Conventional
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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 Fannie Mae’s/Freddie Mac’s underwriting guidelines for one to four family conventional mortgages. This does not represent the entire FNMA/FHLMC 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.

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.

- 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/Eligible recommendation. Manual underwrites are not permitted on Conventional loans.
## Overlays

### Requirements & Restrictions

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<td>Adjustable Rate (ARM): 5/1, 7/1 LIBOR (30 year term)</td>
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<td>Maximum Number of Borrowers</td>
<td>MMI does not allow any greater than 4 borrowers on a single loan</td>
<td></td>
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<td>AUS Requirements</td>
<td>DU Findings (version 9.2 or 9.3) reflecting Approve/Eligible. Recommendations of Refer or loans otherwise requiring manual underwriting are ineligible.</td>
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### Collateral

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<td>Properties exhibiting commercial/industrial use</td>
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<td>UAD Rating</td>
<td>Condition Ratings of C5 and C6 are unacceptable</td>
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<tr>
<td></td>
<td>Quality Rating of Q6 is unacceptable</td>
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<tr>
<td>Condo Project Approval</td>
<td>MMI does not offer PERS (Project Eligibility Review Service) as a condo project approval option</td>
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<td>Condos</td>
<td>New construction condos, newly converted condos, and non-warrantable condos are ineligible.</td>
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<td>Condo Conversions</td>
<td>Conversion projects must be 3 years since conversion (determined by recording date on master deed) and meet GSE definition of an Established Project</td>
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### Credit

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<td>Minimum Score</td>
<td>Minimum 620 mid score required</td>
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<td></td>
<td>Borrowers with no score are not eligible.</td>
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<td>Hardship Modifications</td>
<td>Purchases: a previous hardship modification does not render a borrower ineligible for financing; however, preforeclosure seasoning requirements must be met</td>
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<td>Departure Residence</td>
<td>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</td>
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### Income

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<td>Ineligible Income Sources</td>
<td>Projected earnings are ineligible for qualifying income</td>
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<td>Tax Return Verifications for the last 2 years will be processed on all loans</td>
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### Assets

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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 that are considered Higher Priced Mortgage Loans (HPMLs) because they exceed the section 35 calculation (APR that exceeds the APOR at the time the rate was set, by 1.5% or more) are permitted, providing the following criteria are met:

- Loan passes QM Points and Fees test
- Approve/Eligible findings
- HPML disclosure must be signed by borrower at least 24 hours prior to closing
- An appraisal must be obtained by a certified or licensed appraiser who conducts a physical visit of the interior of the subject property (n/a for DU Refi Plus)
- 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.
- DU Refi Plus loans must have a maximum 45% back-end ratio, regardless of AUS findings.
- Jumbos are not permitted as HPMLs
### Residual Income Evaluation Table

<table>
<thead>
<tr>
<th>If monthly residual income is...</th>
<th>Then the minimum reserves required are...</th>
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<tbody>
<tr>
<td>$2,500 or greater</td>
<td>No minimum reserve requirement based on the residual income evaluation. Loan must still comply with the minimum reserve requirements for the base loan program.</td>
</tr>
<tr>
<td>≥ $800 &lt; $2,500</td>
<td>The greater of:</td>
</tr>
<tr>
<td></td>
<td>- 3mos liquid* PITI reserves are required,</td>
</tr>
<tr>
<td></td>
<td>OR</td>
</tr>
<tr>
<td></td>
<td>- Minimum reserve requirements for the base loan program. Additional reserves should be considered for loans with higher layered risks</td>
</tr>
<tr>
<td>&lt; $800</td>
<td>n/a. The loan is not eligible for HPML/rebuttable presumption</td>
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**Second Homes and Investment Properties**  
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<tr>
<th>If monthly residual income is...</th>
<th>Then the minimum reserves required are...</th>
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</thead>
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<tr>
<td>$2,500 or greater</td>
<td>Loan is eligible with acceptable RIE in file</td>
</tr>
<tr>
<td>≥ $800 &lt; $2,500</td>
<td>The greater of:</td>
</tr>
<tr>
<td></td>
<td>- 6mos liquid* PITI reserves are required,</td>
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<tr>
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<td>OR</td>
</tr>
<tr>
<td></td>
<td>- Minimum reserve requirements for the base loan program. Additional reserves should be considered for loans with higher layered risks</td>
</tr>
<tr>
<td>&lt; $800</td>
<td>n/a. The loan is not eligible for HPML/rebuttable presumption</td>
</tr>
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</table>
Collateral Requirements

**Appraisals**

**Approved Appraiser List**
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.

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

- Begin at the MiMutual website home page ([www.michiganmutual.com](http://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 at least one of the following in order to qualify for the continuance of the appeal process:

- Provide a previous appraisal dated no more than twelve (12) months prior to the effective date of the appraisal being appealed. *Comps in the previous appraisal will not be assessed if sale dates are > 90 days from the new appraisal effective date; however, information in the appraisal regarding amenities, square footage, etc will be given consideration.*
- Provide 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.

**Appraisal Portability**
MiMutual will accept transferred appraisals on Conventional loans. The appraisal must be emailed to [cta@mimutual.com](mailto:cta@mimutual.com) by the previous lender and must also contain the invoice, Appraiser Independence certificate, UCDP certificates for both Fannie Mae and Freddie Mac, and a letter from the lender authorizing the transfer. If any of the documents above cannot be provided, a new appraisal ordered through one of MiMutual’s approved AMCs will be required. All transferred appraisals will be subject to an acceptable desk review ordered by MiMutual.

**NOTE:** Transferred appraisals not permitted with a Collateral Underwriter (CU) risk score of 4 or greater.
Properties Located on a Repaired Sinkhole

Properties with repaired sinkholes/sinkhole activity may be determined to be eligible with the following items:

- Evidence the remediation was satisfactorily completed
- Evidence the proper permits were pulled at the time of repair, and were signed off on by a qualified engineer
- Copies of the initial engineering report, the repair reports, and the engineering certification
- Evidence of sinkhole insurance – either included on the borrower’s standard property insurance policy or a separate policy

Any property with sinkhole damage that has not yet been repaired or cannot meet the criteria described above is ineligible for financing.

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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.

Site Condominiums
A detached condo is not necessarily a site condo. Site condominiums are defined as:
- Single family totally detached dwellings (no shared garages or any other attached buildings such as archways or breezeways), and
- Are encumbered by a declaration of condominium covenants or condominium form of ownership, and
- The condominium unit consists of the entire structure as well as the site and air space, and are not considered to be common areas or limited common areas, and
- Insurance and maintenance costs are totally the responsibility of the unit owner, and
- Any common assessments collected will be for amenities outside of the footprint of the individual site.
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.

Valid 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.
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.

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:
  o MiMutual must retain the determination from the IRS that their request cannot be processed, with a code of “Unable to Process” or “Limitation”
  o 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](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.

**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.
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 2\(^{nd}\)” 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.
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 max financing based on the borrower’s current liens. A Texas cash out refinance of the borrower’s homestead is considered to be a home equity loan and is typically referred to as a 50(a)(6).

There are 2 different ways a loan can be subject to Texas Article XVI, Section 50(a)(6):
- If the borrower will receive any amount of cash out from the refinance, even if it is of an incidental amount, or
- If the borrower has ever completed a cash-out refinance on the subject property before, or has secured a non-purchase money second, even if the current transaction is only a rate/term refinance. Once a Texas Equity Loan, always a Texas Equity Loan.

Because incidental cash back to the borrower is not permitted on a rate/term refinance in Texas, 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 HUD; 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 HUD results in prohibited cash back to the borrower in the form of a payoff refund.

When any loan proceeds from a borrower’s homestead are being paid directly to the borrower, any creditor not secured by a lien against the property, or in payment of any existing home equity loan/line of credit, the transaction is a Texas 50(a)(6) loan.
**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

**Cash Out and Principal Curtailments**

Principal Curtailments due to an excess premium from the Lender Credit, or to correct the amount of cash back to the borrower, *are permitted*. The matrix below describes maximum cash out requirements and allowable curtailments.

<table>
<thead>
<tr>
<th>Product</th>
<th>Maximum Cash to Borrower</th>
<th>Maximum Principal Curtailment Due to changes in payoff figures, closing costs, etc.</th>
<th>Maximum Premium Pricing Curtailment</th>
</tr>
</thead>
<tbody>
<tr>
<td>FNMA DU Refi Plus</td>
<td>$250</td>
<td>$500</td>
<td>1% of the loan amount or $2000, whichever is less</td>
</tr>
<tr>
<td>Limited Cash Out Refinance</td>
<td>2% or $2000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

When a principal curtailment is permitted, all excess amounts must be clearly reflected on the HUD-1 as a principal reduction.
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.

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

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.
**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 HUD-1 statement) 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 HUD-1 settlement statement. 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 HUD-1 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.
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.
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.
- 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.
**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.
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.

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.

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

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

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

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

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.
**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.

**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 ≤ 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.
Flood Insurance
Sufficient dwelling coverage must be determined using the same methodology as Hazard Insurance, but may never exceed $250,000 (NFIP maximum). All principal and/or residential detached structures on the mortgaged property must be covered.

Flood insurance premiums must be escrowed, regardless of LTV and/or state law. 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.

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.

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.

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.

MiMutual does not refinance loans that have been modified (due to hardship), have forbearance agreements in place, or with restructured/short payoffs.
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 or documentation (usually, the mortgage/deed of trust, Truth-In-Lending and Notice of Right to Cancel) evidencing that he or she is relinquishing all rights to the property. If the non-purchasing spouse executes the security instrument for such reasons, he or she is not considered a borrower for our purposes and need not sign the loan application.

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

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) from an approved vendor once the broker has been approved through our Client Relations department.

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
- Borrower’s Certification & Authorization
- LOX for inquiries

**Approved Vendors**

- Accenture (fka Mortgage Cadence)
- Adobe® EchoSign®
- A la Mode, Inc.®
- Calyx Software®INK-it™
- Capsilon (fka DocVelocity®)
- CIC®
- CSi
- Cogent Road
- Data-Vision, Inc.
- Remote Docs®
- Digital Delivery, Inc.
- DocMagic, Inc.
- Document Express, Inc.
- DocuPrep
- DocuSign®
- DocuTech™
- eLynx, uSign, Swiftview, or iINBOX
- eOriginal®
- Encomia
- Ellie Mae® Encompass
- Fiserv
- Integrated Media Management (IMM)
- International Document Services (IDS)
- Mortgagebot, LLC
- Mortgage Builder
- MRG Document Technologies
- National Credit-Reporting System, Inc. (NCS)
- SigniaDocs
- Silanis’ ApprovIt®
- Sutisoft®
- Wave eSignSystems
- Wolters Kluwer
- Xerox Blitzdocs

**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](http://www.hud.gov), and the GSA list by going to [http://www.epls.gov](http://www.epls.gov).
ARMs

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

Margin
2.25%
DU Refi Plus™

*DU Refi Plus loans, which are part of the HARP initiative, are available for applications through December 31, 2016.*

**Occupancy**
The existing mortgage and the new DU Refi Plus mortgage loan do not have to represent the same occupancy. The occupancy of the subject property may have changed by the time of the new mortgage transaction. Because the loan represents existing FNMA risk, there is no requirement that the occupancy has stayed the same.

**Property Types**
Though a condo questionnaire is not required for condominiums, the HOA must still verify that the property is not a condotel, houseboat project, a timeshare, or a segmented ownership project.
Repair Escrows

Introduction
Escrow holdbacks are used to facilitate loan closings for properties that require no more than $5,000 of minor repairs. 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). MiMutual will use 150% of the highest bid to establish the escrow account.
- 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.

Disbursement of Funds
Only one disbursement of funds will occur.

Administration Fee
A $175 Repair Escrow Administration Fee will be collected at closing from the borrower, payable to MiMutual.
Texas 50(a)(6)

When any loan proceeds are being paid directly to the borrower, any creditor not secured by a lien against the property, or in payment of any existing home equity loan or line of credit, the transaction is a Texas 50(a)(6) 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.

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. Both the borrower and an authorized MiMutual representative must sign this document on the day of closing.

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 3% of the appraised value of the subject property, including discount points. Please reference the table below to determine which fees are included in the 3% calculation.

<table>
<thead>
<tr>
<th>CHARGES INCLUDED IN 3% CAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges required to originate loan that are not interest, except interim interest</td>
</tr>
<tr>
<td>Interim Interest (Examples: Per diem interest; Points)</td>
</tr>
<tr>
<td>Required Charges Paid to Third Parties</td>
</tr>
<tr>
<td>Required charges to evaluate the credit decision. Examples: Credit report, Survey, Flood determination, Tax certificate, Title report, Inspection, Appraisal</td>
</tr>
<tr>
<td>Charges to Maintain or to Service the loan whether paid at closing or, if customarily paid at closing, deferred for later payment after closing.</td>
</tr>
<tr>
<td>Recording fees</td>
</tr>
<tr>
<td>Required loan insurance. Examples: Title Insurance; Mortgage Insurance</td>
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<tr>
<td>Interest other than Interim Interest (see above)</td>
</tr>
<tr>
<td>Optional Charges / Optional Insurance. Charges not imposed or required by the lender and paid by customer at their sole discretion, including insurance premiums. Examples: Credit Life; Credit Accident; Health Insurance</td>
</tr>
<tr>
<td>Charges absorbed by lender that the customer might otherwise be required to pay.</td>
</tr>
<tr>
<td>Charges Paid to Third Parties</td>
</tr>
<tr>
<td>Charges that third parties absorb that the customer might otherwise be required to pay. Examples: Attorneys’ fees for document preparation; Mortgage brokers’ fees</td>
</tr>
<tr>
<td>Escrow Funds</td>
</tr>
<tr>
<td>Charges for Subsequent Events during life of loan</td>
</tr>
<tr>
<td>Examples: Contractually permitted charges for force-placed homeowner’s insurance costs; returned check fees; debt collection costs; late fees; costs associated with foreclosure</td>
</tr>
<tr>
<td>Property Homeowners Insurance Premiums</td>
</tr>
<tr>
<td>Examples: Fire and extended coverage insurance; Flood insurance</td>
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</tbody>
</table>
**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.
- The tax certificate must be reviewed to determine that the property is not subject to an agricultural exemption. This information will also be indicated on the title report, and it is also recommended that the appraisal be reviewed for indications of agricultural use. **If the property is agricultural, STOP! The application must be declined, as 50(a)(6) loans may not be secured by agricultural property.**
- A borrower is only permitted **one** home equity loan per year, regardless of how quickly the loan is repaid, and a home equity loan may not be converted to another type of loan.
- 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 HUD-1 Settlement Statement).
- 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.
- Fees to be paid by the borrower may not exceed 3% of the appraised value of the subject property, including discount points.
- A full appraisal with interior/exterior inspection is required on all loans, regardless of AUS findings.
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.