Freddie Mac's LPA® asset and income modeler (AIM))
- 4506 (4506-C or 8821) tax transcripts required for:
  - AUS loans for the time period as required by DU®/LPA®
  - Non-AUS loans when:
    - » Self-employed income is included in qualifying

      OR
    - » Income included in qualifying is not from self-employment and the lender has obtained the tax transcripts prior to submitting the file to National MI
- Asset verifications (bank/investment statements, verifications of deposit (VOD), gift letters, community or employer grants, or asset verification reports if validated by DU® validation service or LPA® AIM)

For additional details, refer to the applicable Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming Sec. 2.3.2 – AUS Conforming High Balance Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo Sec. 3.13.4 – Non AUS Medical Professional Program

- Valuation documentation:
  - Required: Appraisal Report (including all attachments, if applicable); Form 442, Appraisal Update and/or Completion Report; alternative valuation documentation (i.e., appraisal waiver offer message identified in DU® or LPA®), as applicable
  - Recommended: Fannie Mae Collateral Underwriter® (CU®) or Freddie Mac Loan Collateral Advisor® (LCA®) Print Report, UCDP Submission Summary Report from CU® or LCA®, if applicable
- Sales Contract (final executed with all attachments/amendments, if applicable)
- Loan Closing Disclosure or lease/rental agreement from departure residence, as applicable
- Closing Documents for the subject property:
  - Final Closing Disclosure
  - Final signed Note
  - Final signed Mortgage (Deed of Trust)
  - Title Insurance Commitment
  - Signed Borrower's Authorization form
- Underwriter's Approval with conditions, notes and worksheets
- Other documents as required

4.2.2 Non-delegated Submissions

National MI requires that the following information be submitted so that an insurance underwriting may occur:

- National MI Application (not required for online submissions or electronic deliveries that include detailed MI information)
- 1003 Loan Application
- 1008 Underwriting Transmittal Summary (optional)
- AUS final reports – DU® Findings/LPA® Feedback (if applicable)
- Credit Reports (including all required letters of explanation (LOX))
- Verification of Rent (VOR)/Verification of Mortgage (VOM) as required
- Employment and income verification (paystubs, W-2's, tax returns, verifications of employment, verbal VOEs and letters of explanation)
- Current version of verification reports from vendors supporting components of the loan file (income, employment and assets) validated by a GSE approved vendor (via Fannie Mae's DU® validation service or Freddie Mac's LPA® asset and income modeler (AIM))
- 4506 (4506-C or 8821) tax transcripts required for Non-AUS loans when:
  - Self-employed income is included in qualifying

  OR
  - Income included in qualifying is not from self-employment and the lender has obtained the tax transcripts prior to submitting the file to National MI for non-delegated underwriting
- Asset verifications (bank/investment statements, verifications of deposit (VOD), gift letters, community or employer grants, or asset verification reports if validated by DU® validation service or LPA® AIM)

For additional details, refer to the applicable Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming | Sec. 2.3.2 – AUS Conforming High Balance | Sec. 2.3.3 – AUS Affordable

Sec. 3.13.1 – Non AUS Conforming | Sec. 3.13.3 – Non AUS Affordable

Sec. 3.13.2 – Non AUS Jumbo | Sec. 3.13.4 – Non AUS Medical Professional Program

- Valuation documentation:
  - Required: Appraisal Report (including all attachments, if applicable); or alternative valuation documentation (i.e., appraisal waiver offer message identified in DU® or LPA®)
  - Recommended: Fannie Mae Collateral Underwriter® (CU®) or Freddie Mac Loan Collateral Advisor® (LCA®) Print Report, UCDP Submission Summary Report from CU® or LCA®, if applicable
- Sales Contract (final executed with all attachments/amendments, if applicable)
- Loan Closing Disclosure or lease/rental agreement from departure residence, as applicable
- Underwriter notes/worksheets utilized
- Other documents as required

4.2.3 Non-delegated Post Closing Package Submissions

For non-delegated loans with validation or that have been selected for review by National MI Quality Control, National MI requires that the following information be submitted post-closing:

- Final Closing Disclosure
- Final signed Note
- Final signed Mortgage (Deed of Trust)
- Title Insurance Commitment
- Signed Borrower's Authorization form
- Final signed Loan Application (1003) – QC Reviews only

4.3 MI Submissions & Document Delivery Methods

4.3.1 National MI's AXIS System

National MI's AXIS system supports the following:

- Upload of the Loan Application data via a DU® 3.2 or 1003
- Data entry of the Loan Application (if DU® 3.2 or 1003 file is unavailable)
- Document upload

4.3.2 Loan Origination System (LOS)

National MI supports direct integration to order MI from the customer's loan origination system (LOS). A current list of National MI's LOS technology vendors and supporting document upload capabilities are posted on our website at www.nationalmi.com/tech-vendors/.

4.3.3 Email or ShareFile

For document delivery via secure email or ShareFile submission, please contact National MI's Solution Center at 855-317-4NMI (4664) or solutioncenter@nationalmi.com.

For additional details, refer to the applicable Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming | Sec. 2.3.2 – AUS Conforming High Balance | Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming | Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo | Sec. 3.13.4 – Non AUS Medical Professional Program

4.4 National MI Commitment of Insurance and Insurance Activation

After insurance is approved, National MI sends or makes available an insurance Commitment. The Commitment evidences approval and obligates National MI to insure the loan at the premium rate displayed on the Commitment for a period beginning with the applicable Commitment effective date and ending on the applicable Commitment expiration date (and in accordance with the National MI guidelines in effect on the applicable Commitment effective date). The loan must close consistent with the information submitted by the insured, the terms included in the Commitment for insurance, and the insured's certification therein (including compliance with applicable National MI guidelines).

Commitments are good for 120 days (12 months for Construction to Permanent), meaning:

- Guidelines and pricing in effect at the time of the Commitment will be honored during the Commitment period (even if the guidelines and/or pricing change)
- For 120 day Commitments, supporting documentation (credit, income, asset, verbal VOE, and appraisal) must be updated as necessary consistent with the insured's certification and to comply with the applicable age of documentation requirements described in Section 2.0 (AUS Plus Overlays) or Section 3.0 (Non-AUS Dependent – Standard Guidelines (see Section 3.11)) of these guidelines.
- For Construction to Permanent 12-month Commitments, refer to TrueGuide® Section 3.4.5.

If the insured's previously submitted information changes during the original Commitment period and prior to the applicable certificate effective date, then the revised information must be submitted to National MI to assess any impact to eligibility and/or pricing. Any such changes must be evaluated and approved (whether applicable to delegated or non-delegated) according to National MI guidelines in effect at the time the change request occurs. An updated Commitment will be issued for re-approved submissions. Refer to the Master Policy, Commitment, and Certificate of Insurance for additional details.

4.4.1 Commitment Extensions & Reinstatement of Cancelled or Expired Commitments

If an extension or reinstatement of a Commitment is needed, National MI will, at its discretion, make the approval unless the delegated lender is informed it is authorized to do so. If the insured's previously submitted information has changed between the original Commitment period and the extension or reinstatement request date, then the revised information must be submitted to National MI to assess any impact to eligibility and/or pricing. National MI may require an updated application, income/asset documentation, borrower credit information, appraisal, and other items. Extensions and reinstatements are subject to National MI guidelines and pricing in effect at the time the applicable request occurs. An updated Commitment will be issued for re-approved Commitments that have been extended or reinstated.

4.4.2 Activation of a National MI Commitment

Activation is triggered by loan closing or receipt of the first MI payment by National MI. Refer to the National MI product description for details regarding activation. Upon activation, the Commitment becomes an insurance Certificate.

For additional details, refer to the applicable Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming
Sec. 2.3.2 – AUS Conforming High Balance
Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

5.0 Changes After Insurance Issued (Certificate)

5.1 Insuring Loans after Closing

National MI does not insure loans if the application for insurance occurred after the following dates:

- Borrower Paid MI: First payment due date
- Lender Paid MI: First payment due date

Refer to Section 3.4.9 Seasoned Loans, for National MI's guidelines on insuring seasoned loans on a case-by-case basis.

5.2 Assumptions, Partial Releases and Transfers of Title

Mortgage insurance is issued based on the specific risk characteristics present at time of origination, including the specific borrowers involved. Assumptions, partial releases, transfers of title and/or other transactions that release one or more borrowers or transfer ownership will invalidate insurance unless specifically approved by National MI. Note: The removal of a deceased borrower from title does not invalidate insurance or require National MI approval.

Refer to National MI's Servicing Guide for additional details regarding assumptions, partial releases and transfers of title.

5.3 Modifications to Existing National MI Insured Loans

Refer to National MI's Servicing Guide for modifications to existing loans insured by National MI.

Refer to National MI's Servicing Guide for options regarding new refinance transactions of an existing National MI insured loan, such as Fannie Mae High LTV Refinance, Freddie Mac Enhanced Relief Refinance or Non-GSE Rate/Term Refinance programs.

5.4 Reinstatement of Cancelled Certificate

Reinstatement will be considered on a case-by-case basis. Contact National MI's Servicing Department for consideration and refer to National MI's Servicing Guide for required documentation.

6.0 Delegated Underwriting Requirements

Master Policy Holders (MPH(s)) must meet the requirements described below in the Delegated Program Requirements in order to obtain approval, exercise authority and remain eligible to participate in National MI's delegated underwriting program.

6.1 Delegated Program Requirements

National MI must approve MPHs to participate in its delegated underwriting program, under which the approved MPH obtains National MI's authority to underwrite loans in compliance with the Master Policy, National MI's TrueGuide® Underwriting Guidelines, these Delegated Underwriting Requirements and the Rescission Relief Guide, as applicable (collectively, the Delegated Program Requirements).

6.2 Delegated Underwriting Program Approval

National MI will make a decision following its comprehensive assessment of a range of information necessary to the decision, to the extent appropriate given the scope and level of business to be conducted with the lender applicant. National MI requires that a complete master policy application be submitted. National MI may require additional documentation depending on the scope of the required assessment, including, but not limited to, fraud prevention controls; approval and monitoring processes for third-party appraisers and brokers/correspondents with which the applicant does business; the applicant's underwriting and loan manufacturing process; performance analysis of the applicant's loans; and the applicant's policies and procedures as requested by National MI. National MI will also incorporate into its assessment additional information from other third-party sources, as it deems necessary to conduct a thorough evaluation, including, but not limited to, third-party reports; and the FHA compare ratio. Direct knowledge of the customer from the experience of National MI employees will also be incorporated when necessary. MPHs should contact their National MI Account Manager for more information or any questions about the application process, approval and requirements of the Delegated Underwriting Program.

6.3 Exercising and Maintaining Delegated Authority

Delegated authority must be exercised in accordance with the Delegated Program Requirements.

MPHs approved by National MI to participate in its delegated underwriting program must:

- Carefully review the National MI's Master Policy Welcome Package and be capable and prepared to fulfill National MI's Delegated Program Requirements;
- Understand how to submit an MI application to National MI, understanding the limitations herewith (our systems do not perform an automated underwriting review) so the delegated MPH is responsible for reviewing and approving loans in strict accordance with National MI's Delegated Program Requirements (see Section 4.3 MI Submissions & Document Delivery Methods);

- Submit all documents and information required and/or requested by National MI (see Section 4.2 Submission Requirements);
- Understand how to access rates, rate quotes and National MI's Delegated Program Requirements;
- Only utilize delegated underwriting authority to approve loans that comply, in all respects, with National MI's Delegated Program Requirements and/or adhere to specific programs that have been pre-approved by National MI;
- Only utilize delegated underwriting authority to approve loans that comply with applicable laws;
- Be prepared to input and submit to National MI data that is consistent with the loan file and the delegated MPH's approval (since data integrity is important);
- Acknowledge that National MI has the right and the intention to review the full Origination File and/or Closing File on all or a sample of delegated underwritten loans consistent with National MI's QC program and/or, if chosen by the MPH, the requirements of its participation in National MI's early rescission relief program (as described in National MI's Rescission Relief Guide) and be ready to provide all requested files or file components in a timely manner; and
- Update National MI when there are changes to the MPH's contacts and contact information.

6.4 Evaluation of Delegated Authority

MPHs are periodically evaluated by National MI to determine if they should remain eligible for delegated underwriting authority. MPHs that satisfy and exercise National MI's Delegated Program Requirements (described in Sections 6.1 and 6.3 above) with acceptable loan performance will remain eligible to retain delegated underwriting authority. The periodic review may require new, different, or updated information to some or all the information provided to National MI for the initial approval.

The MPH's ability to maintain delegated underwriting authority may be affected if problems or concerns are identified by National MI. The National MI Risk Officer responsible for lender monitoring will work with the MPH to develop necessary action plans when problems are material (as determined by National MI). National MI may terminate, suspend or limit the MPHs delegated authority if problems are not sufficiently corrected (as determined by National MI). Termination of the MPH's participation in National MI's Delegated Underwriting Program will not cancel the Master Policy or affect Commitments or Certificates issued before the termination date. However, if National MI suspends, terminates or limits an initial MPH's participation in National MI's Delegated Underwriting Program for cause (as determined by National MI), National MI may cancel any Commitment for which coverage has not yet been activated and converted to a Certificate as set forth in Section 14(c) of the Master Policy.

Termination will be effective upon either:

- Thirty (30) days written notice to the MPH that the problem and/or concerns must be resolved and written notice after the thirty (30) days with a termination effective date if the problems and/or concerns are not resolved (at National MI's discretion MPHs may be offered remediation options); or
- Three (3) days written notice of termination (at National MI's discretion).

For additional details, refer to the applicable Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming
Sec. 2.3.2 – AUS Conforming High Balance
Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

7.0 Become a National MI Master Policy Holder

For lenders and/or servicers interested in becoming a National MI Master Policy Holder (MPH), the following steps apply:

Step 1: Contact your National MI Account Manager (refer to www.nationalmi.com/sales-advisor/ to locate your National MI Account Manager name and contact information)

Step 2: Complete a one-page Master Policy application

Step 3: In a few days, National MI will notify you of your Master Policy application status

Step 4: Upon approval, you will receive National MI's Welcome Package and an approval letter that will include a copy of your Master Policy and your policy number.

A sample of National MI's Master Policy is located on our website at www.nationalmi.com/master-policy-resources/.

National MI welcomes your business and we look forward to serving you.

8.0 TrueGuide® Revision History

TrueGuide® Revision History

EFFECTIVE DATE **REVISION SUMMARY**

For previous TrueGuide® versions, please refer to the applicable archived TrueGuide® on National MI's website.

1.24.2018 Version 3.4:

- Section 1.3 Insured Originator Approval: Removed reference to a GSE HFA variance
- Section 2.2.9 Assets and Equity: Clarified and relocated some of the terms from Section 1.3 to Section 2.2.9 regarding AUS eligible > 90% LTV HFA Affordable Loans may allow up to 4% IPCs

3.24.2018 Version 3.5:

- Section 2.3 Credit Overlay Requirements: Added a minimum 700 FICO score requirement if > 45% DTI in the following matrices:
  - Section 2.3.1 AUS Conforming Loans
  - Section 2.3.2 AUS Conforming High Balance Loans
  - Section 2.3.3 AUS Affordable Lending
- Section 3.13.4 Non AUS Medical Professional Program: Increased maximum eligible loan amount to $475,000 for 1-unit single-family, condos and co-ops up to 97% LTV; and for manufactured homes up to 90% LTV

7.6.2018 Version 3.6:

- Section 1.4 Delegation of Underwriting Authority: Added that Manufactured Home properties above 95% LTV are ineligible for delegated authority and must be submitted to National MI for approval.
- Sections 2.2.6 and 3.2.1 Citizenship and Residency: Clarified that illegal aliens who entered the U.S. at a young age with deferred deportation (aka DACA) are ineligible for insurance.
- Sections 2.2.12 and 3.12.7 State Restrictions: Repeated same language from Sections 1.1 and 3.6.5 that National MI does not insure properties located in Puerto Rico, Guam or the Virgin Islands.
- Section 2.2.14 Manufactured Homes: Added new manufactured home requirements section and effective 9/6/2018, a manufactured home may not be on communal land (aka resident-owned community or ROC).
- Sections 2.3 and 3.13 Product Eligibility Matrices: Added that construction-to-permanent excludes attached condos and co-ops. Clarified and updated footnotes for Manufactured Home requirements. Added effective 9/6/2018, a manufactured home may not be on communal land (aka resident-owned community or ROC).

For additional details, refer to the applicable Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming
Sec. 2.3.2 – AUS Conforming High Balance
Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY
7.6.2018	Version 3.6 (cont'd): ▪ Section 3.4.5 Construction to Permanent: Added detached condos as an eligible property type. Added purchase transaction treatment and one-time close construction to permanent LTV calculation if lot owned prior to first advance from construction financing. ▪ Section 3.4.6 Home Renovation (Improvement): Removed the requirement that loans with draw features or where interest is charged only as funds are dispersed be underwritten as construction to perm loans. Removed the requirement that the renovation must add value to the property. Increased the cost of renovation from 50% up to 75% of the "as completed" appraised value. ▪ Section 3.4.7.4 Affordable Gift Feature: Added a governmental agency and a federally recognized Native American tribe and their sovereign instrumentalities as eligible donors. ▪ Section 3.5.1.36 Other Eligible Income: Added Restricted Stock and Restricted Stock Units are eligible income source. ▪ Section 3.5.3.2 Additional Eligible Assets – Grant Funds: Added a federally recognized Native American tribe and their sovereign instrumentalities as an eligible donor. ▪ Section 3.5.4.1 Traditional Credit Requirements: Added that timeshare accounts are to be treated as installment debts and not as a mortgage debt. Clarified that a charge-off of mortgage, restructured mortgage and property tax forfeiture are included as derogatory real estate events requiring a waiting period. Revised the waiting periods for derogatory real estate events effective 9/6/2018. ▪ Section 3.5.4.6 Payment of Derogatory Amounts: Added that effective 9/6/2018, garnishments must be paid in full at or before loan closing. Clarified that real estate tax liens are included as a derogatory debt requiring payment in full at or before loan closing. ▪ Section 3.6.1.7 Factory-Built and Manufactured Housing: Added that effective 9/6/2018, a manufactured home may not be on communal land (aka resident-owned community or ROC). Clarified and restated the manufactured home requirements that were in the Eligibility Matrices. ▪ Section 3.13.1 Non AUS Conforming Loans: Expanded to allow 2-units with FHFA high balance loan amounts up to 85% LTV/CLTV.

SECTION 8
TrueGuide® Revisions

For additional details, refer to the applicable Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming
Sec. 2.3.2 – AUS Conforming High Balance
Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY

11.1.2018	Version 3.7:
	▪ Section 2.1.4 Comprehensive Credit Assessment, Section 3.6.1.14 Seasonal Second Homes Not Suitable for Year-Round Occupancy and Section 3.6.2 Ineligible Property Types: Added seasonal Second Homes are eligible for insurance.
	▪ Section 2.1.4 Comprehensive Credit Assessment and Section 3.5.1.34 Ineligible Sources of Income: Clarified boarder income or rental income from borrower's non-borrowing spouse (including domestic partner or future spouse that does not sign the mortgage Note) may not be used as qualifying income.
	▪ Sections 2.2.2 and 3.4.2 Rate/Term Refinance Loan Purpose; and Section 5.3 Modifications to Existing National MI Insured Loans: Added reference to National MI's Servicing Guide for a new refinance transaction of an existing National MI insured loan that is also a Fannie Mae High LTV Refinance, Freddie Mac Enhanced Relief Refinance transaction or Non-GSE Rate/Term Refinance.
	▪ Section 2.2.13 Appraisal Review: Revised terminology from PIW to appraisal waiver.
	▪ Sections 2.2.14 and 3.6.1.7 Manufactured Homes: Included the change that was effective 9/6/2018 – a manufactured home may not be on communal land (aka resident-owned community or ROC).
	▪ Section 2.3 Credit Overlay Requirements: Revised the minimum 700 FICO score if > 45% DTI requirement to apply to non-Rate GPS® loans in the following matrices:
	    ▪ Section 2.3.1 AUS Conforming Loans
	    ▪ Section 2.3.2 AUS Conforming High Balance Loans
	    ▪ Section 2.3.3 AUS Affordable Lending
	▪ Section 2.3.1 AUS Conforming Loans: Clarified AUS ineligibility for primary residence due to 85% LTV cash-out refinance is limited to Fixed Rate.
	▪ Section 3.5.4.1 Traditional Credit Requirements: Included the changes that were effective 9/6/2018 – revised the waiting periods for derogatory real estate events.
	▪ Section 3.5.4.6 Payment of Derogatory Amounts: Included the change that was effective 9/6/2018 – added that garnishments must be paid in full at or before loan closing.
	▪ Section 3.6.3.2 Leasehold Estates: Removed requirements regarding increases in ground rent.
	▪ Section 5.1 Insuring Loans after Closing: Added reference to Section 3.4.9 Seasoned Loans.

SECTION **8**

TrueGuide® Revisions

For additional details, refer to the applicable Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming | Sec. 2.3.2 – AUS Conforming High Balance | Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming | Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo | Sec. 3.13.4 – Non AUS Medical Professional Program

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY
1.1.2019	Version 3.8: ▪ Removed the revision summary of earlier TrueGuide® versions to the applicable archived TrueGuide® on National MI's website. ▪ Section 2.1.4 Comprehensive Credit Assessment, Section 3.2.4 Trusts: Added allowance that Land Trusts are eligible for insurance. ▪ Sections 2.3 and 3.13 Product Eligibility Matrices: Updated maximum eligible loan amounts and footnotes. ▪ Section 3.2.1 Citizenship and Residency Requirements and Section 3.2.4 Trusts: Added allowance that Land Trusts are eligible for insurance. ▪ Section 3.4.5 Construction to Permanent: Clarified documentation requirements. ▪ Section 3.5.1.3 Auto Allowance: Removed the Cash Flow Approach and the Income and Debt Approach is now the only manner for calculating auto allowance income. ▪ Section 3.5.1.6 Commission: Removed reference to different documentation requirements based on the percentage of commission income. ▪ Section 3.5.1.35 Unreimbursed Business Expenses: Retired this section due to tax law changes.
8.9.2019	Version 3.9: ▪ Section 1.1 Underwriting Philosophy: Added reference to alternative property valuations. ▪ Section 1.4 Delegation of Underwriting Authority: Clarified definition of a seasoned loan. ▪ Section 1.6 GSE AUS Systems: Deleted reference to Delegated Assurance Review Process. ▪ Section 1.7 Delegated Assurance Review Independent Validation Process: Deleted reference to not performing a QC audit for DAR process loans. ▪ Section 2.1.4 Comprehensive Credit Risk Assessment: Added reference to stable income and property condition; and added reference to the terms allowed in Section 3.5.5.2 for Revolving and Open-End Credit. ▪ Section 2.2.4 Renovation Loans: Added manufactured homes are eligible for renovation loans. ▪ Section 2.2.13 Appraisal Review with Fannie Mae Appraisal Waiver: Deleted reference to natural disaster. ▪ Sections 2.3 and 3.13 Product Eligibility Matrices: Updated manufactured homes and renovation loans footnotes; added CHOICEHome® manufactured home properties. ▪ Section 3.3.1.1 Primary Residence Classification – Buying for Parent or Child: Replaced "physically handicapped or developmentally disabled" with "disabled". ▪ Section 3.4.6 Home Renovation (Improvement): Added manufactured homes are eligible for renovation loans for basic energy and/or water efficiency improvements that do not exceed 15% of the "as completed" value ▪ Section 3.4.7.1 Affordable Lending – General Requirements: Added Fannie's Subordinate Financing & Freddie's Secondary Financing as eligible second liens. ▪ Sections 3.5.1.1 and 4.2 Form 4506-T: Clarified that an executed 4506-T is required for borrowers with qualifying income.

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY
8.9.2019	Version 3.9 (cont'd):

- Section 3.5.1.19 Retirement Asset Liquidation: Changed calculation to divide the net eligible assets by 240 months (regardless of loan term).
- Sections 3.5.1.21 Reverse Mortgage Income & 3.5.1.34 Ineligible Sources of Income: Added note that effective 10/9/2019, Reverse Mortgage Income will be added to the list of Ineligible Sources of Income.
- Section 3.5.1.36 Other Eligible Income – Restricted Stock (RS) & Restricted Stock Units (RSU): Removed the requirement that the "dates of the payouts" be reflected in the RS/RSU documentation; and added an offer letter as acceptable RS/RSU documentation.
- Section 3.5.3 Asset Documentation & Calculations: Clarified that assets to pay off or pay down debts to qualify must meet National MI's requirements.
- Section 3.5.3.2 Additional Eligible Assets: Added Lender Incentives up to $500.
- Section 3.5.3.3 Ineligible Assets: Added note that effective 10/9/2019, equity from the borrower's primary residence via a reverse mortgage will be an Ineligible Asset.
- Section 3.5.3.5 Reserve Requirements: Added reference to Section 3.5.1.8 Employment Offers & Compensation Increases for additional reserve requirements.
- Section 3.5.4.1 Traditional Credit Requirements: Clarified minimum 7-year waiting period is required when the foreclosure is included in bankruptcy.
- Section 3.5.5.1 Liabilities & Ratios – General Requirements: Clarified that sufficient & eligible source of funds must be documented when paying off/down debts to qualify; and added note that effective 10/9/2019, the reverse mortgage repayment terms must be evidenced by a letter from the servicer of the reverse mortgage.
- Section 3.5.5.2 Qualifying Payment Amounts – Revolving or Open-End Credit: Changed to using 3% of the outstanding balance for qualifying purposes when the credit report does not include a payment amount; and added Authorized User Accounts.
- Section 3.6.1.11 Postponed Improvements – Completion Escrows: Added option to not require an escrow if cost of completing improvements is <= 2% of the "as completed" value.
- Section 3.6.2 Ineligible Property Types: Removed geothermal from the ineligible list
- Section 3.13 Product Eligibility Matrices: Added reference to Section 3.5.3.5 Reserve Requirements.
- Section 3.13.3 Product Eligibility Matrix – Non AUS Affordable Lending: Clarified that Non-occupant borrowers are not considered when determining qualifying DTI.
- Section 4.2.1 Delegated Submissions: Added documents required for delegated with validation loans.
- Section 4.2.2 Non-delegated Submissions: Revised the documents required for non-delegated loans.
- Section 4.2.3 Non-delegated with Validation Post Closing Submissions: Added new section with list of documents required to be submitted for non-delegated loans with validation review.
- Section 4.3 MI Submissions & Document Delivery Methods: Revised the submission and document delivery options.

SECTION **8**

TrueGuide® Revisions

For additional details, refer to the applicable Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming
Sec. 2.3.2 – AUS Conforming High Balance
Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY

1.1.2020	Version 4.0:
	▪ Section 2.1.4 Comprehensive Credit Assessment:
	  ▪ Clarified that for an AUS loan where there are guideline differences between the agency requirements vs. National MI's TrueGuide® Section 2 AUS overlay requirements, then the lender must originate the loan to the more restrictive of the two guidelines
	  ▪ Removed reference to the income documentation requirements in TrueGuide® Sections 3.5.1.1 and 3.5.1.26
	▪ Sections 2.3 and 3.13 Product Eligibility Matrices: Updated maximum eligible loan amounts and footnotes.
	▪ Sections 3.3.4 Pending Sale of Current Residence, 3.5.3.1 Source of Minimum Borrower Contributions-Borrower's Own Funds and 3.5.5.2 Qualifying Payment Amounts: Expanded to allow Bridge Loan Payments be excluded from the qualifying debt ratio when the departure residence has an executed sales contract with no outstanding financing contingencies
	▪ Section 3.4.2 Rate and Term Refinance: Added that the refinance proceeds may also pay down subordinate liens that were used entirely to purchase the subject property
	▪ Section 3.4.6 Home Renovation: Added that lenders must follow GSE requirements "as applicable"
	▪ Sections 3.5.1.1 Form 4506 Requirements, 4.2.1 Delegated Submissions, 4.2.2 Non-delegated Submissions and 4.2.3 Non-Delegated Post Closing Pack Submissions: Clarified when tax transcripts and vendor verification reports are to be submitted to National MI
	▪ Sections 3.5.1.21 Reverse Mortgage Income & 3.5.1.34 Ineligible Sources of Income: Included the change that was effective 10/9/2019, Reverse Mortgage Income is an ineligible source of income
	▪ Section 3.5.2 Verbal Verification of Employment: Clarified that employment must be verbally verified
	▪ Section 3.5.3.3 Ineligible Assets: Included the change that was effective 10/9/2019, equity from the borrower's primary residence via a reverse mortgage is an Ineligible Asset
	▪ Section 3.5.5.1 Liabilities & Ratios – General Requirements: Included the change that was effective 10/9/2019, the reverse mortgage repayment terms must be evidenced by a letter from the servicer of the reverse mortgage

3.1.2020	Version 4.1: ▪ Section 2.2.15 Automated Tools: Added this new section. ▪ Section 2.3.1 AUS Conforming Loans: Increased CLTV up to 105% for 1-unit Primary Residences, provided loans with > 97% CLTVs have subordinate financing that meet Fannie Mae's Community Seconds® or Freddie Mac's Affordable Seconds® program.

For additional details, refer to the applicable Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming
Sec. 2.3.2 – AUS Conforming High Balance
Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY

3.1.2020	Version 4.1: (cont'd)
	▪ Section 3.4.2 Rate and Term Refinance: Changed cash-back to allow the greater of \$2,000 or 1% of the new refinance loan amount.
	▪ Section 3.13.2 Non AUS Jumbo Loans: Increased maximum loan amount up to \$1,100,000 for AK and HI properties.
	▪ Section 3.13.4 Non AUS Medical Professionals Program:
	  ▪ Increased maximum loan amount up to \$530,000 for:
	    (i) 97% LTVs secured by a 1-unit single family, condo or co-op; and
	    (ii) 90% LTVs secured by a manufactured home.
	  ▪ Increased maximum loan amount up to \$1,100,000 for AK and HI properties.
	▪ Section 6.0 Delegated Underwriting Requirements: Added this new section.
	▪ Section 7.0 Become a Master Policy Holder: Added this new section.

7.10.2020	Version 4.2: (effective 7/10/2020, unless otherwise noted) ▪ COVID-19 Guidelines: Added new section. ▪ Section 1.1 Underwriting Philosophy: Added that National MI's announcements are part of the TrueGuide®. ▪ Section 1.2 Compliance with Laws and Regulations: Added reference to Taxpayer First Act and updated section title. ▪ Section 1.7 DAR with Independent Validation: Added reference to other applicable guidelines. ▪ Section 2.2.3 Construction to Permanent: Clarified when a 0x30 on construction loan payment history and an updated VVOE are required. ▪ Sections 2.2.5 Occupancy & 3.5.1.18 Rental Income: Clarified when rental income from the subject property may be used to qualify. ▪ Sections 2.2.11 & 3.4.4 Corporate Relocation: Clarified a pricing benefit may also eligible for borrowers with a U.S. military-sponsored relocation assistance/readiness program. ▪ Section 2.2.13 Appraisal Review: Added that the value from Freddie Mac's LPA® ACE appraisal waiver is eligible (effective 3/29/2020). ▪ Section 2.2.14 Manufactured Homes: Clarified that single-wide is ineligible. ▪ Section 2.2.15 Automated Tools: Added DU®/LPA® A/E and LPA® ACE; and clarified AUS outcomes and clarified eligibility of Fannie Mae's rural high-needs appraisal waiver as Automated Tools. ▪ Section 3.1.4 ARMs: Updated the list of Eligible Indices to be the same as allowed by the GSEs. ▪ Sections 3.4.5 Construction-to-Perm & 4.4 Commitment & Insurance Activation: Clarified non-delegated Commitments with changes affecting underwriting eligibility and/or pricing must be resubmitted for re-evaluation. ▪ Section 3.5.5.2 Qualifying Payment Amounts: Clarified that the monthly MI premium must be included in the new mortgage payment PITIA for qualifying purposes. ▪ Section 4.2 Submission Requirements: Updated the list of required documents.

SECTION 8
TrueGuide® Revisions

For additional details, refer to the applicable Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming
Sec. 2.3.2 – AUS Conforming High Balance
Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming
Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo
Sec. 3.13.4 – Non AUS Medical Professional Program

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY

1.1.2021	Version 4.3:
	▪ COVID-19 Guidelines: Removed reference to an effective date.
	▪ Sections 2.3 and 3.13 Product Eligibility Matrices: Updated maximum eligible loan amounts and footnotes.
	▪ Sections 2.2.14 & 3.6.1.7 Manufactured Homes, Section 3.6.1.9 Accessory Unit and Section 3.6.2 Ineligible Property Types:
	  ▪ Clarified that a single-wide manufactured home accessory unit is ineligible.
	▪ Section 2.2.15 Automated Tool:
	  ▪ Clarified that the Automated Tool must also meet the applicable GSE requirements.
	▪ Section 3.5.3.2 Additional Eligible Assets:
	  ▪ For wedding gift funds, expanded the allowable time frame for the wedding gift funds to be on deposit in the borrower's account from 60-days out to 90-days from the date of the wedding or marriage license date.

6.1.2021	Version 4.4: (effective 6/1/2021, unless otherwise noted) ▪ COVID-19 Guidelines: Removed the one overlay regarding borrower's forbearance explanation letter (effective 3/8/2021 – see National MI Bulletin UW 2021-01) ▪ Section 1.4 Delegated Underwriting Authority: For loans requiring a non-delegated MI submission, removed expired or cancelled Commitments – refer to Section 4.4. ▪ Sections 2.2.5 & 3.3.2 Occupancy: Clarified that the borrower's occupancy attestation on the loan application must not contradict other risk variables within the transaction. ▪ Sections 2.2.9, 3.4.7.1, 3.5.3.3 & 3.13.3 Assets & Affordable Lending: Expanded to allow Cash-on-Hand as an eligible source of funds for an AUS and Non-AUS Affordable Lending mortgage per applicable GSE or HFA requirements. ▪ Sections 2.2.13 & 3.6.7 Appraisal Review with Fannie Mae CU®: Clarified that the <= 2.5 CU® Score and eligible for Fannie Mae Day 1 Certainty Appraisal rep & warrant relief may be documented on either the CU® Print Report or UCDP SSR from CU®. ▪ Sections 3.4.7.3, 3.4.7.4, 3.5.3, 3.5.3.1, 3.13.1, 3.13.3 & 3.13.4 Borrower Minimum Contribution (Occupant Borrower's Own Funds): For loan amounts meeting the GSE conforming or high balance/super conforming loan limits, expanded to allow the occupant borrower's minimum 3% contribution to come from gifts/grants on 1-unit Primary, no secondary financing, and either (i) minimum 3% verified in occupant borrower's asset accounts, or (ii) occupant borrower has minimum 720 FICO. Affordable Gift Feature replaced with expansion noted above. ▪ Sections 3.5.1.1 Form Requirements & 4.2 Submission Requirements: Updated the 4506 form number. ▪ Section 3.5.1.19 Retirement Asset Liquidation as Income: Added the list of eligible documents; clarified the requirement for borrower's unrestricted access without penalty; and removed the 70% adjustment requirement.

SECTION **8**

TrueGuide® Revisions

For additional details, refer to the applicable Product Eligibility Matrix:

Sec. 2.3.1 – AUS Conforming	Sec. 2.3.2 – AUS Conforming High Balance	Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming	Sec. 3.13.3 – Non AUS Affordable	
Sec. 3.13.2 – Non AUS Jumbo	Sec. 3.13.4 – Non AUS Medical Professional Program	

TrueGuide® Revision History

EFFECTIVE DATE	REVISION SUMMARY
6.1.2021	Version 4.4: (cont'd) ▪ Section 3.5.3.1 Acceptable Sources of Borrower's Own Funds – Proceeds from the Sale of Assets other than Real Estate Owned: Expanded to only require evidence of value of the sold asset when the proceeds from the sale exceed 50% of the qualifying income; and added that the asset purchaser must not be an interested party. ▪ Section 3.5.5.2 Qualifying Payment Amounts for Open 30-Day Charge Accounts: Changed to require either the file evidence sufficient funds to pay-off the open 30-day charge account, or the full amount of the outstanding balance on the open 30-day charge account is to be included in the DTI. ▪ Section 4.4 Commitment and Insurance Activation: Clarified the insured's obligations under the Commitment; and relocated some of the Section 4.4 content into new Sections 4.4.1 and 4.4.2.
12.18.2021	Version 4.5: (effective 12/18/2021, unless otherwise noted) ▪ Section 1.1 Underwriting Philosophy: Added clarifying comprehensive credit assessment and fraud assessment within National MI's underwriting philosophy. ▪ Section 1.8.1 Financed MI: Added clarifying financed MI section. ▪ Section 2.1.4 Comprehensive Credit Assessment: Updated the list of TrueGuide® Section 3 Non-AUS/Manually Underwritten terms that are allowed for AUS loans. ▪ Sections 2.2.2 & 3.4.2 Purpose: Added reference to RefiNow™ and Refi Possible℠ (effective 5/5/2021 as outlined in National MI Bulletin 2021-03). ▪ Sections 2.2.6 & 3.2.1 Citizenship & Residency: Updated DACA and ITIN requirements. ▪ Sections 2.2.7 Credit History; 3.5.4.4 & 3.5.4.5 Representative FICO Score: Clarified that the middle/lower method is used to calculate the representative FICO score; and that averaged credit scores are not considered for underwriting eligibility or pricing purposes. ▪ Sections 2.3 and 3.13 Product Eligibility Matrices: Updated maximum eligible loan amounts and footnotes (effective 11/30/2021 as outlined in National MI Bulletin 2021-06). ▪ Section 3.1.4 ARMs: Updated the criteria for qualifying ratios. ▪ Section 3.3.3 Occupancy Conversion: Added that the fully executed lease must have a minimum original 6-month term in order to use departure residence rental income in qualifying. ▪ Section 3.4.7 Affordable Lending: Clarified the financed MI and gross LTV guidelines. ▪ Section 3.5.1.1 Most Recent Year for Income Documentation: Updated the year in the examples. ▪ Section 3.5.1.19 Retirement Assets and Other Assets Used as Qualifying Income: Added other asset types that may be used as qualifying income. ▪ Section 3.7.1 Financed Premiums & LTV: Clarified the base LTV and gross LTV guidelines. ▪ Section 3.13.4 Non-AUS Medical Professionals Program: Added DVM, VMD, DACVS, PharmD and PA as eligible medical professions. ▪ Section 4.2 Submission Requirements: Updated the list of required documents.

SECTION 8
TrueGuide® Revisions

For additional details, refer to the applicable Product Eligibility Matrix:
Sec. 2.3.1 – AUS Conforming   Sec. 2.3.2 – AUS Conforming High Balance   Sec. 2.3.3 – AUS Affordable
Sec. 3.13.1 – Non AUS Conforming   Sec. 3.13.3 – Non AUS Affordable
Sec. 3.13.2 – Non AUS Jumbo   Sec. 3.13.4 – Non AUS Medical Professional Program

01/03/2023 Version 4.6: (01/03/2023, unless otherwise noted)

- Section 2.1.4 Comprehensive Credit Assessment - Added Asset Documentation – Depository Balances in Section 3.5.3.1 to the list of non-AUS terms that are allowed for AUS Approved loans.
- Section 1.4 Delegation Authority - For loans >$1,100,000 Non-Delegated Underwriting Path is required
- Sections 2.2.12 and 3.12.7 New York LTV Assessment- Changed to use the same New York LTV Assessment for BPMI and LPMI solely based on property location.
- Sections 2.3 and 3.13 Product Eligibility Matrices: Updated footnotes (effective 3/12/2022 as outlined in National MI Bulletin 2022-02) that the MI premium must be included in the DTI for underwriting eligibility purposes and that MI premium may be excluded from the DTI for pricing purposes.
- Section 3.1.4 ARMs - Expanded the list of eligible index types; and change “Qualifying Ratios” to “Qualifying Rate”
- Section 3.1.5 Subordinate Financing - Changed to not allow secondary financing to be resubordinated unless it is a Community/Affordable Seconds
- Sections 3.13.1 and 3.13.2 - Increased minimum reserve requirements for second homes and investment properties from 2 to 6 months
- Section 3.2.1 Citizenship & Residency - Added that for > $1,000,000 Jumbo loan amounts, the borrowers with qualifying income must be U.S. citizens or permanent resident aliens
- Section 3.2.2 Non-occupant Co-borrowers - Added reference to product eligibility matrices to determine additional restrictions regarding minimum percentage of occupant borrower’s own funds
- Section 3.2.3 Co-signers - Moved shared equity policy from Section 3.3.1 and clarified shared equity definition
- Section 3.4.2 Rate/Term Refinance - Added that paying down purchase-money subordinate liens is acceptable where the product eligibility matrix permits existing Community/Affordable Seconds to be resubordinated; and added reference to Section 3.4.5 for Construction-to-Perms and Section 3.4.6 Home Renovations
- Section 3.4.9 Seasoned Loans, added several additional requirements
- For the age of the VVOE, added that if the VVOE is >120-days aged, then an updated VVOE aged <=120-days is required for each borrower with qualifying income
- For the age of the Appraisal, we will add in the TG that if the Appraisal is >120-days aged but <-12-months aged, then a Recert of Value aged <=120-days is allowed when the appraisal report is also provided; and if the Appraisal is >12-months aged, then an updated Appraisal is required
- Section 3.5.1.23 - For Jumbo loan amounts >$1,000,000 when income is verified by a VOE, documentation must include at least one paystub supporting income
- Section 3.5.3.1 – For Jumbo loan amounts >$1,000,000 when an asset account balance is verified by a VOD, documentation much include at least one statement for that account.
- Section 3.5.1.26 Self-Employment – Documentation: Added reference to product eligibility matrices to determine additional restrictions regarding self-employed documentation
- Section 3.5.3.1 Source of Minimum Borrower Contribution: (i) Depository Balances: Added reference to transaction histories being provided by the borrower or applicable financial institution

- Section 3.5.5.2 Qualifying Payment Amounts – New Mortgage Payment: Clarified that < 5-year ARMs may also be qualified at initial note rate plus 2%
- Section 3.5.5.3 DTI Ratios - Added (effective 3/12/2022 as outlined in National MI Bulletin 2022-02) that the MI premium must be included in the DTI for underwriting eligibility purposes and that MI premium may be excluded from the DTI for pricing purposes; and added reminder that non-occupant coborrowers are not considered when determining the DTI
- Section 2.3.1, 2.3.2, 2.3.3, 3.13.1, 3,13.2, 3.13.3, 3.13.4 (Matrices) have been updated with the new 2023 loan limits and/or references/clarifications for changes above