



Attention Please!!

Due to the unprecedented impact of the coronavirus on the industry, temporary guidance has been issued regarding a number of different topics. To ensure your borrower is accurately qualified in this challenging time, please refer to the [Temporary Guidance due to COVID-19](#) document.

This document is organized similar to our internal guidelines, and contains all temporary guidance in a single location.

The direction on that document supersedes standard guidance contained in the Guideline documents and matrices. Please be sure to verify that all temporary direction is being applied.

The Temporary Guidance due to COVID-19 document can also be accessed from the intranet, under Wholesale Library Documents >> Guidelines and Matrices >> All.



Conventional Underwriting Guideline Supplement

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MiMutual Underwriting

Philosophy

MiMutual underwrites and purchases all types of residential mortgages. These programs and products can be found in our Product Matrices (located on [MiMutual'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.

MiMutual 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.

MiMutual 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 agency standards and guidelines. 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. MiMutual'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 to you and incorporated into these guidelines.

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Program Description

This underwriting guideline supplement provides auxiliary information to the GSE's underwriting guidelines for one to four family conventional mortgages. This does not represent Fannie Mae or Freddie Mac's entire underwriting manual.

The information contained in this section is intended for use in conjunction with Fannie Mae/Freddie Mac guidelines. Unless otherwise stated, all loans must conform to applicable FNMA/FHLMC one-to-four family housing requirements as well as federal, state and local law compliance. MiMutual 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 GSE guidelines and MiMutual direction, then the more conservative guidance will apply.

Fannie Mae Selling Guide

Fannie Mae's Selling Guide can be found [here](#).

Freddie Mac Seller/Servicer Guide

Freddie Mac's Seller/Servicer Guide can be found [here](#).

Loan Limits

2021 Loan Limits can be found [here](#).

In addition to program eligibility and prudent underwriting, MiMutual requires all loans to meet the Ability to Repay rules established by the Consumer Financial Protection Bureau (CFPB). The ATR Rule requires that a reasonable, good faith determination is made before or when the loan is consummated, and that the consumer has a reasonable ability to repay the loan. The eight underwriting factors established by the CFPB must be considered, and the loan must be documented accordingly.

1. The borrower's current or reasonably expected income or assets;
2. The borrower's current employment status;
3. The borrower's monthly payment on the covered transaction;
4. The borrower's monthly payment on any simultaneous loan;
5. The borrower's monthly payment for mortgage-related obligations;
6. The borrower's current debt obligations, alimony, and child support;
7. The borrower's monthly debt-to-income ratio or residual income; and
8. The borrower's credit history

Additionally, MiMutual will only underwrite/close loans that are Qualified Mortgages (QMs) which meet the criteria for Safe Harbor.

- All loans must pass the QM Points and Fees test
- No risky features permitted (we do not currently offer loans with features the CFPB considers "risky", so our products will not change)
- "Higher-Priced Mortgage Loans" (loans which, at the time the interest rate was set, the APR was 1.5% or more over the Average Prime Offer Rate (APOR)) are only permitted when the loan meets the criteria as outlined in the guidance for [HPMLs](#)

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

NOTE: Guidance contained in this document assumes the loan received an Approve or Accept/Eligible recommendation. Manual underwrites are not permitted on Conventional loans.

Overlays

Chapter	Topic	Overlay
Requirements & Restrictions	Max Number of Borrowers	MMI does not allow any greater than 4 borrowers on a single loan
	Ineligible Terms	1/1, 3/1, 5/5 all ARM's (suspended pending LIBOR/SOFR transition)
	AUS Requirements	DU Findings reflecting Approve/Eligible, or LP Findings reflecting Accept are required. Recommendations of Refer or loans otherwise requiring manual underwriting are ineligible.
Collateral	Ineligible Collateral	Properties exhibiting commercial/industrial use
		Title held as Leasehold only allowed through FNMA/DU, and only for properties located in MD and CA. Community Land Trusts not permitted, regardless of property state.
		CoOps
		Properties vested in Life Estates
		Land Trusts
		Manufactured homes may not be single-width, and are not permitted to be located in a condominium or PUD project (regardless of width). This includes manufactured homes as accessory dwelling units (ADUs).
		Any land, building, property, structure, etc. in which there is knowledge of an illegal activity based on federal or state law
		Properties located on repaired sinkholes or with sinkhole activity
	UAD Rating	Condition Ratings of C5 and C6 are unacceptable
		Quality Rating of Q6 is unacceptable
	Condo Project Approval	MMI does not offer PERS (Project Eligibility Review Service) as a condo project approval option
Condos	New construction condos, newly converted condos, and non-warrantable condos are ineligible.	
Condo Conversions	Conversion projects must be 3 years since conversion (determined by recording date on master deed) and meet GSE definition of an Established Project	

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Chapter	Topic	Overlay
Credit	Minimum Score	Borrowers with no score are eligible, providing at least one borrower on the loan has a valid credit score.
	Departure Residence	If the borrower's current primary residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, both the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan unless the home is being sold under an employment relocation program
Income	Ineligible Income Sources	Projected earnings are ineligible for qualifying income, unless the loan is eligible for delivery prior to documenting receipt of the new earnings (per GSE direction)
		Income derived from an activity that is deemed illegal by federal or state law
Assets	Gift of Equity	Underlying 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.
Refinances	PACE/HERO Loans	PACE loans are required to be paid off, and cannot remain outstanding after closing.
Private Mtg Insurance (PMI)	Coverage Restrictions	Reduced coverage not permitted. Standard coverage only.
		Borrower-paid single premium cannot be financed
		Split premium not available
General Provisions	Identity Documentation	All borrowers must have a valid SSN. Individual Tax Identification Numbers (ITINs) are not permitted.
	Escrow Account	Required for all loans with LTVs > 80%, except in CA (required when LTV is ≥ 90%), or NM (required when LTV is ≥ 80%).
	Exposure	Maximum 2 loans to an individual borrower with MiMutual
Repair Escrows	Eligible Repairs	Minor conditions or deferred maintenance items may be remedied. Any items that affect the safety, soundness, or structural integrity of the property are ineligible.
Home Possible	Ineligible Features	Temporary subsidy buydowns
		Construction Conversion and Renovation Mortgages
		Sweat equity
		RHS Leveraged Seconds

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Chapter	Topic	Overlay
HomeStyle Renovation	Ineligible Terms	15 and 30 fixed rate only. ARMs are not permitted. High Balance allowed.
	Ineligible Transactions	When borrower is related to or employed by the contractor or the company doing the renovation
		Second home and investment property transactions that involve non-arm’s length and/or identity of interest characteristics
		Loans subject to TX 50(a)(6) guidelines
	Ineligible Programs	HomeStyle Energy
		HomeStyle Reno in conjunction with the HomeReady program
	Ineligible Borrowers	Non-profit investor borrowers
		Local government agencies as borrowers
	Assets	Gifts of Equity are ineligible
		MiMutual will not escrow for mortgage payments that come due during the renovation period. The payment on the subject, as well as any housing expense that exist for another residence during construction must both be included in the debt ratio, or the borrower must document sufficient (additional) assets to cover the temporary housing payment for the number of months that construction will be taking place
	MI	Borrower-paid financed MI is not permitted
	Ineligible Repairs	“Do-It-Yourself” borrower repairs
		Repairs that would result in work not beginning within 30 days of closing
		Moving an existing dwelling to a new site/foundation
		Replacement of an old/damaged foundation
Contingency Reserve	Any repairs that take greater than 9 months to complete	
Consultant Requirements	The contingency reserve may not be waived on single family residences	
	<p>A HUD-approved consultant must be used when:</p> <ul style="list-style-type: none"> • any structural work is required (an increase in the gross living area of the property, or any modification/adjustment to the floor plan, such as moving walls, regardless of structural load transfers), or • the contractor has no experience with renovation loans. <p>When a consultant is used, max 3 contractors permitted.</p>	

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Chapter	Topic	Overlay
HomeOne	MI	Standard MI coverage only. Custom MI not permitted.
	Credit Score	Minimum 620 required.
	Ineligible Features	HomeOne in conjunction with renovation mortgages or construction conversion loans
		Temporary subsidy buydowns
FNMA High LTV Refinance	AUS	Manual UW (including Alternative Qualification Path) not permitted. Must receive DU Approve/Eligible recommendation.
	Ineligible Features	MiMutual will not provide an incentive to the borrower in the form of a payment to pay off a portion of the loan being refinanced.
	Collateral	CoOps ineligible
	Title	Fee simple only. Leasehold not permitted.
Manufactured Homes	Collateral	Double-width and larger only. Single-wide homes not permitted.
		Home may not be located in a condominium/PUD project (regardless of width)
		Homes that have an addition or have had a structural modification are ineligible
		New construction / buying new home and placing on land is ineligible
	Ineligible Programs	HomeStyle Renovation
		MH Advantage
Title	Title MUST be surrendered no later than at closing.	

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Requirements and Restrictions

Qualified Mortgages with Rebuttable Presumption

This policy is intended for loans that are considered Qualified Mortgages (QM) with rebuttable presumption, and therefore do not meet QM safe harbor requirements.

Conventional loans on a primary residence that are considered Higher Priced Mortgage Loans (HPMLs) are permitted, providing the following criteria are met:

- An appraisal must be obtained by a certified or licensed appraiser who conducts a physical visit of the interior of the subject property, except on rate/term refinance transactions where a PIW is received
- An additional appraisal by a separate appraiser may be needed if:
 - The seller acquired the property 90 days or less prior to the consumer agreement was signed and the agreement exceeds the seller's acquisition price by more than 10%, or
 - The seller acquired the property 91 to 180 days prior to the consumer agreement and the price exceeds the seller's acquisition price by more than 20%
- Cannot waive appraisal delivery timing – borrower must receive appraisal at least 3 days prior to closing
- An escrow account for payment of property taxes and insurance premiums is required
- Residual Income Evaluation (RIE) must be performed, with results determining eligibility requirements per the [table](#) on the following page. **Any losses reflected on 1040 transcripts must be considered when completing the RIE.**

NOTE: *For properties in the state of California, borrowers are not permitted to pay for more than one appraisal on a property in a 12 month period.*

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Residual Income Evaluation Table

Primary Residence	
<i>If monthly residual income is...</i>	<i>Then the minimum reserves required are...</i>
\$2,500 or greater	No minimum reserve requirement based on the residual income evaluation. Loan must still comply with the minimum reserve requirements for the base loan program.
≥ \$800 < \$2,500	The greater of: <ul style="list-style-type: none"> • 3mos liquid* PITI reserves are required, OR <ul style="list-style-type: none"> • Minimum reserve requirements for the base loan program. <i>Additional reserves should be considered for loans with higher layered risks</i>
< \$800	n/a. The loan is not eligible for HPML/rebuttable presumption
Second Homes and Investment Properties	
<i>If monthly residual income is...</i>	<i>Then the minimum reserves required are...</i>
\$2,500 or greater	No minimum reserve requirement based on the residual income evaluation. Loan must still comply with the minimum reserve requirements for the base loan program.
≥ \$800 < \$2,500	The greater of: <ul style="list-style-type: none"> • 6mos liquid* PITI reserves are required, OR <ul style="list-style-type: none"> • Minimum reserve requirements for the base loan program. <i>Additional reserves should be considered for loans with higher layered risks</i>
< \$800	n/a. The loan is not eligible for HPML/rebuttable presumption

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Collateral Requirements

Appraisals

Approved Appraisers

MiMutual 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.

MiMutual requires that all Conventional appraisals are ordered through one of our designated Appraisal Management Companies (AMCs). However, correspondents that do not utilize an AMC but meet all of the following criteria are acceptable:

- Must be able to provide UCDP Certificates for both Fannie Mae and Freddie Mac
- Must have an AIR Certificate
- Must provide the XML format of the appraisal as well as PDF
- Appraisals with CU Risk Score of 4 or greater, or No Hit, will require the correspondent to provide a desk review completed through MiMutual's approved AMC (Equity Solutions)

Appraisal Order Process

MiMutual provides links on our website to order appraisals.

- Begin at the MiMutual website home page (www.michiganmutual.com) to order your appraisal through your assigned AMC.
- Place the appraisal order in the name of MiMutual Inc., and 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 upload the appraisal to MiMutual's system, and an email notification will be generated to inform the broker that it has been received.

Value Reconsideration Request

Reconsideration requests must be uploaded for review by the underwriter, and include the following in order to qualify for the continuance of the appeal process:

- A minimum of 2 and up to 5 alternate open market sales, including all available data and MLS ticket, which have closed within 90 days of the appraisal effective date. *Active listings and closed sales after the effective date of the appraisal will not be accepted.*

If the underwriter agrees that a reconsideration of value is warranted, they will forward to the AMC.

A request for value reconsideration does not guarantee an adjustment in value.

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Appraisal Portability

MiMutual will accept transferred appraisals on Conventional loans. The appraisal, in both PDF and XML formats, must be emailed to cta@mimutual.com **by the previous lender**, and must also contain the invoice, Appraiser Independence certificate, and UCDP certificates for both Fannie Mae and Freddie Mac. If the appraisal is received from the AMC on the prior lender's behalf, a letter from the lender authorizing the transfer will also be required. If any of the documents above cannot be provided, a new appraisal ordered through one of MiMutual's approved AMCs will be required.

NOTE: Transferred appraisals not permitted with a Collateral Underwriter (CU) risk score of 4 or greater.

Private Transfer Fees

In accordance with a regulation issued by the Federal Housing Finance Agency on March 16, 2012, and codified at 12 CFR Part 1228 (the "Private Transfer Fee Regulation"), MiMutual will not lend on properties encumbered by private transfer fee covenants if those covenants were created on or after February 8, 2011, unless permitted by the Private Transfer Fee Regulation.

The Private Transfer Fee Regulation explains that private transfer fee covenants may be attached to real property by the owner or another private party – frequently, the property developer – and provide for a transfer fee to be paid to an identified third party such as the developer or its trustee upon each resale of the property. Typically, the fee is stated as a fixed amount or as a percentage, such as one percent of the property's sales price, and often exists for a period of 99 years.

The Regulation goes on to define Private Transfer Fees and Private Transfer Covenants: *Private Transfer Fee* means a transfer fee, including a charge or payment imposed by a covenant, restriction, or other similar document and required to be paid in connection with or as a result of a transfer of title to real estate, and payable on a continuing basis each time a property is transferred (except for transfers specifically excepted) for a period of time or indefinitely.

A *Private Transfer Fee* does **not** include fees, charges, payments, or other obligations that:

- are imposed by or payable to the Federal government or a State or local government; or
- defray actual costs of the transfer of the property, including transfer of membership in the relevant covered association.

Private Transfer Fee Covenant means a covenant that:

- purports to run with the land or to bind current owners of, and successors in title to, such real property; and
- obligates a transferee or transferor of all or part of the property to pay a private transfer fee upon transfer of an interest in all or part of the property, or in consideration for permitting such transfer.

Most properties do not include a private transfer fee; however, there are a couple of ways to identify whether a private transfer fee exists on the subject property:

1. [Sales disclosures](#) **should** include the existence of the fee and an explanation of why it is imposed.
2. If a private transfer fee is not disclosed at the time of contract, the [title](#) report issued during the sale will **typically** include this information, because this fee should be listed as a covenant against the property.

As such, the purchase agreement (including all addenda), as well as the title commitment, must be thoroughly reviewed to ensure there is no indication of a Private Transfer Fee. These fees can also be known as **Reconveyance Fees, Capital Recovery Fees, Residential Transfer Fees, and Transfer Fee Covenants**.

FEMA Declared Disaster Area Policy

The FEMA Declared Disaster Area Policy applies to all areas eligible for individual assistance due to a federal government disaster declaration.

If the subject property has had an appraisal completed prior to a declared disaster, prior to the end date of a declared disaster, after a declared disaster with no comments addressing the post-disaster condition of the property from the appraiser, or received an appraisal waiver, a 1004D or another form of disaster inspection, with photos and comments regarding the impact of the disaster to the property (if any), must be obtained. The inspection must be performed by an appraiser or qualified home inspector. When using a home inspection company, the inspection must include the following:

- A statement on company letterhead, verifying the subject property has not sustained any damage. If the inspector observes any damage, interior photos will be required
- A statement on the neighborhood conditions as they relate to damage
- An exterior photograph of the subject property evidencing no damage

The type of disaster will determine whether an interior/exterior or just an exterior inspection is required. If the event was such that the damage will be visible from the street (ex: tornado), an exterior-only inspection is permitted. If the event was one that could cause damage that must be viewed from the interior (for example, flooding), an interior/exterior inspection is required. The inspection may be performed once the risk of damage has passed.

Ineligible Collateral

Any land, building, property, structure, etc in which there is knowledge of an illegal activity occurring past or present (based on federal or state law), regardless of whether any income or assets are being derived from the illegal activity. Property alterations cannot be made to achieve collateral eligibility.

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Condominiums / PUDs

Property Determination

Condominiums

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

PUDs

A Planned Unit Development (PUD) is a project or subdivision that consists of common property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD units. In order for a project to qualify as a PUD, each unit owner’s membership in the HOA must be automatic and nonseverable, and the payment of assessments related to the unit must be mandatory.

HOA Questionnaire

An HOA Questionnaire must be completed and delivered to underwriting for all condominiums, regardless of project review type. While the use of the form located on MiMutual’s website is not mandatory, any other form used must contain the same information.

Detached Condominiums

Site condos are a type of detached condo, and do not have specific guidance other than the direction that applies to a detached unit in a condominium project. Both Fannie Mae and Freddie Mac have different review requirements for detached condos, based on the project characteristics, and the applicable GSE's direction must be followed.

If a 1004 is used as the appraisal form, the appraiser must:

- provide an adequate description of the project,
- provide information about the homeowners' association fees and the quality of the project maintenance, and
- address the number of units in the project along with the number of units sold.

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Credit

Documentation Requirements

All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Housing Payment History

Timeshares are considered as consumer debt, and not real estate. Therefore, any adverse credit on a timeshare should not be considered when analyzing mortgage delinquency/foreclosure.

Credit Reports

All credit reports since the date of application must be provided to the MiMutual underwriter for review. If a credit report (or multiple reports) exist that were pulled before the credit report being used to decision the file, the underwriter will condition for a copy of each report and analyze the data as a part of the borrower's credit review.

In-File Credit Report

MiMutual will pull a single-bureau, in-file credit report 10 business days prior to closing on all loans. A business day is defined as any day that is not Saturday, Sunday, or a Federal holiday. Any changes in payments or balances will require the liabilities to be updated, and the AUS must be rerun with the most current information available – loan must still receive an acceptable decision. If any derogatory credit is found since the date of the tri-merge credit used to underwrite the loan, a new tri-merge credit report must be pulled and attached to the AUS findings so the delinquency can be factored into DU's decision.

Credit Score

Borrower Credit Score

When one (or more) borrower(s) has a credit score but at least one borrower does not have a credit score, the following requirements must be applied:

- The property must be a one-unit principal residence.
- All borrowers must occupy the property.
- The transaction must be a purchase or limited cash-out refinance.
- The loan amount must meet the general loan limits. High-balance/super conforming mortgage loans are not eligible.
- Reserves may be required as determined by the AUS.
- If the borrower(s) with a credit score is contributing 50% or less of the qualifying income, MiMutual must document a nontraditional credit history for each borrower without a credit score per the requirements of the applicable GSE.

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Validating a Credit Score

Validating credit scores is subjective, and it typically requires 2-4 trade lines to validate a credit score depending on depth of credit, the type of trade line, and length of time established. If you are in doubt, email our scenario help desk (wholesalescenarios@mimutual.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.

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

Credit Inquiries within 90 days of Report Date

A blanket statement addressing all inquiries at once is unacceptable. Each individual inquiry must be itemized and explained.

Departure Residence Pending Sale

If the borrower's current primary residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, both the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan. The only exception to this guidance is if the home is being sold under an employment relocation program.

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Employment/Income

Large fluctuations in income are ALWAYS subject to underwriter discretion.

Documentation Requirements

All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Self-Employed

When using FNMA Form 1084 to calculate income, the lower amount of the Ordinary Income or Amount Distributed can be used to qualify without documenting access to funds/liquidity. If either of these amounts is \$0.00, additional action must be taken, and the income may not be able to be used in qualification.

A signed, YTD Profit & Loss Statement is required for all self-employed borrowers (once a calendar quarter has elapsed). It will be used to support a two year income average; however, will not be used for qualifying purposes.

Income Transcript Verification

4506T results (IRS transcripts) will be requested on every loan that is registered with MiMutual, unless it qualifies for the [W2 transcript waiver](#). These are reviewed to verify that the income documentation supplied matches the information provided to the IRS for the last 2 years of income used to qualify.

For all self-employed borrowers (on Conventional programs only), a signed 4506T will be required for all borrower-owned businesses (i.e., S-Corp, Corp, Partnership) when business tax returns are provided/required per guidelines/AUS findings.

The 4506T is NOT required to be processed on the business returns if:

- On Partnership returns (1065/K1) and/or S Corp returns (1120S/K1), where the income shown on the business tax returns is consistent with the income reported on Schedule E of the personal tax returns;
AND
- IRS transcripts verifying the information on the personal tax returns have been obtained.

NOTE: *The tax transcripts for Corporation returns (1120) must always be requested, since this income will not be reflected on the borrower's personal tax returns.*

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Full Tax Return Transcripts (1040s)

When tax returns are required and must be verified, the Underwriter must also look for items that may not have been disclosed, such as self-employed earnings and/or mortgage interest deductions where no real estate ownership appears on the 1003.

- Beginning in February 2020, the 2019 and 2018 results must be requested from the IRS by MiMutual. **Note:** *If 2019 income is being used to qualify, it is acceptable to proceed with 4506T results showing no record of return found until June 1st.*
 - If 2019 income is derived from tax returns and being used to qualify, but cannot be verified through 4506T results, the tax returns must be brought to the borrower's local IRS office to be signed and stamped as evidence the returns provided to MiMutual are the same as the ones filed with the IRS. **OR**, if tax returns were filed by a licensed CPA, it is acceptable to obtain a letter along with copies of the tax returns directly from the CPA confirming returns have been filed with the IRS. However, neither of these options are acceptable if borrowers have not filed tax returns for the last 2 years.
 - If, upon underwriter review of the income documentation, it is determined that the 2017 earnings must be considered in qualifying the borrower, then 2017 transcripts are required.

Effective June 1st 2020, 2019 tax information is required to be verified. For Borrowers with a documented extension to file, it is acceptable to receive results that state "No Record of Return Found".

W2 Transcript Waiver

MiMutual will not require IRS tax transcripts when all qualifying income is comprised exclusively of W2 wage earner income and/or fixed income reported on a 1099 (social security, VA benefits), unless required by the AUS.

If the borrower is self-employed or works for family, owns rental properties, or otherwise does not meet the waiver criteria described above, MiMutual's standard transcript policy applies.

If tax returns are provided or required for any reason, transcripts are required.

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Timing of Tax Returns

When using tax returns to verify income, the following documentation requirements will apply. Only income that can be verified via 4506T can be used for qualifying. In cases where the 4506T results are unable to be obtained due to taxes having been recently filed, the IRS response to the request must reflect “No Record of Return Found”. In these cases, the following options are available, and can be considered as “verified” for qualification purposes:

- Copies of the most recent year’s signed return, stamped as received and signed by the borrower’s local IRS office.
- If tax returns were filed by a licensed CPA, it is acceptable to obtain a letter, along with copies of the tax returns directly from the CPA, confirming returns have been filed with the IRS.

NOTE: Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis, and are subject to underwriter discretion.

When an IRS Form 4506T request returns one of the following messages:

- *“Due to limitations, the IRS is unable to process this request. The IRS will mail a notification to the borrower to explain this reason; please contact your borrower”*,
- *“Rejection Code 10”*, or
- other verbiage related to a “limitation” precluding completion of the request, the following steps may apply:
 - MiMutual must retain the determination from the IRS that their request cannot be processed, with a code of “Unable to Process” or “Limitation”
 - The applicant may request their tax return transcripts and deliver them to MiMutual. Information on how to request transcripts by mail is available at <http://www.irs.gov/individuals/get-transcript>
 - The applicant must request the previous (one or two, per MiMutual policy) years of complete tax return transcripts. If the applicant has not filed their 2014 taxes, MiMutual must retain:
 - Transcripts for the previous (one or two, per MiMutual policy) tax years,
 - Evidence of the applicant’s request for an extension,
 - Documentation of 2014 earnings, and
 - Current income documentation as required per guidelines.

IRS transcripts are required as part of a complete loan application package. The above guidelines are only valid for lender requests that the IRS will not process due to the recent data breach or confirmed identity theft. These guidelines **do not** apply to “rejected” requests from the IRS due to misspelled names or incorrect/transposed data.

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Additional Documentation Requirements

- When using tax returns to verify income, and it is between the tax filing date (typically April 15th) and the extension expiration date (typically October 15th), the borrower must provide:
 - Copy of the filed extension. MiMutual will review the total tax liability reported on IRS Form 4868 (Extension to File) and compare it with the borrower's tax liability from the previous two years as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with previous years may make it necessary for MiMutual to require the current returns in order to proceed.
 - Current year Profit & Loss Statement, executed by the borrower
 - Year-End Profit & Loss Statement for prior year, executed by the borrower
 - Tax returns for the previous 2 years
- After the tax return extension expiration date, loan is not eligible without prior year tax returns
- When tax returns provided were filed within 90 days of the application date and reflect that the borrower had underpaid throughout the year, proof of payment and source of funds are required to document that the tax liability has been fully satisfied. Any excessive tax liability outside of 90 days is subject to underwriter discretion.

Use of IRS Forms to Obtain Federal Income Tax Information

When federal income tax information is used to document income for qualifying purposes, MiMutual will obtain transcripts of the applicable federal income tax documents directly from the IRS by using IRS Form 4506-T. However, in certain instances, copies of the actual returns, schedules, or forms are needed because the tax return transcripts will not provide the detail required to qualify the borrower. For example, MiMutual must obtain copies of Schedules B through F, Schedule K-1, Form 2106, or business returns. These schedules or forms are not required if:

- The income reflected on the applicable schedule transcripts is positive, and
- The income supported by that schedule or form is not being used for qualifying.

Ineligible Income Sources

Income derived from an activity that is deemed illegal by federal or state law (for example, income derived from a business that is legal by state law but illegal by federal law) cannot be considered.

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Assets

Borrower's Own Funds to Close

All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Downpayment Assistance Programs

MiMutual does not have a list of approved Downpayment Assistance Programs. All DAPs must meet agency requirements. MiMutual **will not** allow any DAP from a provider that requires the lender to be approved.

Evidence of how the DAP is funded and a copy of the approval letter containing terms of assistance must be provided. If DAP will result in a "soft/silent 2nd" lien on the subject property, this must be considered in the CLTV calculations. If the DAP is a true gift or grant, see the appropriate section for borrower's minimum contribution requirements.

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Refinance Transactions

Property Seasoning

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

Texas Refinances

When refinancing a borrower’s primary residence (homestead) in Texas, it first has to be determined whether or not the property is eligible for maximum financing based on the borrower’s current liens. In Texas, there are 3 different types of refinances:

- A 50(a)(6) loan is a cash out refinance of the borrower’s homestead, and is considered to be a home equity loan
- A 50(f)(2) loan is a rate/term refinance of a loan that **is** currently an equity loan subject to 50(a)(6) restrictions
- A 50(a)(4) loan is a rate/term refinance of a loan that **is not** currently an equity loan subject to 50(a)(6) restrictions

Because incidental cash back to the borrower is not permitted on a 50(a)(4) or a 50(f)(2), MiMutual considers the following practices unacceptable:

- Including Fees Paid Outside of Closing in the Loan Amount
Per Texas requirements, a fee that is paid outside of closing cannot be financed into the loan amount. When cash back is considered a refund for fees paid outside of closing (POC), MiMutual has essentially financed POC fees into the new loan amount. Additionally, MiMutual requires that in order for fees to be included in the loan amount, the fee must be reasonable, incurred, and be a necessary closing cost (i.e. required to **close** the transaction).
- Principal Curtailments/Reductions
Applying a principal curtailment/reduction (normally the amount of the POC fees) results in a reduction to the principal amount of the loan as listed on the CD; however, the principal amount of the loan as listed on the loan documents – the amount the borrower is obligated to pay – has not been reduced.
- Increasing Payoff Amounts for the Purpose of Reducing Cash Back
Reducing cash back to the borrower by increasing payoff amounts on the CD results in prohibited cash back to the borrower in the form of a payoff refund.

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50(f)(2)

Due to the legislation changes that took effect on January 1, 2018, the “Once a Home Equity, always a Home Equity” limitation no longer applies, and the refinance of a home equity loan as a rate/term refinance, called a 50(f)(2), is now allowed. Additional restrictions beyond the typical allowance for a 50(a)(4) loan apply.

To be eligible as an (f)(2) transaction:

- The refinance loan must close at least one year after the (a)(6) home equity loan was closed;
- No additional funds are advanced other than funds to refinance the existing debt, actual closing costs, and required reserves;
- The transaction cannot exceed 80% LTV/CLTV/HCLTV of the fair market value of the subject property;
and
- A new 12-Day Disclosure, the (f)(2) Disclosure, providing the borrower with their rights associated with an equity or non-home equity loan is required.
 - The (f)(2) Disclosure must be provided within 3 business days after the owner submits the loan application, **and**
 - May not be provided to the property owner prior to 1/1/2018, **and**
 - Must be provided to the property owner at least 12 days prior to loan close.
- The file must also contain a separate affidavit signed by the borrower at closing, the Owner’s Affidavit of Compliance, acknowledging that the requirements of Texas Section 50(f)(2) have been met.
- No attorney certification is required
- Non-occupant co-borrowers are permitted.

NOTE: A full interior/exterior appraisal is required to verify fair market value of the subject property. A PIW may not be exercised.

50(a)(6)

A property is subject to the Texas Constitution, 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 when any loan proceeds are being paid directly to the borrower, or any creditor not secured by a lien against the property. The refinance of a primary residence where a borrower will receive any amount of equity from the property must be originated and documented under the requirements of Section 50(a)(6) of the Texas Constitution. Failure to do so may result in substantial penalties, up to and including forfeiture of all principal and interest on the loan.

Required Forms

In addition to all standard state-specific disclosure requirements, the following disclosures are needed for all 50(a)(6) loans:

“Notice Concerning Extensions of Credit” (12 Day Disclosure Notice)

MiMutual must provide this disclosure at least 12 calendar days prior to closing. The disclosure must be signed and dated by the owner and returned to MiMutual. Loan closing may not occur until at least 12 calendar days after the date on the disclosure. If this disclosure is mailed to the owner, the loan may not be closed until 15 days after mailing. The 3 additional mailing days may not include Sundays and federal holidays.

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Affidavit of Fair Market Value

MiMutual and the owners of the homestead (subject property) must execute a written acknowledgement of the fair market value of the homestead property as of the date the extension of credit is made. The borrower must sign this document *on the day of closing*, and an authorized MiMutual representative must sign the document *on or before closing*.

Owner's Affidavit of Compliance

The file must also contain a separate affidavit signed by the borrower at closing, acknowledging that the requirements of Texas Section 50(a)(6) have been met.

NOTE: *All of these documents must be signed by the borrower's spouse (if applicable), regardless of whether the spouse is a borrower on the loan or holds title to the subject property.*

Additional Signature Requirements

The security instrument (mortgage/deed of trust) must be signed by each owner and each owner's spouse, regardless of whether or not all of these individuals are borrowers on the Note.

Homestead Limitations

The title commitment / survey will be reviewed to verify the subject property does not exceed the land limitations for 50(a)(6) eligibility. The amount that may be claimed as homestead property is:

- 10 acres for an **urban property**
- 100 acres (single person) or 200 acres (married couple) for a **rural property**

Fee Limitations

Fees to be paid by the borrower may not exceed 2% of the appraised value of the subject property.

Bona fide discount points, prepaid interest and taxes, hazard insurance, appraisal fee (paid to the appraiser, not an AMC), survey costs, title insurance premiums, and title exam report fees will not be included in the cap.

Additional Requirements

- Title commitment must be vested in the borrower's name (and spouse, if applicable). Title may not be vested in a living trust.
- A borrower is only permitted **one** home equity loan per year, regardless of how quickly the loan is repaid.
- Only one home equity loan may be made against a home at a time. While additional financing arrangements might be possible, a homeowner cannot obtain a second home equity loan until the first has been paid in full.
- Not later than one day prior to closing, the borrower must receive a final itemized disclosure of the actual fees, points, interest, costs, and charges that will be charged (via the final Closing Disclosure).
- A survey must be obtained, and it must document that the property does not exceed the amount of homestead that may be claimed. An existing survey is acceptable, providing it still accurately represents all features of the property.
- Mail-out closings are not permitted. A home equity loan may be closed only at the permanent office of MiMutual, a title company, or an attorney's office.
- The use of a Power of Attorney is not permitted.
- A full appraisal with interior/exterior inspection is required on all loans, regardless of AUS findings
- Non-occupant co-borrowers are not permitted

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Non-Homestead Properties

Borrowers are allowed cash back on non-homestead property, even if they previously occupied the property and claimed it as homestead, providing:

- The borrower(s) now own another property as their primary residence of equal or greater dignity (MiMutual must be provided with evidence of same)
- It has been verified and documented with the title company that they will insure the property as non-homestead

Owerty Liens

The State of Texas is a Community Property State. Therefore, married couples who own a primary residence with a homestead exemption are both entitled equal rights to the equity in their home. An Owerty Lien is a financeable lien on a homestead property.

Owerty Lien Components

All of the following specific elements must exist in order for an Owerty Lien to be properly established.

- Correct legal description (as opposed to merely the legal or common address) in the decree and in the Special Warranty Deed
- Clear awarding of the property to the grantee, subject only to the Owerty interest.
- Dollar amount of the grantor’s “interest”
- Use of the word “interest”, and not the word “equity”, when specifying the grantor’s agreement for a buyout.
 - This is not an automatic disqualifier, but the Owerty does not represent equity, it represents interest.

Debt Responsibility after a Divorce in Texas

A Divorce Decree does not release a spouse from the obligation to the lender, even if the decree awards the property and the debt to the other spouse. If both spouses are on the mortgage, they are both responsible for the debt. Late payments or derogatory reporting will negatively affect both spouses’ credit reports.

An Equitable Work-Around: The Owerty Lien

An Owerty of Partition is a vehicle used to allow one co-owner of a property to buy the interest of the other co-owner(s). Common examples are divorces, probates, and division of co-owned assets by people who are not partners.

In an Owerty Lien, borrowers can get cash out of their home to pay off a spouse in the process of a divorce, and the LTV can exceed the standard Texas cash out limit of 80%. In addition, borrowers can use a Special Warranty Deed to remove just the interest of the departing spouse in the property, or a Special Warranty Deed with Encumbrance for Owerty of Partition when conveying interest with a dollar amount payable to the grantor.

For an Owerty of Partition to properly be ordered, the owners must be co-tenants. If the court vests title in one party and divests the other, they are no longer co-tenants and no Owerty of Partition can be ordered. A court-imposed lien does not extend to the interest already owned by the acquiring party. Only an Owerty Lien can reach that interest.

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Owerty Lien Requirements

A couple must be divorced and have a divorce decree in order to use an Owerty Lien. The divorce decree must award homestead that was community property to one party and order payment of a specific dollar amount for the partition to the other party. The divorce decree must impose an Owerty Lien on the entire homestead property.

Couples who are in the process of divorce, and only have a separation agreement, do not qualify for an Owerty Lien. The home is still considered the homestead as long as they are married, and a spouse cannot convey his/her homestead under the Texas Constitution 50(c).

Loan Specifics

- If the existing lien **is not** a 50(a)(6) lien, a refinance to pay off the existing lien and the Owerty lien does not make this transaction subject to 50(a)(6) restrictions (providing no cash out is given to borrower)
 - Texas does not impose a maximum LTV on these transactions. Max LTV is determined by standard GSE guidance.
- If the existing lien **is** subject to Section 50(a)(6), then all 50(a)(6) requirements apply, including the maximum LTV of 80%. **An Owerty lien does not supersede the restrictions imposed on a cash out refinance.**
- In situations where the subject property is subject to an existing Texas 50(a)(6) lien, the new loan could be underwritten in a number of ways, depending upon the identity of the owner(s) and the intended occupancy of the property:
 - If the existing owner on title will continue to own and occupy the property as the primary residence (as in a divorce buy-out situation), the new loan must be underwritten and closed as a Texas 50(a)(6) loan.
 - If the existing/title owner passes away and the borrower (one of the heirs of the property) intends to purchase other co-heir's interest in the property with the loan proceeds from Michigan Mutual, the new loan should be underwritten as a GSE Limited Cash Out refinance (with zero cash out to borrower at closing), and is not subject to 50(a)(6) requirements.

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PACE/HERO Liens

A PACE loan may be paid off with a Limited Cash-Out Refinance (LCOR).

- For a PACE loan originated prior to July 6, 2010, the entire Limited Cash Out Refinance loan amount may be used to pay off the PACE loan
- For a PACE loan originated on or after July 6, 2010, the amount available to pay off the PACE loan is limited to 15% of the appraised value of the property

If the PACE loan does not fit the criteria described above for a LCOR, the transaction may still be completed as a cash-out refinance.

Documentation must show that the funds are used solely to pay off the PACE loan obtained for energy improvements on the subject property.

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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.

Short Sales

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

Certificate of Occupancy

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

A C of O is **not** required when a borrower is purchasing a home from a builder that was newly-constructed. However, a C of O **is** required when the loan involves construction financing, regardless of whether or not we are just writing the end loan, and did not provide the construction piece of a two-close transaction.

Personal Property

Any personal property (excluding appliances) transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

Non-Arm’s Length Transactions

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.*

Reacquisition of a Formerly-Owned Property

MiMutual is unable to finance the acquisition of a property that the borrower (or their spouse) has had previous ownership in, that resulted in foreclosure or short sale activity, where they relinquished their ownership interest but did not change their residency. MiMutual considers this as unacceptable property flipping.

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Seller Utilizing a Relocation Company

When the seller enlists the assistance of a Relocation Company for the sale of the subject property, the relocation agreement must always be reviewed by MiMutual prior to closing. There are multiple ways the transaction can be consummated, and it is very important to have a clear understanding of which of the below-mentioned methods is being used.

Relocation Company Takes Power of Attorney

The most common circumstance is where the Relocation Company signs the purchase agreement as the seller, and will sign the closing documents on behalf of the vested owner. In this instance, a Power of Attorney executed by the vested owner(s), authorizing the relocation company to sign on their behalf (the vested owner will reflect as the seller on the Closing Disclosure) will be required. The Power of Attorney must be executed and dated prior to the execution of the purchase agreement (unless the relocation agreement states that a Power of Attorney will be prepared to consummate the closing). *There must be documentation allowing someone else the right to sell the property.*

Double Escrow

Another common occurrence involving relocation companies is where the Relocation Company will actually be the seller reflected on the Closing Disclosure. In this circumstance, the title commitment should have a requirement for the current vested owners to deed the property to the Relocation Company, and another requirement for the Relocation Company to deed the property to our borrower. This is the only time a “double escrow” is acceptable, and not considered property flipping.

Relocation Company Acts as Seller without Taking Title

In certain geographical areas (i.e. Michigan), it may be common practice for the Relocation Company to negotiate and execute the purchase agreement and Closing Disclosure at closing as the seller, and to receive the proceeds from the sale of the property without actually taking title. This option is acceptable only if all of the following fully executed documents are reviewed and approved by the underwriter prior to closing:

- **Warranty Deed Reflecting the Vested Owner with Buyer Info Left Blank:** This is a deed executed by the vested owners, which is held in escrow by the title company until a buyer is found and the sale is closed.
- **Appointment of Special Agent and Assignment of Proceeds:** This document is executed by the vested owner authorizing the Title Company/Closing Agent to complete the appropriate information on the blank deed and other pertinent documentation. This also directs the Title Company/Closing Agent to allow the Relo Company to receive all proceeds.
- **Special Power of Attorney:** This document is executed by the vested owner authorizing the Relo Company to sign/execute all documents necessary to consummate the sale (i.e. Purchase Agreement, closing docs, etc.). This document should also reference the blank deed that will be completed when a buyer is found and the sale is closed.
- **Relocation Agreement:** This is the agreement between the vested owner and the Relo Company that will describe the terms of the sale of the subject property. This document is essential in determining the legitimacy of the transaction to avoid potential unethical property flipping schemes.

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Reimbursement of Buyer-Paid Costs

Seller concessions may be used to reimburse the buyer for out of pocket expenses paid in advance (POC), such as appraisal fees. The source of funds used to pay for those fees must have come from the buyer's own personal funds in order to be reimbursed.

POC fees paid by credit card cannot be returned to the customer at closing or credited towards the borrower's cash investment.

In order to apply seller concessions toward POC fees, documentation is required to support the funds used came from the borrower's own personal funds (e.g. bank statement showing debit or check clearing account).

After Minimum Contribution Requirements are validated, the Borrower may receive a refund of their earnest money deposit, tax pro-rations, or POC fees paid from personal funds (credit card payments may not be refunded).

Paying Off Debt at Closing

MiMutual will require a current payoff/statement for any liabilities being paid at closing on a purchase transaction.

The title company/escrow company will be required to include all debt being paid at closing on the CD, and disburse funds accordingly.

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Private Mortgage Insurance (PMI)

Points and Fees Restriction

Certain MI premiums require inclusion in the 3% restriction on points and fees, effective with the QM Rule on January 10, 2014.

The following MI options **are not** included in the points and fees calculation:

- All borrower-paid monthly premiums
- All lender-paid premiums

The following MI options **are** required to be included in the points and fees calculation:

- All borrower-paid single premiums, whether refundable or non-refundable. **Single premiums up to the FHA premium rate (currently 1.75%) are not excluded*

NOTE: *MiMutual does not offer borrower-paid annual premiums, lender-paid monthly premiums, or split premium mortgage insurance.*

Vendors

MiMutual currently partners with the following vendors:

- Arch MI
- Essent
- Genworth
- MGIC
- National
- Radian

Options

- Borrower-paid Zero Option Monthly Premium (ZOMP)
- Borrower-paid Single Premium (financed or non-financed)
- Lender-paid Single Premium
- Split premium

NOTE: *Only Standard Coverage is permitted; Reduced Coverage is not acceptable.*

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General Provisions

Documentation Requirements

All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Citizenship

Citizenship of the United States is not required for eligibility. Borrowers must be one of the following: a U.S. Citizen, a lawful Permanent Resident Alien, or a lawful Non-Permanent Resident Alien. We will lend under the same terms and conditions for all three designations. A mortgage to a non-U.S. citizen who has no lawful residency status in the United States is not eligible.

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.

Required Visas

All non-permanent resident aliens must provide evidence of a valid, acceptable visa or an Employment Authorization Document (EAD). A copy of the unexpired visa (see Expired Visa Requirements below) or EAD must be included in the Loan file.

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Eligible Visa Classes

- A Series (A-1, A-2, A-3): These visas are given to officials of foreign governments, immediate family members and support staff. Only those without diplomatic immunity, as verified on the visa, are allowed.
- E-1 Treaty Trader and E-2 Treaty Investor: This visa is essentially the same as an H-1 or L-1; the title refers to the foreign country's status with the U.S.
- E-3: Given to Australian nationals employed in a specialty occupation.
- G series (G-1, G-2, G-3, G-4, and G-5): These visas are given to employees of international organizations that are located in the U.S. Some examples include the United Nations, Red Cross®, World Bank, UNICEF, and the International Monetary Fund. Verification that the applicant does not have diplomatic immunity must be obtained from the applicant's employer and/or by the viewing the applicant's passport.
- H-1 (includes H-1B and H-1C) Temporary Worker: This is the most common visa given to foreign citizens who are temporarily working in the U.S.
- L-1, Intra-Company Transferee: An L-1 visa is given to professional employees whose company's main office is in a foreign country.
- O-1A: Individuals with an extraordinary ability in the sciences, education, business, or athletics (not including the arts, motion pictures, or television industry).
- O-1B: Individuals with an extraordinary ability in the arts or extraordinary achievement in motion picture or television industry.
- O-2: Individuals who will accompany an O-1, artist or athlete, to assist in a specific event or performance.
- TN, NAFTA visa: Used by Canadian or Mexican citizens for professional or business purposes.
- TC, NAFTA visa: Used by Canadian citizens for professional or business purposes.

Expired Visa Requirements

A borrower with an expired visa may be considered, subject to each of the following:

- Visa classification is one of the eligible visas listed above.
- Confirmation that the borrower has submitted an application for extension of the visa or an application for a green card. Documentation includes, but is not limited to:
 - USCIS Form I-797 (issued when an application or petition is approved).
 - USCIS Form I-797C or I-797E (must not state that the application has been declined).
 - Application for extension of current visa (USCIS Form I-539 or equivalent) or copy of application for green card (USCIS Form I-485 or equivalent) and electronic verification of receipt from the USCIS web site.
 - If the borrower is sponsored by the employer, the employer may verify that they are sponsoring the visa renewal.

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Employment Authorization Document (EAD)

A current (unexpired) Employment Authorization Document (EAD) issued by United States Citizenship and Immigration Services (USCIS) may be provided in lieu of a visa.

If the EAD will expire within one year, the following must be provided:

- One previous EAD renewal must be documented, or
- If there are no prior EAD renewals, the likelihood of renewal must be determined based on the information from the USCIS.

NOTE: *Individuals in the United States under DACA (EAD Code C33) are eligible for financing with Fannie Mae **only**.*

All standards for determining stable monthly income, adequate credit history, and sufficient liquid assets must be applied in the same manner to each borrower including borrowers who are non-permanent resident aliens.

Additional Immigration Status

Loans to non-citizens who have lawful residency in the United States, or 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").

Translated Documents

All documents of foreign origin must be filled out in English, or a complete and accurate translation from an acceptable source must be provided for each document.

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Power of Attorney (at Closing)

MiMutual allows Powers of Attorney (POA) under the following criteria (in addition to GSE requirements):

- The POA must be transaction-specific, including the full property address of the subject
- The title policy must not make any exceptions based on the use of the POA

NOTE: POA not permitted on Texas 50(a)(6) loans. 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.

Legal Name

Each borrower must use their legal name when applying for a mortgage. Review the following list of documents to ensure the borrower's name is consistent:

- Loan application (1003)
- Credit Report
- DU/LP findings

MiMutual requires that all pertinent loan documentation be prepared in the borrower's legal name. In most cases the name reflected on the driver's license is utilized to determine the borrower's legal name. However, in those instances where there is a variance between the driver's license, Social Security card, income, and asset documents, the underwriter will exercise due diligence to determine all documents belong to one and the same person.

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. MiMutual 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.

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

Rescission

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

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).

- VOM – 30 days
- Title Commitment – 90 days
- Closing Protection Letter – 30 days, unless the body of the CPL states a different validity period

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Tax and Insurance Escrows

Escrows for taxes and insurance are required for all loans with an LTV in excess of 80%. Escrow waivers are only permitted for loans with LTVs \leq 80% (with the exception of properties in California, where escrow waivers are permitted up to 89.99% LTV, and properties in New Mexico, where escrow waivers are only permitted up to 79.99%).

Loans with delinquent taxes that are being paid with loan proceeds (cash out refinances) are not eligible for an escrow waiver. Additionally, flood insurance premiums are required to be escrowed, regardless of LTV, state law, or whether borrower qualifies for/elects to use an escrow waiver for property taxes and homeowners insurance.

Partial Escrow Policy

Where a borrower qualifies for an escrow waiver, MiMutual will allow a borrower to escrow property taxes only, and not escrow for hazard insurance. This selection must be made prior to closing, or redisclosure will be required and the closing will be delayed.

Determining Property Taxes on New Construction Dwellings

On newly-constructed properties, realistic estimates of the property taxes that reflect the value of the improvements once they are assessed by the units of government to which those taxes are paid must be used. Such estimates may be obtained from reliable sources such as the appraiser, comparable sales data, or the assessor's office.

Hazard Insurance

For a first mortgage secured by a property on which an individually held insurance policy is maintained, coverage equal to the lesser of the following is required:

- 100% of the insurable value of the improvements, as established by the property insurer; or
- the unpaid principal balance of the mortgage, as long as it at least equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

LDP/GSA Lists

MiMutual 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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Flood Insurance

Flood insurance must be in force on all properties located in a Special Flood Hazard Area (SFHA). A SFHA is a high-risk flood area that is designated by a flood zone that begins with A or V. Evidence that a flood insurance policy is in force for the subject property, and that the first year's premium has been paid in full is required, as documented by one of the following:

- Flood policy declarations page (or policy), or
- Complete flood insurance application (signed and dated by the insurance agent) and proof that the annual premium has been paid in full or will be paid in full at closing.
 - The NFIP does not recognize binders of coverage. However, for informational purposes only, the NFIP recognizes Certificates of Insurance and similar forms for renewal policies.

NOTE: *All flood insurance documents provided must reflect the flood zone that is listed on the Standard Flood Hazard Determination form, or indicate that the flood zone used to rate the policy was grandfathered.*

MiMutual requires flood policies to either be from the NFIP, or be a policy that meets the NFIP requirements, such as those issued by licensed property and casualty insurance companies that are authorized to participate in the NFIP's "Write Your Own" program. Flood policies from a private insurer are not permitted. Sufficient dwelling coverage must be determined using the methodology described below, but may never exceed \$250,000 (NFIP maximum).

Determining Dwelling Coverage

The minimum amount of flood insurance required for most first mortgages secured by one- to four-unit properties, individual PUD units, and certain individual condo units (such as those in detached condos, townhouses, or rowhouses) is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements;
- the maximum insurance available from the NFIP, which is currently \$250,000 per dwelling; or
- the unpaid principal balance of the mortgage

All principal and/or residential structures on the mortgaged property must be covered.

Flood insurance premiums **must** be escrowed, regardless of LTV, state law, and/or federal exemptions. The only exception to this requirement is if the property has adequate flood insurance coverage provided by a condominium association, homeowners association, or similar group, and the premium is paid by the group as a common expense.

NOTE: *Flood insurance rates are set nationally, and do not differ from company to company or agent to agent.*

Non-Homestead Property Taxes

When the subject property is not currently owner-occupied, but it is verified that it will be when the mortgage transaction is complete, the verified amount of homestead property taxes may be used in qualification. This amount can be determined by county information that provides a clear description of the property tax amount once the homestead exemption has been applied.

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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.

Title Requirements

Redemption Periods on Title

MiMutual will not accept an unexpired redemption period exception on the final title policy. This guidance applies when the seller is an entity other than the individual with redemption rights.

Schedule B

All exceptions reflected in Schedule B of the preliminary title report that may impact lien position must be addressed and/or cleared to ensure the final title policy will reflect the loan in first lien position

Inter Vivos Trusts

In lieu of the Attorney’s Opinion letter and copies of trust documents, the title company Trust Certification is acceptable for the following states:

Alabama	Arizona	Arkansas	California	Delaware
District of Columbia	Florida	Idaho	Iowa	Indiana
Kansas	Maine	Michigan	Minnesota	Mississippi
Missouri	Nebraska	Nevada	New Hampshire	New Mexico
North Carolina	Ohio	Oregon	Pennsylvania	South Carolina
Tennessee	Texas	Utah	Virginia	West Virginia
Wyoming				

The same terms and conditions apply as shown above for the Attorney’s Opinion. **The title company should confirm which trust certifications are acceptable in each state shown above.**

Mortgage Payoffs

All refinance transactions will require current payoff statements for all liens on title to reflect the loan is current at time of closing (should not reflect more than 59 days of interest). However, when paying off an existing FHA loan, where it is permitted for the servicer to collect a full 30 days of interest if payment in full is received after the required monthly payment due date, may result in a full two months’ worth of interest on the payoff. As long as the mortgage is current, this would be considered acceptable.

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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.

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 and/or other documentation 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.

Mortgages in the name of the non-purchasing spouse (the person named on the Note is not our borrower) must be verified as current. Any delinquency on the mortgage history in the most recent 12 months must be evaluated when determining the credit worthiness of the borrower.

Electronic Signatures

MiMutual can accept eSigned origination documents (application, application disclosures, etc).

All loan submissions using eSign must include a Disclosure Tracking Summary or Disclosure Tracking Detail. If the Disclosure Tracking Detail indicate that disclosures were either not delivered in a timely manner to ensure compliance with federal and state regulations, or not in compliance with the eSign Act, the loan is ineligible for delivery to MiMutual.

Ineligible Documents for eSignature

The following documents require wet signatures:

- Any closing documents or documents that require notarization or witnesses, including Power of Attorney
- SSA-89

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Solar Panels

When considering properties with solar panels, MiMutual must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. For example, solar panels not owned by the Borrower can be financed via several types of agreements such as lease agreements or a power purchase agreement (PPA). MiMutual must review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels themselves. The property must maintain access to electrical utilities consistent with community standards. MiMutual must adhere to the following requirements when solar panels are present on the Mortgaged Premises based on whether the solar panels are leased, financed or owned:

	Solar Power Purchase Agreement (PPA)	Solar Panel Lease	Solar Panels Financed as Personal Property	Solar Panel Financed as a Fixture to Real Estate	Solar Panels Owned Free and Clear
Description	The Borrower purchases power produced by the solar panels, and the Borrower is not the owner of the solar panels.	The Borrower does not own the solar panels and the Borrower pays monthly lease payments to have access to the solar panels.	The Borrower owns the solar panels, purchased the solar panels with a note/security agreement and is entitled to power produced by the panels.		Borrower owns the solar panels and has no related debt.
Title	UCC-1 Financing Statement or lease agreement associated with the solar panels recorded in the applicable land records and claiming an interest in the solar panels but not the real estate; the Seller does not need to obtain a subordination agreement of the UCC-1 Financing Statement.			UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); it must be subordinated or released.	There must be no UCC-1 Financing Statement or notice recorded against the Mortgage Premises. In the event there is a UCC-1 Financing Statement, it must be released.
Appraisal	The solar panels must not be included in the appraised value of the property. The appraiser must comment on the marketability of the home with solar panels present and identify solar panels and system features.			The solar panels must not be included in the appraised value of the property if the lender may repossess the solar panels for default on the financing terms.	MiMutual must ensure the appraiser has recognized the existence of the solar panels and considered the solar panels in the appraiser's opinion of the market value of the property.

	Solar Power Purchase Agreement (PPA)	Solar Panel Lease	Solar Panels Financed as Personal Property	Solar Panel Financed as a Fixture to Real Estate	Solar Panels Owned Free and Clear
<i>...continued</i>					
Debt payment-to-income (DTI) ratio	<p>Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:</p> <ul style="list-style-type: none"> • Provides for delivery of a specific amount of energy for an agreed upon payment during a given period, and • Includes a production guarantee under which the Borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required by the lease agreement <p>Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy</p>	<p>Payment to solar company or lender is included in the DTI ratio</p>	<p>Payment to solar company or lender is included in the DTI ratio</p>	<p>N/A – no payment required</p>	
Total loan-to-value (TLTV) ratio	Not included in the TLTV ratio			Included in the TLTV ratio	N/A
Obtain a copy of the lease, PPA or note/security agreement	<p>Damage that occurs as a result of installation, malfunction, or the removal of the solar panels is the responsibility of the owner of the equipment. The owner must be obligated to repair the damage and return the improvements to their original or prior condition.</p> <p>In the event of foreclosure, the Seller/Service may:</p> <ul style="list-style-type: none"> • Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment • Become the beneficiary of the Borrower’s lease agreement or PPA without incurring a transfer fee; or • Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing lease agreement or PPA 				N/A
Homeowner’s Insurance	The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner’s insurance policy covering the property.				N/A

Solar Leases and Power Purchase Agreements

Solar Leases and Power Purchase Agreements are agreements that are similar to renting a solar panel system. Under these arrangements, the solar leasing company owns and maintains the solar panel system. These differ from PACE/Hero loans as they are not collected as special assessments by the taxing authority. Instead, the borrower pays the leasing company directly, which generally places a lien (UCC filing) on title.

Solar Lease & PPA Facts

Term Length: Residential solar leases are usually for 20 to 25 years.

Performance & Maintenance: The leasing company will monitor the system's performance to ensure that it is operating correctly for the duration of the lease. They are also responsible for maintaining and repairing it, although solar panels require little to no maintenance over their lifetime.

Buying the System: The solar panel system can be bought at any time during the lease term, at the price defined in the contract or its fair market value, whichever is higher.

Selling the Home: If the property is being sold, the remainder of the lease can be transferred to the homebuyer, or the system can be bought from the leasing company by the seller and included in the sale of the property.

At the End of the Term: When the agreement ends, the system can either be bought outright, the leasing company can remove it, or the system can be left in place and the agreement renewed with the owner.

Cash Out and Principal Curtailments

When a principal curtailment is permitted, all excess amounts must be clearly reflected on the Closing Disclosure as a principal reduction.

Product	Maximum Cash to Borrower ¹	Maximum Principal Curtailment Due to changes in payoff figures, closing costs, etc.	Maximum Premium Pricing Curtailment
FHLMC Purchase	\$0	Lesser of 2% or \$2,500	
FHLMC No Cash Out Refinance	Greater of 1% or \$2,000		
FNMA Purchase	\$0		
FNMA High LTV Refinance	\$250		
FNMA Limited Cash Out Refinance	Lesser of 2% or \$2,000		
FNMA HomeStyle Renovation	\$0	Prohibited ²	

¹Closing costs paid out of the borrower’s own funds may be reimbursed at closing, and are not considered cash out

²Any excess funds, up to \$500, will be placed in the contingency reserve, and will be applied as a principal reduction upon completion of the project.

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ARMs

**all ARMs suspended pending LIBOR/SOFR transition*

Available Terms

- 5/1
- 7/1
- 10/1

Caps

- **5/1** — Initial Period: 2% — Subsequent Periods: 2% — Lifetime: 5%
- **7/1** — Initial Period: 5% — Subsequent Periods: 2% — Lifetime: 5%
- **10/1** — Initial Period: 5% — Subsequent Periods: 2% — Lifetime: 5%

Qualifying Payment

The calculation of the qualifying payment amount for the subject property will differ based on the transaction type (as shown below).

Transaction Type	Qualifying Interest Rate
Fixed Rate Mortgage	Note rate
ARM with an initial fixed period of 5 years or less	Greater of the Note rate + 2% or the fully indexed rate
ARM with an initial fixed rate period of greater than 5 years	Greater of the Note rate or the fully indexed rate

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Repair Escrows

Introduction

Escrow holdbacks are used to facilitate loan closings for properties where the cost to complete the incomplete items does not exceed 10% of the “as completed” value of the mortgaged premises. The borrower is required to establish a cash escrow that will ensure the completion of the required repairs. These proceeds are held in an escrow account until the repair requirements are completed. This borrower accommodation allows the loan to close and the borrower to occupy the property while incidental work is finished. This document is intended to give guidance on proper qualification and closing procedures.

Holdback Documentation

When setting up an escrow holdback, the following documentation is required for MiMutual Underwriter review and approval, specific to the holdback, before the loan is cleared to close:

- Two (2) itemized bids, from licensed contractors, that clearly identify each item to be completed (including an itemized estimation of costs). On existing construction properties, MiMutual will use 110% of the highest bid to establish the escrow account.
 - On new construction properties, MiMutual will withhold 120% of the estimated cost to complete the improvements from the purchase proceeds. However, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.
- A copy of the contractor’s current license.

Completion of Repairs

Upon completion of the work and prior to the repair escrow deadline, MiMutual will work directly with the customer and the contractor to obtain the following items to document that all the work has been completed.

- Appraisal Update, which can be satisfied with any of the following:
 - Appraisal Update and/or Completion Report (Form 1004D)
 - Uniform Residential Appraisal Report (Form 1004)
- Invoices showing work completed that are to be paid
- Signed lien waivers from builder/contractor

For existing construction, all repairs must be completed within 90 days of the Note date.

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Disbursement of Funds

Only one disbursement of funds will occur.

Funds may only be released when all repairs and improvements meet all federal, state, and local laws, codes, and ordinances, including any required permits and inspections.

Appraisal Reinspection Fee

A formal Repair Escrow Holdback Agreement will be required to be executed by the borrower and MiMutual. A \$175 Appraisal Re-Inspection Fee will also be required and collected from the borrower at closing. It is acceptable to disclose this as a separate itemized re-inspection fee or added to the total cost of the appraisal.

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HomeStyle Renovation

The HomeStyle Renovation mortgage enables a borrower to obtain a purchase transaction mortgage or a limited cash-out refinance mortgage and receive funds to cover the costs of repairs, remodeling, or renovations to the property. Follow the more conservative of [MiMutual's Conventional Guideline Supplement](#) or [FNMA's Selling Guide](#) for topics not addressed in this document.

Eligibility Requirements

Transaction Types

Available for purchase or rate/term refinances.

On a rate/term refinance, the mortgage amount may include the amount required to satisfy the existing first mortgage, any outstanding subordinate liens used to acquire the property, closing costs, prepaids, points, and the total renovation costs, up to the maximum permitted LTV and CLTV ratios. The typical amount of cash back to borrower allowed on a rate/term refi (2% or \$2,000) *is not permitted*. Any excess funds will be added to the contingency reserve, and if the funds are not used at the time of project completion, will be applied as a principal curtailment.

Minimum Credit Score

620

Loan Terms

30 and 15 year fixed rate terms available. High Balance loans are permitted.

LTV

LTV ratios are found in the [Eligibility Matrix](#), and differ based on transaction type.

- On purchase transactions, the LTV is determined by dividing the original loan amount by the lesser of the “as completed” appraised value of the property or the sum of the purchase price of the property and the total rehabilitation costs
- On refinance transactions, the LTV is determined by dividing the original loan amount by the “as completed” value of the property

Mortgage Insurance

Standard mortgage insurance requirements apply.

Financed single premium borrower-paid MI is not permitted.

Qualifying Ratios

As determined by DU.

Eligible Borrowers

Individuals only. Non-profit organizations and government agencies are not eligible. Borrower may not be employed by or related to the contractor or company doing the renovation.

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Occupancy

All occupancy types are permitted.

- 1-4 unit primary residence
- 1 unit second home
- 1 unit investment property

Primary Residences

On a primary residence, either borrower must document assets (in addition to those required by program) in the amount of any secondary housing expense that exists while the renovation is being completed on the subject property, **or** the borrower must qualify with both housing payments until completion.

Second Homes and Investment Properties

- Max 4 financed properties on second homes and investment properties
- Second home and investment property transactions that include non-arm's length and/or identity of interest characteristics are not eligible

Underwriting

All loans must receive an Approve/Eligible recommendation through DU. Manual underwriting is not permitted.

Funds to Close

Gifts of equity are not permitted.

Liabilities During Renovation

The borrower must be capable of making the payment on the subject each month, as well as any housing expenses that may exist for another residence they may need to occupy during construction. This may be documented by:

- Including both the subject property payment and the temporary housing payment in the DTI
- Documenting sufficient assets to cover payments for each residence for the length of the construction period

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Property Types

Eligible

Eligible collateral includes:

- 1-4 unit primary residences, 1 unit second homes, and 1 unit investment properties
- PUDs and condos eligible
 - Proposed renovation work must be permissible by the HOA, and written approval from the HOA must be obtained
 - Condo renovations must be interior work **only**, including the installation of fire walls in the attic

Ineligible

- Manufactured homes

Process Overview

Preliminary Feasibility Analysis

After the property is located, the homebuyer and their real estate professional should make a marketability analysis prior to signing the sales contract. The following should be determined:

- The extent of the rehabilitation work required;
- Rough cost estimate of the work; and
- The expected market value of the property after completion of the work.

Note: The borrower does not want to spend money for appraisals and repair specifications (plans), then discover that the value of the property will be less than the purchase price (or existing indebtedness), plus the cost of improvements.

Sales Contract is Executed

A provision should be included in the sales contract that the buyer has applied for HomeStyle Renovation financing, and that the contract is contingent upon loan approval and buyer's acceptance of additional required improvements as determined by FNMA and/or MiMutual

Plans and Specs

The Renovation Consultant (HUD Fee Consultant) or GC prepares the plans and specs.

Appraiser Performs the Appraisal

Appraiser must be provided with all bids, and the plans and specs.

MiMutual Reviews the Loan Submission

The loan is reviewed to determine eligibility and maximum mortgage amount for the property

MiMutual Issues Underwriting Approval

If the submission package is found acceptable, the approval is issued. It states the maximum mortgage amount allowed for the borrower and the property.

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Mortgage Loan Closing

After issuance of the Clear to Close, MiMutual prepares for the closing of the mortgage. This includes the preparation of the HomeStyle Renovation Loan Agreement. The agreement is executed by the borrower and MiMutual in order to establish the conditions under which the lender will release funds from the Rehabilitation Escrow Account. Following closing, the borrower is required to begin making mortgage payments on the entire principal amount for the mortgage, including the amount in the Rehabilitation Escrow Account that has not yet been disbursed.

At Closing

At closing, all the renovation costs (less the initial draw, if applicable, and including the contingency reserve) will be deposited into an interest bearing account for the benefit of the borrower.

- All interest earned (less administrative expenses involved in maintaining the account) must be paid or credited to the borrower
- The funds must be used to complete the repairs/renovations
- MiMutual is responsible for administering this account and ensuring that the repairs are completed in a timely manner and in accordance with plans and specs.

An initial materials draw may be funded at closing in an amount no greater than 50% of the total upfront cost of the materials (not labor) from the bid(s). A portion of this 50% may be used to pay expenses associated with architect fees, design, and permits that were incurred during the initial part of the project.

Change Orders

Once the mortgage is closed, the list of repair items cannot be changed unless MiMutual approves a written change order

- Change orders are limited to unforeseen conditions that are discovered during the course of the rehabilitation process (such as hidden damage caused by termites, mold or water damage, etc.). Costs related to change orders cannot be used to increase the mortgage amount. Change orders may result in the reallocation of mortgage proceeds among cost categories or in the substitution of work items covered by the proceeds. Therefore, if the contingency reserve is insufficient to cover any change order permitting additional work, the borrower must be able to pay for these costs out of pocket.

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Releases from Rehabilitation Escrow Account

As construction progresses, funds are released after the work is completed. A maximum of five draw inspections, including the initial draw, if applicable, and the final inspection, are allowed. The consultant (if applicable) reviews the Draw Request that is prepared by the borrower and contractor. A draw request for work that is not yet complete will not be approved. MiMutual may only release funds when repairs and improvements per the draw request meet all federal, state, and local laws, codes, and ordinances, including any required permits and inspections.

- Funds from this account will be released to the contractor and the borrower only when any given renovation work has been completed, in accordance with the agreed-upon schedule and after receipt of a draw request
 - MiMutual will hold back 10% of every draw request, which the contractor will receive upon approval of the final draw request
 - Before making any disbursements during the renovation period, we must obtain a lien waiver and a satisfactory inspection (with photos) of each repair that is included in the draw request. The consultant (if applicable) or appraiser must perform the inspection, and identify the percentage of work completed to date for each request. The appraiser must complete the final inspection.
- If there is an increase in costs during the renovation period, the amount of the increase must be funded by us or the borrower – the loan amount cannot be increased. We must insure that the additional funds are not obtained in a manner that would affect FNMA's lien priority
- A final title update assuring first lien position through the completion date is required

Completion of Work/Final Inspection

When all work is complete according to the plans and specs, the borrower provides a letter indicating that all work is satisfactorily complete and ready for final inspection, and the contractor provides a final invoice and lien waiver.

- Upon completion, MiMutual will obtain a 1004D from the appraiser to document work was completed in accordance with plans & specs
- Once satisfactorily verified, the final draw may be released, including the holdback. Additionally, MiMutual must:
 - obtain the Borrower's Letter of Completion, signed by the borrower, indicating satisfaction with the completed work and requesting a final inspection and final release of funds;
 - obtain a C of O or equivalent if required by the local jurisdiction;
 - obtain all inspections required by the local jurisdiction
 - provide the borrower with the Final Disbursement Letter
 - obtain a release of any and all liens arising out of the contract or submission of receipts, or other evidence of payment covering all subcontractors or suppliers who could file a legal claim
- Concurrent with the last disbursement of funds, we must obtain a title update through the date the renovation was completed to confirm no mechanics' or materialmen's liens, and continued FNMA lien priority
 - If the property is located in a state where contractors', subcontractors', or materialmen's liens have priority over mortgage liens, we must obtain all lien releases or take other action to ensure title is clear of all liens and encumbrances

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Improvements

Eligible Improvements

Unless noted below under [ineligible improvements](#), there are no restrictions on the types of renovation allowed. Generally, improvements should be permanently affixed to the real property (either dwelling or land), with the exception of certain appliances installed with kitchen and utility room remodels. The borrower may use HomeStyle Renovation to purchase appliances as part of an overall remodeling project that includes substantial changes or upgrades to the rooms in which the appliances are placed. Any health and safety improvements must be remedied as a part of the renovation.

HomeStyle Renovation may be used to complete the final work on a newly built home when the home is at least 90% complete. The remaining improvements must be related to completing non-structural items the original builder was unable to finish. Such work may include installation of buyer-selected items such as flooring, cabinets, kitchen appliances, fixtures, and trim.

HomeStyle Renovation may be used to construct various outdoor buildings and structures when allowed by local zoning regulations. These buildings or structures must be in compliance with any applicable building codes for the local area. Examples of acceptable structures include, but are not limited to, accessory units, garages, recreation rooms, and swimming pools.

Construction may begin immediately after the mortgage has been recorded, but must start no later than 30 days after closing. Additionally, renovation work must be completed no later than 9 months from the date the mortgage is closed.

"Do It Yourself" Option

The "Do it Yourself" Option is available for borrowers who wish to purchase their own appliances from a home improvement store; however, the borrower **may not** complete the labor/installation of these items.

A borrower may request reimbursement for his or her payments for the cost of the appliances. Receipts are required to show cost and name of vendor/store.

General Improvement Standards

All improvements to existing structures must meet or exceed local building codes. For a newly constructed addition to the existing structure, the energy improvements must meet or exceed local codes and the requirements of the 2006 International Energy Conservation Code (IECC) or a successor energy code standard.

Ineligible Improvements

- "Do It Yourself" repair option (with the exception of appliance purchases)
- Any repairs that would require more than nine months to complete, or that will result in work not beginning within 30 days of closing
- Complete tear-down and reconstruction of a dwelling
- Moving an existing dwelling to a new site/foundation
- Replacement of an old/damaged foundation
- Any repairs that have already been completed prior to closing

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Required Documents

Initial Disclosures

- HomeStyle Renovation Consumer Tips: provides the borrower with important highlights of the program that they should be aware of

Processing/Underwriting

- HomeStyle Renovation Maximum Mortgage Worksheet: used to calculate the max mortgage amount
- Contractor Acceptance Form: used to assist MiMutual in making the determination of whether the contractor meets all requirements
- Renovation Contract: the Renovation Contract must:
 - itemize the specific work that the contractor agrees to perform for the borrower,
 - state the agreed-upon cost of the renovation,
 - include an itemized description that establishes the schedule for completing each stage of the work and the corresponding payments to be made to the contractor.

Closing Forms

- HomeStyle Renovation Loan Agreement: The renovation loan agreement is a written agreement between the borrower and the lender that includes information such as but not limited to:
 - terms and conditions of the loan prior to the completion of the improvements
 - events that constitute a borrower default, and indicates the remedies available to MiMutual if the borrower defaults under the terms of either the renovation contract or other loan documents
 - includes provisions related to:
 - the time, manner, and method by which the lender disburses advances of the loan proceeds
 - conditions on how the advances may be used
- HomeStyle Rehabilitation Loan Rider: attached to security instrument. Must contain all required information and meet FNMA requirements

Post-Closing/Funding Forms

- HomeStyle Change Order (if applicable): used to provide a detailed description of the change(s), the cost of the change(s), and the estimated completion date(s) for any changes requested by the borrower. **Must be approved by MiMutual prior to the start of any work.**
- Lien Waiver: used to document all contractor, subcontractor, and supplier liens have been released prior to disbursing funds
- Mortgagor's Letter of Completion: letter used by borrower to request final disbursement
- Appraisal Update and/or Completion Cert (FNMA Form 1004D): Used to document that the renovation was completed in accordance with the submitted plans and specs. All applicable signatures must be provided.
- Final Disbursement Letter: MiMutual's notification to the borrower confirming final disbursement of funds, and indicating the amount of the principal balance reduction being applied

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Maximum Mortgage Amount Calculation

The [Max Mortgage Worksheet](#) (Form 1035) is used to determine loan amount.

The total cost of renovations is limited to 75% of the amount below (determined by transaction type). Renovation costs may include contingency reserve and renovation-related costs. See below for [renovation-related costs](#) that may be considered as part of the total renovation.

Purchases

The maximum loan amount on a purchase is:

- the lesser of:
 - the total purchase price and improvements, or
 - the estimated “as completed” value (after improvements)
- multiplied by the applicable LTV percentage

Refinances

The maximum loan amount on a refinance is the estimated “as completed” value (after improvements) multiplied by the applicable LTV percentage.

Purchases

On a purchase transaction, the sales contract must include a provision that the borrower has applied for HomeStyle Renovation financing, and that the contract is contingent upon mortgage approval and the borrower’s acceptance of additional required improvements as determined by MiMutual.

If the borrower is financing a HUD REO property, the first block on Line 4 of Form HUD-9548, *Instructions and Sales Contract*, must be checked, as well as the applicable block for 203(k).

Refinances

Although a HomeStyle Renovation mortgage may be used to refinance and rehabilitate a property, it may not be used as a means of withdrawing or recapturing equity, and thus, no cash back to a mortgagor is permitted. It is essential that any existing debt or obligation(s) be clearly limited to the property to be rehabilitated. A line of credit made available to the refinancing mortgagor without a clear connection to the subject property does not meet MiMutual requirements unless there is documentation (acceptable to MiMutual) indicating loan proceeds were used for the purchase and/or repair of the property. The same is true for any first mortgage or other junior liens secured by the property for at least one year prior to loan application.

Appraisal Requirements

Appraisal must provide an “as completed” value.

A Certificate of Completion from the appraiser on FNMA Form 1004D is required.

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Consultant Requirements

A Renovation Consultant (HUD Fee Consultant) must be used to assist with managing the project and draw requests when either of the below are true:

- Any structural work is required (an increase in the gross living area of the property, or any modification / adjustment to the floor plan, such as moving walls, regardless of structural load transfers), or
- The contractor has no experience with renovation loans

The Consultant must be informed that the work is for a Fannie Mae HomeStyle Renovation transaction, and not a 203(b) or 203(k) transaction.

If not using a General Contractor, a maximum of 3 contractors may be used in the transaction.

Acceptance of Contractors and Rehabilitation Criteria

All renovation work must be performed by a licensed contractor. The borrower chooses their own contractor, and MiMutual must then determine he/she is qualified and experienced, has appropriate credentials, is financially able to complete work in a timely manner, and agrees to indemnify the borrower for all property losses or damages caused by his employees/subcontractors.

NOTE: *If the contractor selected has no experience with renovation loans, a Renovation Consultant will be required.*

Plans and specs must be prepared by a registered, licensed, or certified General Contractor, renovation consultant (HUD Fee Consultant), or architect, fully describe all work to be done, and provide an indication of when various jobs or stages of completion will be scheduled, including start and completion timeframes (such as a start date of “within 30 days of closing” or an end date of “within 180 days of closing”). MiMutual must review and evaluate the quantity, quality, and cost of the renovation work that is to be done. These plans and specs also must be used by the appraiser in the development of his or her opinion of the “as completed” value of the property.

When a Consultant is used instead of a General Contractor, a maximum of 3 contractors may be used in the transaction.

MiMutual must accept all contractor(s). The [Contractor Acceptance Form](#) must be completed for each project, and must be submitted to MiMutual with all required attachments:

- Signed and dated W-9
- Certificate of Liability Insurance (local requirements will dictate minimum insurance coverage required for the contractor)
- Copy of license (required unless state does not require contractor licensure)
- Letters of reference or contact information from customers and suppliers (required when no license is available)

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The contractor acceptance process involves verification of the following items:

- The contractor's name (not DBA) appears on all forms
- The contractor has been in business for at least 3 years
- The contractor's primary employment corresponds with the work to be completed
- The contractor has completed projects of similar scope within the last few years
- The contractor has experience with projects financed by FHA 203(k) or Fannie HomeStyle, as applicable
 - If the contractor selected has no experience with renovation loans, a Renovation Consultant will be required.
- The customer references provided good reviews of the contractor's work and performance
- The supplier references provided acceptable comments concerning payment
- The insurance meets all minimum local requirements
- The acceptance form is signed and dated
- If the contractor is licensed, confirmation of the copy of the license provided and that it is current

Financeable Costs and Fees

Renovation-related costs that may be considered as part of the total renovation costs include:

- Property inspection fees;
- Costs and fees for the title update;
- Architectural and engineering fees;
- Independent consultant fees;
- Costs for required permits;
- Other documented charges, such as fees for energy reports, appraisals, review of renovation plans, and fees charged for processing renovation draws; and
- The contingency reserve

Title Update Fee

To protect the validity of the mortgage position from mechanic's liens on the property, reasonable fees charged by a title company may be included as an allowable cost of rehabilitation. MiMutual will collect one title update fee at \$150.00 at closing. Any monies left in escrow after the final draw release must be applied to reduce the mortgage balance.

Contingency Reserve

A contingency reserve of 10% of the total costs of the repairs must be established for all mortgages. It may be considered as part of the renovation costs or funded by the borrower. Unused contingency funds must be used to reduce the outstanding balance.

Remaining contingency reserves may be used for making additional improvements to the property that will add value (not to purchase personal property), **only if**:

- we warrant that the work scheduled was completed and the contingency reserve has already been reduced by any cost overruns, **and**
- we ensure that the funds that are to be used for additional improvements are actually used to improve the real property, are documented with paid receipts from the borrower's own funds, and inspections of the additional work or installations are completed by the appraiser who prepared the "as completed" value appraisal report.

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Insurance Requirements

Homeowners Insurance

Borrower must have hazard insurance in place to cover the estimated as-completed value of the home after renovation. The premium used to qualify must be based on the as-completed coverage amount.

Builder's Risk Insurance

- Not required if the Homeowners coverage remains intact during the construction period.
- HO-3 or HO-5 policies do not satisfy Builder's Risk Insurance requirements.
- May be required if the property will be vacant during the time of renovations to cover theft or vandalism.
- Must be disclosed to the agent that the renovation loan is fully disbursed.
- May be paid by the Borrower or the Contractor.
- If paid by the Borrower, it must be disclosed as a separate line item to be paid at closing.
- Insurance premium may not be included in escrows.

Contractor's Insurance

The contractor is required to have any license required by any government regulations, and to obtain and keep in force an all-risk insurance policy (with a physical loss form endorsement and a mortgagee's loss payable clause) equal to 100% of the full replacement cost of the improvements, public liability insurance, workmen's compensation insurance (as required by applicable state law), and automobile liability insurance.

Properties Located in Texas

Only loans that are not subject to Section 50(a)(6) of the Texas Constitution are eligible for HomeStyle Renovation financing. In addition to all of the standard HomeStyle requirements, loans must meet all criteria as described below.

Do It Yourself Option

The Do It Yourself Option is not permitted on loans in Texas. The borrower may not purchase their own materials and/or appliances.

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Mechanics Lien Contract

The Mechanics Lien contract:

- Must be in writing
- Must be signed by both spouses (if married)
- Cannot be signed until at least 5 days after written loan application
- Must be signed at office of lender, title company, or attorney

Upon final approval (including all final rehab documentation), the underwriter must forward all rehab documentation (construction contract, all bids, worksheets, etc) to Polunsky, Beitel, Green (attorney) to create the Mechanics Lien Contract. The closer must ensure the mechanics lien is included within the closing package. This contract is typically executed at closing and must be recorded. The branch is responsible for ensuring the borrower(s) and spouse(s), along with the contractor(s), are present at closing, and that the closing is held at the office of the lender, title company or attorney. If multiple contractors have provided bids, each contractor will have a separate mechanics lien contract prepared and executed.

NOTE: All subcontractors are derivative of the General Contractor and its Mechanic's Lien Contract.

Affidavit of Commencement

The affidavit of commencement:

- Must be in writing
- Must be signed by both spouses (if married)
- Must be signed by the contractor(s)

This document must be fully executed by all parties post-closing when work commences within 30 days of note date. The title company must facilitate the execution & recording of this document as it must be signed by borrower(s), spouse(s), and contractor (s).

Holdbacks

MiMutual will hold back 10% of each disbursement, which will be paid to contractor with the final disbursement, upon satisfactory completion of all work.

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Leasehold Properties

A leasehold estate allows a tenant to hold temporary ownership of real property. The lease agreement allows the borrower to occupy, but not own the land, for a given term. Leasehold properties are considered in areas of wide market acceptance.

AUS Requirements

All loans must be run through DU and meet all Fannie Mae requirements. Not eligible for Freddie Mac LPA.

Eligible States

Leaseholds are only eligible in the following states:

- California
- Maryland

Eligible Collateral

The following property types are eligible to secure leasehold mortgages in the states of **CA and MD only**:

- 1- to 4-unit properties
- Planned Unit Development (PUD) units
- Condominium Units

NOTE: *Mortgages secured by manufactured homes located on leasehold estates are not eligible.*

Property/Estate Eligibility

The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and the improvements must:

- constitute real property,
- be subject to the mortgage lien, and
- be insured by the lender's title policy.

The leasehold estate and the mortgage must not be impaired by any merger of title between the lessor and lessee. In the event the mortgage is secured by a sublease of a leasehold estate, the documents must provide that a default under the leasehold estate will not by such default result in the termination of the sublease.

The term of the leasehold estate must run for at least five years beyond the maturity date of the mortgage, unless fee simple title will vest at an earlier date in the borrower.

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Lease Requirements

The lease must provide that the leasehold can be assigned, transferred, mortgaged, and sublet an unlimited number of times either without restriction or on payment of a reasonable fee and delivery of reasonable documentation to the lessor. The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee, or sublessee.

The lease must provide for the borrower to retain voting rights in any homeowners' association.

The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, and homeowners' association dues (if applicable), related to the land in addition to those he or she is paying on the improvements.

The lease must be valid, in good standing, and in full force and effect in all respects.

The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents.

The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation.

The lease must provide MiMutual with:

- the right to receive a minimum of 30 days' notice of any default by the borrower, and
- the option to either cure the default or take over the borrower's rights under the lease.

Additional Underwriting Criteria

All lease rents, other payments, or assessments that have become due must be paid.

The borrower must not be in default under any other provision of the lease, nor may such a default have been claimed by the lessor.

The lease may, but is not required to, include an option for the borrower to purchase the fee interest in the land. If the option is included, the purchase must be at the borrower's sole option, and there can be no time limit within which the option must be exercised. If the option to purchase the fee title is exercised, the mortgage must become a lien on the fee title with the same degree of priority that it had on the leasehold. Both the lease and the option to purchase must be assignable. See the [Fannie Mae Selling Guide](#) for establishing the purchase price of the land.

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Appraisal Requirements

The appraisal must include an addendum to the report that outlines the terms, restrictions and conditions of the lease agreement or ground lease. The narrative should also include:

- Impact of the terms, restrictions, and conditions of the lease on the value and marketability of the subject property
- Sales comparisons with leasehold properties. If comparable sales with the same lease terms are not available, comparisons to similar properties with different lease terms should be reported
- Adjustments to sales comparisons if using leaseholds with different terms, and explanation of market reaction to property values

State Specific Requirements

California

Attorney Certification: MiMutual will obtain an Attorney Certification on all properties with leasehold interest. The certification must confirm that the leasehold property meets all Fannie Mae requirements. If not, the loan is not eligible.

The following documents must be submitted to the attorney in order to perform the review/certification:

- Title Commitment
- Lease
- Sublease
- Assignment of Lease

The fee for this certification is \$535.00. It should be disclosed on the LE as Lender Attorney Fee in Section B.

Maryland

Title Company Certification: MiMutual will require a certification from the title company on all properties with leasehold interest. The certification must confirm that the leasehold property meets all Fannie Mae requirements. If not, the loan is not eligible.

NOTE: *An Attorney Certification is not required with an acceptable certification letter from the title company.*

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Manufactured Housing

The guidance in this chapter is intended to cover the basic manufactured home eligibility requirements and information. Additional guidance that applies only to specific situations (for example, specialty programs or required appraisal report forms) may be found in other sections of the [FNMA Selling Guide](#) and/or the [FHLMC Seller/Service Guide](#). Be sure to reference GSE direction for complete detail.

Overview

Any dwelling unit built on a permanent chassis that is attached to a permanent foundation system and evidenced by a HUD Data Plate and HUD Certification label is a manufactured home for purposes of Fannie Mae's guidelines.

The manufactured home and the land on which it is situated must be titled as real property.

Other factory-built housing —such as modular, prefabricated, panelized, or sectional housing—is not considered manufactured housing.

General Loan Eligibility Criteria

Mortgage loans secured by manufactured homes must meet the following general criteria:

- first-lien mortgages only,
- fully amortizing fixed-rate mortgages or
- fully amortizing adjustable-rate mortgages with initial fixed-rate periods of 7 years or 10 years,
- principal residences and second home dwellings.

Refer to the [Eligibility Matrix](#) for maximum allowable LTV, CLTV, and HCLTV ratios.

Ineligible Manufactured Housing Criteria

The following are ineligible for mortgage loans secured by manufactured homes:

- investment properties;
- single-width manufactured homes,
- homes located on leasehold estates,
- manufactured homes in condo/PUD projects.

Manufactured Housing Standards

The mortgage loan must be secured by both the manufactured home and the land on which it is situated, and both the manufactured home and the land must be legally classified as real property under applicable state law.

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Underwriting and AUS Requirements

Mortgages secured by manufactured homes must be underwritten through DU or LPA.

When entering the property information into DU, MiMutual must correctly identify the property type as a Manufactured Home. DU checks the subject property addresses against manufactured home property addresses in the DU property database. If DU's database indicates the property may be a manufactured home, DU will return a message alerting MiMutual. DU's issuance of this message does not necessarily mean the property is a manufactured home, nor does the absence of this message indicate that Fannie Mae accepts the accuracy of the property type as it was submitted

MiMutual must research the subject property type. If it is determined the property is a manufactured home, MiMutual must correct the property type and resubmit the loan casefile to DU. If it is NOT a manufactured home, the loan may be delivered with the appraisal recommendation provided by DU.

Sales Price and Original Loan Amount

Any personal property items (non-realty items) purchased in conjunction with the manufactured home must be deducted from the sales price and cannot be financed as part of the mortgage.

In addition to the cost of the manufactured home and land, if applicable, the original loan amount may also include the financing of borrower-purchased mortgage insurance premiums as provided for in B7-1-04, Financed Borrower-Purchased Mortgage Insurance;

Financing of other costs is not permitted for purchase money mortgages, but is permitted for limited cash-out refinance transactions, as provided for in B2-1.2-02, Limited Cash-Out Refinance Transactions

Down Payment Requirements

A minimum down payment of 5% must come from the borrower's own funds unless:

- the LTV or CLTV ratio is less than or equal to 80%; or
- the borrower is purchasing a one-unit principal residence and meets the requirements to use gifts, donated grant funds, or funds received from an employer to pay for some or all of the borrower's minimum contribution.

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Purchase Money Transactions

Purchase money transactions are those in which the mortgage proceeds are used to finance the purchase of the manufactured home.

NOTE: *The borrower does not receive any cash back with a purchase money transaction.*

Existing Manufactured Homes

The LTV ratio (and CLTV/HCLTV ratio, if applicable) for a loan secured by a manufactured home that already exists on its foundation will be based on the lowest of:

- the sales price of the manufactured home and land;
- the current appraised value of the manufactured home and land; or
- if the manufactured home was built in the 12 months preceding the loan application date, the lowest price at which the home was previously sold during that 12-month period, plus the lower of:
 - the current appraised value of the land, or
 - the lowest price at which the land was sold during that 12 month period (if there was such a sale).

Limited Cash-Out Refinance Transactions

Limited cash-out refinance transactions involve the payoff of an existing mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate liens). The maximum LTV ratio (and CLTV ratio, if applicable) for a limited cash-out refinance transaction for a loan secured by a manufactured home and land will be based on the lower of:

- the current appraised value of the manufactured home and land; or
- if the manufactured home was owned by the borrower for less than 12 months on the loan application date and:
 - if the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus the lower of the current appraised value of the land, or the lowest sales price at which the land was sold during that 12-month period (if there was such a sale);
 - if the home and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period.

Proceeds of a limited cash-out refinance mortgage may be used to:

- pay off the outstanding principal balance of an existing first lien mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate first liens);
- pay off the outstanding principal balance of an existing subordinate mortgage or lien secured by the manufactured home and/or land, but only if it was used to purchase the manufactured home and/or land;
- finance closing costs (including prepaid expenses); and
- provide cash back to the borrower in an amount not to exceed the lesser of 2% of the balance of the new refinance mortgage or \$2,000.

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Cash-Out Refinance Transactions

A cash-out refinance:

- involves the payoff of an existing first lien mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered by separate first liens); or
- enables the property owner to obtain a mortgage on a property that does not already have a mortgage lien against it, and permits the borrower to take equity out of the property in the form of mortgage proceeds that may be used for any purpose.

To be eligible for a cash-out refinance, the borrower must have owned both the manufactured home and land for at least 12 months preceding the date of the loan application. The LTV ratio (and CLTV/HCLTV ratio, if applicable) for a cash-out refinance for a loan secured by a manufactured home and land will be based on the current appraised value of the manufactured home and land.

Manufactured Home Appraisals

Market-based property valuations are required for manufactured homes, demonstrated by a well-developed sales comparison approach to value that is further supported by the cost approach to value.

Manufactured Housing Appraisal Requirements and Standards

The list below provides requirements and standards for manufactured housing appraisals.

- For purchase money mortgages, the appraiser must be provided with a complete copy of the executed contract for sale of the manufactured home and land
- The appraiser must report the results of a manufactured home appraisal on the Manufactured Home Appraisal Report (Form 1004C). The use of Form 1004C will help to ensure that the appraiser inspected, considered, and reported the appropriate information including, but not limited to, the:
 - manufacturer's name,
 - trade or model number,
 - year of manufacture,
 - serial number,
 - Certification Label number(s) from either the HUD Data Plate or Certification Label(s),
 - type of foundation and utility connections,
 - detailed and supported cost approach,
 - opinion of the market value of the site, and
 - property's conformity to the neighborhood.
- The appraiser must indicate a value conclusion based solely on the real property as completed consisting of the:
 - manufactured home,
 - site improvements, and
 - land on which the home is situated.

The value conclusion cannot include any non-realty items including, but not limited to, insurance, warranties, and furniture.

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Manufactured Housing Appraisal Site Requirements

The appraisal site requirements for manufactured housing are as follows:

- The appraiser must base his or her opinion of value on the characteristics of the subject property, including the site area. The appraisal report must indicate whether or not the site is compatible with the neighborhood, and must comment on the conformity of the manufactured home to other manufactured homes in the neighborhood.
- The property site must be of a size, shape, and topography that is conforming and acceptable in the neighborhood. It must also have competitive utilities, street improvements, adequate vehicular access, and other amenities. Because amenities, easements, and encroachments may either detract from or enhance the marketability of a site, the appraiser must reflect them in his or her analysis and valuation. The appraiser must comment if the site has adverse conditions or is not typical for the neighborhood.

Manufactured Housing Appraisal Comparable Selection Requirements

The comparable selection requirements for manufactured housing appraisals:

- The appraiser must select comparable sales of similar manufactured homes to address the marketability and comparability of a manufactured home, for example, multi-width homes to multi-width homes. The appraiser must use a minimum of two comparable sales of similar manufactured homes. The appraiser may use either site-built housing or a different type of factory-built housing as the third comparable sale. The appraiser must explain why site-built housing or a different type of factory-built housing is being used for the third comparable sale, and make and support appropriate adjustments in the appraisal report.
- An appraiser that is unable to locate sales of manufactured homes that are truly comparable to the subject property may decide it is appropriate to use either older sales of similar manufactured homes or sales of similar manufactured homes that are located in a competing neighborhood to establish a baseline for the “sales comparison analysis” and determine sound adjustments to reflect the differences between comparable sales that are available and the subject property.
- The appraiser must not create comparable sales by combining vacant land sales with the contract purchase price of the home. This type of information may be used as additional supporting documentation.

Manufactured Housing Appraisal Cost Approach Requirements

A detailed and supported cost approach to value is required for all manufactured homes which must, at a minimum, contain the information indicated on the Form 1004C. The appraiser may choose to report the results of the cost approach on Form 1004C or by using a report form from a published cost service as an addendum to the appraisal report form. Whatever format the appraiser chooses to report the cost approach, the information must be sufficient to allow the lender to replicate the cost figures and calculations. The sales comparison and cost approach to value are complementary for the valuation of manufactured housing and must support the final value conclusion. A properly developed and detailed cost approach will provide the information necessary for an appraiser to:

- recognize differences in manufactured home construction quality,
- understand the difference between the comparable sales and the subject property,
- extract from the market appropriate adjustments for the sales comparison analysis, and
- identify sales of manufactured homes that are similar enough to the subject property to use as comparable sales.

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Sources of Manufactured Housing Data

Traditional appraisal data sources do not provide enough quality manufactured home data for the appraiser to develop a supportable and well-documented manufactured home appraisal. While sources such as MLS and public records are important and may contain some data, appraisers must utilize other data sources, such as manufactured home dealers and construction companies/builders experienced in the installation of manufactured homes.

One important source of manufactured housing information is the NADA Manufactured Housing Appraisal Guide. That publication:

- lists general manufactured home depreciated replacement values based on original factory construction categories, and
- offers a step-by-step process for arriving at the average retail book value for a manufactured home and can be used to develop a cost approach.

NOTE: *NADA chart values assume the home is in average condition. The publication provides definitions for “excellent,” “good,” “average,” “fair,” and “poor” to appropriately identify the condition of the manufactured home.*

Another source of information is Marshall & Swift’s Residential Cost Handbook. Marshall & Swift provides:

- information that enables the user to arrive at an estimate of the cost of the manufactured home when new and the replacement cost based on, among other things, the construction quality; as well as
- an explanation of the items that enables the appraiser to support his or her conclusion of the overall construction quality of the manufactured home.

The appraiser must support his or her opinion about both the quality and the condition of the manufactured home because they play a very important role in the value and marketability of manufactured homes. The NADA guide or the Marshall & Swift handbook may be used as additional sources to provide support for the appraiser’s conclusions about the quality and value of a manufactured home.

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Manufactured Home Property Eligibility Requirements

Fannie Mae defines a “manufactured home” as any dwelling unit built on a permanent chassis that is attached to a permanent foundation system and evidenced by a HUD Data Plate and HUD Certification label.

The table below provides additional manufactured housing property eligibility requirements:

The manufactured home must be built in compliance with

- the Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976, as amended and in force at the time the home is manufactured; and
- additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280.

Compliance with these standards will be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label. If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and the HUD Certification Label, the loan is not eligible for delivery to Fannie Mae.

The HUD Data Plate/Compliance Certificate is a paper document located on the interior of the subject property that contains, among other things, the manufacturer’s name and trade/model number. In addition to the data required by Fannie Mae, the Data Plate includes pertinent information about the unit, including a list of factory-installed equipment. The HUD Certification Label, sometimes referred to as a HUD “seal” or “tag,” is a metal plate located on the exterior of each section of the home. The *Manufactured Home Appraisal Report* (Form 1004C) must show evidence of both the HUD Data Plate/Compliance Certificate and the HUD Certification Label.

As an alternative to the original HUD Certification Label, the lender may be able to obtain a verification letter with the same information contained on the HUD Certification Label from the Institute for Building Technology and Safety ([IBTS](#)). A duplicate HUD Data Plate/Compliance Certificate may be available from IBTS or by contacting the In-Plant Primary Inspection Agency (IPIA) or the manufacturer. (A list of IPIA offices is posted on HUD’s website.)

The unit must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer’s lot as a new unit.

The manufactured home must be a one-unit dwelling unit that is legally classified as real property.

The towing hitch, wheels, and axles must be removed. The dwelling must assume the characteristics of site-built housing.

The borrower must own the land on which the manufactured home is situated in fee simple.

The manufactured home must be multi-width and located on an individual lot.

The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer’s requirements for anchoring, support, stability, and maintenance.

The foundation system must be appropriate for the soil conditions for the site and meet local and state codes.

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The manufactured home must be permanently connected to a septic tank or sewage system, and to other utilities in accordance with local and state requirements.

If the property is not situated on a publicly dedicated and maintained street, then it must be situated on a street that is community owned and maintained, or privately owned and maintained.

There must be adequate vehicular access and there must be an adequate and legally enforceable agreement for vehicular access and maintenance. See [B4-1.3-04, Site Section of the Appraisal Report](#), for additional information about privately maintained streets.

Mortgages secured by existing manufactured homes that have incomplete items, such as a partially completed renovation, or defects or needed repairs that affect safety, soundness, or structural integrity, are not eligible.

Manufactured homes that have an addition or have had a structural modification are not eligible.

Closing Instructions

Closing instructions must advise closing agents to obtain the required documentation necessary to ensure that the manufactured home is attached to a permanent foundation system on the land, thus becoming part of the real property.

The following conditions must be added by the underwriter on all manufactured home transactions:

- *Title company to provide ALTA 7 or T-31.1 endorsement, as applicable* (required 'prior to closing' as well as 'at closing')
- *Previously recorded "Affidavit of Affixture" (MI), "Application for Statement of Ownership & Location" (TX), or similar state-specific document filed/recorded with the original title* (Add as an 'at closing' condition only)

Additionally, a Manufactured Home Rider to the Mortgage must be added as a closing condition, to ensure it is executed at closing and sent for recording with the mortgage, and MiMutual must obtain an insured closing protection letter for each mortgage loan that is secured by a manufactured home.

Certificate of Title

If a certificate of title has been issued, MiMutual must obtain, and retain as part of the loan file, evidence that the certificate has been surrendered.

Such evidence includes:

- the confirmation required to be provided by the authority to which the certificate was surrendered, or
- if no such confirmation is obtainable:
 - a copy of the documents submitted in connection with the surrender, and
 - evidence that such documents were delivered to the appropriate authority.

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Title Issues and Lien Requirements

To be eligible:

- A manufactured home mortgage loan must be secured by a perfected lien (or liens) on real property consisting of the manufactured home and the land.
- The manufactured home must be legally classified as real property under applicable state law, including relevant statutes, regulations, and judicial decisions.

The following requirements are also applicable:

- The owner of the manufactured home must own the land on which the home is situated.
- The manufactured home must be attached to a permanent foundation on the land and comply with state and jurisdictional requirements for permanent affixation.
- A mortgage, deed of trust, or security deed must be recorded in the land records and must identify the encumbered property as including both the home and the land.
- Any certificate of title to the manufactured home must be surrendered to the appropriate state government authority.

NOTE: Loans in which there is a chattel lien on the home plus a real property lien on the land are unacceptable.

Title Insurance

The mortgage must be covered under a standard real property title insurance policy that insures that the manufactured home is part of the real property that secures the loan.

If the certificate of title has not already been surrendered and is being done at closing, the title commitment must reflect this as a requirement, and there are not to be any exceptions to the policy related to the surrender of title. In addition, the title company must provide evidence that they have the original title in their possession in order to properly surrender the title to the appropriate government authority.

American Land Title Association® (ALTA®) Endorsement 7, 7.1, or 7.2 or any other endorsement required in the applicable jurisdiction for manufactured homes to be treated as real property must be included in the file.

Affidavit of Affixture

The borrower(s) and any lender with a personal property security interest in the manufactured home must sign an Affidavit that acknowledges their intent for the manufactured home to be permanently part of the real property that secures the mortgage free of any personal property security interest. The Affidavit must also contain any specific language that may be required by applicable law.

The signed Affidavit must be recorded, and it must be retained in the loan file.

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Mortgage Insurance

There are 4 companies that MiMutual currently partners with that offer Mortgage Insurance on manufactured homes. Please see their specific guidelines for any additional requirements / restrictions.

- Genworth
- MGIC
- National
- Radian

Background Information Regarding Titling for Manufactured Homes

Titling is complex and further complicated by the lack of a federal standard. Consequently, all states devise their own laws resulting in diverse approaches to manufactured home titling and lien perfection. The variety of approaches is particularly challenging for lenders originating manufactured home loans in more than one state. Laws of some states do not clearly provide for a single lien on the manufactured home, together with the land on which it is situated, but instead, for example, require that the lien on the manufactured home be evidenced by notation on the certificate of title.

While the laws of some states establish a procedure for surrender of the certificate of title when the manufactured home has become so permanently affixed to the land that it has become real property, the laws of other states do not allow for the elimination of the certificate of title to a manufactured home regardless of the degree of affixation of the home to the land. In these states, the lien on the land (evidenced by the mortgage, deed of trust or security deed) may be legally distinct from the lien on the manufactured home (evidenced on the certificate of title), though both are liens on real property. In this instance, the manufactured home is often treated as an “immovable fixture” (personal property that has become so permanently attached to the land that it has become real property). **MiMutual does not lend on properties where an elimination of the certificate of title is not required.**

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Automated Underwriting System

Approve/ or Accept/Eligible Risk Classification

If the AUS rates the mortgage loan application as an Approve/ or Accept/Eligible, based on the analysis of the credit, capacity to repay, and certain other loan characteristics, the loan is eligible for MiMutual 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/ or Accept/Ineligible Risk Classification

Loans that receive a recommendation of Approve/ or Accept/Ineligible **are not** eligible for approval. 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. **MiMutual will not manually approve the loan.**

MiMutual 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 MiMutual 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. MiMutual complies with federal, state and local policies and procedures such as Fair Housing, ECOA, SAFE ACT, RESPA, HVCC, MDIA, etc.

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