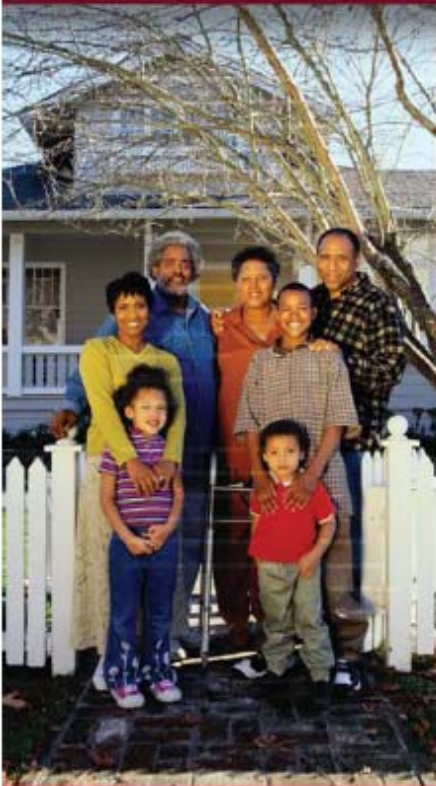


Underwriting Guidelines

Updated July 13, 2007



AIG United Guaranty

One Partner. Countless Advantages.®

AIG United Guaranty Underwriting Guidelines

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Introduction

Thank you for selecting AIG United Guaranty¹ as your mortgage insurer . . . A Partner You Can Count On.® This *Underwriting Guidelines* booklet is designed to be a quick reference for meeting your mortgage guaranty insurance needs. In general, this guide addresses the types of loans we are *most likely* to insure.

AIG United Guaranty is committed to insuring quality loans that make sense for everyone: lenders, investors, and home buyers alike. Even so, we recognize that certain loans submitted to AIG United Guaranty may exceed our guideline requirements. When this happens, we'll work to identify any compensating factors that offset additional risk.

AIG United Guaranty offers mortgage insurance on loans originated as A-paper, A-minus, and limited documentation. To clarify AIG United Guaranty's underwriting standards and guidelines for these various loans, our Underwriting Guide refers to underwriting standards and guidelines as follows:

- Standard "A" guidelines apply to A-paper loans using either full or alternative documentation. Generally, loans must have a credit score of 620 or higher to be eligible for Standard "A" guidelines.
- A-minus guidelines apply to loans that may not qualify under our Standard "A" credit requirements. These loans generally have a higher risk of default than loans that qualify for our Standard "A" guidelines.
- Limited documentation guidelines apply to loans in which the income and/or assets are not verified. These loans generally have a higher risk of default than loans that qualify for our Standard "A" guidelines.

Guidelines not specifically addressed within AIG United Guaranty's A-minus guidelines and limited documentation guidelines are subject to the Standard "A" guidelines.

AIG United Guaranty believes in fair treatment of all borrowers regardless of race, color, religion, national origin, or sex. We operate in accordance with the provisions of the Fair Housing Act and Equal Credit Opportunity Act. The Fair Housing Act makes it unlawful to discriminate in housing-related activities against any person because of race, color, religion, national origin, sex, handicap, or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the applicant has the capacity to enter into a binding contract), receipt of public assistance, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

AIG United Guaranty fully supports the letter and the spirit of both of these laws and will not condone discrimination in any mortgage guaranty insurance transaction. It is our objective to help make home ownership affordable and attainable.

Our commitment to you and the housing finance industry is a responsibility we take seriously, as we work to encourage fair lending, open new markets, and expand our insurance services. If you have any questions pertaining to the interpretation of these guidelines, please contact your local AIG United Guaranty Regional Underwriting Office or AIG United Guaranty account executive.

¹AIG United Guaranty is a marketing term for United Guaranty Residential Insurance Company.

Agency AUS (Automated Underwriting Systems)

The following is a summary of AIG United Guaranty's policy for loans processed through Fannie Mae's and Freddie Mac's Automated Underwriting Systems (AUS). In all cases the following apply:

- [Territorial Underwriting Guidelines](#).
- [Maximum Number of Insured Loans per Borrower](#).

Any loan described below as automatically eligible for insurance is contingent upon the following:

AIG United Guaranty requires, along with Fannie Mae and Freddie Mac, that the accuracy of the data upon which the Desktop Underwriter® (DU) or Loan Prospector® (LP) recommendation is based be verified, including the credit report. Additionally, criteria that cannot be evaluated by DU or LP must also be considered in the overall underwriting decision in accordance with Fannie Mae and Freddie Mac's standard Selling Guide requirements. These criteria include, but are not limited to, the following:

- Employment history.
- Income stability and continuance.
- Large asset deposits.
- Property appraisal.

If the data is accurate, and all aspects of the loan that cannot be evaluated by DU or LP have been reviewed and determined acceptable, then the DU or LP recommendation is deemed valid and will constitute a waiver of AIG United Guaranty's underwriting guidelines (with the exceptions outlined below).

Fannie Mae's Desktop Underwriter® (DU)

Approve/Eligible

- Loans that receive a Risk Classification of "Approve" and a Purchase Eligibility Rating of "Eligible for Purchase" are automatically eligible for insurance under AIG United Guaranty's Standard "A" mortgage insurance program, with the following exceptions:
 - Singlewide manufactured/mobile homes are ineligible for insurance.
 - Investment properties with a credit score lower than 620 are ineligible for insurance.
 - Loans with an LTV of 95.01–100% *and* a credit score lower than 575 are ineligible for insurance.
 - Loans with an LTV of 95.01–100% *and* a credit score of 575–619 are considered A-Minus.

Expanded Approval (EA) Levels I, II, or III/ Eligible

- Loans that receive a Risk Classification of "Expanded Approval Level I, II, or III" and a Purchase Eligibility Rating of "Eligible for Purchase" are automatically eligible for insurance under AIG United Guaranty's A-Minus mortgage insurance program, with the following exceptions:
 - Manufactured/mobile homes are ineligible for insurance.
 - Investment properties with a credit score lower than 620 are ineligible for insurance.
 - Loans with an LTV of 95.01–100% *and* a credit score lower than 575 are ineligible for insurance.

Refer with Caution Level IV

- All loans that receive a Risk Classification of "Refer with Caution Level IV" are ineligible for insurance.

Purchase Eligibility Rating of “Ineligible”

- Loans that receive a Purchase Eligibility Rating of “Ineligible” are not automatically eligible for insurance and must meet AIG United Guaranty’s Standard “A” or A-Minus guidelines.

Freddie Mac’s Loan Prospector[®] (LP)

Accept/Eligible

- Loans that receive a Risk Classification of “Accept” or “Accept Plus” and a Purchase Eligibility Rating of “Eligible for Purchase” are automatically eligible for insurance under AIG United Guaranty’s Standard “A” mortgage insurance program, with the following exceptions:
 - Singlewide manufactured/mobile homes are ineligible for insurance.
 - Investment properties with a credit score lower than 620 are ineligible for insurance.
 - Loans with an LTV of 95.01–100% *and* a credit score lower than 575 are ineligible for insurance.
 - Loans with an LTV of 95.01–100% *and* a credit score of 575–619 are considered A-Minus.

Caution/ 500 Freddie Mac Eligible

- Loans that receive a Risk Classification of “Caution” and a Purchase Eligibility Rating of “500 Freddie Mac Eligible” are automatically eligible for insurance under AIG United Guaranty’s A-Minus mortgage insurance program, with the following exceptions:
 - Manufactured/mobile homes are ineligible for insurance.
 - Investment properties with a credit score lower than 620 are ineligible for insurance.
 - Loans with an LTV of 95.01–100% *and* a credit score lower than 575 are ineligible for insurance.

Purchase Eligibility Rating of “Ineligible”

- Loans that receive a Purchase Eligibility Rating of “Ineligible” are not automatically eligible for insurance and must meet AIG United Guaranty’s Standard “A” or A-Minus guidelines.

All Other Agency AUS Decisions

- All other agency AUS decisions must meet AIG United Guaranty’s Standard “A” or A-Minus guidelines.

Acceptance of Agency AUS Documentation Recommendations

- AIG United Guaranty will accept the documentation requirements of the agency AUS if a loan receives a Purchase Eligibility Rating of “Eligible for Purchase” and the loan is eligible for insurance with AIG United Guaranty. This is contingent upon the accuracy of the information entered into the AUS.

Limited Documentation Programs and Agency AUS

- Limited documentation programs offered by lenders requiring an agency AUS underwrite (Fannie Mae DU or Freddie Mac LP) are not automatically eligible for insurance with AIG United Guaranty, regardless of the AUS recommendation. The agency AUS does not have the ability for the lender to identify the loan as a limited documentation loan; therefore, the risk evaluation does not include the additional risk of the documentation level. All limited documentation loans must meet AIG United Guaranty's limited documentation guidelines, or receive a prior program approval from AIG United Guaranty, to be eligible for insurance.

Documentation Requirements

AIG United Guaranty may request additional documentation when necessary.

Standard Documentation

- AIG United Guaranty Application fully completed and signed by the lender.
- Residential Loan Application (Fannie Mae Form 1003/Freddie Mac Form 65) signed and dated by the borrower.
- Credit report.
 - Residential Mortgage Credit Report is preferred.
 - A two-repository merged in-file credit report is acceptable.
 - Should cover a minimum of two years.
 - Must disclose legal information for the past seven years for judgments, foreclosures, garnishments, and bankruptcies.
 - Should not be more than 120 days old for existing construction and 180 days for new construction.
- Appraisal.
 - Applicable Fannie Mae/Freddie Mac Appraisal Report Form with original photographs or legible copies of the subject property and comparables; **or**
 - Fannie Mae Form 2055 Quantitative Analysis Appraisal Report with interior inspection for single-family properties.
 - A recertification of value is required after 120 days for existing construction and 180 days for new construction (the appraisal should not be more than 12 months old).
- Verification of employment/income.
 - Salaried borrowers:
 - Verification of employment; **or**
Past two years' W-2s or tax returns; **and**
Most recent pay stub indicating YTD earnings; **and**
Telephone verification with the employer.
 - If 25% or more of the borrower's income consists of commissions, signed federal tax returns for the previous two years should be obtained.
 - If employed by a relative, the previous two years' signed federal income tax returns should be obtained; a letter from the company's accountant showing the percentage of ownership may also be necessary.
 - Documentation should not be more than 120 days old for existing construction and 180 days for new construction (with the exception of W-2s and tax returns).
 - Self-employed borrowers:
(Any borrower who has 25% or greater ownership interest in a business is considered self-employed.)
 - Complete, signed federal income tax returns for the past two years.
 - Complete, signed business tax returns for the past two years, if applicable. Business returns are not required if the borrower is self-employed for at least five years, funds do not come from the business, and individual tax returns show an increase in income for the past two years.

- Verification of deposit.
 - Verification of deposit showing average balances for two months; **or**
 - Copies of bank statements for the most recent two months.
 - “Faxed” statements or statements downloaded from the Internet are acceptable, provided they clearly identify the name of the depository or investment institution and the source of the information.
 - Documentation should not be more than 120 days old for existing construction or 180 days for new construction.
- Sales contract/offer to purchase and addenda.
 - Final signed copy of contract/offer and addenda are required.
 - If applicable, a previous Loan Settlement Statement (HUD-1) is required.
- Mortgage payment history.
 - Standard mortgage verification from mortgage servicer; **or**
 - Credit report covering the last 12 months; **or**
 - Canceled checks for the last 12 months; **or**
 - The borrower’s year-end mortgage account statement with payment receipt history supplemented with canceled checks for the months elapsed since year-end.

Documentation for Closed Loans

- AIG United Guaranty Application fully completed and signed by the lender.
- HUD-1 statement.
- Existing loan package to include the following:
 - Residential mortgage credit report. (If more than 120 days old, a current in-file credit report is required.)
 - Verification of income. (If more than 120 days old, a verbal re-verification of income is required.)
 - Housing payment history. (No previously closed mortgage loan submitted for mortgage insurance may have been delinquent in the previous 12 months.)
 - New appraisal or recertification of property value may be required if the appraisal is more than 120 days old.

Home Buyer Education

- To help ensure that home buyers become successful homeowners, AIG United Guaranty requires that borrowers eligible for some targeted loan programs receive pre-purchase home buyer education. For loans requiring home buyer education, the loan file must contain verification that the borrowers have completed home buyer counseling; otherwise, the lender must condition the file for receipt. This requirement lays the foundation for underwriting flexibility by helping to reduce associated risks. For some borrowers, the home buyer education may be waived, including borrowers who:
 - Have previously owned a home.
 - Make at least a 5% cash down payment from their own funds (and do not rely on a gift, loan, or grant to obtain the funds.)
 - Have reserves after closing equal to at least two monthly mortgage payments.
- AIG United Guaranty, the lender, or a nonprofit group can provide home buyer education classes that cover such topics as applying for a mortgage, budgeting for household expenses, and shopping for, inspecting, and maintaining a home.

- Through *The Road to Home Ownership*[®] program, AIG United Guaranty offers complete home buyer education² in the form of a workshop conducted by lenders, and counseling is available via a toll-free number.

For the counseling service, customers contract with AIG United Guaranty to provide the home buyer counseling sessions by phone. The materials and counseling offered by AIG United Guaranty have been designed to assist home buyers in making an informed decision about purchasing a home. If home ownership is their choice, the workshop materials are used to help borrowers develop a “road map” to turn that dream into reality.

Affordable Housing File Identification

- Loans associated with affordable housing programs need to be identified using one of the following methods:
 - The loan is identified as an affordable housing loan on the AIG United Guaranty application (box is checked “yes”).
 - The transmittal summary identifies the loan as a Fannie Mae or Freddie Mac affordable housing loan or as an affordable housing loan under a program established by the lender.
 - The file contains verification of home buyer counseling.
 - The loan has been originated under a program from a state or local housing financing agency.

² Administered through United Guaranty Services, Inc.

Loan Program Parameters

General Parameters

The following are AIG United Guaranty's Standard "A" guidelines. Loans that do not qualify for these guidelines may qualify under our A-Minus program.

Maximum Loan Amount/LTV/Required Credit Score Full/Alt Documentation, A-Paper Loans

- Primary residence:
 - 1-unit purchase:
 - 103% LTV³ to \$500,000: minimum credit score 680.
 - 1-unit purchase and rate/term refinance:
 - 100% LTV to \$650,000: minimum credit score 700.
 - 100% LTV to \$500,000: minimum credit score 660.
 - 97% LTV to \$650,000: minimum credit score 680.
 - 97% LTV to \$500,000: minimum credit score 620.
 - 1–2 unit purchase and rate/term refinance:
 - 95% LTV to \$650,000: minimum credit score 680.
 - 95% LTV to \$550,000: minimum credit score 620
 - 1–4 unit purchase and rate/term refinance:
 - 90% LTV to \$650,000: minimum credit score 620.
 - 1-unit cash-out refinance:
 - 90% to \$650,000: minimum credit score 680.
 - 2-unit cash-out refinance:
 - 90% to \$650,000: minimum credit score 720.
- Second home (1-unit only):
 - Purchase and rate/term refinance:
 - 95% LTV to \$550,000: minimum credit score 620.
 - 90% LTV to \$650,000: minimum credit score 620.
 - Cash-out refinance:
 - 90% LTV to \$650,000: minimum credit score 700.
- Investment Property:
 - 1–2 unit purchase and rate/term refinance:
 - 90% LTV to \$550,000: minimum credit score 660.
 - 1–2 unit cash-out refinance:
 - 85% LTV to \$500,000: minimum credit score 720.

Maximum Cash-out

- \$100,000.

Maximum Amortization Period

- 40 years.

³ See [Borrower Advantage](#) or [Payment Advantage](#) guidelines for more detail.

Qualifying Ratios

(These are our general ratio guidelines; please see our product-specific guidelines for more detail.)

- Fixed Rate/Fixed Payment Mortgages:
 - DTI: 45% (41% for LTV higher than 95%, cash out refinances, interest only, second homes, investment properties, and manufactured/mobile homes)
- All other mortgage loans:
 - DTI: 41%

Fixed-Rate/Fixed-Payment Mortgages

These loans feature principal and interest payments that do not change throughout the life of the loan.

Maximum LTV

- 103%.⁴

Qualifying Rate

- Note rate.

Qualifying Ratios

- DTI: 45% (41% for LTV higher than 95%, cash out refinances, interest only, second homes, investment properties, and manufactured/mobile homes)

Adjustable-Rate Mortgages

ARMs are mortgages in which the interest rate and payment adjusts periodically based on predetermined intervals, index, and margin.

Index

- ARM indices must be published, beyond the lender's control, and accessible to the borrower (Treasury Bill, LIBOR, COFI).

Margin

- The percentage above or below the index that the interest rate will be adjusted to.

FIAR (Fully Indexed Accrual Rate)

- Index plus margin.

Spread

- Difference between the initial interest rate of an ARM and the FIAR at that time.
 - Maximum 300 basis points.

⁴ See [Borrower Advantage](#) or [Payment Advantage](#) guidelines for more detail.

Positively Amortizing ARMs

Maximum LTV

- ARM with initial fixed-rate periods of one year or longer:
 - 103% LTV.⁵
- Six-month ARM:
 - 100% LTV.

Qualifying Rate

- ARM with initial fixed-rate periods of three years or greater:
 - Note rate.
- Six-month and one-year ARM with *annual* cap of 1%:
 - Note rate.
- Six-month and one-year ARM with *annual* cap greater than 1%:
 - Maximum second-year note rate.

Qualifying Ratios

- DTI: 41%.

Initial Adjustment Cap

- Six-month ARM: 1%.
- One-year ARM: 2%.
- Three-year ARM: 3%.
- Five-year or longer ARM: 6%.

Periodic Cap

- Six-month ARM: 1%.
- One-year or longer ARM: 2%.

Lifetime Cap

- 6%.

ARMs Featuring Potential Negative Amortization

Potential negative amortization can occur when an ARM loan features an annual payment cap that may not satisfy the monthly interest due, caused by more frequent interest rate changes. The unpaid interest due is added to the principal balance. Loans featuring potential negative amortization are eligible, provided they meet the following criteria.

Transaction Type

- Purchase and rate/term refinances only.

Occupancy Type

- Primary residence only.

⁵ See [Borrower Advantage](#) or [Payment Advantage](#) guidelines for more detail.

Maximum Loan Amount/LTV/Credit Score

- 90% LTV to \$650,000: minimum credit score 680.
- 90% LTV to \$500,000: minimum credit score 660.

Eligible Property Types

- Single-family attached and detached, condos and PUDs.

Maximum Annual Payment Cap

- 7.5%. (Payments must adjust every year.)

Interest Rate Change Frequency

- May be as often as monthly.

Recast

- Recast period every five years or when the current loan balance reaches 110% of the original loan balance, whichever occurs first. The recast must change the payment to fully amortize the loan within the remaining term of the loan (without regard for payment cap).

Maximum Principal Balance

- 110% of the original balance.

Periodic Cap

- None.

Lifetime Cap

- 6%.

Qualifying Rate

- Fully Indexed Accrual Rate (FIAR).

Qualifying Ratios

- DTI: 41%.

MI Rates

- Receives 2% ARM rates plus the Potential Negative Amortization rate adjustment.

Ineligible Transactions

- Second home, investment property, cash-out refinance, A-minus, limited documentation, and temporary interest-rate buydowns.
- Loans with potential negative amortization are ineligible in the state of New York.

Other Requirements

- All other AIG United Guaranty Standard "A" and [Territorial Underwriting Guidelines](#) apply.

ARMs Featuring Scheduled Negative Amortization

- Ineligible for mortgage insurance with AIG United Guaranty.

Interest-Only Loans

Interest-only loans that meet AIG United Guaranty's Standard "A" underwriting guidelines and the following requirements are eligible for mortgage insurance.

Maximum LTV/Minimum Credit Score

- Primary residence: 100% LTV/minimum 660 credit score.
- Second home: 95% LTV/minimum 660 credit score.

(Note: Higher credit scores may be required based on loan characteristics. See the [General Parameters](#) section of this Underwriting Guide.)

Maximum Loan Amount

- AIG United Guaranty Standard "A" loan limits.

Eligible Products

- Fixed-rate/fixed-payment mortgages and positive amortizing ARMs with an initial interest rate adjustment of three years or longer.

Minimum Interest-Only Period

- Five years for fixed-rate/fixed-payment mortgages, and 10 years for ARMs.

Qualifying Ratios

- DTI: 41%.

Qualifying Payment

- Interest-only payment.

Ineligible Transactions

- Temporary interest-rate buydowns, manufactured housing (mobile homes), investment properties, limited documentation, and A-minus loans.

Other Requirements

- All other AIG United Guaranty Standard "A" and [Territorial Underwriting Guidelines](#) apply.

New York State-Specific Guidelines

- The following maximum interest-only periods per amortization term apply to interest-only loans when the property and/or the lender is located in the state of New York.
 - Up to 15-year loan term: Maximum 5-year I.O. period.
 - Up to 20-year loan term: Maximum 7-year I.O. period.
 - Up to 25-year loan term: Maximum 8-year I.O. period.
 - Up to 40-year loan term: Maximum 10-year I.O. period.

Temporary Interest-Rate Buydowns

Eligible Loan Instruments

- Fixed-rate/fixed-payment.
- ARMs with initial interest rate adjustment of three years or longer. (Maximum 2–1 buydown for ARMs with initial interest rate adjustment of less than five years.)
- Balloons with minimum term of five years.

Maximum Buydown Schedule

- Maximum 95% LTV for 2–1 buydowns (90% LTV for second homes).
- Maximum 90% LTV for 3–2–1 buydowns (primary residences only).

Qualifying Rates

- No credit score: Note rate.
- Credit Score <660: Note rate.
- Credit Score ≥660: Bought-down rate.
- Second Homes: Note rate.

Qualifying Ratios

- DTI: 41%.

Ineligible Transactions

- Cash-out refinances, investment properties, loans featuring potential negative amortization, ARMs with initial interest-rate adjustment of less than three years, limited documentation loans, and A-minus loans.

Balloon Mortgages

A balloon mortgage calls for the full payment of the loan balance at a certain term, prior to the loan fully amortizing. Balloon mortgages must be fixed-rate mortgages.

Maximum LTV

- 100% LTV.

Minimum Term

- Five years.

Qualifying Ratios

- DTI: 45%.

Other Requirements

- At the end of the balloon term, the lender must offer the borrower a renewal or new loan at the current market rate with no decrease in amortization and no additional underwriting requirements.

Refinance Transactions

Rate/Term Refinance

- Maximum 100% LTV.
- Maximum LTV for loans currently insured by AIG United Guaranty is 103%.⁶ If higher than 100%, the new LTV and the loan amount cannot exceed the original insured LTV and loan amount.
- Maximum cash back to the borrower is limited to 2% of the loan amount, not to exceed \$2,000.
- Reasonable and customary closing costs may be included in the loan amount. Generally, the cost should not exceed 5% of the loan amount.
- The LTV is based on the current appraised value.⁷
- A refinance that includes the payoff of a second lien with less than 12 months' seasoning will be considered cash-out, with the following exceptions:
 - A refinance of a first mortgage and subordinate lien that were recorded simultaneously will be treated as a rate/term refinance, as long as the HUD-1 shows the proceeds were applied to the purchase of the property with evidence of no cash back to the borrower.
 - The subordinate lien was used for documented home improvements.
- When a second lien in the form of an equity line of credit is being paid off, the previous 12-month history should be reviewed. If total draws exceed \$2,000 during the 12-month period, it is considered cash-out.
- If the unseasoned second lien is subordinated to the new loan, it is considered a rate/term refinance.
- Any loan that the borrower has taken cash out within the last 12 months, either through a first lien or subordinate lien, is considered unseasoned. Any refinance transaction paying off an unseasoned lien will be treated as a cash-out refinance, and all cash-out refinance guidelines apply.

Streamlined Refinance Program

– Loans Currently Insured by AIG United Guaranty

- Loan Modification (modification to the existing certificate) eligibility requirements:
 - Same lender/servicer.
 - New loan is fixed-rate/fixed-payment.
 - No increase in P & I payment.
 - No increase in original LTV category.
 - No cash-out allowed.
 - To submit changes, a *Request for Certificate Change* form should be completed and mailed or faxed (336/691-0106) to the Greensboro, NC office, Attention: Quality Service Underwriter. *A new first-year premium is not required.* AIG United Guaranty will adjust the renewal premium, if necessary, on the usual anniversary date.

⁶ See [Borrower Advantage](#) or [Payment Advantage](#) guidelines for more detail.

⁷ Verification of the original purchase price may be required.

- New Loan Transaction: AIG United Guaranty gives instant approval on refinance transactions when the loan being refinanced is currently insured by AIG United Guaranty and:
 - LTV cannot exceed original LTV.
 - Rate/term refinance transaction only.
 - The lender must provide the new value if the LTV is based on the current appraised value.
 - No increase in P & I payment.
 - If an annual premium is used, AIG United Guaranty will calculate the new premium using the current renewal rate, if the loan has the following features:
 - No increase in original term, LTV, or coverage.
 - No increase in rate category.

Streamlined Refinance Program

– Loans *Not* Insured by AIG United Guaranty and

Loans That Do Not Meet AIG United Guaranty Guidelines Listed Above

- Eligibility requirements:
 - Same lender/servicer.
 - Rate/term refinance transactions only. Loan proceeds can only be used to pay off current first lien and closing/prepaid costs.
 - Maximum LTV:
 - 100% for 1-unit owner occupied.
 - 95% for second homes and 2-unit owner occupied.
 - Maximum loan amount:
 - \$500,000 for LTVs 95.01% to 100%.
 - \$550,000 for LTVs 90.01% to 95%.
 - \$650,000 for LTVs up to 90%.
 - Minimum credit score:
 - No minimum credit score required.
 - 1–2 unit, attached or detached primary residences, and 1-unit second home.
 - The existing loan can be a fixed-rate mortgage, ARM, or balloon mortgage.
 - The existing loan cannot be a limited documentation, A-minus, or subprime mortgage.
 - The new loan can be a fixed-rate mortgage, fully amortizing ARM with first rate adjustment of 3 years or longer, interest-only mortgage, or a balloon mortgage.
 - The new loan cannot be a payment-option ARM, limited documentation, A-minus, subprime, affordable housing, or ARM with fixed period of less than 3 years.
 - Stated Income is allowed for most loans (see documentation requirements below).
 - If the new PITI does not increase by more than 20% over the current PITI, no DTI qualification is required. If the PITI increases by more than 20%, the maximum DTI ratio is 45%.
 - 12-month seasoning is required on the current mortgage.
 - No late payments can be reported on the mortgage being refinanced in last 12 months. (Late defined as 30+ days.)
 - Loans with foreclosures, bankruptcies, or credit counseling must meet our Standard “A” guidelines for these situations.
 - All borrowers must be the same borrowers listed on the original mortgage, with the exception of a death or divorce, which requires a 12-month history of payments made from the borrower’s own funds. Borrower(s) must provide evidence of death or divorce.
 - Ineligible properties: Manufactured housing and co-ops.
 - All other AIG United Guaranty Standard “A” and [Territorial Underwriting Guidelines](#) apply.

- Documentation requirements:
 - Completed Fannie Mae 1008/Freddie Mac 65.
 - Credit report.
 - PITI increase greater than 20%:
 - Salaried borrowers: current paystub(s) covering 30 days.
 - Self-employed borrowers: most recent 1 year federal tax returns.
 - 12-month mortgage history for the current mortgage.
 - New appraisal or copy of the original appraisal and lender's representation/warranty that the value has not declined.

Home Improvement Refinance

- Primary residences only.
- Maximum LTV:
 - 1-unit: 97% LTV.
 - 2-unit: 95% LTV.
 - 3–4 unit: 90% LTV.
- A copy of the contract for cost of improvements must be provided.
- The appraisal must support the value of improvements.
- The LTV should be based on the current appraised value.⁸
- The borrower can receive no cash back.

Cash-Out Refinance

- Maximum 90% LTV (see [Territorial Underwriting Guidelines](#)).
- Fixed-rate/fixed-payment or fully indexed ARMs (no potential negative amortization).
- 1-unit primary residences eligible to 90% LTV with 680 credit score. (2-unit primary residences require minimum 720 credit score.)
- 1-unit second homes eligible to 90% LTV with minimum 720 credit score.
- 1–2 unit investment property eligible to 85% LTV with minimum 720 credit score.
- Qualifying ratio:
 - DTI: 41%.
- Maximum cash-out of \$100,000. (If the borrower has taken equity out of the property within the last 12 months, either through a first lien or subordinate lien(s) on the subject property, that cash is considered when determining the maximum cash out of \$100,000.)
- If the borrower has owned the property for less than 12 months, the LTV is based on the lesser of (1) the original purchase price plus documented cost of improvements, or (2) the current appraised value.
- Properties listed for sale in the past 6 months are ineligible for cash-out.

⁸ Verification of the original purchase price may be required.

“Buy-Out” Refinance Transaction

- Maximum 95% LTV.
- Must be the borrower’s primary residence.
- The individual being bought out must be the borrower’s spouse, domestic partner, fiancé, or fiancée.
- Documentation should be provided to support that both parties owned and occupied the subject property as a primary residence for at least 12 months preceding the date of the mortgage application.
- A signed agreement should be provided specifying the terms of the property transfer and the proposed disposition of the loan proceeds from the refinance transaction.
- The borrower cannot receive any cash back from loan proceeds.
- The borrower should be able to qualify under AIG United Guaranty’s Standard “A” underwriting guidelines.

Subordinate Financing

- A subordinate lien that has been opened for less than 12 months must be considered cash-out unless:
 - The first mortgage and subordinate lien were recorded simultaneously, and the HUD-1 shows proceeds were applied to the purchase of the property with no cash back to the borrower; **or**
 - The subordinate lien was used for documented home improvements.
- If the second lien involves a home equity line of credit, the previous 12-month history must be reviewed. If total draws exceed \$2,000 during this 12-month period, it is considered cash-out.
- If the unseasoned second lien is subordinated to the new loan, it is considered a rate/term refinance.
- When the subordinate lien is a home equity line of credit, the unpaid principal balance is used to calculate the combined loan-to-value ratio (CLTV) and the total credit line is used to calculate the home equity combined loan-to-value ratio (HCLTV). The HCLTV only applies when the subordinate lien is a home equity line of credit.
- The maximum CLTV/HCLTV cannot exceed 100%, with the exception of certain approved community lending programs.
- The following calculations are used to determine the maximum LTV/CLTV/HCLTV for loans with subordinate financing:
 - All LTVs except 97%:
 - $LTV^9 - 5\% = \text{Maximum LTV (with secondary financing)}$.
 - $LTV^9 = \text{Maximum CLTV}$.
 - $LTV^9 + 5\% = \text{Maximum HCLTV}$.
 - Example:

This example is based on the maximum LTV for a 1-unit second home purchase transaction.

$$95\% \text{ LTV} - 5\% = 90\% \text{ maximum LTV with secondary financing.}$$
$$95\% \text{ LTV} = 95\% \text{ maximum CLTV.}$$
$$95\% \text{ LTV} + 5\% = 100\% \text{ maximum HCLTV.}$$
 - 97% LTVs:
 - LTV without secondary financing = 97%.
 - LTV with secondary financing = 95%.
 - CLTV = 97%.
 - HCLTV = 100%.

⁹Maximum LTV (without secondary financing) based on property type and transaction type.

Construction/Permanent Loans

- The transaction may require a single closing or two separate closings. A re-underwrite is not necessary in a single-close transaction if the lender qualifies the borrower under the terms of the permanent financing and the terms do not change when the loan is modified. In a two-close transaction, the lender must underwrite the loan based on the permanent financing.
- The borrower for the permanent financing must be the same as the borrower for the temporary construction financing.
- A construction/permanent mortgage may be underwritten as either a purchase or refinance transaction. The maximum LTV for a refinance transaction is 97%. Manufactured/mobile homes must be treated as a purchase transaction.
- All occupancy types are eligible for construction/permanent mortgages. Standard “A” loan amount/LTV/credit score guidelines apply as found in the [General Parameters](#) section of this Underwriting Guide.
- The borrower must own the lot before applying for construction financing or must obtain title to the lot at the initial closing prior to the start of any construction.
- The borrower’s required investment into the transaction must be documented, regardless of whether it is treated as a purchase or a refinance. (See the [Minimum Down Payment/Equity](#) section.)
- For purchase transactions, the LTV will be based on the lesser of (1) the appraised value (of both the lot and improvements) or (2) total acquisition costs. When determining acquisition costs, if the lot has been owned 12 months or longer, use the total costs of the improvements plus the appraised value of the lot. If the lot has been owned less than 12 months, use the total cost of improvements plus the lesser of the purchase price or current appraised value of the lot.
- The borrower should not receive any cash back at settlement in a purchase transaction.
- For refinance transactions, use the appraised value (of both the lot and improvements) if the lot has been owned 12 months or longer. If the lot has been owned less than 12 months, use the lesser of (1) the appraised value (of both the lot and improvements) or (2) total acquisition costs (which are the sum of the costs of the improvements and the sales price of the lot).

United Guaranty’s Borrower Advantage (100.01% to 103% LTV)

United Guaranty’s Borrower Advantage[®] program allows borrowers to secure a loan with no down payment. This program gives the borrower an opportunity to make other investments instead of using the money for down payment or closing costs. It is ideal for borrowers with solid credit histories who have the income to make mortgage payments on loans with LTVs higher than 100%.

Transaction Type

- Purchase transactions only. (Rate/term refinance is allowed if the loan is concurrently insured with AIG United Guaranty and the new LTV does not exceed the original insured loan LTV.)

Occupancy Type

- Primary residence only.

Maximum Loan Amount

- \$500,000 (including financed premium, prepaid items, and/or closing costs).

LTV

- 100.01% to 103%.¹⁰

Credit Score

- Minimum 680 required.

Additional Credit Requirements

- No bankruptcies are allowed in the previous seven years.
- Borrowers with previous foreclosures are ineligible.

Product Type

- Fixed-rate/fixed payment mortgages and positively amortizing ARMs with an initial fixed-rate period of one year or more.

Minimum Interest-Only Period

- Five-year interest-only period for fixed-rate/fixed-payment loans.
- Ten-year interest-only period for ARMs with initial fixed-rate period of three years or longer.

Qualifying Ratios

- DTI: 41%.

Borrower Funds

- No investment of the borrower's own funds is required. Closing costs may come from the borrower's own funds, gifts, an unsecured loan from a family member, a grant or unsecured loan from a municipality or nonprofit, employer-assisted housing funds, or a loan secured by a marketable asset such as a 401(k), CD, or cash value of a life insurance policy. Closing costs may be financed into the loan amount up to 103% LTV. Use of revolving credit to fund closing is prohibited.

Down Payment

- None required.

Reserves

- Two months' PITI.

Seller Contributions

- Maximum 3%.

Appraisal

- The appraisal must indicate stable or increasing property value.

Construction/Permanent

- Allowed, but must be treated as a purchase transaction.

Documentation

- Full or alternative documentation is required. Loans submitted to a GSE Automated Underwriting System may use documentation indicated on the findings report.

¹⁰ Loans with LTVs exceeding 100% are subject to state approval and therefore may not be eligible in all states. Please check with your AIG United Guaranty account executive for eligibility.

Ineligible Transactions

- Limited documentation loans, A-minus loans, investment properties, second homes, manufactured/mobile homes, cash-out and rate/term refinances (see note above), loans featuring negative amortization, temporary buydowns, balloon payments, loans featuring secondary financing, and loans classified as high cost under state or federal predatory laws.

Other Requirements

- All other AIG United Guaranty Standard “A” and [Territorial Underwriting Guidelines](#) apply.

United Guaranty’s Payment Advantage

United Guaranty’s Payment Advantage[®] product allows qualified borrowers to secure a mortgage up to 103% LTV that features the choice of an interest-only feature and/or a permanent buydown feature.

Transaction Type

- Purchase, rate/term refinance, and cash-out refinance.

Occupancy Type

- Primary residence and second home.

Maximum Loan Amount

- \$500,000.

Minimum Credit Score

- 680.

Maximum LTVs

- Purchase only:
 - 103% LTV¹¹: 1-unit primary residence, condos, and PUDs.
- Purchase and rate/term refinance:¹²
 - 97% LTV: 1-unit primary residence, condos, and PUDs.
 - 95% LTV: 1–2 unit primary residence.
 - 90% LTV: 1–4 unit primary residence.
 - 90% LTV: second home.
- Cash-out refinance:
 - 90% LTV: 1–2 unit primary residence, condos, and PUDs.
- Home improvement and buy-out refinance:
 - 90% LTV: 1–2 unit primary residence, condos, and PUDs.

Product Type

- 15-year to 30-year fixed-rate.
- 3/1, 5/1, 7/1, and 10/1 30-year ARMs.

Minimum Interest-Only Period

- Ten years for ARM loans.
- Five years on fixed-rate loans.

¹¹ Loans with LTVs exceeding 100% are subject to state approval and therefore may not be eligible in all states. Please check with your United Guaranty Account Executive for eligibility.

¹² Rate/term refinances are allowed up to 103% for a loan originally insured by United Guaranty in which the new LTV and loan amount do not exceed the original LTV and loan amount.

Maximum Financed Points

- Up to 4 points on 3/1/ and 5/1 ARMs.
- Up to 6 points on 5/1, 7/1, and 10/1 ARMs.
- Up to 6 points on 10-year to 30-year fixed rate.

ARM Caps

- First adjustment cap.
 - Up to 2% on 3/1 ARMs.
 - Up to 7% on 5/1, 7/1, and 10/1 ARMs.
- Periodic cap.
 - Up to 2% annually.
- Lifetime cap.
 - Up to 7%.

Qualifying Rate

- Note rate.

Qualifying Ratios

- DTI: 41%.

Borrower Funds

- Loans with LTVs between 97.01% and 103% and just using the interest-only option:
 - No investment of the borrower's own funds is required.
 - Closing costs may come from the borrower's own funds, gifts, an unsecured loan from a family member, a grant or unsecured loan from a municipality or nonprofit, employer-assisted housing funds, or a loan secured by a marketable asset such as a 401(k), CD, or cash value of a life insurance policy. Closing costs may be financed into the loan amount up to 103% LTV. Use of revolving credit to fund closing is prohibited.
- Loans with LTVs of 97% and lower when using only the interest-only option:
 - The percentage of the borrower's own funds invested in the property will follow AIG United Guaranty Standard "A" guidelines.
- Any loan using the permanent buydown feature:
 - The percentage of the borrower's own funds invested in the property will follow AIG United Guaranty Standard "A" guidelines, based on the LTV prior to any financed points.

Documentation

- Full or alternative documentation is required. Loans submitted to GSE Automated Underwriting Systems may utilize documentation indicated on the findings report.

Ineligible Products

- Limited documentation loans, A-minus loans, investment properties, manufactured /mobile homes, loans featuring negative amortization, temporary buydowns, balloon payments, loans featuring secondary financing, and loans classified as high cost under state or federal predatory laws.

Other Requirements

- All other AIG United Guaranty Standard "A" and [Territorial Underwriting Guidelines](#) apply.

Limited Documentation Guidelines

AIG United Guaranty will insure loans utilizing limited documentation with full disclosure of income, employment, and assets. Income must be consistent with the borrower's profession, and the borrower must reasonably qualify based on the stated income. Assets should be reasonable based on the borrower's income and expenses. In all cases, AIG United Guaranty's intention is to insure loans to borrowers who are able to repay the mortgage obligation.

Limited Documentation Types

- Stated Income:
 - Income, employment, and asset disclosure are required.
 - Income verification is not required.
 - Asset verification is required.
 - Verbal verification of employment is required.
- Stated Income/Stated Assets (SISA):
 - Income, employment, and asset disclosure are required.
 - Income and asset verification are not required.
 - Verbal verification of employment is required.

The following documentation types are ineligible for AIG United Guaranty mortgage insurance. Exceptions are considered on a lender-by-lender basis.

- No Ratio:
 - Employment and asset disclosure are required.
 - Income disclosure and verification are not required.
 - Asset verification is required.
 - Verbal verification of employment is required.
- No Income No Asset (NINA):
 - Employment disclosure is required.
 - Income/asset disclosure and verification are not required.
 - Verbal verification of employment is required.
- No Doc:
 - Employment/income/asset disclosure and verification are not required.

Maximum Loan Amounts

- 95% LTV: \$400,000.
- 90% LTV: \$400,000.
- 85% LTV: \$500,000.

Maximum LTV/Credit Score Requirements

– Stated Income

- Purchases and rate/term refinances:
 - 1–2 unit, primary residences:
 - 95% LTV/CLTV: Minimum 660 credit score.
 - 1-unit, second homes:
 - 90% LTV/CLTV: Minimum 680 credit score.
- Cash-out refinances:
 - 1–2 unit primary residences:
 - 90% LTV/CLTV: Minimum 700 credit score.

Maximum LTV/Credit Score Requirements

– Stated Income/Stated Assets (SISA)

- Purchases and rate/term refinances:
 - 1–2 unit, primary residences:
 - 95% LTV/CLTV: Minimum 680 credit score.
 - 1-unit, second homes:
 - 90% LTV/CLTV: Minimum 680 credit score.
- Cash-out refinance:
 - 1–2 unit primary residences:
 - 90% LTV/CLTV: Minimum 700 credit score.

Additional Credit Requirements

- Minimum of four tradelines are required with activity in the last 12 months.
- No bankruptcies/foreclosures in the last seven years.
- No payments more than 30 days late in the past 12 months on the housing payment record.

Income/Employment

- Income and employment must be verifiable. Stated income is restricted to self-employment, wage, or salary income. Income from non-employment sources such as financial assets, alimony, child support, judgments, and rental properties must be documented.
- Salaried borrowers:
 - All borrowers must be employed by the current employer for a minimum of two years.
 - Verbal verification of employment is required for all borrowers.
- Self-employed borrowers:
 - All borrowers must be self-employed for a minimum of two years.
 - A business license and confirmation of the existence of the business through a business directory listing is required. If a business license is not required for the business, a signed confirmation of the business is required from the borrower's accountant or CPA. Verification must show that the borrower's business has been in existence in the same location for a minimum of two years.

Assets

- Assets must be verifiable and from financial institutions. Gifts, grants, or funds other than the borrower's own funds used for down payment and closing costs must be fully documented.
- The borrower must make a minimum down payment of 5% for primary residences and 10% for second homes. The down payment must be from the borrower's own funds. Gift funds are acceptable only for closing costs and/or as additional down payment.
- All loans require three months' PITI reserves after closing.

Qualifying Ratios

- DTI: 41%

Ineligible Property Types

- Manufactured/mobile homes.
- 3–4 unit properties.
- Co-ops.
- Leaseholds.
- Non-warrantable condominiums.
- Condotels.
- Mixed-use properties.
- Unique properties with limited marketability (for example, log homes or dome homes).

Ineligible Loan Types

- Interest-only.
- Temporary interest-rate buydowns.
- Permanent interest-rate buydowns on ARM loans.
- Potential and scheduled negative amortization.
- ARMs with an annual periodic cap greater than 2% or no periodic cap.
- Balloon loans less than five years.
- Graduated payment mortgages.

Ineligible Transactions

- A-minus.
- Investment properties.
- Non-arms length transactions.
- Non-occupant co-borrowers.
- Non-permanent resident aliens.
- Non-traditional credit.
- Affordable housing, emerging markets, and community lending programs.
- United Guaranty's Payment Advantage[®] program.
- United Guaranty's RateXchange[®] program.
- United Guaranty's Borrower Advantage[®] program.

Other Requirements

- All loans must have the limited documentation type indicated when submitted for AIG United Guaranty mortgage insurance.
- AIG United Guaranty reserves the right to request income and/or asset documentation when deemed necessary.
- Information previously obtained by AIG United Guaranty about a borrower will be used if inconsistent subsequent information is received in a limited doc submission for that borrower.
- Loans previously denied by AIG United Guaranty are ineligible.
- Loans switched to a limited documentation program after review of partial or full documentation are ineligible for AIG United Guaranty mortgage insurance.
- All other AIG United Guaranty Standard "A" underwriting guidelines and [Territorial Underwriting Guidelines](#) apply.

A-Minus Guidelines

Loans that do not meet AIG United Guaranty's Standard "A" credit requirements may be eligible for mortgage insurance under the A-minus program.

AIG United Guaranty automatically accepts loans receiving a DU "Expanded Approval Level I, II, or III" with a Purchase Eligibility recommendation of "Eligible," or an LP "Caution" with a Purchase Eligibility recommendation of "500-Freddie Mac Eligible."

Loans receiving these recommendations are not required to meet AIG United Guaranty's A-minus guidelines, with the exception of the following:

- Loans with an LTV of 95.01–100% and with a credit score lower than 575 are ineligible for insurance.
- Investment property loans with a credit score lower than 620 are ineligible for insurance.
- Manufactured housing/mobile homes are ineligible for insurance.
- AIG United Guaranty will only insure one A-minus loan per borrower.
- Loans not meeting AIG United Guaranty's [Territorial Underwriting Guidelines](#) are ineligible for insurance.

All other loans must meet AIG United Guaranty's A-minus guidelines below. For areas not addressed in the A-minus guidelines, AIG United Guaranty's Standard "A" underwriting guidelines apply.

Transaction Type

- Purchase, rate/term refinance, and cash-out refinance.

Occupancy Type

- Primary residence, second home, and investment property.

Maximum Loan Amount/LTV

- Purchase and rate/term refinance.
 - Primary residence:
 - 1-unit: 100% LTV to \$400,000.
 - 1–2 units: 95% LTV to \$400,000.
 - 1–4 units: 85% LTV to \$500,000.
 - Second home:
 - 1-unit: 90% LTV to \$400,000.
 - 1-unit: 85% LTV to \$500,000.
 - Investment property:
 - 1–2 units: 90% LTV to \$400,000.
 - 3–4 units: 80% LTV and lower to \$400,000.
- Cash-out refinance:
 - Primary residence:
 - 1–2 units: 90% LTV to \$400,000.
 - 3–4 units: 80% LTV and lower to \$400,000.
 - Second homes:
 - 1-unit: 90% LTV to \$400,000.
 - Investment Property:
 - Ineligible.

Credit Score Requirement

- Primary residence and second homes:
 - 95.01–100% LTV: 600
 - 95% LTV and lower: 575
- Investment property:
 - 90% LTV and lower: 620

Additional Credit Requirements

- No 60-day late payments on any mortgage/rent payment in the past 12 months.
- Mortgages must be current at the time of application.
- Rolling 30-day late payments are acceptable.
- Residential Mortgage Credit Report (RMCR) or minimum two-repository merged in-file credit report is required.
- No previous foreclosures or bankruptcies in the last two years.
- Minimum of three traditional credit references open and active in the last 12 months. Loans using non-traditional credit are ineligible for A-minus loans.
- Repossessions, collections, and charge-off accounts may remain unpaid, provided each individual account does not exceed \$500 and the aggregate balance does not exceed \$2,500.
- All judgments and tax liens must be paid in full prior to or at closing.
- Consumer credit counseling must be complete and all debts paid prior to or at closing.

Product Types

- Fixed-rate/fixed-payment loans and positively amortizing ARMs.

Eligible Properties

- SFD, SFA, 2–4 units, condos, PUDs, and co-ops (Co-ops allowed to maximum 90% LTV).

Qualifying Ratios

- Maximum 50% DTI.

Borrower Funds

- Primary residence: 3%.
- Second home: 5%.
- Investment property: All funds must be borrower funds.

Reserves

- Primary residence: None.
- Second home: Three months' PITI.
- Investment property: Six months' PITI.

Documentation

- Full and alternative documentation only.

Submission Type

- Delegated and full-file submissions.

Ineligible Transactions

- Manufactured/mobile homes, limited documentation, potential or scheduled negative amortization, interest-only loans, buydowns, balloons, GEMs and GPMs, and non-traditional credit.

Other Requirements

- All other AIG United Guaranty Standard "A" and [Territorial Underwriting Guidelines](#) apply.

Corporate Relocation Loans

Qualifications

Loans meeting Fannie Mae or Freddie Mac requirements for relocation loans as outlined below:

- Made to a transferred employee to finance a primary residence at a new location.
- Made pursuant to a relocation program administered by the corporate employer or its agent.
- Involves a significant employer contribution of mortgage financing (at least 3% of the loan amount).
- Made by the lender pursuant to a contract or agreement with the employer or its agent.
- Newly hired employees are eligible.
- Employer contributions must consist of one or more of the following:
 - A buydown or subsidy of the mortgage interest rate.
 - Payment of the borrower's closing costs on the new primary residence 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 primary residence and the employee's new primary residence.

Underwriting the Borrower

Borrower

Citizenship

- All borrowers should exhibit the following:
 - Two years' credit history and deposit history in the U.S.
 - Stable and continuing employment with a minimum two-year history in the U.S.
 - Sufficient and accessible reserves.
- Non-permanent and permanent resident aliens:
 - AIG United Guaranty insures mortgages made to non-permanent and permanent resident aliens under the same terms that are available to U.S. citizens. The lender must provide or certify that the borrower is lawfully residing in the U.S.
- Loans to foreign nationals are ineligible for insurance coverage.

Social Security Number

- All borrowers on a loan are required to have a valid Social Security number.
- Credit reports with partially displayed Social Security numbers are **not** considered eligible documentation due to the increased opportunity for fraud. AIG United Guaranty requires the complete Social Security number to be displayed on the credit report.

Individual Tax Identification Number (ITIN)

- Loans to borrowers who have been issued an ITIN in lieu of a Social Security number are **not** eligible for mortgage insurance with AIG United Guaranty.
- An ITIN is set up in the same format as a Social Security number, with nine digits. The first digit is always a 9, and the second group of digits (fourth digit) will always start with a 7 or 8 (i.e. 9xx-7x-xxxx).
- An ITIN is not proof of legal residency in the United States and is not valid proof of identification outside the tax system. An ITIN is a tax identification number issued by the IRS to individuals who are not eligible for a Social Security number and who have an obligation to file a tax return to the IRS. Any person who is employed in the United States is **required** to have a Social Security number.

Maximum Number of Insured Loans per Borrower

- Maximum of three loans per borrower.
- No more than two non-primary residences.
- When two second homes are insured for one borrower, they should be in separate locations (for example, one ocean resort and one mountain resort).
- Only one loan may be an A-minus loan.
- No more than two loans may be limited documentation.

Loans to Corporations, Partnerships, Syndications, or Irrevocable Trusts

- Ineligible for insurance.

Inter Vivos (“Living”) Revocable Trust

- AIG United Guaranty will insure loans in which title will be held by an Inter Vivos (“Living”) Revocable Trust that complies with Fannie Mae eligibility criteria.
- The borrower and the property will be underwritten as if title were held in the name of the individual borrower.
- The borrower is qualified under AIG United Guaranty’s Standard “A” underwriting guidelines.
- Only one-family primary residences and one-family second homes are eligible.
- The property may be a condominium, PUD, or cooperative unit.

Co-signer/Guarantor

- A co-signer/guarantor is a credit applicant who does not have ownership interest in the security property (will not be on the title or mortgage/deed of trust) but who will be liable for the debt created by the note (must be on the application and note).
- A co-signer/guarantor may or may not occupy the property. If the co-signer/guarantor occupies the property, he or she will be qualified like any other occupying borrower. If the co-signer/guarantor does not occupy the property, the non-occupant co-borrower/co-signer guidelines apply (see below).

Non-occupant Co-borrower/Co-signer

- Underwritten using only the occupant borrower’s income and debt.
- Maximum 90% LTV.
- The occupant borrower must meet the 5% down payment requirement from personal funds.
- The non-occupant co-borrower should add strength to the transaction by exhibiting stability, good credit history, and a strong asset base.
- The non-occupant co-borrower should have sufficient liquidity to assist the occupant borrower should the need arise.
- The note and deed of trust must be signed by both the occupant and non-occupant borrowers.
- Qualifying ratios for the occupant borrower are acceptable up to 5% over applicable underwriting ratios. Ratios, including the non-occupant borrower’s income and debt, should meet applicable underwriting ratios.

Credit

Length of Credit History

- Traditional credit:
 - AIG United Guaranty will insure loans made to borrowers who have an established credit history. Generally, an established credit history is defined as a minimum of three traditional credit references that have been open for at least 24 months and active during that time period.
- Non-traditional credit:
 - For borrowers who do not use the traditional credit system, alternative credit sources should be used. A minimum of three alternative sources should be verified with a minimum of 12 months’ activity.
 - The preferred alternative credit sources are housing payments, utility payments, and telephone payments. Use other sources such as insurance premium payments, accounts at local stores, and payment for child care only if the preferred sources are not available.
 - Alternative sources that are payroll-deducted are not acceptable.

- No credit history:
 - Loans involving borrowers with undocumented credit histories (“no credit”) are not eligible for mortgage insurance, with the following exceptions:
 - Loans involving borrowers with undocumented credit histories (“no credit”) are eligible for insurance with AIG United Guaranty when the loan is underwritten by DU or LP and the Findings Report indicates (1) a Purchase Eligibility of “Eligible,” and (2) does not require documentation of the non-primary wage-earner’s credit history. In these cases, the primary wage-earner will have traditional credit with a credit score.
 - Loans manually underwritten to Fannie Mae’s MyCommunityMortgage™ and Freddie Mac’s Home Possible® Mortgage program guidelines involving borrowers with undocumented credit (“no credit”) are eligible for insurance with AIG United Guaranty.

Analysis of Credit Report

- AIG United Guaranty insures loans to borrowers who have demonstrated an ability and willingness to pay prior credit obligations in a timely and responsible fashion, as determined by the past two years of credit history. AIG United Guaranty generally defines an acceptable level of late payments as follows:

Type of obligation	Last 3 months	Last 12 months	Last 24 months
Housing	No lates	No lates	1x30 (no 60+ days late)
Installment	No lates	1x30 (no 60+ days late)	2x30, 1x60 (no 90+ days late)
Revolving	No lates	2x30 (no 60+ days late)	2x30, 1x60 (no 90+ days late)

- If the borrower has a history of late payments or major delinquencies, the age, frequency, severity, and explanation of the derogatory credit will be evaluated to determine the borrower’s willingness to pay credit obligations.
- In some cases, the borrower may need to re-establish his or her credit history for a specified period.
 - Generally, the borrower will be considered as having re-established acceptable credit if there are at least three traditional credit references with activity for the most recent 24 months and no late payments in the 24-month period.
 - A longer re-establishment period may be necessary depending on the severity of the delinquencies.
- AIG United Guaranty requires written explanation of derogatory credit less than two years old. However, AIG United Guaranty reserves the right to request an explanation for *any* derogatory credit directly affecting the underwriting decision.

Credit Scores

- AIG United Guaranty requires a minimum of two credit scores per borrower.
- AIG United Guaranty requires credit scores to be provided for all borrowers with a traditional credit history.
- Loans without a valid credit score but with a satisfactory documented non-traditional credit history will be underwritten to Standard “A” guidelines and receive standard premium rates.
- When a loan involves a borrower with a traditional credit history and a borrower with a non-traditional credit history, the valid credit score will be used to determine eligibility and pricing.
- When a loan involves a borrower with a traditional credit history and a borrower without a documented credit history (See “No credit history” above for eligibility), the valid credit score will be used to determine pricing.

Representative Credit Score

- When a representative credit score is required, AIG United Guaranty uses the following methods of determining the representative score:
 - For one borrower with two credit scores, use the lower score.
 - For one borrower with three credit scores, use the middle score.
 - For multiple borrowers with one credit score, use the lowest score of all borrowers.
 - For multiple borrowers with two credit scores, use the lowest score of all borrowers.
 - For multiple borrowers with three credit scores, use the middle score for each borrower and the lowest of the middle scores.

Identical Credit Scores

- When a borrower has three scores and two of them are identical, one of the identical scores is considered the middle score.

Debts

- Installment debts:
 - Included as a monthly obligation if more than 10 payments remain.
 - All car lease payments are included as a monthly obligation regardless of the number of payments remaining on the lease.
 - Debts secured by a financial asset are not included as an obligation [401(k), Keogh, etc.].
 - Although installment debts with 10 or fewer payments remaining are generally excluded, AIG United Guaranty analyzes the number and size of all such debts to determine whether the borrower has the ability to carry such short-term debts.
- Revolving debts:
 - Included as a monthly obligation regardless of the number of payments remaining.
 - The monthly payment verified on the credit report may be used as the payment in calculating the total debt ratio.
 - If the payment amount is not verified on the credit report, the greater of (1) the payment disclosed by the borrower or (2) 5% of outstanding balance can be used.

Deferred Student Loans

- Loans deferred for a minimum of 24 consecutive months will not be counted in the debt-to-income ratio.

Mortgage History

- AIG United Guaranty generally does not insure borrowers who have been 30 days late on their mortgage in the previous 12 months.

Judgments, Tax Liens, Collections

- Should be paid in full.
- Should be fully explained.

Credit Counseling

- Borrowers who have received credit counseling should have 12 months' re-established credit from the conclusion of the counseling with no late payments.

Bankruptcy

- Eligible for consideration two years after discharge with re-established good credit, stable employment, and adequate savings.

Mortgage Foreclosure, Deed-in-Lieu

- AIG United Guaranty generally does not insure loans to borrowers who have gone through a foreclosure proceeding or given a deed-in-lieu of foreclosure on a previously owned property.

Prior AIG United Guaranty Claim

- AIG United Guaranty generally does not insure a loan for a borrower who was a debtor on a loan for which AIG United Guaranty paid a claim.

Credit Explanation Letters

- The borrower should explain all material derogatory credit, bankruptcy, and foreclosure.

Income

Boarder Income

- AIG United Guaranty allows boarder income to be considered as a compensating factor for the use of higher qualifying ratios.

Bonus

- As documented by the employer.
- Use a two-year average.

Car Allowance

- Used as an offset to the borrower's monthly auto payment.
- Should have been received for at least one year.

Commission

- As documented by the employer.
- If commission income is equal to 25% or more of the total income, the last two years' signed federal income tax returns should be obtained.
- Use a two-year average.

Disability Income

- Permanent and temporary disability can be used as income with receipt of the award letter.
- For temporary disability, a letter from the employer should be provided, stating that the employee will receive disability benefits as long as he or she is disabled and, when no longer disabled, the employee will return to his or her previous position.

Dividends/Interest

- Signed federal income tax returns are required.
- Reserves should be sufficient to continue generating income.

MCC Credits

- AIG United Guaranty considers MCC (Mortgage Credit Certificate) credits in qualification. Tax credit should be added to income.

Military Income

- Flight or hazard pay, rations, clothing allowance, quarters allowance, proficiency pay, and hardship pay are all included as income.

Mortgage Interest Differential/Cost-of-Living Differential

- Considered as income with written verification from the employer.
- Should continue for at least three years.

Non-Taxable Income

- Non-taxable income may be grossed up by 25%.

Notes Receivable

- A copy of the executed and recorded note should be obtained.
- Evidence of receipt for the previous 12 months should be obtained.
- Should continue for at least three years.

Other Income

- If the borrower chooses to disclose income from sources other than the ones addressed above, AIG United Guaranty will consider these sources if there is a history of receipt for two years and the other income is properly documented. AIG United Guaranty generally requires the other income to continue for a minimum of three years. A longer time period may be required, depending on the circumstances. This is especially true when other income exceeds 25% of total income.

Overtime

- As documented by the employer.
- Use a two-year average.

Part-Time/Second Job

- As documented by the employer.

Rental Income

- Requirements when one or more investment properties are owned:
 - Lease agreements **or** federal tax return for the most recent year.
 - When using lease agreements, 75% of rents – minus PITI – can be used in qualification.
 - When using federal tax returns, all depreciation can be added back to the total net income or loss for each property.
 - A negative cash flow will be included as an obligation and a positive cash flow as income.
- When purchasing a multi-unit property, 75% of actual rents from leased units can be added to income.
- If the subject property is an investment property, rental income may be used as an offset against PITI. If the net result is negative, it is considered an “obligation.” If the net result is positive, it is considered “income.”
- The net rental property income (or loss) for the subject property is determined as follows:
 - 100% of net rental income/loss [positive cash flow or as supported by Operating Income Statement (Fannie Mae Form 216)]; **or**
 - 75% of gross rental income from leases, minus PITI; **or**
 - Net rental income from tax returns (depreciation, interest, taxes, and insurance may be added back).

Retirement/Pension

- Monthly payment from these accounts can be used as income.

Social Security

- Considered as income when verified by:
 - Award letter; **or**
 - Bank statements confirming regular deposits of payments.
- Social Security income paid to the surviving children of a deceased spouse should continue for at least three years.

Trailing Co-Borrower Income

- 100% of the trailing co-borrower income may be used, provided the following criteria are met:
 - Minimum credit score is 680.
 - Primary residence only.
 - Minimum of two years’ consistent employment history in the same field.
 - Demand for job skill exists in the new location.
 - Pay scale is relative to the new location.
 - Minimum of six months’ cash reserves are verified.
 - Maximum trailing co-borrower income may not exceed 33% of total qualifying income.
 - Letter of intent to obtain a position in the new area is required.
- Self-employed income from trailing co-borrower is ineligible.

Unemployment Benefits

- Seasonal unemployment income can be used if a two-year history is established.
- Verification is required from the employer that fluctuations are normal for the industry and that the borrower is currently working.
- Unemployment income should be averaged with W-2 earnings over a two-year period.
- If the borrower is not currently working, the employer must verify that the borrower will be returning to work.

Equity/Assets

Minimum Borrower Investment

The following are AIG United Guaranty's requirements for a minimum contribution from the borrower's own funds.

- 100.01–103% LTV: 0%. (See specific program requirements.)
- 97.01–100% LTV and credit score 680 or higher: 0%. Closing costs may come from the borrower's own funds, gifts, an unsecured loan from a family member, a grant or unsecured loan from a municipality or nonprofit, employer-assisted housing funds, or a loan secured by a marketable asset such as a 401(k), CD, or cash value of a life insurance policy.
- 97.01–100% LTV and credit score lower than 680: 3%.
- 95.01–97% LTV: 3%.
- 80.01–95% LTV: 5%.
- When the borrower is required to make a down payment, the source of assets must be present for at least 90 days prior to the date of the loan application.
- Funds needed for closing must be verified.
- Source of funds should be verified for funds on deposit less than 90 days or substantial increases in account balances.
- Gifts from a family member who has resided with the borrower for at least 12 months, and who intends to continue to do so, can be considered the same as the borrower's funds. Documentation should be obtained to verify that the family member has resided with the borrower for at least 12 months.

Deposit on Sales Contract

- Verification of deposit should be made if the deposit amount indicated in the sales contract exceeds 2% of the sales price.
- Verification is not necessary if the borrower has sufficient funds for closing without consideration of the deposit.

Borrowed Funds

- Borrowed funds secured using the borrower's assets may be used as a source of down payment. Acceptable sources of secured assets are certificates of deposit, stocks, bonds, real estate, life insurance policies, and 401(k) savings. The term of the loan and the collateral must be verified. Loans secured by the borrower's financial assets are not included as debt in qualification.
- Additional funds (over the borrower's minimum required down payment) toward the down payment and/or closing costs may come from an unsecured loan from an AIG United Guaranty-approved lender, non-profit organization, government agency, or other AIG United Guaranty-approved organization or employer assistance program. This loan may not be in the form of credit card financing or overdraft protection of checking accounts. The loan should have level payments and a fixed interest rate, which should be no higher than the rate on the first mortgage. The monthly payments on the unsecured loans must be included as debt in qualification.

Maximum Seller Contributions

- Primary residence and second home:
 - Higher than 90% LTV: 3%.
 - 80.01 to 90% LTV: 6%.
- Investment property:
 - 80.01 to 90% LTV: 2%.

Gifts

- Acceptable, provided the following criteria are met:
 - A gift letter is obtained indicating the amount of the gift, date the gift will be given, the donor's name and address, relationship to the borrower, and that no repayment is expected.
 - The borrower makes the required contribution toward the down payment from the borrower's own savings funds.
 - The donor is a relative, domestic partner, fiancé, or fiancée.
 - The funds are verified in the borrower's or donor's account.
 - Funds from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée who intends to use the property as a primary residence, may be considered the borrower's own funds.

Gift Funds from Bridal Registry

- Funds obtained as a wedding gift and deposited into a bridal registry are considered an acceptable source of funds for down payment and closing costs. These funds may be used in addition to the minimum down payment requirements. Funds in the bridal registry account will be considered acceptable, provided the following criteria are met:
 - The bridal registry account is established for a minimum of 90 days.
 - Funds in the account are available only for a one-time withdrawal to be used for the purchase of a primary residence.
 - A copy of the marriage certificate is obtained by the lender.
 - Unusually large deposits are explained in writing.
 - The lender obtains a printout of the account activity to document the dates of all deposits into the account. The printout may also serve as evidence of receipt of the gift funds by the borrower(s).

Non-Traditional Savings Plans

- Non-traditional methods of savings funds exist in certain cultures. Under this concept, a group of savers periodically contributes a fixed amount of money to a community savings plan. Members are able to draw from the fund to finance large purchases, such as a down payment on a home, or for any other reason the savings plan member deems appropriate. Non-traditional savings plans generally have a plan manager, required periodic contributions, rotation of distribution, set contribution period, and a set number of members. Non-traditional savings plans are acceptable, provided the following are met:
 - Existence of funds for down payment and closing costs in a lending institution account is verified at time of application.
 - The fund manager signs a written statement disclosing the fund's terms, including required contribution, distribution amount, and availability of distribution.

IRA/Keogh, 401(k)

- Only the net funds after any penalties and taxes are considered (generally 70%).
- Proof of the availability of these funds is required.
- If funds are being considered for reserves only, verification of the account is sufficient.

Employer Assistance

- Eligible for primary residences only.
- Assistance must come directly from the borrower's employer.
- Documentation is required to verify that the "employer assistance" is an established company program.
- Documentation is required describing the terms of any loan agreement and other employee assistance being offered to the borrower, including the dollar amount of the assistance.
- Assistance may be used for closing costs or to supplement the borrower's down payment. (The minimum down payment requirement must be made from the borrower's funds.)
- Assistance may be in the form of a grant; a direct, fully repayable second mortgage or unsecured loan; a forgivable second mortgage or unsecured loan; or a deferred-payment second mortgage or unsecured loan. (If the assistance is a secured second mortgage, it must meet the requirements for subordinate financing.)
- Evidence of receipt of funds is required if the borrower receives the employer's assistance prior to loan closing.
- Scheduled payments must be included in the debt-to-income ratio calculation. Loans not requiring regular payments are not required to be included in the debt-to-income ratio calculation.

Rent Credit (Rent with Option to Buy)

- Rent credit is acceptable on loans with maximum financing.
- *Only* the portion of rent exceeding the fair market rent (FMR) can be used.
- All details of the "Rent with Option to Buy" transaction must be clearly documented with the following:
 - Copy of the original lease/purchase agreement.
 - 12 months' canceled checks or bank statements to verify rent payments.
 - Verification of the FMR from the appraiser or disinterested real estate broker.

Lot Equity

- The equity in the lot on which the subject property is being built may be applied toward the down payment, regardless of the length of time the borrower has owned the lot. The lot value should be documented by a current appraisal. If the lot was purchased less than three months prior to the application, the source of funds to purchase the lot should be verified.

Cash-On-Hand

- Cash-on-hand is generally not acceptable. It may be acceptable if the amount is consistent with the borrower's income and employment, the borrower has a history of paying cash, and the borrower has a limited credit history with no checking or savings accounts.

Sweat Equity

- Sweat equity is typically not an acceptable source of funds for the down payment; however, sweat equity can be used under certain pre-approved affordable housing programs.

Reserves

- Generally, AIG United Guaranty requires a minimum of two months' PITI in reserves. However, certain loans require additional reserves, such as investment loans and second homes (see specific guidelines for reserve requirements).
- Affordable housing loans with an LTV of 97% require a one-month PITI reserve unless there is a satisfactory mechanical and structural inspection and a homeowner's warranty.
- Reserve requirements are waived for loans with 97.01–100%LTVs and credit scores 700 or higher.

Underwriting the Appraisal and Property

Appraisal

General

- The appraisal should fully analyze the neighborhood, site, physical characteristics, and condition of the property.
 - Land values generally should not exceed 40% of the total property value, unless a higher land value is predominant for the area.
 - Net adjustments for comparables generally should not exceed 15%, and gross adjustments should not exceed 25%.
 - The property should have sufficient square footage to be:
 - Acceptable to typical purchasers.
 - Typical for the area, as supported by comparables.

Unusual Property Types

Rural Properties

- The property should:
 - Have a high degree of marketability.
 - Be accessible from a publicly maintained road.
 - Have adequate sewage, water, and utilities.

Mixed-Use Properties

- “Mixed-use” properties are primarily residential in nature with a portion of the property used for non-residential purposes. AIG United Guaranty will insure “mixed-use” properties that meet the following requirements:
 - The borrower must occupy the subject property as his or her primary residence.
 - The subject property must have physical characteristics of a residential dwelling.
 - The subject neighborhood must be predominantly residential and have a zoning classification of residential. Properties that are in a neighborhood that is changing or is likely to change from residential are ineligible.
 - The mixed use of the property should represent a legal, permissible use under local zoning requirements.
 - The mixed use of the property should have a minimal effect on the value and marketability of the property.
 - Alterations to the property to support non-residential use must be minimal and easily convertible for residential use.
 - Loan instruments:
 - Fixed-rate/fixed payment and positive amortizing ARMs with a maximum 2% periodic cap and 6% life cap.
 - Ineligible: Interest-only, temporary interest-rate buydowns, schedule and potential negative amortizing ARMs, GEMs, and GPMs.
- Maximum 97% LTV.
- Maximum loan amounts:: See AIG United Guaranty Standard “A” loan limits.

- Restrictions for non-residential use of the property:
 - 1-unit properties: The business must be both owned and operated by the borrower.
 - 2–4 unit properties: Only one unit of the property can be for non-residential use. The borrower is not required to be the owner and operator of the business. The business must support and enhance the residential neighborhood.
- Other:
 - All other Standard “A” underwriting guidelines apply.
 - All [Territorial Underwriting Guidelines](#) apply.

Mixed-Use Neighborhoods (Renter and Homeowners)

- Careful review of mixed-use neighborhoods must be conducted to determine the influence of investor properties on property values and marketability in the neighborhood. Properties in mixed-used neighborhoods may not qualify for maximum financing.

Condominiums

Fannie Mae- and Freddie Mac-Approved and/or Warrantable Condominiums

- All condominiums approved by Fannie Mae or Freddie Mac or those that may be warranted to Fannie Mae or Freddie Mac are eligible for mortgage insurance.

Non-warrantable Condominiums

- Non-warrantable condos are generally ineligible for insurance. A lender program exception must be obtained from AIG United Guaranty.

Ineligible Condominiums

- Condotels.
- Studio condominiums (units without a complete kitchen or separate bedroom).
- Condominiums with less than 600 square feet.
- Timeshares or segmented ownership.
- Houseboats.
- Multi-dwelling unit condominiums.
- Any condominium for which the homeowner’s association or developer (if not turned over to the homeowner’s association) is named as a party to current litigation, unless acceptable evidence is available to show that the legal action is minimal in nature and does not affect the value, financial condition, or marketability of the units.
- Condominiums that represent a legal non-conforming use of land, but are prohibited by zoning regulations from rebuilding in the event of partial or complete destruction.
- Projects affected by environmental health hazards.
- Units in a project that have decreasing values and/or REO-auctioned properties.

Other Requirements

- AIG United Guaranty will insure a maximum of 33% of the units within a condominium project or within each individual phase of the project. A Condominium Project Approval is required when a lender requests that we insure more than 33% of the units within a project.
- Condo comparables: For condominiums in an established project with resale activity, the best indicator of value would be units from within the subject project. A minimum of two comparables (preferably all three) should come from within the project. For properties in new projects, the appraiser should select at least one comparable from within the subject project and at least one comparable from outside the project.
- The condominium's operating budget should be consistent with the nature of the project, provide for adequate cash flow to service the current debt and operating expenses, and provide for adequate replacement and operating reserves (usually 10% of the operating fees).

Cooperatives

- Cooperatives are acceptable up to 100% LTV with a DU Approve/Eligible or LP Accept/Eligible recommendation. All other loans will be considered at a maximum LTV of 90%.
- The maximum allowable investor concentration is 30%.
- The underlying mortgage of the cooperative must have a balloon term of no less than three years remaining. ARM loans are ineligible for the underlying mortgage.
- Commercial units cannot provide more than 20% of the cooperative income.
- The developer cannot retain ownership in cooperative amenities such as parking or recreational facilities.
- The maximum of the allowable pro rata share of the project debt to the lesser of (1) the property sales price or (2) the appraised value is 35%.

Manufactured/Mobile Homes

A manufactured/mobile home is a residential structure built on a steel undercarriage with the wheel assembly necessary to transport the structure to a permanent or semi-permanent site. The wheel assembly can be removed when the residential structure is placed on a permanent foundation, but the steel undercarriage remains intact as a necessary structural component. This category includes housing that is generally referred to as singlewide, doublewide, and triplewide. Usually the presence of steel undercarriage as a necessary structural component is the primary factor that distinguishes a manufactured/mobile home from other types of factory-built housing. The term "mobile home" is used to describe a manufactured home built prior to HUD building standards effective in June 1976. The term "manufactured home" is now synonymous with "mobile home." Manufactured/mobile homes are eligible under AIG United Guaranty's Standard "A" underwriting guidelines, with the addition of the requirements outlined below.

Transaction Type

- Purchase and rate/term refinances.

Occupancy Type

- Primary residence and second home.

Minimum Credit Score

- 660 or a DU Approve/Eligible or LP Accept/Eligible.

Maximum LTV

- Purchase and rate/term refinance:
 - 1-unit primary residence: 95% LTV.
 - Second home: 90% LTV.

Maximum Loan Amount

- AIG United Guaranty Standard “A” loan limits apply.

Qualifying Ratios

- DTI: 41%.

Maximum Term

- 30 years.

Ineligible Property Types

- Singlewide (including those that receive DU Approve/Eligible or LP Accept Eligible).
- 2–4 units.
- Co-ops.
- Leaseholds.

Ineligible Loan Types

- Interest-only.
- Temporary interest-rate buydowns.
- Permanent interest-rate buydowns on ARM loans.
- Potential and scheduled negative amortization.
- ARMs with annual periodic cap greater than 2% or no periodic cap.
- Balloons.
- Graduated payment mortgages.

Ineligible Transactions

- A-minus (Including DU EA levels and LP Caution 500 loans).
- Limited documentation.
- Investment properties.
- Cash-out refinance transactions.
- Non-arms-length transactions.
- Non-occupant co-borrowers.
- Non-permanent resident aliens.
- United Guaranty’s Payment Advantage[®] program.
- United Guaranty’s RateXchange[®] program.
- United Guaranty’s Borrower Advantage[®] program.

Other Requirements

- All full and delegated (RAP[®]) submissions for AIG United Guaranty mortgage insurance are subject to these requirements.
- All requirements are applicable to DU- and LP-underwritten loans, with the exception of the credit score requirement.
- All other AIG United Guaranty Standard “A” underwriting guidelines and [Territorial Underwriting Guidelines](#) apply.

Appraisal Requirements

- The appraisal must be completed on Uniform Residential Appraisal Report Form 1004/70 and be accompanied by a Manufactured Home Appraisal Report Addendum Form 1004C/70B.
- The appraisal must include at least two comparables that are manufactured/mobile homes.
- The property value must not include personal property, such as furniture and free-standing appliances.
- The appraisal should support value and demonstrate market acceptance of the property type.

Property Requirements

- The property must have a general appearance and functional utility of a site-built home.
- The home must be permanently affixed to a foundation designed by a licensed professional engineer and be suitable for the soil conditions of the site.
- The foundation must have footings that are suitable for the soil, climate, and geological conditions of the site.
- The foundation must be able to support the size and weight of the manufactured/mobile home.
- The foundation must meet all federal, state, and local laws, rules, and regulations.
- The home must have acceptable full-perimeter walls that include brick, block, poured concrete, or treated wood.
- The home must have permanent steps and stoops on proper footings.
- Wheels, axles, and trailer hitches must be removed.
- Minimum double-width construction (minimum 22 feet) and minimum 1200 square feet with at least two bedrooms.
- Maximum lot size of five acres (generally, should not exceed 40% of total property value).
- Must have been built after June 15, 1976.
- Cannot be located on leased land.
- The property must be legally classified as real property.
- The home must have a pitched roof with an overhang. The roof covering must be standard composition shingle (asphalt or fiberglass) or better.
- Must have on-site parking.

Modular Housing

Modular housing is built in two or more sections in accordance with state and local building codes, and is transported to the property site for final assembly. The house may be transported on a steel undercarriage, but the undercarriage is not a permanent structural component and is usually removed when the house is placed on a foundation. AIG United Guaranty treats modular housing the same as stick-built housing.

Panelized or Pre-Fabricated Housing

Panelized or pre-fabricated housing consists of packaged, factory-built components that are assembled at the home site. This type of house must conform to local and state building codes for site-built construction. AIG United Guaranty treats panelized or pre-fabricated housing the same as stick-built housing.

2- to 4-Family Property

- Maximum 95% LTV for 2-family properties. (Maximum 90% for investment property.)
- Maximum 90% LTV for 3- to 4-family properties. (Investment properties are ineligible.)

Second Homes

Maximum LTV/Credit Score Requirement

- Acceptable up to 95% LTV for purchase and rate/term refinance transactions with 620 minimum credit score.
- Acceptable up to 90% LTV for cash-out refinance transactions with 720 minimum credit score.

Qualifying Ratios

- DTI: 41%.

Other Requirements

- 1-unit properties only.
- Must *not* be used for rental purposes.
- Minimum of 1,000 square feet.
- The property should be suitable for year-round occupancy.
- Maximum two insured second homes per borrower. When two second homes are insured for one borrower, they should be in separate locations (for example, one ocean resort and one mountain resort).
- The property should be in a recognizable recreational area.
- The borrower should have six months' reserves.

Investment Property

Eligible Transactions

- Purchase, rate/term, and cash-out refinances.

Maximum Loan Amount

- \$550,000 for purchase and rate/term refinance.
- \$500,000 for cash-out refinance.

Maximum LTV/Credit Score Requirements

- 1–2 units purchase and rate/term refinance:
 - 90% LTV: Minimum 660 credit score.
- 1–2 units cash-out refinance:
 - 85% LTV: Minimum 720 credit score.

Product Type

- Fixed-rate/fixed-payment and positively amortizing ARMs only.

Qualifying Ratios

- DTI: 41%.

Borrower Funds

- Entire down payment and closing costs must come from the borrower's own funds.
- No gifts allowed.

Reserves

- Six months' PITI.

Seller Contribution

- Maximum 2%.

Number of Loans per Borrower

- Maximum two insured investment properties per borrower.

Calculation of Rental Income

- Calculation will be based on the following:
 - 100% of net rental income (loss) as supported by the Operating Income Statement (Fannie Mae Form 216); **or**
 - 75% of the gross rental income from leases, minus PITI supported by the most recent tax return; **or**
 - Net rental income (loss) from tax returns (depreciation, taxes, insurance, and interest may be added back) minus PITI; **or**
 - 75% of estimated rent from a rental survey completed by an appraiser minus PITI.
- Positive net rental income (positive cash flow) is added to the borrower's income, and negative rental income (rental loss or negative cash flow) is added to the borrower's obligations.

Ineligible Transactions

- Credit scores lower than 620 are ineligible regardless of DU or LP findings. Limited documentation loans, manufactured/mobile homes, 3–4 unit properties, interest-only loans, United Guaranty's Payment Advantage loans, potential or scheduled negative amortization loans, buydowns, balloons, GPMs, and GEMs are also ineligible.

Other Requirements

- Maximum of two borrowers may be used to qualify. All other AIG United Guaranty Standard "A" and [Territorial Underwriting Guidelines](#) apply.

Territorial Underwriting Guidelines

Alaska

- Ineligible for insurance.

Hawaii

- 95% LTV up to current GSE loan limit.
- Attached housing:
 - 95% LTV: Fee simple PUDs.
 - 90% LTV: All other fee simple dwellings.
 - 90% LTV: All leasehold styles.¹³
- Cash-out refinances are ineligible.
- Investment properties are ineligible.

Countries/Territories outside the United States

- Ineligible for insurance. (Including, but not limited to, Puerto Rico, Guam, and the Virgin Islands.)

¹³ Lease should exceed the term of the mortgage by at least five years.

Pricing and Eligibility Matrix

AIG United Guaranty’s Complete Pricing Policy: Standard versus A-Minus Rates

FICO	<620			620–659			≥660		
LTV	97.01– 100% ¹	95.01 – 97% ¹	≤95%	97.01– 100%	95.01 – 97%	≤95%	97.01– 100%	95.01 – 97%	≤95%
DU EA Level I–III	A-Minus			A-Minus			A- Minus		
LP Caution 500-Eligible	A-Minus			A-Minus			A-Minus		
Lender-designated A-Minus²	A-Minus ³			A-Minus			A-Minus		
DU Approve/Eligible	A-Minus	A-Minus	Std.	Std.	Std.	Std.	Std.	Std.	Std.
LP Accept/Eligible	A-Minus	A-Minus	Std.	Std.	Std.	Std.	Std.	Std.	Std.
All Other Loans^{2,5}	A-Minus	A-Minus	A-Minus ³	A-Minus ³	Std.	Std.	Std.	Std.	Std.

¹Loans with an LTV of 95.01–100% and with a credit score lower than 575 are ineligible, regardless of the DU or LP recommendation. Loans with an LTV of 95.01–100% and with a credit score lower than 600 that were manually underwritten, or underwritten by DU or LP receiving an “Ineligible” purchase decision, are ineligible.

²Loans receiving A-minus pricing are subject to AIG United Guaranty’s A-minus guidelines.

³Loans with a credit score lower than 575 are ineligible in this category.

⁴Affordable housing loans in this category will receive standard pricing.

⁵“All Other Loans” includes any loan not described by any category above.

NOTE: Manufactured housing/mobile homes are ineligible when A-minus pricing applies. Investor loans with a credit score lower than 620 are ineligible, regardless of the DU or LP recommendation. All loans receiving a DU Refer with Caution Level IV recommendation are ineligible for insurance.