

PROPERTY FLIPPING POLICY



It is critical in all transactions that the seller on a purchase, or the borrower on a refinance, be named as the owner of record for the property on publically available documents, including a new appraisal report. Examples of acceptable documentation include:

- The appraiser's analysis and conclusions from the appraisal report
- A copy of a recorded deed or mortgage
- A recent property tax bill or tax assessment notice
- A title report
- A title commitment or binder
- A property sale history report

This documentation is especially important for transactions involving a purchase contract with an assignment (or sale) and/or "back to back," "simultaneous," or double escrows to support the property acquisition, financing and closing.

Lender Review

It is critical for the lender to analyze the sales price of the property, and the sales price trend, in relation to the appraiser's opinion of value. This will ensure that pricing is reasonable and representative of the market.

If the seller acquired the subject property less than 90 days from the date of the purchase contract, the loan is generally not eligible for mortgage insurance. **However, exceptions can be considered by submitting the non-delegated loan to the National Underwriting Center for a full underwrite.**

We expect that the lender will **prudently** review the appraisal on any property flips over 90 days, determining that the property value has increased due to value-added improvements, not just cosmetic improvements, insuring the value increase is appropriate for the marketplace.

The following property sales/transfers are exempt from this policy. When the seller is:

- A lender, mortgage investor, or a mortgage insurance company that acquired the property as a result of a foreclosure, or a deed in lieu of foreclosure
- A spouse who acquired the property through a divorce settlement
- An employer that acquired the property through its relocation program
- An administrator, executor, or personal representative selling property of an estate

The underwriter must analyze the appraisal to determine:

- What has been improved, and if the improvements have been completed at a professional and workmanlike level
- If the appraiser indicates the improvements meet local codes
- If the neighborhood supports the improvements (could be over-improved)
- That the appraiser did not give dollar-for-dollar value increases in the value for the improvements, but justified any adjustments with comparables

If you have questions about any other PMI eligibility guidelines, please visit www.pmi-us.com/underwriting.



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