



MICHIGAN MUTUAL, INC.

YOUR HOME LOAN PARTNER

Conventional Underwriting Guidelines

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Michigan Mutual Underwriting

Philosophy

Michigan Mutual underwrites and purchases all types of residential mortgages. These programs and products can be found in our Product Matrices (located on [MMI's website](#)) and on our daily rate sheet. The Product Matrices will reference specific product features and requirements (such as maximum Loan-to-Value ratios and minimum credit score requirements, if any). This guide is intended to address unique underwriting situations.

Michigan Mutual uses Automated Underwriting Systems (AUS). Generally, Underwriters validate to the conditions set forth by the AUS. However, there are circumstances where underwriters will need to add conditions to the loan. These guidelines are meant to serve as a guide for obtaining adequate documentation to enable us to satisfy those conditions.

Michigan Mutual underwrites a borrower's creditworthiness based solely on information that we believe is indicative of the applicant's willingness and ability to pay the debt they would be incurring. We prudently underwrite to the standards and guidelines of the FNMA. Due to a multitude of factors involved in a loan transaction, no set of guidelines can contemplate every potential situation. Therefore, each case is weighed individually on its own merits. Michigan Mutual's underwriting philosophy is to weigh all risk factors inherent in the loan file, giving consideration to the individual transaction, borrower profile, the level of documentation provided and the property used to collateralize the debt.

Our commitment to fairness and equal opportunity is clear and unequivocal. The application of fair and consistent underwriting practices is mandated in the underwriting guidelines outlined in this guide. All loans considered for denial will be subject to a second level review prior to a final decision.

As our guidelines and processes are impacted by external market conditions, it will be necessary for us to reevaluate the guidelines in this manual from time to time. Occasionally, revisions will be made. As applicable, corporate written notifications and updates will be provided you and incorporated into these guidelines.

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Program Description

These underwriting guidelines describe FNMA underwriting guidelines for one to four family conventional mortgages. This set of underwriting guidelines does not represent the entire FNMA underwriting manual

Note: The underwriting information contained in this section is intended for use in conjunction with FNMA Guidelines. Unless otherwise stated all FNMA loans must conform to applicable FNMA one-to-two family housing requirements as well as federal, state and local law compliance. Michigan Mutual reserves the right to deny any loan which does not meet these guidelines/requirements. To the extent that any conflicts exist between the provisions set forth in FNMA guidelines and Michigan Mutual's guidelines described then the guidelines described by Michigan Mutual will prevail.

All loans must be prudently underwritten by MMI and be of sound investment quality. Loans having serious credit and/or property deficiencies may be denied at the option of Michigan Mutual.

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Loan Requirements

- 10, 15, 20, 25 and 30 year fixed rate terms available.
- Minimum 640 credit score, regardless of AUS decision.
- Minimum loan amount is \$40,000 (\$75,000 for investment properties).
- Maximum mortgage amount of \$417,000 for a Single Family Residence, or \$533,850 for a 2-family property. High balance loans not eligible.
- Maximum number of borrowers allowed on a loan is 4
- DU findings reflecting Approve/Eligible (Version 8.2)
- Maximum 97% LTV on all Purchases and Rate/Term Refinances (for borrowers that qualify for Mortgage Insurance)
- Maximum 80% LTV on cash out refinances, or for borrowers that do not otherwise qualify for Mortgage Insurance
- CLTV Maximums must meet MMI requirements for subordinate financing on purchase and refinance transactions. See individual product descriptions below for CLTV limitations.

Loan Restrictions (Ineligible)

- Cash out refinances > 80% LTV
- Cash out refinance on 2 Unit or Investment Properties
- 3-4 unit properties
- Investment Condos in Florida
- Manufactured Homes
- Loans approved based on non-traditional credit history (a traditional credit report with valid credit scores is required)
- Refinance loans containing restructured/short payoffs
- Loans requiring manual underwrites (loans that receive a Refer or that do not otherwise receive an Approve/Eligible)

Debt-to-Income Ratios:

- ≤ 60% LTV Max 50% Back End ratio
- > 60% LTV Max 45% Back End ratio

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Collateral Requirements

To be eligible for financing, a property is to be free of health and safety hazards and major structural problems.

Eligible Collateral

- Single Family Residences and 2-unit dwellings
- Planned Unit Developments (PUDs)
- Townhome/Rowhome
- Condominiums
- Log; Dome; Berm Homes; Pier Foundations; Auxiliary/Accessory Dwelling Units; Homes with extreme functional obsolescence (i.e. one bedroom). Must be common and typical for the area and have like comparables
- Modular Homes
- Properties located in age-restricted communities. Must be common and typical for the area and have like comparables.

Ineligible Collateral

- Properties containing 3 or greater units
- Mobile/Manufactured Homes
- Agricultural; Commercial/Industrial use
- Income producing properties/Mixed Use Properties.
- Leasehold Properties (title must be held in Fee Simple interest only)
- Properties currently listed for sale (refinances)
- Time-Share Units
- Construction Financing
- Properties vested in any Life Estates, Trusts, or LLCs
- Multiple dwellings on a single parcel of Land
- Unwarrantable Condominiums
- New construction homes purchased at auction

Appraisals

Appraiser Independence

MMI conforms to Appraiser Independence and as such, is prohibited from accepting appraisals prepared by appraisers who are selected, retained or compensated in any manner by a mortgage broker (or any member of a lender's staff who is compensated on a commission basis). MMI requires that all conventional appraisals are ordered through your designated Appraisal Management Company (AMC). Please note that Appraiser Independence does not apply when a Form 2075 is obtained (per the DU Findings).

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Approved Appraiser List

MMI does not use an approved appraiser list. Therefore, a copy of the appraiser's license and current Errors & Omissions insurance will be required. All appraisals will be underwritten on a case-by-case basis.

Uniform Appraisal Dataset (UAD)

Effective for residential property appraisals with an effective date (date of inspection) of September 1, 2011 or after, appraisal reports must be completed in compliance with the Uniform Appraisal Dataset (UAD). This rule applies to all Conventional mortgage loans.

The UAD defines all fields required for an appraisal submission for specific appraisal forms and standardizes definitions and responses for a key subset of fields. UAD was formulated to improve the quality and consistency of appraisal data. The UAD does not change the look of the existing appraisal forms, but some fields on the forms are being extended to include additional information.

The appraisal forms that must be UAD-Compliant effective September 1st are:

- *Uniform Residential Appraisal Report (FNMA Form 1004)*
- *Individual Condominium Unit Appraisal Report (FNMA Form 1073)*
- *Exterior-Only Inspection Individual Condominium Unit Appraisal Report (FNMA Form 1075)*
- *Exterior-Only Inspection Residential Appraisal Report (FNMA Form 2055)*

NOTE: *MMI is unable to accept properties with a Condition Rating of C5 or C6, nor a Quality Rating of Q5 or Q6.*

Appraisal Order Process

MMI requires that all Conventional appraisals are ordered through one of our designated Appraisal Management Companies (AMCs). MMI provides links on our website to order appraisals.

- Begin at the MMI website home page (www.michiganmutual.com) to order your appraisal through your assigned AMC.
- Place FHA* appraisal order in the name of Michigan Mutual, Inc. as required by HUD/FHA (enter all pertinent data including payment information). All appraisals must be paid for with a credit card at the time order is placed.
- Upload any required documents such as the Purchase Agreement.
- The AMC will schedule the appointment with the borrower or realtor as appropriate and complete the appraisal report.
- Upon completion of the appraisal report, the AMC will contact the broker via email. It is the broker's responsibility to obtain the original report from the AMC and submit the original appraisal to MMI at the time of underwriting.
- MMI will require certification from the AMC (to be included with the appraisal) that the appraisal was ordered in accordance with HUD/FHA Appraiser Independence Requirements.

***NOTE:** *To accommodate those instances where a loan may be switched from Conventional financing to FHA financing, it is MMI's policy that all appraisals will be ordered and performed by an FHA Roster appraiser. This will enable the properties to be inspected for FHA requirements at the time of initial inspection so it will not be necessary for a new appraiser to inspect the property.*

Borrower's Right to Receive Copy of Appraisal

Under the Dodd Frank Act, the borrower is required to receive a copy of their appraisal at least 3 days prior to closing. Evidence of borrower's receipt (typically an email read receipt) is required.

Appraisal Report Forms

- Uniform Residential Appraisal Report (Form 1004): Used for single family properties, including those with an accessory unit, an individual unit in a PUD project, or a site condominium.
- Small Residential Income Property Appraisal Report (Form 1025): Used for 2 unit properties (including those that are located in a PUD project).
- Individual Condominium Unit Appraisal Report (Form 1073): Used for individual units in condominium projects.
- Market Conditions Addendum (Form 1004MC): Required for all Conventional loans with appraisals.
- Appraisal Update and/or Completion Report (Form 1004D): Required to report the completion of repairs and/or the satisfaction or requirements and conditions noted in the original appraisal report for existing properties and proposed/new construction. This is also used to extend the validity period of an existing appraisal that is due to expire (the appraisal may only be extended one time and must be extended before the expiration date of the existing appraisal).
- Comparable Rent Schedule (Form 1007): Required on all investment property transactions, including 2 unit properties in which the borrower will occupy one unit as a primary residence, regardless if rental income is used in the qualification.
- Exterior-Only Residential Appraisal Report (Form 2055): Used for single family properties, including an individual unit in a PUD project or a site condominium when determined by the AUS findings.
- Exterior-Only Inspection Individual Condominium Appraisal Report (Form 1075): Used for individual units in condominium projects when determined by the AUS findings.
- Desktop Underwriter Property Inspection Report (Form 2075): Used for single family properties, including an individual unit in a PUD project or a site condominium when determined by the AUS findings. HVCC does not apply when obtaining the 2075.
- Operating Income Statement (Form 216): Required on all investment property transactions, including 2 unit properties in which the borrower will occupy one unit as a primary residence, regardless if rental income is used in the qualification.

Fannie Mae Property Inspection Waiver (PIW)

This may be used if the DU Findings Property and Appraisal Information section indicate a finding stating DU accepts the value submitted as the market value for the subject property and the loan is eligible for delivery to Fannie Mae without an appraisal. A \$75 fee will be charged to exercise this waiver. If the waiver is not exercised, at least the minimum level of fieldwork recommended for the transaction must be obtained. **The Property Inspection Waiver may not be used on: Investment Properties, New/Proposed Construction and bank/HUD/Fannie Mae/Freddie Mac owned properties.**

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Appraisal Rebuttal Process

Loan in Processing Stage

If the appraised value is such that processing of the loan cannot continue, it is the broker's responsibility to rebut the appraisal through the AMC's website. Ensure you provide supporting documentation such as comparables, recent listings, etc. **Under no circumstances are brokers allowed to directly contact the appraiser.**

Loan in Underwriting Stage

If an underwriter is requesting additional comparables (as well as any clarifications and/or corrections) from the appraiser as a requirement of loan approval, then the MMI underwriter will condition the loan appropriately. It is the broker's responsibility to communicate through the AMC. **Under no circumstances are brokers allowed to directly contact the appraiser.**

Appraisal Portability

In transactions where the appraisal is done and submitted in the name of another lender and is transferred to MMI, the file must contain a fully completed and executed Appraiser Independence Compliance Lender Acknowledgment Form (may be located on our website if the lender does not have their own format). If the loan is withdrawn or denied and the borrower applies with another lender, MMI will complete and execute the Compliance Lender Acknowledgment Form and assign the appraisal to another lender. In these instances, please contact Client Relations or your Account Executive. In accordance with the Uniform Standard of Professional Appraisal Practice (USPAP), the broker/lender **is not** permitted to request that the appraiser change the name of the client within the appraisal report. Michigan Mutual will accept the appraisal report in the name of the original Lender. It is the broker's responsibility to obtain and provide the initial appraisal completed for the transaction.

Appraisal Validity Period

Conventional appraisals will be valid for **120 days** for all property types: existing, proposed construction and under construction (formerly 6 months for existing property that is complete and 12 months for proposed and under construction). The Appraisal Update and/or Completion Report (FNMA Form 1004D) will be required to extend the validity period of an existing appraisal that is due to expire for existing, proposed, or new construction that is incomplete. The appraisal will then be valid for an additional 120 days. The appraisal may only be updated one time.

Second Appraisal Requirements

A second appraisal is required for investment properties valued under \$100,000. Appraisal must meet Appraiser Independence requirements.

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FEMA Declared Disaster Area Policy

- If the subject property has had an appraisal completed prior to a declared disaster, prior to the end date of a declared disaster, or after a declared disaster with no comments addressing the post-disaster condition of the property from the appraiser, a 1004D with photos will be required to recertify the value/condition of the subject property.
- For properties located in declared disaster areas, non-standard appraisals (Property Valuation Update, PIW, 1075, 2055, 2075, 2095) are not allowed for 120 days after the disaster incident period end date.

Repair Escrows

Not allowed on Conventional loans.

Minimum Square Footage

- All properties must have a minimum of 750 square feet.
- Exceptions will be considered for properties between 650 and 749 square feet if two thirds of the comparables also have <750 square feet.

Acreage

No maximum number of acres; however, property cannot have agricultural use and comparables must have similar acreage.

Age-Restricted Communities

Certification from the HOA will be required, verifying:

- Community must be intended and operated for occupancy by persons 55 years of age and older
- At least 80% of the occupied units must be occupied by at least 1 person who is 55 years of age or older

Estimated Remaining Economic Life

The appraiser is required to indicate the estimated remaining economic life of the subject property as a single number or as a range (must be deemed acceptable for at least the term of the new mortgage).

Commercial/Industrial Zoning

While there are no zoning classification restrictions, the property must have residential use and all comparables must have similar influence. The Zoning Compliance must be Legal or Legal Non-Conforming. The highest and best use of the subject property as improved (or as proposed) must be the present use. Illegal properties are not eligible for Conventional financing.

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Properties Listed For Sale within the Last 6 Months (Refinances)

Cash Out Transactions

The MLS listing is required to be cancelled at least six months prior to the application date or the loan is subject to a maximum 70% LTV. In all circumstances, listing agreements must be cancelled prior to the loan application. The listing agreement, evidence of cancellation, and signed/dated explanation from the borrower with the reason why the property was for sale is required at the time of loan submission.

Rate/Term Transactions

The MLS listing is required to be cancelled prior to loan application date. The listing agreement, evidence of cancellation, and signed/dated explanation from the borrower with the reason why the property was for sale is required at the time of loan submission.

NOTE: *These properties pose an increased risk to MMI, therefore may be subject to additional documentation and/or limitations.*

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Condominiums

If the word “condo” appears in the legal description, the property will be deemed a condominium.

Conventional HOA Questionnaire

This must be included at time of initial underwriting, regardless if AUS findings indicate a limited review. It is located on MMI’s website.

Limited Review/Condo Project Manager

See below for eligibility requirements. If complex is **not** FNMA approved, the condo must meet Fannie Mae requirements (see below for documentation requirements) and additional documentation such as complete Master Deed, Bylaws and Budget may be required.

Insurance Requirements

Hazard Insurance (Project Approval)

The homeowners’ association is required to:

- Maintain adequate “master” or “blanket” property insurance in an amount equal to 100% of current replacement cost of the condominium exclusive of land, foundation, excavation and other items normally excluded from coverage;
- If the HOA does not maintain 100% coverage, the unit owner may not obtain “gap” coverage to meet this requirement.

HO-6 (Loan Level)

The unit owner is required to:

- Obtain a “walls-in” coverage policy (HO-6) if the master or blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage to insure improvements that the borrower may have made to the unit. The dwelling coverage needs to reflect 20% of the appraised value of the subject property, at a minimum.

Liability (Project Approval)

The Homeowners’ Association is required to:

- Maintain comprehensive general liability insurance covering all of the common elements, commercial space owned and leased by the owners’ association, and public ways of the condominium.

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Fidelity Bond / Fidelity Insurance (Project Approval)

May also be known as “Employee Dishonesty” or “Crime Policy”. For all new and established projects with more than 20 units, the **homeowners association** is required to obtain and maintain this insurance;

- The homeowners association must maintain this insurance for all officers, directors, and employees of the association and all other persons handling or responsible for funds administered by the association;
- The coverage must be no less than a sum equal to three months aggregate assessments on all units plus reserve funds unless State law mandates a maximum dollar amount of required coverage.

If the homeowners association engages the services of a management company, the homeowners association must require the **management company** to maintain this insurance coverage for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the owners association. The required coverage must meet the following requirements:

- Must name the owners association as an obligee;
- Must be in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the owners association or management agent at any given time during the term of each bond;
- In no event may the aggregate amount of such bonds be less than a sum equal to 3 months aggregate assessments on all units plus reserve funds unless State law requires a maximum amount of required coverage.

Flood (Project and Loan Level)

The homeowners’ association is required to obtain and maintain:

- Coverage equal to the replacement cost of the project less land costs or up to the National Flood Insurance Program (NFIP) standard of \$250,000 per unit, whichever is less;
- The maximum limit of building insurance coverage of a residential condominium building in a regular program community is \$250,000 times the number of units in the building (not to exceed the building’s replacement cost);
- The homeowners association, not the borrower or the individual unit owner, is responsible for obtaining and maintaining adequate flood insurance under the NFIP on buildings located in a Special Flood Hazard Area (SFHA); and
- The flood insurance coverage must protect the interest of borrowers who hold title to an individual unit as well as the common areas of the condominium project;

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Site Condominiums

Condominium project approval is not required for Site Condominiums. Site Condominiums are single family totally detached dwellings (no shared garages or any other attached building) encumbered by a declaration of condominium covenants or condominium form of ownership. Condominiums (including detached condominiums) that do not meet this definition will require project approval. The Uniform Residential Appraisal Report (Form 1004) will be required. The Individual Condominium Unit Appraisal Report (Form 1073) is no longer required and the Condominium Rider to the Mortgage/Deed of Trust (prepared by MMI) must be fully executed at closing. Site Condominium comparables should be used in completing the appraisal report. If the appraiser uses comparables other than site condos, they must provide an explanation in the appraisal report.

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Eligible Projects

- All common areas and recreational facilities must be completed. The Final Certificate of Occupancy for the final unit and/or subject unit may be required.
- Additional phasing and/or add-ons are permitted.
- If the project is a conversion of an existing building, the legal phase of conversion must have been completed for at least 1 year
- Control of the Homeowners Association must have transferred from the developer to the unit owners.
- Projects must consist of at least 2 units.
- A minimum of 70% of the units in the project or subject's legal phase must be sold to bona fide purchasers who have either closed or have executed a purchase contract.
- No more than 30% of total number of units sold may be rented
- No more than 10% of units may be owned by a single investor
- No greater than 15% of the total units can be more than 30 days past due on their association dues
- If the project has any special assessments pending, their impact on the units and marketability must be analyzed. Any increase in dues must be included in the qualifying ratios. Typically, a newer project will have pending assessments.
- If the HOA is involved in any pending litigation, the complex is generally not eligible for financing. Exceptions may be made, however, providing the litigation does not negatively impact the project or the rights of the unit owners.
- If the project contains any adverse environmental factors that affect the project as a whole **or** the individual units, the appraiser must address their impact on value and marketability. A determination will be made by underwriting based on their findings.
- The HOA must have a Reserve Fund separate from the Operating Account. The budget must be adequate to ensure sufficient funds are available to maintain and preserve all amenities and features unique to the project, to provide for the funding of replacement reserves for capital expenditures and deferred maintenance in an account representing at least 10% of the budget, and to provide adequate funding for insurance coverage and deductibles. The total budget is also needed to calculate the required amount of Fidelity Bond insurance.
- The legal documents of the project must not include any restrictions on sale which would limit the free transferability of title (for example, age restrictions, right of first refusal, other deed/income restrictions)
- Mortgagee may not be held responsible for more than 6 months of HOA dues if a unit is taken over in foreclosure or deed-in-lieu
- The subject unit must be part of a legally established condominium project, in which common areas are owned jointly by unit owners.
- The units in the project must be held in fee simple title.
- The amenities / recreational facilities must be owned by the HOA

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Eligible Projects (continued)

- The property may not operate as a resort or hotel, renting units on a daily/weekly basis. It may not offer services such as housekeeping, restaurant/food service, time shares, mandatory rental pool, or commercial space in excess of 20% of the property's total floor area in the project.
- The HOA must be the named insured on the master insurance policy.
- Common elements / limited common elements must be insured to 100% replacement cost.
- Deductible may not be greater than 5% of the total coverage on the master policy. The total coverage amount should make sense for the size project. Insurance must be in force at loan closing.
- If any unit or common improvement is located in a flood zone, the project must carry flood insurance reflecting 100% current replacement cost (or maximum available). Deductible cannot exceed \$25,000. If less than adequate coverage, a gap dwelling policy will be required.
- The HOA's general liability insurance policy must have a minimum of \$1 million per occurrence
- The HOA must carry fidelity bond coverage for projects over 20 units (or per state requirements). The HOA coverage must be at least equal to the greater of 3 months HOA dues or reserves (divide total budgeted for the year by 4, or use reserves).
- A minimum of 10 days are required for written notification to be given to HOA or insurance trustee before any substantial changes or cancellations of the project coverage can be made

Max LTV on Florida Condos

- Primary Residence is 75%
- Second Home is 70%
- Investment Properties are not eligible

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Condominium Documentation Requirements

Limited Review

The Limited Review process is intended to be used on a “spot loan” basis, meaning that brokers may originate loans that arise through the ordinary course of business. A broker may originate more than one loan in a particular project under the Limited Review process provided the project is an established project and meets the requirements for Limited Review. However, if the broker has targeted the project with specific marketing efforts or is named as a preferred broker by either the developer or the project's home owner's association, the project is ineligible for Limited Review and the broker must use one of the other project review processes. Limited Review eligibility criteria for condominium units differ depending upon the occupancy status. In addition, DU will issue a Limited Review eligibility finding.

The following chart provides the maximum LTV and CLTV ratios based on occupancy types:

Limited Review: Attached Established Projects - (<u>excludes Florida</u> - see below)	
Occupancy Type	Maximum LTV/CLTV%
Principal Residence	≤80%
Second Home	≤75%
Investment Property	Not Allowed

Limited Review: Detached Established Projects - (<u>excludes Florida</u> - see below)	
Occupancy Type	Maximum LTV/CLTV%
Principal Residence	≤80%
Second Home	≤75%
Investment Property	≤75%

Limited Review: Attached Established Projects - <u>State of Florida</u>	
Occupancy Type	Maximum LTV/CLTV%
Principal Residence	≤75%
Second Home	≤70%
Investment Property	Not Allowed

Limited Review: Detached Established Projects - <u>State of Florida</u>	
Occupancy Type	Maximum LTV/CLTV%
Principal Residence	≤80%
Second Home	≤75%
Investment Property	≤75%

Limited Review Documentation Requirements

- **The Conventional Condominium Homeowner's Certification form found on the MMI website must be utilized for a Limited Review.** This form must be completed in its entirety by the Condominium Homeowner's Association.
- Master Insurance Policy for unit including General Liability, Fidelity Bond and Flood Insurance, if applicable.

Expedited Review / Condo Project Manager (CPM)

Condo Project Manager (CPM) is a web-based tool designed to help MMI determine if a project will meet Fannie Mae's eligibility requirements. Loans not meeting the eligibility requirements for a Limited Review are required to be entered into CPM. MMI will input loans in CPM and the loan file must be documented according to the CPM decision.

Expedited Review/CPM Documentation Requirements

- The Conventional Condominium Homeowner's Certification form (found on the MMI website) must be utilized for loans reviewed by Condo Project Manager. This form must be completed in its entirety by the Condominium Homeowner's Association.
- Current Budget with Reserves
- Master Insurance Policy for unit including General Liability, Fidelity Bond and Flood Insurance, if applicable.

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Credit

Documentation Requirements

Verification of Institutional Mortgage History

A current payoff is required on all refinance transactions and one of the following:

- Verification of Mortgage dated within thirty days of closing.
- If mortgage history is current on credit bureau and last reported date is within sixty days, and payoff shows current, no Verification of Mortgage is required. This applies to subject property and any other properties owned. (If mortgage is included as part of a bankruptcy or is otherwise not reported accurately on credit report, a payment history/ledger will be required).
- 12 months canceled checks (front and back) or 12 consecutive month's bank statements showing payments.

Verification of Rental Payment History

If Verification of Rental Payment History is required, one of the following options may be used:

- VOR from an uninterested party
- 12 months canceled checks (front and back) or 12 consecutive month's bank statements showing payments

Land Contract/Contract for Deed

- Copy of Land Contract
- Last 12 (or from inception of the contract) consecutive months canceled checks (front and back), or bank statements showing payments.

Lease With Option to Purchase

- Copy of Lease w/Option Agreement
- Last 12 consecutive months canceled checks (front and back), or bank statements showing payments.

NOTE: All lease options are treated as purchase transactions. Any deposit put down at the time agreement was executed can be used toward the down payment, as long as a copy of cancelled check can be provided as verification. Rent credit can be applied for the amount of rent paid over and above the standard market rents (as evidenced by a comparable rent schedule provided with the FHA appraisal).

Housing Payment History

All Conventional loans require a 0x30 housing payment history in the last 12 months.

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Bankruptcy

Chapter 7 Bankruptcy

MMI will deem the age of the bankruptcy by the discharge/dismissal date for Chapter 7. Chapter 7 BKs discharged less than 4 years will be ineligible.

Chapter 13 Bankruptcy

Discharged Chapter 13s

MMI will deem the age of the bankruptcy by the discharge date. Chapter 13 BKs discharged within the last 2 years will be ineligible.

Dismissed Chapter 13s

MMI will deem the age of the bankruptcy by the dismissal date. Chapter 13 BKs dismissed within the last 4 years will be ineligible.

Foreclosure/Deed-in-Lieu

MMI will deem age of the foreclosure by the completion date (Sheriff's Deed). Time elapsed must be 7 years or greater. Borrower must have a 680 credit score, and purchase transactions may only be for primary residence.

Pre-Foreclosure Sales / Short Sales

If borrowers have had a Pre-Foreclosure Sale / Short Sale over 36 months ago, they are eligible for financing up to 80% Loan-to-Value with satisfactory reestablished credit. If the Pre-Foreclosure sale occurred within the last 36 months, loan is ineligible for financing with MMI.

Consumer Credit Counseling

Acceptable on Approve/Eligible AUS findings with no additional documentation required.

Credit Score

MMI will require a minimum credit score of 640. MMI will take the middle score from the three reporting credit repositories. If only 2 of 3 scores report, the lower of the 2 scores will be used. Borrowers with only 1 credit score may be considered with traditional credit depth. MMI does not underwrite loans for borrowers with only non-traditional credit.

NOTE: At times, non-traditional credit may be requested / utilized to supplement and/or strengthen a borrower's credit profile.

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Valid Credit Score

Validating credit scores is subjective, and it typically requires 2-4 tradelines to validate a credit score depending on depth of credit, the type of tradeline, and length of time established. If you are in doubt, email our scenario help desk (scenarios@michiganmutual.com), submit your scenario through our website, or contact your Account Executive. Submission of a full credit package including all income and asset information for underwriter review may be required.

Borrowers/Co-borrowers

Occupying

MMI requires a minimum 640 middle credit score for all borrowers.

Non-Occupying Co-borrowers

MMI does not allow non-occupant co-borrowers on Conventional loans.

Disputed Accounts

When erroneous or disputed accounts are identified on the DU Findings Report, the accuracy of the disputed tradeline(s) must be verified to determine if the tradeline(s) belong to the borrower and confirm the accuracy of the payment history. To satisfy these conditions, one of the following options must be used:

- If the tradeline **does not** belong to the borrower, or the reported payment history is **inaccurate**, written documentation satisfying the DU condition must be obtained and included in the loan file. Under these circumstances, when the information is validated, DU may require no further action.
- If the tradeline **does** belong to the borrower and the reported payment history is **accurate**, the disputed tradeline(s) must be considered in the credit risk assessment. To ensure the disputed tradeline is considered, a new credit report must be obtained with the tradeline(s) no longer reported as disputed and resubmit the loan casefile to DU.

As manual underwriting is not available on MMI's Conventional program, the DU requirement must be satisfied by using one of the above-stated options.

Credit Inquiries within 90 days of Report Date

All credit inquiries dated within the last 90 days of report date must be addressed by the borrower(s). An itemized list detailing each inquiry must be provided (date, creditor, and outcome), along with a satisfactory explanation for each inquiry. A blanket statement addressing all inquiries at once is unacceptable. If any new debt was incurred, provide evidence of terms for inclusion in debt ratio.

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Accounts with No Monthly Payment Reported

For revolving and installment debt, MMI will use 5% of the monthly balance if the credit report does not reflect a monthly payment, or if satisfactory documentation of the monthly payment amount cannot be provided. For revolving accounts, the greater of 5% of the balance or \$10 will be used.

Open 30-Day Charge Accounts

Open 30-day charge accounts must be paid off at or prior to closing if:

- the borrower is unable to document sufficient assets to cover the unpaid balance, or
- the borrower is unable to document that the charges will be reimbursed by his or her employer

Contingent Liability

Contingent liability exists when an individual will be held responsible for payment of a debt should another jointly obligated party default on the payment. Unless the borrower can provide conclusive evidence from the debt holder that there is no possibility the debt holder will pursue debt collection against him or her should the other party default the full payment will be included in the DTI. If the account is paid as agreed and the last 12 months canceled checks are provided (showing the co-obligor is making the payments), this monthly payment will not be included in the borrower's debt ratio. Accounts listed on the credit report that are not paid as agreed, and/or accounts in borrower's name only (individual accounts) will be included in the debt ratio. In cases of divorce, when the Judgment of Divorce indicates the ex-spouse has received the marital property and is liable for the debt, cancelled checks would not be required.

Joint/Co-signed Debts by Applicants

If the account is paid as agreed and the last 12 months canceled checks are provided (showing the co-obligor is making the payments), this monthly payment will not be included in the borrower's debt ratio. Accounts listed on the credit report that are not paid as agreed, and/or accounts in borrower's name only (individual accts) will be included in the debt ratio.

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Business Debt in Borrower's Name

When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report is being paid by the borrower's business, the lender must confirm that it verified that the obligation was actually paid out of company funds and that this was considered in its cash flow analysis of the borrower's business.

The account payment **does not** need to be considered as part of the borrower's individual recurring monthly debt obligations if:

- The account in question does not have a history of delinquency,
- The business provides acceptable evidence that the obligation was paid out of company funds (such as 12 months of cancelled company checks), and
- The lender's cash flow analysis of the business took payment of the obligation into consideration

The account payment **does** need to be considered as part of the borrower's individual recurring monthly debt obligations in any of the following situations:

- If the business does not provide sufficient evidence that the obligations was paid out of company funds
- If the business provides acceptable evidence of its payment of the obligation, but the lender's cash flow analysis of the business does not reflect any business expense related to the obligation (such as an interest expense – and taxes and insurance, if applicable – equal to or greater than the amount of interest that one would reasonably expect to see given the amount of financing shown on the credit report and the age of the loan), it is reasonable to assume that the obligation has not been accounted for in the cash flow analysis
- If the account in question has a history of delinquency. To ensure that the obligation is counted only once, the lender should adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any, that relates to the account in question.

Installment Debt

Installment accounts (excluding leases) with less than 10 payments remaining on the balance may be excluded from the debt-to-income ratio (DTI). If the amount of the debt affects the borrower's ability to make the mortgage payment during the months immediately after loan closing MMI will include the debt in the DTI (particularly if the borrower will have limited or no cash assets after loan closing).

NOTE: *Lease accounts are always included in the debt ratio, regardless of number of months remaining on the lease agreement.*

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Projected Obligations

If a debt payment is scheduled to begin within twelve months of the mortgage loan closing, the anticipated monthly obligation will be included in the DTI. MMI will use 5% of the monthly balance if the credit report does not reflect a monthly payment or satisfactory documentation of the monthly payment cannot be provided. Similarly, balloon notes, "12 months same as cash", etc. will be considered in the DTI.

NOTE: Student loans are required to be included in the DTI on all Conventional loans, regardless of deferment period. To determine qualifying ratios, a payment calculated at 2% of the outstanding balance may be used if no payment is stated on the credit report.

Obligations Not Considered Debt

Obligations *not* to be considered debt (or subtracted from the borrower's gross income) for qualifying purposes include federal, state and local income taxes; FICA or other retirement contributions such as 401k contributions (including 401k loans), union dues, child care expenses, open accounts with zero balances, voluntary deductions to one's bank/investment account, and accounts on credit with an ECOA status that indicates the borrower is an Authorized User.

Payment Plans

MMI will accept payment plans (in lieu of payoff) for collections/charge-offs, tax liens, etc if the payment arrangement has been established for at least 12 months. However, if borrower has the ability to pay the account off with loan proceeds, account must be paid in full. Borrower must provide monthly repayment plan, acceptable 12 month payment history reflecting payments made according to plan with no history of late payments (0x30), and monthly payment must be included as a liability in qualifying ratios.

Subordinating a Lien

If a lien is being subordinated, MMI will require the following:

- Copy of the Existing Note or HELOC Agreement with terms of financing
- A fully executed subordination agreement prior to closing, reflecting accurate terms of loan
- If the credit line is being reduced with a borrower pay down, a fully executed Modification agreement is to be provided (only in cases where the line has to be paid down to meet HCLTV/CLTV requirements)
- Tax liens may be subordinated, provided there is an acceptable payment plan in place for a minimum of 12 months and all payments have been paid as agreed.

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Calculating Housing Expense Ratio

When calculating the housing expense ratio, the payment for the secondary financing must be included. For HELOCs, use the greater of the payment reporting on credit, or 1% of the outstanding balance.

NOTE: HELOCs that have been “frozen” by the lender, with or without a balance, must still be calculated into the CLTV.

Payoff or Pay Down of Debt for Qualification

Payoff or pay down of debt solely to qualify is not permitted.

Past Due Accounts

Accounts that are reported as past-due (not reported as collection accounts) must be brought current.

Collections, Charge-Offs, Judgments, Garnishments and Liens

Delinquent credit, including taxes, judgments, charged-off accounts (see below for exceptions), tax liens, mechanics’ or material men’s liens, and liens that have the potential to affect Fannie Mae’s lien position or diminish the borrower’s equity must be paid off at or prior to closing.

One-Unit Owner Occupied Properties

Borrowers are not required to pay off outstanding collections or charge-offs, regardless of the amount, provided the collection will not threaten Fannie Mae’s first lien position.

Two- to Four-Unit Owner Occupied and Second Home Properties

Collections and charge-offs totaling more than \$5000 must be paid in full prior to or at closing.

Investment Properties

Individual accounts equal to or greater than \$250 and accounts that total more than \$1000 must be paid in full prior to or at closing

NOTE: If the collection account is marked “Paid by Close” in the online loan application, DU will issue a message in the Findings Report stating that the collection must be paid.

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Employment/Income

Generally, borrowers must be employed for 2 years in the same line of work. MMI will use a college degree and/or transcripts to document previous history, if dated within 6 months of current employment start date. **MMI will do a phone verification of employment on all loans within 10 days of closing.**

Hourly or Salaried Employees

Provide one of the following:

- One computer generated most recent year-to-date pay stub documenting one full month's earnings and last two years W-2's.
- One computer generated most recent year-to-date pay stub documenting one full month's earnings and a signed Verification of Employment.
- Non-computer generated or handwritten pay stubs require last two years W-2's and a signed Written Verification of Employment.

Overtime and Bonus Income

Overtime and bonus income can be used to qualify if the borrower has received this income for the past two years, the income stream has been consistent, and is likely to continue. If the income has not been stable and/or is not likely to continue, it may not be used to qualify. Periods of overtime and bonus income received for less than two years may be acceptable and will be considered on a case-by-case basis.

Second Jobs/Part-Time Income

Second Jobs/Part-Time Income can be used to qualify if the borrower has received this income for the past two years, the income stream has been consistent, and is likely to continue. If the income has not been stable and/or is not likely to continue, it may not be used to qualify. Periods of Second Jobs/Part-Time Income received for less than two years may be acceptable and will be considered on a case-by-case basis.

Seasonal Employment

Seasonal income may be used to qualify the borrower, permitting:

- It can be verified that the borrower has worked in the same job (or the same line of seasonal work) for the past 2 years
- The borrower's employer can confirm that there is a reasonable expectation that the borrower will be rehired for the next season

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Union Employees

Union employees who receive their compensation from multiple employers based on assignments from their local labor union are acceptable, and not deemed unstable. Income may be used to qualify the borrower providing

- The union provides a letter verifying the borrower is currently a member in good standing
- Most recent paystub is provided verifying borrower is currently employed
- W2 statements for all jobs in the last 3 years are provided, supporting a history of employment with the union

Unemployment Benefits

For seasonal unemployment compensation, verify that it is appropriately documented, clearly associated with the seasonal layoffs, expected to recur, and reported on the borrower's federal income tax return. Otherwise, unemployment compensation cannot be used to qualify the borrower.

Commission Income

Commission income (including borrowers paid piece work/piece job, truckers paid per mile, etc.) can be used to qualify if the borrower has received this income for the past two years, the income stream has been consistent, and is likely to continue. If the income has not been stable and/or is not likely to continue, it may not be used to qualify. Periods of commission income received for less than two years may be acceptable and will be considered on a case-by-case basis (commission income earned for less than one year will not be considered effective income). In addition to normal employment documentation, copies of tax returns for the last two years are required and any Unreimbursed Business Expenses (see below) must be subtracted from the borrower's qualifying income prior to calculating the housing and debt-to-income ratios.

1099 Employees

Provide one of the following:

- Last two years tax returns and one computer generated pay stub no more than 30 days old at time of closing, showing year-to-date earnings.
- Last two years tax returns and a signed Written Verification of Employment no more than 90 days old at time of closing, showing year-to-date earnings.

Unreimbursed Business Expenses/Automobile Allowances

Unreimbursed Business Expenses from Schedule A / Form 2106 must be deducted from the borrower's qualifying income.

- Only the amount by which the borrower's automobile allowance exceeds the automobile expense may be used as income (the difference between the automobile allowance and the 2106 expense may be added to income if positive or must be treated as a liability if negative).
 - In addition, the borrower's auto loan payment must be counted as a debt and may not be offset by the automobile allowance.

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Self-Employed

- Same company ownership for the last 2 years
- Last two years tax returns and signed year-to-date profit and loss statement are required.

NOTE: A Profit & Loss Statement will be used to support a two year income average; however, will not be used for qualifying purposes.

Non-Taxable Income

Non-taxable income may be grossed-up by 125%. Examples of non-taxable income are as follows:

- Social Security / VA Benefit
- Child Support
- Foster Care
- Military Allowances: Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), clothing allowances, hazard pay, rations allowance, combat pay, flight pay, overseas pay, etc.

NOTE: All of these income types require a minimum 3 year continuance to be used for qualifying.

“Other” Income

Taxable benefits, which may **not** be grossed-up. Examples include:

- Pension (in most circumstances)
- Alimony

Social Security Disability Income

Requires documentation the income will continue for at least the first full three years of the loan (from loan closing date) or the income may only be considered as a compensating factor. Documentation required:

- The initial Award Letter indicating the borrower has been disabled for at least 5 years will be accepted as documentation of continuance of income along with the most current Award Letter; or
- Written statement from the borrower’s doctor on letterhead indicating the borrower is permanently disabled along with the most current Award Letter.

Social Security Income Received for a Child

Requires documentation the income will continue for at least the first full three years of the loan (from loan closing date) or the income may only be considered as a compensating factor. Documentation required:

- The child’s Award Letter
- Birth certificate reflecting the child is ≤ 14 years old (if the child is 15 or older there is not a 3 year continuance of income)

Social Security Received for an Adult Child (18 or Older) or Parent

Requires documentation the income will continue for at least the first full three years of the loan (from loan closing date) or the income may only be considered as a compensating factor. Documentation required:

- The initial Award Letter reflecting the borrower as payee/guardian, indicating the adult child/parent has been disabled for at least 5 years will be accepted as documentation of continuance of income along with the most current Award Letter; or
- Written statement from the borrower's doctor on letterhead indicating the borrower is permanently disabled along with the most current Award Letter; and
- Legal Guardianship documents reflecting the borrower as legal guardian for the adult child/parent are required.

Foster Care Income

Verify the foster care income with:

- Letter of verification from the organization providing the income; and
- Copies of the borrower's most recent 3 months bank statements confirming regular deposit of payments; and
- Most recent 2 years tax returns with all forms and schedules (must document a 2 year history of receipt).

Short Term Disability / Workman's Comp

Not eligible. No Exceptions.

Maternity Leave

Borrowers on maternity leave must be back to work as evidenced by a pay check stub with 30 days worth of earnings.

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Rental Income

- If property acquired in previous tax year, tax returns will be required for documentation of rental income.
- If property was acquired during the current tax year, a one year signed lease agreement is acceptable with evidence of security deposit received (cancelled check or bank statement verifying deposit). MMI will use the vacancy factor of 25% for all properties.

Principal Residence Being Vacated in Favor of Another Principal Residence

Rental income, reduced by the appropriate vacancy factor (25%), on a principal residence being vacated in favor of another principal residence may only be considered under the following circumstances: (borrower must meet both)

Sufficient Equity in Vacated Property

The homebuyer has a loan-to-value ratio of 70 percent or less, as determined by a current residential appraisal. The appraisal, in addition to using forms Fannie Mae1004/Freddie Mac 70, may be an exterior-only appraisal using form Fannie Mae/Freddie Mac 2055, and for condominium units, form Fannie Mae1075/Freddie Mac 466. A rental income analysis will also be required to support the monthly rental income.

Sufficient Reserves

The borrower has reserves to cover 6mos PITIA on both properties

NOTE: If the borrower's current principal residence is pending sale, and he/she is purchasing a new residence, both the current and proposed mortgage payments must be used in qualifying the borrower for the new mortgage loan (rental income may not be used for qualifying).

Subject Property Rental Income (1-4 Units)

The rent, after subtracting the estimate for vacancies and maintenance from other units, may be added to the borrower's gross income. Two years federal tax returns to be provided to show a history of managing properties. Rent loss coverage required on insurance policy reflecting 6 months' worth of rent.

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Assets

Borrower's Own Funds to Close

MMI follows AUS findings for acceptable documentation.

Most Recent Two Month's Bank Statements

Large deposits must be explained and documented. MMI considers large deposits as any non-payroll deposit of \$1000 or more.

Verification of Deposit

Two month average balance must be reflected (current balance must show sufficient funds required). Large increases must be explained and documented with paper trail.

HUD-1 from Sale of Current Residence

Final HUD-1 from sale of current residence is considered acceptable documentation, if dated within 30 days of loan closing.

Cash Back on Purchases

Not allowed; however, items the borrower has paid outside of closing (i.e. appraisal, homeowner's insurance) may be reimbursable through seller contributions at the time of closing. Borrower must provide satisfactory documentation of payment for these services prior to closing.

Gift of Equity

A gift of equity from a blood relative is acceptable (documentation of relationship may be required). Mortgage Payoff (if any) must reflect no more than 29 days delinquent at time of closing. Any history of major delinquencies (30 days or more) reflected on title or payoff, will require additional information and may not be eligible. Spouse to Spouse purchases are not acceptable except in instances such as divorce, where legal documentation (such as a Divorce Decree) indicates the seller/spouse will be vacating the property. 5% of the sales price must be verified as being saved by the borrower; however, these funds do not have to be used toward the downpayment.

NOTE: *Investment property transactions not eligible for gifts of equity.*

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Gift Funds

An outright gift for the borrower's investment into the transaction is acceptable if the donor is a relative, the borrower's employer, or a close friend with a clearly defined and documented interest in the borrower. The gift funds cannot be provided by any person or entity with an interest in the sale of the property, including the seller, real estate agent or broker, builder, loan officer or any other entity associated with the transaction. Transfer of funds must be documented from the donor to the recipient by a copy of the cancelled gift check and deposit slip (computer generated and identifying borrower) or bank statement showing the deposit of funds into the borrower's bank account. If by Certified Check obtain copy of Certified Check as well as a bank statement showing the withdrawal of funds from the donor's bank account and deposit slip (computer generated and identifying borrower) or bank statement showing the deposit of funds into the borrower's bank account. **Cash gifts are not allowed.** The file must also contain a Gift Letter which can be found on the MMI website.

NOTE: *Gift funds not allowed on investment property transactions.*

Gift Funds/Grants by Charitable Organizations

Gifts administered by charitable organizations are acceptable. The gift from the charitable organization to the homebuyer must meet FNMA requirements and the transfer of funds must be properly documented. Gifts from charitable organizations where the seller makes a contribution are not acceptable.

Subordinate Financing

Subordinate financing through a Downpayment Assistance Program or Community Second Mortgage is not permitted. Standard secondary financing is allowed, providing the following requirements are met:

- Subordinate mortgage is not subject to an interest rate buydown plan;
- Subordinate mortgage does not allow negative amortization
- Subordinate mortgage does not have wraparound terms
- Subordinate mortgage does not have a prepayment penalty, except when the following apply:
 - The subordinate lien is a Home Equity Line of Credit (HELOC)
 - A prepayment penalty, or flat fee, closure or early termination fee (not associated with a "no closing cost" option) does not exceed \$500
- The terms of the subordinate financing are fully disclosed, documented, and comply with the following:
 - Requires interest at a market rate (no more than 2% below the posted net yield in effect for second mortgages at the time of closing for closed end loans) although, if provided by the property seller, may be at below market rate
 - Mortgage cannot have a maturity date or a balloon or call provision of less than five years from the Note date of the new mortgage, unless the junior lien is fully amortizing
 - Monthly payments on subordinate financing must be included in housing and debt ratio analysis
 - Scheduled payments under the secondary financing must be due on a regular, monthly basis

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Collateralized loans

Funds can be borrowed for the total required investment as long as satisfactory evidence is provided that the funds are fully secured by an asset. Such assets may include stocks, bonds, real estate (other than the property being purchased), etc.

In addition, certain types of loans secured against deposited funds, such as the cash value of life insurance policies, loans secured by 401(k)s etc, in which repayment may be obtained through extinguishing the asset, do not require consideration of repayment for qualifying purposes. However, in such circumstances, the asset securing the loan may not be included as assets to close or otherwise considered as available to the borrower.

An independent third party must provide the borrowed funds. The seller, real estate agent, broker, lender, or other interested third party may not provide such funds. Unacceptable borrowed funds include signature loans, cash advances on credit cards, borrowing against household goods and furniture and other similar unsecured financing.

Sale of Personal Property

Proceeds from the sale of personal property (cars, recreational vehicles, stamps, coins, baseball card collections, etc) is an acceptable source of funds for the down payment, closing costs and reserves, provided the individual purchasing it is not a party to the transaction in any way. The following must be documented:

- The borrower's ownership of the asset
- The value of the asset as determined by an independent and reputable source. This may be in the form of published value estimates, such as those issued by automobile dealers, philatelic or numismatic associations, or a separate written appraisal by a qualified appraiser with no financial interest in the loan transaction.
- The transfer of ownership of the asset, as documented by a bill of sale and a copy of funds received from purchaser
- The borrower's receipt of the sale proceeds with a copy of the deposit slip and bank statement showing new balances

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Refinance Transactions

Mortgage Payoffs

All refinance transactions will require current payoff statements for all liens on title, reflecting a maximum of 59 days interest prior to closing. **MMI does not refinance loans that have been modified, have forbearance agreements in place, or with restructured/short payoffs.**

Cash-Out Refinances

The borrower must have owned the property for more than six months predating the loan application to be eligible for cash-out. The LTV will be based on the lesser of original sales price/documentated acquisition cost or the current appraised value. If the property was purchased more than 12 months predating the loan application, the current appraised value may be used to calculate LTV. Loan must also meet [Continuity of Obligation](#) requirements.

Additional Underwriting and Eligibility Criteria

- Maximum cash to borrower is maximum Conforming loan limit of \$417,000
- The mortgage being refinanced must be current for the month due, e.g., a refinance of a mortgage anytime in March must have had the February payment made (borrowers who are delinquent or in arrears under the terms and conditions of their mortgage are not eligible).
- Subordinate liens, including credit lines, regardless of when taken, may remain outstanding (but subordinate to the FNMA mortgage) and are subject to 85% CLTV. A copy of the current note is required and the borrower must qualify with the scheduled monthly payments. A subordination agreement will be required. Modified existing subordinate liens are acceptable and are not considered a new subordinate lien.
- New subordinate liens may be placed behind the FNMA mortgage and are subject to 85% CLTV. The borrower must qualify with the scheduled monthly payments.
- Cash out transactions where the property is listed for sale require the MLS to be cancelled at least six months prior to the application date or the loan is subject to a maximum 70% LTV. In all circumstances, listing agreements must be cancelled prior to the loan application. The listing agreement, evidence of cancellation, and signed/dated explanation from the borrower with the reason why the property was for sale is required at the time of loan submission. These properties pose an increased risk to MMI, and therefore may be subject to additional documentation and/or limitations.

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Rate & Term Refinances/Limited Cash Out

There is not a minimum length of time the borrower must have owned the property. The current appraised value may be used to calculate LTV. Also see [Continuity of Obligation](#).

Existing Debt

Add together the amount of the existing first lien, any purchase money second mortgage (any HELOC or second mortgage not used a purchase money must be treated as a cash-out).

Purpose of Loan

If the purpose of the new loan is to refinance an existing mortgage to buy out an ex-spouse or other, the specified equity to be paid is considered property-related indebtedness and is eligible for inclusion in calculating the new mortgage. The divorce decree or settlement agreement must be provided to document the equity awarded to the ex-spouse or co-borrower.

Additional Underwriting and Eligibility Criteria

- The mortgage being refinanced must be current for the month due, e.g., a refinance of a mortgage any time in March must have had the February payment made (borrowers who are delinquent or in arrears under the terms and conditions of their mortgage are not eligible).
- Subordinate liens, including credit lines, regardless of when taken, may remain outstanding and subject to 95% CLTV. A copy of the current note is required and the borrower must qualify with the scheduled monthly payments. A subordination agreement will be required.
- New subordinate liens may be placed behind the 1st mortgage and are subject to 95% CLTV. The borrower must qualify with the scheduled monthly payments.
- At closing the borrower may not receive cash back in excess of \$2000 or 2% of loan amount.
- Rate/term refinances where the property is listed for sale require the MLS to be cancelled prior to loan application date. The listing agreement, evidence of cancellation, and signed/dated explanation from the borrower with the reason why the property was for sale is required at the time of loan submission. These properties pose an increased risk to MMI; therefore, may be subject to additional documentation and/or limitations.

Loan Seasoning

HUD-1 required from any transaction within the last 6mos. If the last transaction on the property was a cash out refinance within the last six months (regardless of the LTV), the new mortgage must be considered as a cash out refinance. Note date to note date is what is used to calculate the six months.

Property Seasoning

- The date on the Certificate of Occupancy will determine “new construction/less than 1 year old” versus “existing construction”

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Property Seasoning (Assuming Continuity of Obligation has been Met)

No Cash-Out/Limited Cash-Out

There is not a minimum length of time the borrower must have owned the property; the current appraised value may be used to calculate LTV. See [Continuity of Obligation](#) for further seasoning requirements. **However, if the borrower refinanced within 6 months predating the loan application, the HUD-1 from the last refinance must be obtained. If the last transaction was a cash-out transaction then the new mortgage must be treated as a cash-out refinance.**

Cash-Out

The borrower must have owned the property for more than six months predating the loan application to be eligible for cash-out. The LTV will be based on the lesser of original sales price/documentated acquisition cost or the current appraised value. If the property was purchased more than 12 months predating the loan application, the current appraised value may be used to calculate LTV.

NOTE: *The date on the Certificate of Occupancy will determine "New Construction/Less than 1 Year Old" versus "Existing Construction".*

Texas Refinances

When refinancing a loan in Texas, it first has to be determined whether or not the property is eligible for max financing based on the borrower's current liens. A Texas cash out refinance is typically referred to as a 50(a)(6). There are 2 different ways a property can be subject to Texas Article XVI, Section 50(a)(6):

- If the borrower will receive **any** amount of cash out from the refinance, even if it is of an incidental amount, or
- If the borrower has ever done a cash out refinance on the subject property before, or has taken a non-purchase money second, even if the current transaction is only a rate/term refinance. *Once a Texas Equity Loan, always a Texas Equity Loan.*

MMI does not allow Texas 50(a)(6) transactions. MMI will only approve purchases, and rate/term refinance loans in Texas where the borrower has never taken equity from the property.

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Continuity of Obligation

The borrower on title must be able to demonstrate an acceptable Continuity of Obligation to be eligible for a no cash-out/limited cash-out or a cash-out refinance. An acceptable Continuity of Obligation (assuming there is an outstanding lien against the property) exists when:

- There is at least one Borrower obligated on the new loan who was also a Borrower obligated on the existing loan being refinanced; or
- The Borrower has been on title (as a natural person and not in a trust) and residing in the property for at least 12 months and has paid the mortgage for the last 12 months (as evidenced by cancelled checks) or can demonstrate a relationship (spouse, blood relative, domestic partner, etc.) with the current obligor; or
- The existing loan being refinanced and the title have been held in the name of an LLC (corporations not eligible) for a minimum of 12 months and the borrower is and has been a member of the LLC for at least 12 months. MMI does not close loans in the name of the LLC; therefore, title will be required to be transferred from the LLC to the borrower at closing. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement; or
- The borrower has recently inherited or was legally awarded the property (such as in the case of a divorce). Must provide current 12 month mortgage history evidencing no 30 day (or greater) late payments.

If the borrower is currently on title but is unable to demonstrate an acceptable continuity of obligation:

Loans with No Outstanding Lien Against the Property (owned free and clear)

The loan is still eligible as a cash-out refinance under the following conditions:

- If the property was purchased within 6-12 months of the application date, and the property is owned free and clear, the LTV will be based on the lesser of the original sales price/acquisition cost or the current appraised value; **or**
- If the property was purchased more than 12 months prior to the loan application date (for the new loan) use the current appraised value.

Loans with Outstanding Liens but No Continuity of Obligation

- At least one borrower must have been in title for at least six months predating the loan application; **and**
- The maximum loan-to-value is 50% of the appraised value; **and**
- Must document the borrower has paid the mortgage payment for at least the last six months (as evidenced by cancelled checks).

NOTE: *In all of the above instances, a twelve month mortgage history (or from inception of the mortgage, if the property was acquired less than 12 months ago) is still required reflecting 0x30.*

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DU Refi Plus

Available Terms

10, 15, 20 and 30 year fixed. (Amortization period on current fixed may be shortened, as long as the new payment will be less than the existing payment)

Maximum LTV/CLTV

97% LTV, 110% CLTV/HCLTV (based on current appraised value)

Maximum Mortgage Amount

Payoff balance plus closing costs and prepaids. Cash-out financing is unavailable.

Credit

- Minimum 640 credit score, regardless of DU decision.
- Mortgage payment history must reflect 0x30.
- Bankruptcies must be seasoned for a minimum of 48 months.
- Foreclosures must be seasoned for a minimum of 84 months.

Occupancy

Primary residence only

Property Types

Eligible:

- 1-4 unit dwellings
- Low-rise condos (must be a FNMA-approved project). *Condo checklist required for all condos. Florida condos must continue to meet FNMA State of Florida warranty requirements, occupancy, and LTV restrictions.

Ineligible:

- Condominium-hotel or -motel (Condotels)
- High rise condo projects
- Manufactured homes
- Co-Ops

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DU Findings

Approve/Eligible Recommendation

Required for MMI Approval. Findings must contain the DU Refi Plus finding. Manual underwrites are ineligible.

Approve/Ineligible Recommendation

Michigan Mutual will not accept loans with an Approve/Ineligible Recommendation, regardless of reason.

Mortgage Insurance

Michigan Mutual will only accept loans that do not require Mortgage Insurance. This includes situations in which the original loan had an LTV of less than or equal to 80%, and the new loan has a LTV greater than 80% but no MI is required per Fannie Mae's MI waiver for DU Refi Plus loans.

Appraisal Requirements

As determined by DU. A Property Inspection Waiver may be available for a fee of \$75.00, if the PIW condition appears on the findings.

Additional Important Notes

- Maximum \$250 cash back
- Loans with subordinate financing are allowed, provided current subordinate lender will subordinate to the new loan, and the amount of the subordinate financing does not increase. A signed Subordination Agreement will be required prior to closing. No new subordinate financing is allowed.
- A reasonable benefit to the borrower must exist
- Original loan must have closed prior to 3/1/2009 in order to be eligible
- All borrower(s) on the original loan are required to be on the new loan.
- Make sure name and address in DU match the name and address on the previous FNMA loan exactly. Example: John B Homeowner vs. John B. Homeowner
- Borrower availability can be checked at <http://loanlookup.fanniemae.com/loanlookup/>
- Some loans that contain credit enhancements will not be eligible for this program. This includes some loans with lender-paid Mortgage Insurance (LPMI) and lender recourse.

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Purchase Transactions

Residential Purchase Agreement

All purchase transactions require this document to be executed by ALL parties. The current owner of record must execute as the seller of subject property. All borrowers on the loan application must sign the agreement. All sellers that sign the purchase agreement must be authorized by that entity.

Earnest Money Deposit (EMD)

The Earnest Money Deposit must be verified (deposit amount and source of funds) if the amount of the EMD

- Exceeds 2% of the sales price, or
- Exceeds \$2000

If the Earnest Money Deposit is of an amount that is required to be verified, but the EMD is not verifiable, the borrower(s) should not be given any credit for it in the transaction or on the HUD-1 Settlement Statement.

Seller Property Disclosure

A seller must disclose to a buyer all known material defects about the property being sold that are not readily observable. This disclosure statement is designed to assist the seller in complying with disclosure requirements and to assist the buyer in evaluating the property being considered.

NOTE: *This disclosure is not required on bank / investor owned properties*

Short Sales

MMI will accept purchase transactions where the seller is selling the home under a “short sale” agreement with their current lender. MMI must be provided the fully executed short sale approval letter and the requirements set forth by the current lender must be met prior to closing.

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Interested Party Contributions

Interested Party Contributions (IPCs) are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. Maximum IPCs allowed are as follows:

Principal Residence or Second Home

- 6% for LTVs ≤ 90%
- 3% for LTVs > 90%

Investment Property

- 2%

Property Seasoning

- The date on the Certificate of Occupancy will determine “new construction/less than 1 year old” versus “existing construction”.
- Purchase transactions require the seller to be in title for a minimum of 90 days to be eligible for financing.

NOTE: *Bank-owned properties and HUD/FNMA/FHLMC-owned properties are not subject to the 90-day seller seasoning requirement.*

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Identity of Interest Transactions/Non-Arm's Length Transactions

A non-arm's length transaction occurs when a personal or business relationship exists between the borrowers and the builder/seller or lender. These transactions include:

- Family sales or transfers
- Corporate sales or transfers
- Mortgagors employed in the real estate or construction trades who are involved in the construction, financing, or sale of the subject property
- Some transactions involving principals, a lender, or other vendor (such as an appraiser, settlement agent, title company) who is involved in the lending process of the subject property

Purchasing from a Builder Who is Purchasing Borrowers' Existing Residence

If borrowers are purchasing a home from a builder who is purchasing the borrowers' existing residence, it is considered a non-arm's length transaction, and is **not** permitted.

Non-Arm's Length Transactions with Non-Family Members

These transactions will be considered only if they are bona fide sales transactions and the borrowers will occupy the property as their primary residence.

Non-Arm's Length Transactions with Family Members

Non-arm's length transactions with family members are generally acceptable, if:

- The family member or relative is the borrower's spouse, child, parent, or any other individual related to the borrower by blood, adoption, or legal guardianship.
- The source and ownership of funds for down payment, closing costs, and reserves are well documented in the loan file.
- The appraised value of the property is well supported, particularly for gifts of equity or gifts of more than 20% of the LTV.
- Gifts are not allowed on investment properties.
- Gift of equity is allowed for owner occupied transactions only. The entire down payment may be a gift; however, the LTV/CLTV cannot exceed 80%.
- Gift letter must be provided for gift funds and/or gifts of equity. Gift of equity must also be reflected on the purchase agreement.

Unallowable Transactions

The transaction is not allowed if the builder, property seller, and/or any party currently on title to the subject property is any of the following:

- A company owned by the borrower
- A borrower who is related to the builder, property seller, or any party currently on title as a registered agent, sales agent, partner and/or employee.

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Borrower Acting as an Interested Party

A borrower may act as an interested party to a sales transaction for the subject property; however, the borrower may not use any payment for services rendered from the sales transaction of the subject property towards the down payment, closing costs and/or reserve requirements. (Payment for services rendered includes, but is not limited to: realtor commissions, broker commissions, sales associates' commissions).

NOTE: *Non-Arm's Length transactions may require additional documentation, depending on the underwriter's assessment of the overall risk of the loan.*

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Private Mortgage Insurance (PMI)

MMI will allow certain loans to exceed 80% LTV with Private Mortgage Insurance (PMI), providing the borrowers meet the guidelines of the MI Company (in addition to MMI's standard guidelines).

Minimum Credit Score

- 680

Transaction Types

- Purchase
- Rate/Term Refinance

Coverage Options

- Borrower-Paid Zero Option Monthly Premium – Standard Coverage only
- Borrower-Paid Single Premium – Standard Coverage only ***Cannot be financed**
- Lender-Paid Single Premium

PMI Disclosure

This disclosure is required if the loan involves Borrower-Paid Mortgage Insurance, and/or if subject property is a 1-unit primary residence. The disclosure **must** contain the two dates informing the borrower when they can cancel their Mortgage Insurance.

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General Provisions

Citizenship

Citizenship of the United States is not required for eligibility. Borrowers must be one of the following: a U.S. Citizen, a Permanent Resident Alien, or a Non-Permanent Resident Alien. We will lend under the same terms and conditions for all three designations.

Permanent Resident Aliens

Non-United States Citizens who hold acceptable evidence of permanent residency issued by the U.S. Citizenship and Immigration Services (USCIS) are considered Permanent Resident Aliens. Lawful Permanent Resident Aliens must have any of the following:

- A legible copy of the front and back of the Permanent Resident Card / Alien Registration Card (USCIS Form I-551) otherwise known as a “Green Card”. While the Green Card itself states “Do Not Duplicate” for the purpose of replacing the original card, U.S. Citizenship and Immigration Services (USCIS) allow photocopying of the Green Card. Making an enlarged copy or copying on colored paper may alleviate any concerns the borrower may have with photocopying.
- A legible copy of the unexpired foreign passport that contains an unexpired stamp reading “Processed for I-551. Temporary Evidence of Lawful Admission for Permanent Residence. Valid until (MM-DD-YY). Employment authorized”.
- Any other evidence of permanent residency issued by the USCIS.

Non-Permanent Resident Aliens

Non-United States Citizens who are permitted to reside in the United States on a temporary basis and may have been granted authorization to work in the U.S. by the U.S. Citizenship and Immigration Services (USCIS) are considered Non-Permanent Resident Aliens. Lawful Non-Permanent Resident Aliens must have the following:

- A legible copy of a valid (unexpired), acceptable visa - a copy of valid work permit only is unacceptable. The Visa must evidence one of the following Visa classes:
 - A Series (A-1, A-2, A-3)
 - E-1
 - G Series (G-1, G-2, G-3, G-4, G-5)
 - H-1B, H-2A, H-2B, H-3
 - L-1
 - TN, TC – See NAFTA below

NOTE: *Non-Permanent Resident Aliens with Temporary Protected Status are not eligible.*

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Foreign Nationals

Foreign Nationals who have no lawful residency status in the U.S. are not considered to be Non-Permanent resident aliens and are not eligible for financing. Foreign nationals from Canada and Mexico who are working in the U.S. under the terms of NAFTA are eligible. Refer to North American Free Trade Agreement Workers below.

Additional Immigration Status

Loans to non-citizens who have been granted political asylum require underwriting to Non-Permanent Resident Aliens guidelines. Asylees and refugees must provide their Arrival and Departure Records (Form I-94) and copies of their employment authorization documents. A grant of asylum is for an indefinite period.

North American Free Trade Agreement (NAFTA) Workers

Canadian and Mexican citizens who are working in the United States under the terms of NAFTA must be treated as Non-Permanent Resident Aliens when determining their eligibility. They must meet the standard requirements established for Non-Permanent Resident Aliens. NAFTA workers must provide a NAFTA Worker's Visa (see above TN and TC Visa classifications).

Diplomatic Immunity

Due to the inability to compel payment or seek judgment, transactions with individuals who are not subject to United States jurisdiction **are not eligible**. This includes embassy personnel with diplomatic immunity. Verification the borrower does not have diplomatic immunity will be determined by reviewing the visa, passport, or the U.S. Department of State's Diplomatic List, at www.state.gov/s/cpr/rls/dpl/ (then click "search list").

Social Security Number

A valid Social Security Number is required for all borrowers. Evidence of social security number must be provided in each case file. Individual Tax Identification Number (ITIN) is not acceptable.

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Legal Name

MMI requires the pertinent loan documentation (loan application, credit report and closing documentation) to be prepared in the borrower's legal name. In most cases the name reflected on the driver's license will be utilized to determine the borrower's legal name. However, in those instances where there is a variance between the driver's license and the Social Security card (or other documentation within the loan file), utilize the following examples for further guidance:

Nicknames

If the driver's license reflects Mike Smith and the Social Security Card (or other documentation within the loan file) reflects Michael Smith then the pertinent loan documentation must reflect the name Michael Smith.

Married Names

If a borrower has recently married or is married during loan processing, the new married name, if applicable, will be utilized for all pertinent loan documentation. MMI will require a copy of the marriage license if the new name is not reflected on both the driver's license and the social security card.

Multiple Name Variations

If a borrower has multiple names/hyphenated variations, the name that appears on the social security card will be utilized for all pertinent loan documentation.

NOTE: *In all of the above cases, an AKA/FKA affidavit will be required at closing.*

Maximum Number of Financed Properties/Multiple Properties

When multiple properties are owned, all mortgages must be current at time of closing. Also, If borrower is purchasing a new home (as owner occupied); however, is not selling current residence, MMI may consider the subject as non-owner occupied if the value of the subject is not greater than current residence (case by case). The borrower(s) can have no more than **four** properties financed including the subject property, and the maximum number of properties owned (financed or not) cannot exceed **ten**.

Maximum Number of Borrowers Allowed

MMI does not allow any greater than 4 borrowers on a single loan.

Age of Borrower

There is no maximum age limit for a borrower. The minimum age is 18.

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Power of Attorney

MMI allows Powers of Attorney (POA) under the following criteria:

- Application, initial disclosures, and Purchase Agreement (if applicable) must be signed by **all** parties on the loan
- Subject property must be owner-occupied
- All signatures on the POA must be notarized, and the POA must be reviewed by an MMI underwriter prior to closing. Signatures on the POA must match the signatures in the file to MMI's satisfaction.
- The POA must be specific to the loan transaction with MMI, and include the full property address of the subject
- The title policy must not make any exceptions based on the use of the POA

NOTE: For properties located in Florida, all Powers of Attorney executed after October 1, 2011 are required to be signed by a Notary Public and two witnesses.

Rescission

MMI will not waive a borrower's three-day right to rescind. No exceptions.

Tax and Insurance Escrows

Escrows for taxes and insurance are required; however, may be waived on a case by case basis.

Title Companies/Settlement Agents

We do not use an approved title company list. However, we reserve the right to refuse any title company/settlement agent. A loan specific Insured Closing Protection Letter must be received prior to closing, along with specific wiring instructions.

Delinquent Property Taxes

Any delinquent property taxes being paid at closing on a refinance transaction will be considered a cash-out transaction. Transactions with severely delinquent property taxes must be manually underwritten, which MMI does not permit on Conventional loans.

Paying Debt at Closing

MMI will not allow any debt to be paid at closing on a purchase transaction. Any debt being paid at closing on a refinance (other than existing mortgages on subject property) will be considered a cash-out transaction.

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Mortgage Payoffs

All refinance transactions will require a current payoff statement for all liens on title, reflecting a maximum of 59 days interest prior to closing (restructured and/or short payoffs are not eligible on refinance transactions).

4506T Processing

MMI will require IRS transcripts for the most recent two tax periods, including W2s and 1040s. MMI will accept IRS transcripts processed by the broker (see vendor links on our website). If transcripts are not provided, MMI will process the transcripts and the fee will be charged to the borrower on the HUD-1 at closing. It is the responsibility of the broker to properly disclose this fee for income verification to each borrower appropriately on the Good Faith Estimate.

Verifications

Verification forms (VOEs / VODs / VORs, etc) must pass directly between the broker and the provider without being handled or transmitted by any third party or using any third party's equipment. Verifications must be addressed to the employer or financial institution and may not be directed to an individual (such as may be directed to Account Verification Department or Human Resources but not to John Doe). No document used in the processing or underwriting of a loan may be handled or transmitted by or through the borrower, a real estate agent or any other interested third party to the transaction. The Verification of Deposit (VOD) and Verification of Employment (VOE) may be faxed documents or printed pages from the Internet if they clearly identify their sources (e.g., contain the names of the borrower's employer or depository/investment firm). The document must contain all headers/footers. Fax transmissions must clearly identify the source and a printed web page also must show its uniform resource locator (URL) address as well as the date it was printed.

Age of Documents

Credit document expiration dates are listed below unless the nature of the document is such that its validity for underwriting purposes is not affected by being older than the number of prescribed days (e.g. divorce decrees, tax returns).

- Credit Report - 90 days
- Paystub – 30 days
- Written VOE - 30 days
- VOD/Bank Statement – 30 days if using for funds to close (90 days allowed if only using for reserves)
- VOR – 90 days
- VOM – 30 days
- Appraisal – 120 days
- Title Commitment – 90 days

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Maximum Real Estate Commission

Any aggregate real estate commission cannot exceed 8% of the sales price of the subject property. Any portion of the real estate commission that exceeds 8% will be considered a seller concession and will be deducted from the sales price (for underwriting purposes) prior to calculating the LTV. Cumulative fees (including but not limited to) real estate marketing fees, finder's fees, referral fees, auction fees, consulting fees or assignment of sale fees will be included in the 8%.

Non-Purchasing Spouse

On a purchase transaction, a non-purchasing spouse (or any other party) **may** appear on the security instrument or otherwise take title to the property at loan settlement. On a purchase or refinance transaction, if required by state law (dower right/homestead states), in order to perfect a valid and enforceable first lien, the non-purchasing spouse may be required to sign either the security instrument or documentation (usually, the mortgage/deed of trust, Truth-In-Lending and Notice of Right to Cancel) evidencing that he or she is relinquishing all rights to the property. If the non-purchasing spouse executes the security instrument for such reasons, he or she is not considered a borrower for our purposes and need not sign the loan application.

Where there are non-purchasing spouses who sign security instruments relinquishing their rights to the property pursuant to applicable state laws, these non-purchasing spouses do not have to sign the mortgage note. Signing the security instrument for such purposes does not make the non-purchasing spouse a co-borrower.

Trusts

MMI will allow a property currently vested in a Revocable Living Trust to be deeded out of the trust at closing, and into the individual borrower's name. This is not to be done prior to closing. Title should reflect a requirement for a deed from the trust to our borrower(s); and reflect the mortgage to be recorded in the individual borrower's name.

It must be obvious that the borrower refinancing is the trustee of the Trust. If this is not clear, we will need to obtain a copy of the Certificate of Trust to verify this. We **do not** want a copy of the trust.

LDP/GSA Lists

MMI will examine HUD's Limited Denial of Participation (LDP) list and the U.S. General Services Administration's "List of Parties Excluded from Federal Procurement and Non-procurement Programs" (GSA). The LDP and GSA lists must be checked on all loans. If the name of the broker's office or loan officer appears on either list, the application is not eligible. The LDP list may be checked by going to www.hud.gov, and the GSA list by going to <http://www.epls.gov>.

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Minimum Reserve Requirements

Minimum required reserves vary depending on the transaction:

When the Subject Property is a Principal Residence

For 1-4 unit properties, **and** if the borrower currently has ownership in a principal residence, reserves are dictated by DU findings

When the Subject Property is a Second Home

For 1-unit properties, reserves are dictated by DU findings.

- On other financed properties, 2 months PITI reserves on each other financed second home or investment property.

When the Subject Property is an Investment Property

For 1-4 unit properties, reserves are dictated by DU findings.

- On other financed properties, 2 months PITI reserves on each other financed second home or investment property.

Debt-To-Income Ratios

Maximum Debt ratios cannot exceed:

<u>LTV/CLTV</u>	<u>DTI cap</u>
≤ 60%	50%
> 60%	45%

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ARMs

Unless otherwise stated below, all of MMI's standard Conventional underwriting guidelines apply.

Product Description

5/1 and 7/1 ARMs available on a 30 year term

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LIBOR for 12 months (US Dollar) as published in the Wall Street Journal

Margin

2.25%

Caps

Annual Adjustment Cap

2%

Lifetime Cap

5%

Initial Adjustment Cap

Equal to the Lifetime Cap of 5%

Qualifying Rate

5/1

Use the higher of the fully indexed rate (index + margin) **or** initial note rate + 2%

7/1

Qualify at Note Rate

*Maximum Loan Amount**

- 1 Unit: \$417,000
- 2 Unit: \$533,850

*See Jumbo Guidelines if loan amount exceeds these limits

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Maximum LTV / CLTV / HCLTV

PRIMARY RESIDENCE				
Units	LTV w/out Secondary Financing	LTV w/Secondary Financing	CLTV w/Secondary Financing	HCLTV
Purchase and Rate/Term Refinance				
1	97%	97%	97%	97%
2	75%	75%	75%	75%
Cash Out Refinance				
1	80%	85%	85%	85%
2*	75%	75%	75%	75%

*Requires Minimum Credit Score of 680

SECOND HOMES				
Units	LTV w/out Secondary Financing	LTV w/Secondary Financing	CLTV w/Secondary Financing	HCLTV
Purchase and Rate/Term Refinance				
1	80%	90%	90%	90%
Cash Out Refinance				
1	75%	75%	75%	75%

INVESTMENT PROPERTIES				
Units	LTV w/out Secondary Financing	LTV w/Secondary Financing	CLTV w/Secondary Financing	HCLTV
Purchase				
1	80%	85%	85%	85%
2*	70%	70%	70%	70%
Rate/Term Refinance				
1	75%	75%	75%	75%

*Requires Minimum Credit Score of 660

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Financing Types

Purchase

Rate/Term Refinance (Limited Cash Out)

HUD-1 required from any transaction within the last 6 months. If a new transaction combines a first and non-purchase money subordinate second or previous transaction was a cash out, regardless of the seasoning, it is still considered a cash out refi.

Cash Out Refinance

One borrower must have held title to the subject property for at least 6 months (measured from previous note date to new application date).

Property Types

Condominiums

- Project must be FNMA-warrantable
- Florida condos are permitted for primary residences **only**
- Established projects require a Lender Full Review. New and newly-converted attached projects must have PERS Final Project Approval issued by FNMA.
- Ineligible Project Warranty includes FHA-approved project, CPM Expedited, Limited Review

Appraisal Requirements

Follow DU Recommendation

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Jumbos

Higher maximum loan amounts are allowed on loans meeting certain criteria. These increased amounts are available to qualified borrowers meeting the restrictions below. **Please note, these loans must close in MMI's name. This program is not available for correspondent lending.**

Available Terms

10, 15, 20, 25, and 30 years

Available Products

- Fixed Rate
- 5/1 ARM
- 7/1 ARM

Minimum Loan Amount

- 1-Unit \$417,001
- 2-Unit \$533,851

Maximum Loan Amount

\$1,000,000

Maximum LTV Ratio

80%. See table below for further clarification.

PURCHASES AND RATE/TERM REFIS				
PRIMARY RESIDENCE				
Units	LTV	CLTV	Mid Score	Loan Amount
1-2	80%	80%	700	\$1,000,000
SECOND HOME				
1	65%	65%	740	\$1,000,000

Maximum Qualifying Ratios

- Primary Residence: 45%
- Second Home: 35%

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ARM Specifics

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LIBOR

Margin

2.25%

Annual Adjustment Cap

2%

Lifetime Adjustment Cap

5%

Qualifying Rate

Fixed Rate

Note rate, using fully amortized PITIA payment

5/1 ARM

Greater of the fully indexed/fully amortizing rate **or** the Note rate + 2%

7/1 ARM

Greater of the fully indexed/fully amortizing rate **or** the Note rate

Declining Markets

All properties must be checked against MMI's Market Portal tool to determine market eligibility.

- If the Market Portal tool delivers an **A** market designation, but the appraiser indicates the subject property is located in a submarket which is declining, the **A** market must be downgraded to a **B** market, reducing the LTV/CLTV by 5%.
- If the Market Portal tool delivers a **B**, **C**, or **D** market and the appraiser indicates the subject property is located in a submarket which is declining, no further LTV/CLTV reduction required.
- Declining Market LTV/CLTV Reductions
 - **B** Market: Reduce max LTV/CLTV by 5%
 - **C** Market: Reduce max LTV/CLTV by 10%
 - **D** Market: Reduce max LTV/CLTV by 15%

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Eligible Property Types

- SFR
- Duplex / 2-family Residence
- PUD
- Site Condo

Ineligible Property Types

- Properties with 3 units or greater
- Condominiums
- Condotels
- Manufactured/Mobile Home
- Mixed Use properties
- PUD project with pending structural litigation
- Properties with more than 10 acres

Occupancy

- Primary Residence
- Second Home

Loan Purpose

Purchases

Rate/Term Refinances

- No seasoning of first mortgage
- If owned less than 12mos, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required
- If owned greater than 12mos, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership.
- Reasonable and customary closing costs, prepaids, and seasoned junior liens may be incorporated into the loan amount
- Cash out not to exceed the lesser of 1% or \$2000 of the principal amount of the new loan
- One year seasoning on junior liens from funding unless documentation is provided to verify it was incurred as part of acquisition or for home improvements. This does not apply to draws of 1% or less of the new loan amount or a maximum of \$2000 within the past 12 month period.
- Properties listed for sale in the last 6 months (on or before the application date) are not eligible for refinance transactions.

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Minimum Credit Score

700

Borrower Eligibility

U.S. Citizen

Permanent Resident

- Verify Alien Registration Card
- Must provide evidence of valid Social Security Number

Non-Permanent Resident

- Primary residence only
- Max LTV/CLTV 75%

First Time Homebuyer

- Primary residence only
- Verification of 12 months rental payments is required. The loan file must contain 12 months cancelled checks or bank statements to evidence eligibility for mortgage/housing history for the loan program under which the loan is submitted. Written Verification of Rent via the credit report is **not** permitted. Direct written Verification of Rent is acceptable in lieu of cancelled checks when the landlord is a large, professional management company.
- Requires 12 months reserves

Borrower Living Rent-Free

- Requires 12 months reserves, excluding retirement accounts

Foreign Nationals

- Not permitted

Multiple Properties Owned / Financed by the Same Borrower

- Maximum 20% concentration in any one project or subdivision
- Maximum of 4 financed properties (including the subject)
- New multiple loans must be underwritten simultaneously

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Credit

Housing Payment History

- 0x30 in the last 12 months
- 0x60+ in the last 24 months
- Must be current at the time of closing
- Payment history on any property, regardless of occupancy, is considered a mortgage for credit grading purposes. Payments on a Manufactured Home, timeshare, or second mortgage are considered to be mortgage debt, even if reported as an installment loan. Additionally, any repossession or payment more than or equal to 120 days delinquent on a Manufactured home, timeshare, second mortgage, even if shown as an installment loan, will be considered a foreclosure.

Bankruptcy

- A minimum of 7yrs must have elapsed since discharge / dismissal
- If a mortgage is/was included and discharged through a bankruptcy, it will be considered a foreclosure.

Foreclosure

- A minimum of 7yrs must have elapsed since date of foreclosure completion (Sheriff's Deed)

Restructured Loans / Short Payoffs

- If the existing loan being paid off is a restructured loan or a short payoff, the loan is not eligible for financing with MMI
- If the borrower has had a prior restructured loan or short payoff, the new loan is eligible for financing subject to compliance with all foreclosure guidelines

Consumer Credit Counseling

Borrower must provide a signed, satisfactory LOX regarding their participation in CCC. A borrower is eligible while still in CCC providing the following criteria are met:

- Credit score requirements are met
- Qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report), as opposed to the reduced CCC payment
- All accounts must be current
- No cash in hand unless all accounts included in CCC are paid

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Major Adverse Credit

Collection accounts, charge offs, judgments, liens, delinquent property taxes, repossessions, garnishments, and non-mortgage accounts **currently** 90 days or more delinquent.

For Major Adverse accounts reporting within the last 24 months:

- Not allowed; however, isolated accounts with less than a \$500 cumulative balance are permitted. These accounts may be left open, provided they do not affect title.

For Major Adverse accounts reporting older than 24 months:

- All state, IRS, and property tax liens (subject property and other properties), regardless of seasoning, are required to be paid whether or not they currently affect title. No payment plans or subordination is allowed.
- All other adverse accounts over 24 months old that do not affect title are not required to be paid.

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Special Circumstances

Pending Sale of Current Primary Residence

If the borrower's current primary residence is on the market and the sale will not close before the closing on the new primary residence, the following requirements must be met:

Qualification

- The borrower must qualify with the PITIA of both the retained property and the new primary residence

Reserves

- 6 months liquid PITIA reserves for the retained property
- The greater of 6 months PITIA reserves or program requirements for the subject property

Conversion of a Primary Residence to a Second Home or Investment Property

If the borrower's current primary residence is being converted to a second home or investment property, and/or has relocated to temporary housing, an explanation may be required when the property being purchased is of lesser value or in the same geographic location, and the following must be met:

Qualification

- **Conversion to Second Home:** Qualify with the PITIA of both the retained property and new primary residence
- **Conversion to Investment Property:** Must have 30% documented equity in retained property to use rental income for qualification

Reserves

- **Conversion to Second Home**
 - 6 months reserves for the retained property
 - The greater of 6 months PITIA liquid reserves or program requirements for the subject property
- **Conversion to Investment Property**
 - 6 months liquid PITIA reserves for the retained property
 - The greater of 6 months PITIA reserves or program requirements for the subject property

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Assets

Borrower Investment

Primary Residence

A minimum down payment of 5% must be paid from the borrower's own funds. The balance may be paid from any of the acceptable asset sources (own funds or gift funds)

Second Home

The entire down payment must be paid from the borrower's own funds. Gifts are not permitted.

Seller Contribution

Maximum 3% allowed.

Gifts

- Acceptable on loans up to \$1 million provided minimum borrower investment requirements are met
- The minimum borrower investment is waived on primary residences when gift reduces the $LTV \leq 80\%$, borrower pays own closing costs, and no secondary financing exists.

Reserves

Reserves must come from borrower's own funds. Must be verified PITIA reserves remaining after closing, exclusive of closing costs, cash out received, and proceeds from home equity transactions.

Loan Amount / Combined Loan Amount \geq \$1 million

- Minimum 12 months PITIA reserves, exclusive of cash out funds, business assets (other than Schedule C)
 - Minimum 6 months liquid reserves
 - Maximum 6 months reserves permitted from retirement accounts. See criteria below.

Loan Amount / Combined Loan Amount $<$ \$1 million

- For DTIs $\geq 35\%$
 - Minimum 12 months PITIA reserves, exclusive of cash out funds, business assets (other than Schedule C)
 - Minimum 6 months liquid reserves
 - Maximum 6 months reserves permitted from retirement accounts. See criteria below.
- For DTIs $< 35\%$
 - Minimum 6 months PITIA liquid reserves required, exclusive of 401k/SEP accounts, cash out funds, business assets (other than Schedule C)

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Ineligible Sources for Reserves

- Gift Funds
- Business Assets (other than Schedule C)
- Cash out proceeds
- Bridge Loans
- Loans secured by other assets
- Proceeds from the sale of non-real estate assets

Retirement Account Funds

- Borrowers of retirement age (generally 59 ½): Subtract 30% from the vested amount less any outstanding loans
- Borrowers not of retirement age: Subtract 50% from the vested amount less any outstanding loans

Mortgage Insurance

Not applicable.

Underwriting Method

Loans will receive an Approve/Ineligible decision through DO/DU. The reason for the Ineligible recommendation must be due to the loan amount **only**. Any other reason for ineligibility will not be permitted.

All Jumbo loans will be qualified under manual underwriting guidelines with regards to credit, income, assets, and appraisal. It is not acceptable to apply the level of documentation identified via the AUS for these items.

Appraisal

A full appraisal with interior photos, ordered by MMI, will be required. Any appraisal not ordered by MMI will be deemed unacceptable.

To order the appraisal, please contact MMI's File Support team at 248.203.1340. Clients will need a valid credit card to complete this process. Due to internal review procedures, it will take five to ten business days to obtain the final report.

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HomePath Program

A HomePath Mortgage allows a borrower to purchase a Fannie Mae-owned property with a low down payment, flexible mortgage terms, no lender-requested appraisal, and no mortgage insurance. Unless otherwise stated below, all of MMI's standard Conventional underwriting guidelines apply.

Available Terms

- 15, 20, and 30 year fixed

Maximum Loan Amount

\$417,000

Maximum LTV / CLTV / HCLTV

LTV without Secondary Financing	LTV w/Secondary Financing	CLTV w/Secondary Financing	Max HCLTV
97%	95%	97%	97%

Minimum Credit Score

660

Underwriting

DU Approve/Eligible required. The following DU messages may be disregarded providing loan meets all HomePath requirements:

- Any message relating to the amount of MI required
- Any message stating the max allowable interested party contributions have been exceeded on LTVs > 90%
- Any message related to the level of fieldwork recommendation

Occupancy

Primary Residence only

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Minimum Downpayment Requirements

- For loans with LTV/CLTV from 80.01% to 95.00%, the borrower must provide 5% of purchase price as a downpayment
- For loans with LTV/CLTV > 95%, there is no minimum contribution requirement from the borrower's own funds. Gift funds are an acceptable source of downpayment (relationship and transfer must be documented).

Eligible Property Types

Single family residences only. Eligible properties on HomePath.com will display the HomePath dual logo. **HomePath Renovation Loans are not eligible for financing with MMI.**

The file must be documented with the appropriate HomePath listing pages printed from www.HomePath.com showing that the property was eligible for HomePath financing, including:

- Property address
- REO ID
- Property value
- Bedroom count
- HomePath logo

A copy of the fully executed "Notice to HomePath Property Buyers Regarding Appraisals" must be in the loan file and dated prior to the closing of the loan. This notice informs the borrower(s) that the purpose of the borrower-ordered appraisal and its contents are for the use and information of the borrower **only**, and will not be considered for purposes of the loan transaction.

NOTE: The page showing the property is eligible for HomePath financing must be printed **prior to closing the loan**. FNMA removes eligible properties from the HomePath website after the loan closes.

Condominiums / PUDs

Condominium and PUD projects must be warrantable, but evidence the project meets FNMA Project Eligibility is not required.

Appraisal Requirements

This program does not require an appraisal. If the borrower, at their option, chooses to obtain an appraisal, then:

- Borrower must order the appraisal from an appraiser selected by the borrower (not one recommended by the seller or originating lender), and the appraisal must be paid for by the borrower outside of the transaction. The appraisal fee may not be collected at closing or shown on the HUD-1.
- Seller and/or originating lender must not request a copy of the appraisal. **If the borrower chooses to obtain an appraisal and report is submitted to MMI, loan is not eligible for the HomePath program.**

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Determination of Property Value

Property value for purposes of loan delivery and for determining LTV/CLTV/HCLTV is the sale price of the property as evidenced by the sales contract between FNMA and the buyer/borrower (“Contract Sales Price”)

Disaster Policy

Properties that are being financed using the HomePath mortgage program are exempt from the standard Disaster Policy as FNMA is validating the value and condition.

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High-Balance Loans

Fannie Mae permits loan amounts to exceed the General Loan Limits in certain geographic locations. Listings of loan limits by area, as determined by the FHFA, are provided at the following site: <https://www.efanniemae.com/sf/refmaterials/loanlimits/>. Click on the link “View the list of loan limits”, and the spreadsheet provides drop-down menus to allow sorting and viewing by county, state, or MSA.

All standard Conventional underwriting guidelines apply, except as described below.

Minimum / Maximum Loan Amounts

High Balance Area Loan Limits established by Federal Housing Finance Agency (FHFA) in the Continental US		
Units	Minimum Loan Amount	Permanent High-Cost
1	\$417,001	\$625,500
2	\$533,851	\$800,775

*These amounts are the maximum loan amounts that may apply; the limit may be lower for a specific high-balance area; however may not exceed 115% of area median home price. See OFHEO website for eligibility in specific MSAs for 2011 loan limits.

Loan Amount and LTV Limitations

Fixed Rate					
Primary Residences					
Units	LTV w/o Sec Fin	LTV w/ Sec Fin	CLTV w/ Sec Fin	Max HCLTV	Credit Score
Purchase					
1	90%	90%	90%	90%	700
1	75%	75%	75%	75%	660
2	75%	75%	75%	75%	740
Rate/Term Refinance					
1	90%	90%	90%	90%	700
1	75%	75%	75%	75%	660
2	75%	75%	75%	75%	740
Cash Out Refinance					
1	60%	60%	60%	60%	740
2	n/a				

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Available Terms

10, 15, 20, and 30 year fixed rate loans are available.

Maximum Debt-to-Income Ratio (DTI)

45%

Occupancy

Primary Residence only.

Property Types

Florida Condos not permitted. See lists of [Eligible Collateral](#) and [Ineligible Collateral](#) in standard Conventional guidelines for further clarification.

Private Mortgage Insurance (PMI)

Permitted. Check with individual MI companies for any overlays, if applicable.

Assets

Minimum Borrower Investment (From Own Funds)

- ≤ 80% LTV/CLTV: No minimum requirement
- > 80% LTV/CLTV: 5%

Gift Funds

Gift funds are permitted after borrower's minimum required investment is met.

Reserves

Follow DU's recommendation for required reserves

Appraisals

Will follow DU recommendation. However, transferred appraisals are not permitted.

Seller Contributions

Max 3%

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Automated Underwriting System

Approve/Eligible Risk Classification

If the AUS (using Desktop Underwriter or eMagic) rates the mortgage loan application as an Approve/Eligible, based on the analysis of the credit, capacity to repay, and certain other loan characteristics, the loan is eligible for MMI underwriting provided:

- The data entered into the AUS is true, complete, properly documented, and accurate; and
- The entire loan package meets all other conventional requirements (except for those specifically not required because the loan was evaluated by an AUS).

Approve/Ineligible Risk Classification

Loans that receive a recommendation of "Approve/Ineligible" **are not** eligible for approval, with the exception of Jumbo loans that receive an Ineligible recommendation due to loan size only. The broker will need to correct the issue(s) that caused the loan to be ineligible and resubmit the loan to attempt to obtain an "Approve/Eligible" recommendation (such as when a mortgage amount exceeds statutory limits, debt-to-income ratios, etc)

System Overrides and Manual Downgrades

A system override and/or manual downgrade of an "Approve/Eligible" to a "Refer" classification may be required if a particular loan application variable is revealed during loan processing. MMI will not manually approve the loan.

MMI is required to manually downgrade the loan to a "Refer" under any of the following conditions:

Previous Mortgage Foreclosure

When a borrower whose previous residence or other real property was foreclosed on or has given a deed-in-lieu of foreclosure within the previous seven years, but it is not reflected on the credit report or considered in the AUS analysis.

Delinquent Federal Debt

If the borrower, as revealed by public records and/or credit information that may appear on title or elsewhere in the loan file, has delinquent Federal debt (such as a Tax lien) that is not considered in the AUS analysis.

Upfront Disclosure Policy

At the time of loan submission MMI requires evidence that initial disclosures were delivered to the borrower within compliance. The date indicated on the disclosures must reflect they were prepared / delivered in compliant timeframes. The broker must submit copies of all federal, state and local disclosures which will be monitored on every transaction. MMI complies with federal, state and local policies and procedures such as Fair Housing, ECOA, SAFE ACT, RESPA, HVCC, MDIA, etc.

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Underwriting Status/Decisions

Pre-Qualification

1003 has been uploaded or loan has been locked (no underwriting package had been submitted

Incomplete

Insufficient documentation was submitted for the loan file to be submitted to underwriting.

Submitted

Loan package has been received, 1003 has been uploaded, and loan has been submitted to an underwriter.

Suspended

Crucial documentation was missing from the submission for the underwriter to render a sound decision.

Approved with Conditions

Underwriter has approved the loan with conditions which need to be met before the loan is "Clear to Close".

Withdrawn

Loan file was withdrawn by the borrower or the broker.

Declined

A loan is declined only after all alternatives are explored. MMI may make recommendations or offer a counter proposal regarding the terms and conditions required for loan approval.

Clear to Close

All prior to closing conditions have been met and cleared by the underwriter and loan is ready to close. All "at closing" or "prior to funding" conditions must be forwarded to MMI prior to funding for underwriter approval or with the closed loan package as noted on the MMI Underwriting Report "Conditions to be Cleared at Closing".

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