
Effective January 11, 2010

UNDERWRITING GUIDELINES

STANDARD

RADIAN

Revision notes

Revisions for January 11, 2010

The following revisions have been made to the November 16, 2009 guidelines. Substantive changes to the text appear in a different color.

- Section 2: Transaction type expanded to include rate/term refinances; and property type expanded to include attached PUDs and condominiums.
- Section 4: Transaction type expanded to include rate/term refinances; and property type expanded to include attached PUDs and condominiums.
- Section 5.3: Clarified definition of short sale/principal forgiveness specific to a refinance or loan modification.
- Section 11.4.1: Included rate/term refinance as an eligible refinance type.
- Section 11.4.2: Provided rate/term refinance definition and eligibility criteria.
- Section 11.5.2: Identified restrictions for secondary financing specific to rate/term refinances.
- Section 12.1: Ineligible Property Categories
Removed attached condominiums/attached PUDs.
- Section 12.2: Property Type
Included attached condominium/attached PUDs.
- Section 12.6: *Attached Condominium/Attached PUD Projects* added to include attached condominium/attached PUDs guidelines.
- Section 12.7.1: Identified loan features ineligible for mortgage insurance in Guam.
- Section 14.1: Removed rate/term refinance exclusion.

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1 Introduction

These guidelines are applicable to mortgage insurance applications for 1-unit properties. Borrower-paid mortgage insurance (BPMI) applications must be submitted prior to loan closing/funding date; lender-paid mortgage insurance (LPMI) must be submitted prior to the first payment due date. A 1-unit property is defined as a single-family detached dwelling, a single-family attached dwelling or a condominium unit. Loans for new construction properties or existing residential properties which are habitable at the time of loan closing are eligible for Radian mortgage insurance.

2 Full Documentation Prime Credit (“Industry A”)

Radian’s Full Documentation Prime program (“Industry A”) is designed for loans with full/alternative documentation verifying income, employment, and assets as defined by Fannie Mae/Freddie Mac and maintained by the lender, and have a minimum FICO score of 720.

Eligible loans must meet Radian’s published Full Documentation Prime guidelines, regardless of any Automated Underwriting System (AUS) response.

All loans must comply with Radian’s property and appraisal guidelines.

A loan application within the standard conforming loan limit (\$417,000 for 1 unit) receiving a DU response of Approve/Eligible or an LP response of Accept/Eligible which includes the waiver of income or asset documentation, and validated/closed per the findings, is eligible as full documentation. Please see the *Radian Documentation Types Guide* on our Web site at www.radian.biz for details.

PRIMARY RESIDENCE

PURCHASE & RATE/TERM REFINANCE	Max LTV	Max loan amount	Min FICO score	Max DTI
1 Unit Single Family (including detached condominium and detached PUD)	90	\$ 417,000	720	41
Attached Condominium/Attached PUD	90	\$ 417,000	720	41

3 Limited Documentation Prime Credit (“Alternative A” or “Alt A”)

Loans which do not conform to all of the requirements of Full Documentation are deemed to be Limited Documentation loans, which are ineligible for Radian mortgage insurance. This includes any GSE standard or negotiated program or commitment that allows reduced or limited documentation. Please see the *Radian Documentation Types Guide* for more details.

4 Full Documentation Non-Prime Credit (“A Minus”)

Radian’s Full Documentation Non-Prime program (“A Minus”) is designed for the borrower who has credit criteria that do not meet the Radian Full Documentation Prime guidelines, but who is identified as an insurable risk. Radian’s Full Documentation Non-Prime program requires a minimum representative FICO score of 720.

Eligible loans must meet Radian’s published Full Documentation Non-Prime guidelines, regardless of any Automated Underwriting System (AUS) response. Traditional full documentation or alternative documentation (pay-stubs, bank statements) as defined by standard Fannie Mae/Freddie Mac guidelines is required. Please see the *Radian Documentation Types Guide* on our Web site at www.radian.biz for details.

PRIMARY RESIDENCE

PURCHASE & RATE/TERM REFINANCE	Max LTV	Max loan amount	Min FICO score	Max DTI
¹ Unit Single Family (including detached condominium and detached PUD)	90	\$ 417,000	720	41
Attached Condominium/Attached PUD	90	\$ 417,000	720	41

4.0.1 Ineligible AUS responses

- DU Approve/Ineligible
- DU EA/Ineligible
- DU EA-4
- DU Refer or DU Refer with Caution
- EA-1, EA-2, EA-3 from DU versions prior to 7.0
- LP Accept/Ineligible
- LP Refer
- LP Caution/Eligible
- LP Caution/Ineligible
- Out of Scope

5 Guideline Criteria for All Programs

The following guidelines cover all Radian mortgage insurance programs, including Full Documentation Prime and Full Documentation Non-Prime. Program-specific exceptions are noted.

5.1 Credit—Philosophy and General Handling

The basis for any credit analysis should be a review of each borrower’s complete credit history, length of time accounts have been opened, types of credit used, balance to credit limit comparisons, and number of recent inquiries. At Radian, we feel that the credit score should be only a part of the total credit consideration. To evaluate the complete credit picture, Radian will apply the following credit criteria in order to determine if a borrower’s FICO score is a true representation of the borrower’s credit profile when determining insurability of a loan.

- **IF** the borrower has 24+ months primary housing (mortgage or rent) history reported/documented with 0×30 late **THEN** a minimum of 2 additional tradelines evaluated for at least 12 months, regardless of a DU or LP recommendation.
- **IF** the borrower has 12–24 months primary housing (mortgage or rent) history reported/documented with 0×30 late **THEN** a minimum of 3 additional tradelines evaluated for at least 24 months, regardless of a DU or LP recommendation.
- **IF** the borrower has 0–12 months primary housing (mortgage or rent) history reported/documented and/or prior derogatory history on the current mortgage/rental history (as permitted in the Credit Definitions below) **THEN** a minimum of 4 additional tradelines evaluated for at least 24 months, regardless of a DU or LP recommendation.

Note: A tradeline is defined as a revolving or installment payment account. The tradeline must not be in dispute and must clearly belong to the borrower in order to be eligible for consideration. Collections, judgments, charge-offs, repossessions, foreclosures, bankruptcy repayment plans, and credit counseling are not eligible tradelines.

5.2 Credit—Credit Report Requirements

Radian will underwrite mortgage insurance based on the lowest representative FICO score of all borrowers. At least two national repositories must be checked for each borrower. The representative FICO score for each borrower will be determined as follows:

- If two scores are provided, the lower score will be used.
- If three scores are provided and two are identical, the identical score will be used.
- If three scores are provided, the middle score will be used.

5.3 Credit—Definitions

	Full Documentation Prime	Full Documentation Non-Prime
Minimum FICO AND	720	720
Mortgage or rental history AND	<ul style="list-style-type: none"> 0×30 in last 12 months All mortgages must be current at time of subject loan application and closing. 	<ul style="list-style-type: none"> No more than 2×30 or 0×60 in last 12 months. Rolling lates of 2×30 successively are considered 1×30 to qualify. All mortgages must be current at time of subject loan application and closing.
Installment debt history AND	No more than 1×30 in last 12 months	<ul style="list-style-type: none"> No more than 3×30 or 1×60 in last 12 months. Three successive 30-day lates may count as one event. All delinquent consumer credit must be current at loan closing.
Revolving debt history AND	No more than 2×30 in last 12 months	<ul style="list-style-type: none"> No more than 3×30 or 1×60 in last 12 months. Three successive 30-day lates may count as one event. All delinquent consumer credit must be current at loan closing.
Major derogatory credit AND	None in last 12 months	<ul style="list-style-type: none"> Charge-off and collection accounts greater than \$2,500 (cumulative balance) must be paid at or before closing. Medical collections of any amount must show a resolution plan in place.
Minimum duration of credit history AND	12 months	12 months
Bankruptcy AND	Minimum 48 months since discharge/ dismissal date, with satisfactory credit re-established	Minimum 36 months since discharge/ dismissal date, with satisfactory credit re-established
Foreclosure, short sale, deed-in-lieu of foreclosure activity	Minimum 60 months since date of activity and satisfactory credit re-established	Minimum 36 months since date of activity prior to date of application and satisfactory credit re-established

The definition of a short sale or principal forgiveness includes a refinance or loan modification where the lender forgives a portion of the loan amount owed. This definition includes the current refinance under consideration.

5.4 Credit—Non-Traditional Credit

Borrowers with non-traditional credit are ineligible for Radian mortgage insurance.

6 General Pricing Information

Please refer to the Radian rate cards posted at www.radian.biz for specific pricing criteria or contact your Radian representative for additional information.

The applicable premium rate will be based on the rate in effect on the date Radian receives the initial application for mortgage insurance. If loan data submitted to Radian is not correct and the loan receives an inappropriate premium rate, Radian reserves the right to apply the correct premium in accordance with the actual data and charge the submitting lender for any premium differences. If any material changes are made to the loan data prior to closing, the loan must be re-qualified and repriced to the current published rates.

7 General Radian Requirements

Radian mortgage insurance underwriters retain the right to exercise prudent risk underwriting and modify or decline to insure a mortgage insurance request based on the overall risk profile; however, we would appreciate the opportunity to work with you on any loan which you believe is an insurable risk.

- Guidelines not specifically addressed herein default to standard Fannie Mae/Freddie Mac guidelines, *i.e.*, non-Desktop Underwriter/non-Loan Prospector.
- Loans originated by a third party must first be underwritten by the submitting lender before submission to Radian for mortgage insurance.
- First-lien mortgages only.

8 Borrower Qualification

Radian does not provide mortgage insurance if borrowers are corporations, partnerships, or limited partnerships (LLCs). Corporate and business tax ID numbers are unacceptable as a substitute for Social Security numbers. Radian will only provide mortgage insurance on loans to individuals, with the exception of living/inter-vivos trusts.

8.1 Individual Tax Identification Number (ITIN)

Loans to borrowers having an Individual Tax Identification Number (ITIN) in lieu of a Social Security number are ineligible for Radian mortgage insurance. ITIN numbers are issued regardless of immigration status of the applicant and, as such, do not allow identification as to resident or non-resident aliens and legal or illegal immigrants.

An ITIN is a tax processing number issued by the IRS. Although an ITIN is formatted like a Social Security number, all ITINs begin with the number 9 and contain a 7 or 8 as the fourth digit (9xx-7x-xxxx or 9xx-8x-xxx).

8.2 Resident Aliens

Permanent resident aliens are eligible for all Radian insurance products.

Non-permanent resident aliens, in the United States on a temporary permit/visa, are eligible provided they are not immune from US legal process. Applications meeting all other Radian guidelines (regardless of AUS response) are eligible subject to the following:

- Primary residence, 1 unit
- Purchase transaction only
- Maximum 90% LTV
- Maximum loan amount of \$417,000
- Minimum two years of credit and employment history in the US
- Full documentation of income
- All necessary assets in US funds

8.2.1 Ineligible resident aliens

- Non-resident aliens/foreign nationals/diplomats

9 Qualifying Ratios

9.1 Debt-to-Income (DTI) Ratio

A borrower’s Debt-to-Income Ratio (DTI) includes all monthly debts as defined in the Fannie Mae/Freddie Mac guides, divided by the monthly qualifying income. The DTI ratio must not exceed the maximum allowed per the following:

	Maximum DTI
Full Documentation Prime	41%
Temporary buydowns	41%
Full Documentation Non-Prime	41%

9.2 Adjustable Rate Mortgages (ARMs)

ARMs with an initial adjustment period of less than 60 months must qualify using the higher of the Note Rate or the fully indexed accrual rate (margin plus index value), also referred to as FIAR.

ARMs with an initial interest rate adjustment period of 60 months or more may qualify using the start rate.

9.3 Temporary Buydowns

Fixed rate loans and ARMs with an initial adjustment period less than 60 months must qualify using the higher of the Note Rate or the fully indexed accrual rate (margin plus index value), also referred to as FIAR.

ARMs with an initial interest rate adjustment period of 60 months or more may qualify using the start rate.

10 Loan Repayment Types

10.1 Fixed Rate

Fixed Rate mortgages include positively amortizing ARMs with an initial fixed rate and payment period of five years or more.

10.2 Adjustable Rate Mortgages (ARMs)

10.2.1 Eligibility

- Full Documentation Prime ARMs with initial fixed term less than 5 years are eligible to 90% LTV.
- Full Documentation Non-Prime ARMs with initial fixed term less than 5 years are ineligible.

10.2.2 Interest rate caps

Radian requires that all adjustable rate mortgages include an interest rate cap. The following represents Radian's maximum interest rate caps for ARMs:

ARM product	Initial cap	Periodic cap	Lifetime cap
Full Documentation Prime			
1-2 Year	2%	2%	6%
3 Year	3%	2%	6%
>= 5 Year	5%	2%	5%
Full Documentation Non-Prime			
< 5-year initial interest rate adjustment period is ineligible			
>= 5 Year	5%	2%	5%

10.3 Loan Term

Loans with an amortization period and/or a Note term greater than 40 years up to 50 years are eligible, subject to the following conditions:

- Maximum Note term is 50 years

10.4 Balloon Term

The minimum balloon term is five (5) years.

10.5 Temporary Buydowns

- Primary Residences are eligible with a maximum 3-2-1 buydown.
- Must meet Fannie Mae/Freddie Mac requirements.

11 Loan Features

11.1 Borrower Equity

The borrower is required to have 10% minimum equity or down payment from their own funds. Borrower equity cannot be provided from outside sources with vested interests in the transaction.

11.1.1 Gift funds

- Borrowers who have satisfied the minimum borrower equity requirement from their own funds can use gift funds from immediate family members (such as a spouse, parent, child, grandparent or sibling) to increase down payment, pay part of the closing costs or supplement reserves.
- Gift documentation meeting Fannie Mae/Freddie Mac requirements must be obtained.

11.1.2 Unsecured loan funds

- Proceeds from unsecured loans (such as signature loans or credit cards) are not an acceptable source of down payment.

11.1.3 Grant funds

Grants from state/municipal/housing authorities and non-profit organizations are acceptable provided:

- The borrower(s) has the minimum equity/cash down payment, and
- No lien for the grant is created against the subject property, and
- Repayment of the grant, in whole or in part, is not required under any circumstances.

Documentation of the terms and conditions of the grant is required.

11.1.4 Reserves

Radian defines reserves as the number of months of principal, interest, and escrow deposits for taxes and insurance that a borrower could pay by using his or her liquid financial assets.

Radian requires two (2) months' reserves, regardless of AUS response.

In the case of a conversion of principal residence, six (6) months reserves for both the subject property and current property are required. Reduced reserves of no less than two (2) months for both properties may be considered if there is documented equity* of at least 30% in the current property.

* Documented equity derived from an appraisal, automated valuation model – AVM or Broker Price Opinion – BPO.

11.2 Financing Concessions

Closing costs and/or pre-paid expenses typically paid by the borrower, but paid on behalf of the borrower by an interested party, are limited to 3%, regardless of the LTV.

Financing concessions in excess of the limitations above require a downward adjustment to the sales price by the amount that the concessions exceed the limits. Additionally, sales concessions, such as furniture or other inducements, require a dollar-for-dollar deduction from the sales price prior to calculation of the LTV.

11.2.1 Ineligible for financing concessions

- PITI abatements
- HOA fee abatements

11.3 Non-Occupant Co-Borrower

Non-occupant co-borrowers are only permitted for Full Documentation Prime loan amounts up to \$417,000.

- Maximum LTV is 90%.
- Primary residence only; 1 unit only.

- Non-occupant co-borrower is to be a disinterested third party to the sales transaction (*e.g.*, cannot be the property seller, builder, real estate broker, etc.). The non-occupant co-borrower does not have to take title to the property but must sign the mortgage note.
- Occupying borrower's DTI ratio should not exceed 41%.
- Occupying borrower must have minimum equity/cash down payment of 10% from their own funds.

11.4 Refinances

11.4.1 Ineligible Refinance Types

- Streamline refinances
- Transactions that do not result in the full payoff of the existing loan (*i.e.*, short sales.)
- Cash-out refinances

11.4.2 Rate/term refinance

A rate/term refinance transaction is a repayment of a borrower's debt in which all loan proceeds are used for one or more of the following items:

- Payoff of the existing first mortgage where there exists a continuity of obligation.
- Payoff of a subordinate lien that was used in its entirety to purchase the subject property as evidenced by the original purchase transaction HUD-1.
- Payment of reasonable and customary closing costs and prepaids, including discount points and prepayment penalty.
- Cash back to the borrower not to exceed the lesser of 2% of the new loan amount or \$2,000.
- Properties listed for sale within the past 60 days are not eligible.

Existing subordinate liens may be re-subordinated. New subordinate mortgage liens/secondary financing are not allowed.

11.5 CLTV/Secondary Financing

11.5.1 Purchase transactions

Radian does not insure purchase transactions with simultaneous secondary financing from any source.

11.5.2 Rate/term refinance transactions

Existing subordinate mortgage liens may be re-subordinated, but the maximum aggregate mortgage lien encumbrance to the subject property—first mortgage plus any secondary financing (whether a fixed mortgage, line of credit, or other recorded mortgage liens)—may never exceed the maximum LTV per the transaction type per Radian's published guidelines.

New subordinate mortgage liens/secondary financing simultaneous with the closing of the first mortgage refinance transaction are not permitted.

12 Property Qualifications/Restrictions

12.1 Ineligible Property Categories

The following property categories are ineligible for Radian mortgage insurance:

- 2–4 unit properties
- Cooperatives
- Manufactured housing
- Condotels
- Single-wide manufactured homes
- Mobile homes
- Time share properties
- Lot loans
- Manufactured housing site condominiums
- Model home leasebacks
- Mixed-use properties as defined by Fannie/Freddie guidelines

12.2 Property Types

The table below defines each property type and whether each type requires agency-warrantability

Property classification	Property type/legal description and community type	Key construction or architectural style features	Apply geographic restrictions for condominiums and cooperatives?	Project requires agency-warrantability ³
1-unit Single Family	<ul style="list-style-type: none"> • Typically, fee simple per legal description • Detached and semi-detached¹ properties • Includes detached (aka “site”) and semi-detached¹ condominium property per legal description • Includes attached² property not located in a condominium or PUD project • Not cooperative 	<ul style="list-style-type: none"> • Not manufactured housing • If detached or semi-detached¹, may or may not be located in a condominium or PUD project • If semi-detached¹, appearance is duplex-style with the subject having a wall in common with the unit beside it (aka “twin” home) • If attached², not located in a condominium or PUD project; common example: row homes in older urban areas 	No	<ul style="list-style-type: none"> • Yes, for detached and semi-detached¹ condominium • No, for all others
Attached ² PUD unit	<ul style="list-style-type: none"> • Typically, fee simple per legal description • Located in a PUD project • Not condominium or cooperative 	<ul style="list-style-type: none"> • Not manufactured housing • Each unit owner owns the lot beneath their unit • Common examples: townhouses and garden-style homes in newer urban and suburban areas • Located in a PUD project 	Yes	Yes
Attached ² condominium unit	<ul style="list-style-type: none"> • Condominium per legal description • Not cooperative 	<ul style="list-style-type: none"> • Not manufactured housing • Common examples: townhouses and garden-style homes (therefore indistinguishable from attached² PUDs through observation alone); two or more story buildings consisting of apartment-style “flat” units; high rise, aka elevator, structures (flats in four or more story buildings) • Condominium project may or may not be located in a PUD project (aka “master PUD”) 	Yes	Yes

Notes

¹ A semi-detached property is a property that is attached to one other such property. Each of the two properties is located on a separately deeded lot.

² An attached property is defined for this purpose as a property located in a building or structure consisting of three (3) or more units that are separately deeded.

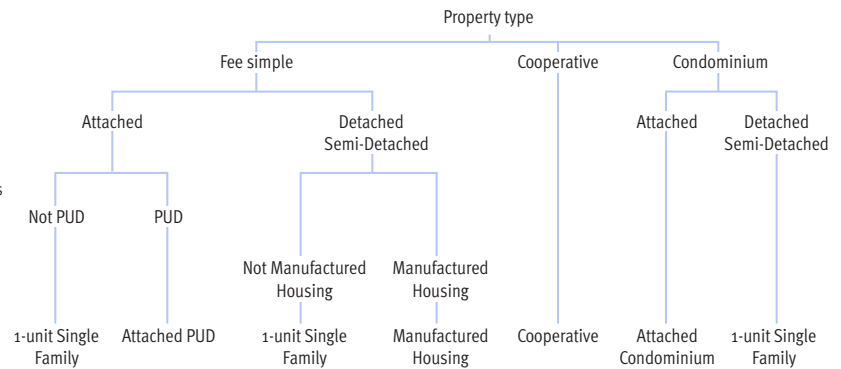
³ Refer to Section 12.6 for detailed information.

The following diagram condenses the foregoing table into a simple decision tree:

How to determine property type

1. Determine the **legal description** of the property.
2. Determine the type of **structure**:
Detached= No load-bearing party walls
Semi-detached= One load-bearing wall and only 2 contiguous units
Attached= One or more load-bearing walls and 3 or more contiguous units
3. Determine whether the property is in a **PUD** project.
4. Determine whether the structure is **manufactured housing**.

Radian's property definition



12.3 Acreage/Rural Properties/Land Value

- Maximum of ten (10) acres.
- The characteristics of the property, zoning, and land use are deemed of highest and best use by the appraiser.
- Comparables supporting the site are typical for the area.
- Land value generally does not exceed 35% of the appraised value.
- Access to the property is unrestricted.
- Property must be used exclusively for residential purposes and can not be income producing, including the lease of any portion of the property for agricultural purposes.
- Property may not include barns or other out-buildings which accommodate agricultural or other businesses. Such ancillary structures used for self storage are acceptable if typical for the area and supported by comparables within the appraisal.
- Property must be habitable year round and include a permanent heat source, water source, and sewage.

12.4 Relocation Loans

A relocation loan is defined as a mortgage meeting the following requirements:

- The loan is made as part of a corporate employee relocation program and administered by the corporate employer or its agent.
- The loan is made to a transferred employee or to a newly hired employee to finance the purchase of a primary residence at the new employment location. Any income used for qualification must be fully documented by a legal, binding contract.

- The loan involves a significant contribution (generally at least 3% of the original principal amount of the mortgage) to mortgage financing, consisting of one or more of the following:
 - A buydown or subsidy of the interest rate.
 - Payment of the borrower’s closing costs (including loan discount points and origination fees) on the new and/or the previous residence.
 - Funding of a below-market rate or no-interest bridge loan.
 - Payment of the difference between the property tax and/or mortgage interest rate obligation on the employee’s previous residence and the new primary residence.
 - Corporate buy-out of the borrower’s previous residence/mortgage.

The loan file must include a copy of the executed relocation agreement.

Given the current employment market conditions, anticipated income from a trailing secondary wage earner will not be considered in calculating income. Radian will readdress this requirement when employment markets improve.

12.5 Conversion of Principal Residence

- Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction.
- Rental income or sales contract may not be used for qualification.
- Six (6) months of PITI for both properties is required to be in reserves; lender may consider reduced reserves of no less than two (2) months for both properties if there is documented equity of at least 30% in the existing property (derived from an appraisal, automated valuation model (AVM) or Broker Price Opinion (BPO), minus outstanding liens).

12.6 Attached Condominiums and Attached PUD Projects

- Must be originated as a retail loan (a loan where the lender identified as the interviewer’s employer on the 1003/65, the lender submitting the MI application to Radian, and the insured lender are one and the same); geographic guidelines apply.
- Investor concentration generally limited to 30% of project.
- Generally, minimum 1,000 sq. ft. per unit; variations for local markets must be supported by three comparables in the appraisal report with similar square footage.
- Lender warrants that the project is not an ineligible or non warrantable project as defined by Fannie Mae or Freddie Mac.
- Construction (or conversion) of all units, as well as construction of all common areas and facilities in the project or legal phase, has been completed. For each legal phase completed, all common areas and facilities required for such legal phase have been completed and transferred to a HOA, and the HOA is controlled by the unit owners.
- Minimum of 70% of units of the project or legal phase must have an executed sales contract to primary residence or second home purchasers.

- Non-residential units in a project are generally limited to lobby-level service businesses (e.g., restaurants, banks, dry cleaners, personal care salons), not to exceed 20% of the square footage of the overall project.
- No single entity (i.e., the same individual, investor group, partnership, or corporation) may own more than 10% of the total units in the project. Not applicable to projects with fewer than ten units.
- Fully detached, stick built site condominiums should be identified in Radian's systems as condominiums; however, they are treated as single family detached for eligibility purposes.
- Radian reserves the right to limit the number of Radian-insured loans in a project.
- Delinquency restrictions apply: A maximum of 15% can be greater than one-month delinquent on HOA fees.
- Projects with fewer than ten units in compliance with the above guidelines are eligible with the following supplemental requirements:
 - No single entity (i.e., the same individual, investor group, partnership, or corporation) may own more than one unit in the project.
 - The legal condominium documents contain an arbitration clause.
 - Projects of similar size are typical for the area and provided as comparables in the appraisal.
 - Radian's maximum exposure is limited to the higher of one unit or 40%.
 - The project is 100% residential in use, design and purpose.

12.7 Geographic Guidelines

This section references geographic guidelines that are applicable to all Radian mortgage insurance programs, unless otherwise noted.

12.7.1 Guam

Applications must be submitted to a Radian Service Center as non-delegated. Submission to include: 1003, 1008, appraisal, credit report, AUS findings (if applicable), and MI Application.

Ineligible for Radian mortgage insurance in Guam

- Attached condominiums and attached PUDs
- Full Documentation Non-Prime

12.7.2 Puerto Rico

Not eligible for Radian mortgage insurance

12.7.3 U.S. Virgin Islands

Not eligible for Radian mortgage insurance

12.8 Declining Markets Policy

Radian no longer has a declining markets policy.

12.9 Appraisal Requirements

- The appraisal may not be more than 120 days old at the time of submission for mortgage insurance. Recertification of value is not permitted.
- Radian requires that all appraisals conform to FHFA's *Home Valuation Code of Conduct* and be compliant with the Uniform Standards of Professional Appraisal Practice (USPAP).
- The appraisal requires an interior and exterior inspection. The report form must be appropriate to the property type or transaction per Fannie Mae/ Freddie Mac requirements (URAR or property type-specific equivalent).
- Radian does not accept AVMs, PVMs, Property Inspection Waivers (PIWs), or Property Inspection Alternatives (PIAs) in lieu of appraisals.
- Field reviews obtained by the lender to satisfy investor program underwriting guidelines are to be included in the loan file. Field reviews are not used to determine value but to provide support for the value and accuracy of the full appraisal report. Discrepancies or inadequacies noted in the field review are to be addressed prior to submission for mortgage insurance.
- If the subject property is a prior foreclosure, the utilities must be operational at the time of the appraisal.

12.10 Property Flips

A flip transaction is a purchase transaction for a property recently acquired by the seller which is being resold for a quick profit (with or without improvements made to the property) after a brief holding period.

The following resale transactions are not defined as property flips:

- Property obtained through an inheritance.
- Property that is part of a settlement in a divorce agreement.
- Property that is part of an employer relocation program.
- Property that is resold by a lender/servicer after acquisition of the property from a foreclosure or deed in lieu of foreclosure. Agents or subsequent owner(s) of the property that acquired the property directly from the lender are not considered the lender.

The following ownership requirements apply:

- The seller of the property must be the "owner of record."
- All transactions must be "arm's length."
- Any property that is owned less than 90 days is ineligible for insurance. Ownership of the property's underlying mortgage does not constitute ownership of the property.
- Any agreement of sale that contains a reference to "assignment of a contract of sale" is ineligible as it is considered to be a potential property flip.

For properties sold within six (6) months of acquisition, increases in the property's selling price must be explainable, documented (either in the appraisal report or with contracts and receipts to confirm the upgrades were performed), and supported by a new appraisal. Reasonable and customary transaction fees (*i.e.*, real estate commission, title costs) may be included as a documentable increase in value.

Eligibility for Radian insurance depends on the time elapsed from the change in ownership:

- Properties owned for less than three (3) months are not eligible for insurance.
- Properties owned between three (3) and six (6) months are eligible for insurance under the following conditions: A loan on a property that was acquired by the current seller in the prior six (6) months must be submitted with full documentation to a Radian Service Center for underwriting. These loans may also be underwritten by a Radian onsite employee.
- Properties owned for greater than six (6) months: The lender may use Radian's standard insurance eligibility, underwriting, and submission criteria. The lender should apply caution when reviewing appraisal and underwriting loans on properties located in areas of falling home prices or high inventories of REO properties or foreclosure activities.

13 Maximum Loans to One Borrower Policy

13.1 Maximum Mortgage Insurance Risk Exposure

Radian's maximum risk exposure policy for mortgage insurance is the lesser of two (2) insured loans, only one of which may be a primary residence, or \$300,000 aggregate insured risk exposure.

Note: Mortgage insurance insured risk exposure is calculated by using the original loan amount times the percentage of MI coverage. For example, a \$100,000 mortgage with 25% coverage equals \$25,000 mortgage insurance risk exposure.

13.2 Maximum Compliance Loans to One Borrower

Radian's policy for maximum compliance loans to one borrower is the lesser of two (2) loans or \$650,000 aggregate loan amount, not to exceed the investor's own guideline for maximum exposure to one borrower. The aggregated loan amount is determined by totaling the entire loan amounts for all active loans. Within the above restriction, loans submitted under less than full documentation or no documentation programs are limited to two (2) properties per borrower. This includes the loan file(s) currently under consideration as well as any and all Radian compliance-underwritten loans for that borrower in the past two years and not currently in declined status.

14 General MI Restrictions

14.1 Ineligible Loan Categories

The following types of loans are ineligible for Radian mortgage insurance:

- Cash-out refinances
- Streamline refinances
- Second homes
- Investment properties
- Interest-Only loans
- High-Balance loans
- 2–4 units
- Construction-to-permanent loans
- Programs and transactions for which Radian offers no published rates
- Government loans (FHA/VA/Rural Housing Service)
- Second mortgages
- Credit upgrades
- Wraparound mortgages
- Blanket mortgages
- Interim construction loans
- Negative amortization, potential or scheduled
- Graduated payment mortgages
- Reverse mortgages

Radian reserves the right to deny coverage to a borrower who was a debtor on a loan for which Radian paid a claim.

14.2 Ineligible Application Types

The following types of applications are ineligible for Radian mortgage insurance:

- Pre-qualifications or “pre-approvals” where complete documentation is not available at the time of mortgage insurance underwriting (see Section 15.1)
- Pre-qualifications or “pre-approvals” where the property is not identified at the time the mortgage insurance commitment is issued and the property address is provided at a later date when the borrower executes the sales contract (see Section 15.1)

14.3 Commitment Term

Mortgage insurance commitments are issued by Radian with a commitment term of 120 days. Coverage must be activated (*i.e.*, loans must be certified) by reporting the loan closing date to Radian and/or payment of the initial premium prior to the commitment expiration date. Commitment expiration dates cannot be extended.

Expired or lapsed commitments cannot be reinstated; a new mortgage insurance application based upon updated income, employment, asset, credit, and appraisal documentation is required with qualification based on Radian's current published guidelines as of the date of the new or re-submitted mortgage insurance application.

In certain circumstances, such as when guideline changes occur, commitment terms could be shortened.

14.4 Post-Commitment Data Changes

If any information upon which the decision to insure the loan, or upon which the terms of the commitment is based, changes prior to the loan closing, the loan must be re-qualified to the current published guidelines, regardless of the original mortgage insurance application or commitment date.

Any issue identified by Radian or by a lender, which would result in an ineligible transaction, shall render the existing commitment null and void and the commitment status will be changed to a reject decision.

15 General Submission Requirements

15.1 Documentation

All mortgage insurance applications submitted must be supported in the submitting lender's file with complete documentation at the time of application to Radian. This includes, but is not limited to:

- 1003
- Credit report
- AUS Findings, if applicable
- Income, employment, and asset documentation
- Completed and executed agreement of sale, if a purchase

Radian does not require the property appraisal to be in the file at the time the MI commitment is ordered. However, in the event the MI commitment is issued prior to receipt of the appraisal, the lender is required to advise Radian of any change in the final appraised value.

Mortgage insurance applications must include the complete legal subject property address and appraised value. Mortgage insurance application documentation, including the appraisal, may not be more than 120 days old at the time of submission of the mortgage insurance application to Radian. Recertification of value is not permitted.

15.2 Submission Dates

Radian will not accept BPMI loans after the loan closing/funding date and LPMI loans after the first payment due date.

15.3 Requirements by Delegation Status

15.3.1 Delegated

Submission to Radian requires a minimum of the completed 1008 and a completed Radian Mortgage Insurance Application. The investor, program name, automated underwriting system and response (if applicable), and the FICO score must be clearly noted in the appropriate section of either the 1008 or MI Application.

The appropriate product type must be clearly noted in the Radian product section of the MI Application.

15.3.2 Non-Delegated

Submission to Radian requires a fully documented loan file which the lender has underwritten for program and investor compliance. The investor, program name, automated underwriting system and response (if applicable), and the FICO score must be clearly noted in the appropriate section of either the 1008 or the MI Application.

The appropriate product type must be clearly noted in the Radian product section of the MI Application.

15.4 Delegated Authority

Radian expects lenders to use their delegated underwriting authority as granted under the terms of their delegated underwriting agreement and to exercise prudent judgment when exercising this authority.

Delegated lenders are to underwrite all loans prior to ordering mortgage insurance. Delegated lenders have the option to submit marginal, high-risk and/or exception loans to a Radian service center for non-delegated underwriting. If, after the underwriting review, Radian rejects the loan for insurance and/or contract underwriting, the lender may not exercise its delegated authority to resubmit the loan.

Lenders may not use their delegated authority on a loan on a property that was acquired by the current seller in less than six (6) months.

Radian underwriting staff continues to retain the option to request additional documentation on any loan submitted under a lender's delegated mortgage insurance authority with Radian.

15.5 Radian's MI Online

Radian's MI Online system is a data entry system for convenient transmission of information to Radian. All lenders using Radian's MI Online system are responsible for knowing and adhering to Radian's guidelines. Use of Radian's MI Online system does not relieve the lender of any representations/warranties associated with their Radian delegated underwriting authority.