

CONSTRUCTION-PERMANENT GUIDELINES

CONSTRUCTION-PURCHASE & CONSTRUCTION-REFINANCE			FULL DOC					
			STANDARD			JUMBO LOANS*		
Owner-Occupied Non-Distressed Markets	LTV/CLTV	LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI	LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI	
	1 Unit SFD (detached)	95/95	\$417,000	660	45	NOT ELIGIBLE		
		90/90	\$417,000	660	45	\$625,500*	700	45
		85/85	\$417,000	660	45	\$625,500*	700	45

* Maximum \$625,500 in all markets; \$729,750 in specific approved FHFA high-cost areas only.

INELIGIBLE:

- The construction phase of the loan
- Properties in MSA/MSADs or State, located on PMI's Distressed Markets List, or identified by the appraiser who has checked the "declining box" for property values
- Cash-out Refinance
- Second Homes
- 2-4 units, Co-ops, Condominiums and Manufactured Homes
- Rehabilitation loans
- Non-traditional credit
- Third party originations

ELIGIBILITY CRITERIA

- The long-term permanent financing, known as "permanent" or "end loan," to replace the interim financing upon completion of the proposed home's construction is eligible for insurance
 - One-time and two-close transactions are eligible
- Mortgage Insurance coverage may be placed in-force once the construction is complete, final inspections have been made and certified by the appraiser
- All loans are required to have credit documents that are no more than 120 days old at the time of underwriting and at the time the mortgage insurance is activated. Credit documents are defined as the documents used for income, assets, credit, and appraisals
- Mortgage Insurance coverage on the permanent loan is ineligible if the borrower has any 30 day delinquencies during the construction phase
- Commitment certificates are issued for a period of 12 months. Reinstatement/Extension is not permitted. To obtain mortgage insurance on a property where the commitment has expired, the loan must be resubmitted and meet PMI's current guidelines

LOAN AND AMORTIZATION TYPES

- Maximum amortization term 40 years
- Fixed-rate, fixed payment, fully amortizing
- Positively amortizing ARMs

LOAN PURPOSE

Loans may be a Construction-Purchase or a Construction-Refinance transaction.

CONSTRUCTION-PURCHASE DEFINITION

Transactions where:

- The borrower does not own the lot and is not the owner of record at the time the construction loan is obtained; or
- A builder is the owner of the lot and construction has not started or is in the initial stages of construction at the time the property is sold.

LOAN-TO-VALUE CALCULATIONS

- **Construction-Purchase Transaction** the LTV will be based on:
 - The lot purchase price plus the documented costs of improvements, or the appraised value, whichever is less
 - When the lot is builder owned, the lesser of the appraised value or sales price.
- **Construction-Refinance Transaction** - the LTV will be based on:
 - **Lot owned less than 12 months** - the lesser of the original lot purchase price plus the documented cost of improvements; or the current appraised value
 - **Lot owned 12 months or longer** - the LTV is based on the current appraised value
- The HUD1 from the original purchase of the lot is required for the refinance transaction when the property has been owned less than 12 months
- If the lot is acquired by gift or inheritance, use the appraised value of the land. Document the acquisition and transfer of the land
- Cost of Improvements is defined as the documented costs to build the home, the costs to obtain the construction and/or the permanent financing and the cost of the land, or value of the lot depending on when the lot was acquired
- Reimbursement of borrower expenses in excess of the construction loan is considered cash out and is not permitted

JUMBO LOANS

- Maximum loan amount \$625,500 (\$938,250 – Alaska/Hawaii)
- Purchase or Rate/Term 1-unit
- Minimum 700 credit score
- ARM loans must have a minimum 5 year initial fixed period
- Maximum allowable Interested Party Contributions
 - Properties in Non-Distressed Markets 6%
 - Properties in Distressed Markets 3%
- \$729,750 loans eligible in FHFA designated high-cost areas only

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Owner-Occupied - Non-Distressed Markets

DOCUMENTATION REQUIREMENTS

Acceptable full documentation and documentation efficiencies are as follows:

Full/Substitute Income Documentation

Verification of the borrower's employment and income for at least two full years

- A verbal Verification of Employment (completed prior to closing); and
- Verification of Employment, or
- One month's paystubs, which contains at least 30 days of year-to-date earnings and two years' W-2s, or
- Two years' personal or business tax returns (if self-employed) and a year-to-date P&L for the business

Document Efficiencies (DU/LP only)

One of the following documentation sets will be required (employment gaps explained when required by the findings):

- A verbal Verification of Employment (completed prior to closing); and
 - Verification of Employment, or
 - One month's paystubs, which contains at least 30 days of year-to-date earnings, and a verbal Verification of Employment; or
 - One paystub and the most recent year's W-2s and a verbal Verification of Employment, or
 - One year's personal federal tax returns, or
 - Two years' personal federal tax returns, or
 - Two years' personal and two years' business federal tax returns (if self-employed)
- A Documentation Efficiency of only a Verbal Verification of Employment is not acceptable
- Assets required to close the transaction must be verified for all loans, regardless of any documentation efficiencies provided

APPRAISAL DOCUMENTATION REQUIREMENTS

- Standard appraisal with an interior and exterior review
- A final inspection must be provided by the appraiser to indicate construction is complete
- Appraisals more than 120 days old up to 12 months old must be recertified. A new appraisal is required if the existing appraisal is more than 12 months old
- **Ineligible:**
 - 2055 exterior review only
 - Drive-by inspections
 - Property Inspection Waivers (PIW)/Alternatives (PIA)

AUTOMATED UNDERWRITING SYSTEMS

- PMI does not automatically approve loans for mortgage insurance based solely on decisions obtained from Agency systems
- DU® and LP may be utilized to process construction-perm loans, however all PMI guidelines must be met
- All other automated underwriting systems decisions require underwriting to PMI's current eligibility and guidelines

MINIMUM DOWN PAYMENT

- Borrower must have a minimum equity or downpayment from their own funds as follows:
 - LTV \leq 95% 5%

MAXIMUM INTERESTED PARTY/SELLER CONTRIBUTIONS AND CONCESSIONS

- Maximum 3% of the lesser of the property's sales price or appraiser value on:
 - LTVs greater than 90%
- Maximum 6% of the lesser of the property's sales price or appraised value on:
 - LTVs of 90% or less

CASH RESERVES

- Minimum reserves
 - Minimum 2 months' PITI
- For conversion of primary residences, 6 months reserves are required per property

EMPLOYMENT HISTORY

- 2 years' income verification may be required

QUALIFYING RATE

- 3 & 5 year ARMs (3 years or less fixed-rate period) qualify using the greater of the note rate plus 2% or the Fully Indexed Accrual Rate (FIAR)
- 7/1 & 10/11 ARMs qualify at the note rate

QUALIFYING RATIOS

- Maximum 45% DTI
- The PITI for the new home will be determined using the interest rate established for the permanent mortgage
- The borrower's current housing expense must be considered. The underwriter must evaluate the borrower's ability to sustain payments on both the current residence and the new home during the construction period and after completion
- If documentation in the loan indicates that the borrower's current residence will be sold upon completion of construction but is not under a non-contingent sales agreement, the borrower must qualify with both mortgage payments

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VALID CREDIT SCORE

Although a credit score can be generated with one trade line, PMI does not consider the credit score valid unless at least three trade lines are evaluated for at minimum of 12 months, regardless of AUS decision. (Accounts can be open or closed)

- Authorized user accounts generally do not belong to the borrower, therefore, cannot be used to validate the credit score.

CREDIT HISTORY

- Minimum 660 credit score
- There have been no 30 day delinquencies during the construction loan/phase
- Judgments, liens, collections, voluntary or involuntary repossessions, and charge-offs should generally be paid in full at loan closing if they will impact the first lien position
- If the credit report does not contain a mortgage rating, a separate VOM should be obtained
- **The borrower's credit history must reflect:**
 - 0x30 mortgage late payments in the last 12 months (non DU/LP loans)
 - 0x60 mortgage late payments in the last 12 months (DU/LP loans)
 - 0x60 installment or revolving account late payments in the last 12 months
- Minimum 4 years' reestablished traditional credit after discharge of a bankruptcy; 2 years with documented extenuating circumstances
- Borrower with a prior foreclosure/short-sale/deed-in-lieu is generally not acceptable
- For credit score-based programs and pricing, the qualifying credit score will be determined using the lower-middle method; the lowest borrower credit score will be used
- Comparable credit characteristics may be used in lieu of credit score to determine eligibility for NY properties or if the credit score is unusable due to invalid credit information on the credit report
 - Refer to PMI's Comparable Credit Criteria for a summary of attributes equivalent to PMI's credit score tiers at www.pmi-us.com

PMI COVERAGES/PREMIUMS

- For information regarding our rates and surcharges, please refer to Rate Quote and PMI Rate Sheets on our Web site at www.pmi-us.com
- For loans that are not delegated, a conditional commitment will be issued indicating:
 - Prior to PMI issuing a Final Commitment and Certificate of Insurance, the following conditions must be submitted to the Regional Operations Center (ROC) for approval
 - Appraisal and Credit Documents, including income and asset documentation and credit report, must be dated 120 days or less prior to MI effective date
 - Property must be completed at the time the mortgage insurance is effective
 - Payment history for the construction loan or the construction phase of the loan
- The Lender must submit all conditions to the ROC for review and approval prior to the activation of the mortgage insurance
- When documents are updated, Borrower must still qualify using the guidelines in place at time of original commitment

MULTIPLE LOANS TO A BORROWER

- PMI will insure up to 3 loans to a borrower or borrowing entity or \$300,000 in risk exposure (aggregate of original loan amount multiplied by the percent of MI coverage) to a borrower or borrowing entity
- Within the limit of 3 loans to a borrower, PMI will only accept the maximum amount on the following:
 - Primary home – 1 loan maximum
 - Second home – 1 loan maximum
 - Interest-only – 1 loan maximum (previously insured)



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