



# Documentation Guide

September 14, 2020

To access the COVID-19 Interim Underwriting Guidance, please refer to the [Radian Underwriting Guidelines](#)

This document is intended to be a reference guide and is not a supplement to Radian's published guidelines.

Note: The following guide reflects Radian Manual Underwriting and generally follows Fannie Mae and Freddie Mac. In the event Fannie Mae and Freddie Mac documentation differs, follow the applicable Agency requirement for files underwritten under One Underwrite (AUS).

The purpose of this document is to:

- Identify the type of documentation that can be used to support various sources of qualifying income and assets.
- Communicate standard industry expectations for the content of documentation provided.
- Provide guidance in reviewing supporting documentation to identify potential inadequacies or concerns.

## Credit

**Radian will accept Streamline Documentation permitted within a DU Findings Report/LP Feedback Certificate for Agency eligible, prime credit loans receiving an Approve/Eligible or Accept Eligible Recommendation.**

Topic		Requirements	Guidance
<b>Age of Credit Documentation</b>		<p>Must be dated within 120 days of note date.</p> <p>New Construction/Conversion of Construction-to-Permanent (12-month commitment)</p> <p>If underwriting documentation is over 120 days old at the time that coverage is activated, the following updates to that documentation, current to within 120 days of activation are required:</p> <ul style="list-style-type: none"> <li>• The construction financing may have no late payments and must be current as of the date the insurance is activated.</li> <li>• Recertification of value</li> <li>• Verbal verification of employment</li> </ul> <p>A decrease in value or change in employment would require the borrower to qualify based on Radian’s guidelines at the time of the original commitment.</p>	<p>In-file credit reports for individual borrowers must be dated within 14 days of each other.</p>
<b>Types of Documents</b>	<b>Credit Report</b>	<p>An Agency compliant credit report is required for both traditional and non-traditional credit qualification.</p>	<p>Acceptable credit eligibility requires minimum of 3 trade lines which have been active and evaluated for a minimum of 12 months. For exceptions, see Non-Traditional Credit.</p>
	<b>VOR/VOM</b>	<p>Verification of Rent and Verification of Mortgage may be used to document monthly payment and history of housing.</p> <p>Must include the following:</p> <ul style="list-style-type: none"> <li>• Address of property;</li> <li>• Dates resided including start/open date;</li> <li>• Amount of monthly payment;</li> <li>• When payment is due;</li> <li>• The rating for the most recent 12 months.</li> </ul> <p>If completed by hand, instead of computer-generated, it must be signed and dated by an acceptable person and their title/position stated.</p>	<p>A VOR must be completed by a professional management company, and may not be from a relative or interested party to the transaction.</p>
	<b>Inquiries</b>	<p>It may be necessary to determine by a letter of explanation from either the borrower or creditor if additional credit was granted as a result of inquiries within the past 90 days. If additional debt was granted, verification of the debt must be obtained and included in overall debts.</p>	

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<b>Non-Traditional Credit</b>	<p>Must obtain the following:</p> <ul style="list-style-type: none"> <li>• An Agency compliant credit report which includes results of FICO scoring, reports in-file credit references and recent inquires along with providing results of a public records search;</li> <li>• Housing reference verified by a non-interested party for the most recent 12 months;</li> <li>• 2 additional non-payroll deducted references that require payment at least every 3 months and evidence a minimum of 12 payments; AND</li> <li>• Satisfactory credit quality defined as mortgage/rent history at 0x30 in the past 12 months and current at time of application, no public records in past 60 months, and 1x30 in the past 12 months for a traditional/ non-traditional credit reference.</li> </ul>	<p>Authorized user accounts are not used to establish a borrower’s credit history and eligibility, unless verification is provided that the borrower has been making payments on the account for the past 12 months.</p> <p>Borrowers without an available housing reference may evidence systematic monthly savings over the most recent twelve months in an amount equal to or greater than the proposed mortgage payment including taxes, insurance, HOA.</p>
<b>Rental</b>	<p>Rental history requires verification when:</p> <ul style="list-style-type: none"> <li>• Required by the AUS in the file;</li> <li>• Borrower has insufficient trade lines; OR</li> <li>• Indications of past due rent exist in the file.</li> </ul> <p>Verify rental payment and history with one of the following:</p> <ul style="list-style-type: none"> <li>• VOR which must be completed by a professional management company;</li> <li>• Most recent 12 months cancelled checks or money order receipts; OR</li> <li>• Credit supplement.</li> </ul>	
<b>Housing</b>	<p>Must verify the current balance and payment history of all mortgage loans on which the borrower is obligated.</p> <p>If payment is not on the credit report, obtain one of the following:</p> <ul style="list-style-type: none"> <li>• VOM;</li> <li>• Copy of Note;</li> <li>• Mortgage statement;</li> <li>• Land contract;</li> <li>• Credit supplement;</li> <li>• Most recent 12 months cancelled checks; OR</li> <li>• Most recent 12 months bank statements reflecting automatic payments; AND</li> </ul> <p>Verify mortgage history with one of the following:</p> <ul style="list-style-type: none"> <li>• VOM;</li> <li>• Credit supplement;</li> <li>• Most recent 12 months cancelled checks; OR</li> <li>• Most recent 12 months bank statements reflecting automatic payments.</li> </ul>	<p>Mortgages held by an individual must be documented by cancelled checks or money order receipts.</p> <p>Mortgage debt must include taxes, hazard insurance, HOA dues, leasehold payments, flood insurance.</p> <p>Mortgage must be current at time of application and 0x30 in the past 12 months is required.</p>
<b>Mortgage</b>		

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Topic	Requirements	Guidance	
<b>Monthly Obligations</b>	<b>Installment</b>	<p>Must be included if greater than 10 payments remain.</p> <p>If additional debts are listed on the application but not listed on the credit report, obtain one of the following:</p> <ul style="list-style-type: none"> <li>• VOL;</li> <li>• Most recent account statement which verifies payment and balance; OR</li> <li>• Credit supplement.</li> </ul>	
	<b>Authorized User Accounts</b>	<p>Must be included if:</p> <ul style="list-style-type: none"> <li>• Owner of the trade line is the borrower's spouse and the spouse is not a borrower of the transaction.</li> </ul>	An authorized user account may be used to satisfy minimum trade line requirements if the borrower has been making payments on the account for the previous 12 months
	<b>Revolving</b>	<p>Must be included regardless of the number of payments remaining.</p> <p>If no payment is stated on the credit report, payment to be determined by one of the following:</p> <ul style="list-style-type: none"> <li>• Use of 5% of the outstanding balance;</li> <li>• Most recent account statement identifying the minimum payment due; OR</li> <li>• Credit supplement.</li> </ul> <p>If revolving debt is paid in full to qualify, obtain the following:</p> <ul style="list-style-type: none"> <li>• Evidence of payoff;</li> <li>• Source of funds used to pay off debt</li> </ul>	
	<b>30-Day Charge Accounts</b>	A minimum payment calculated at 5% of the outstanding balance must be considered unless the borrower has sufficient funds after closing and reserves to pay the balance in full.	Evidence of payoff is not required to exclude the debt when sufficient funds are verified.
	<b>Lease Payments</b>	Must be included regardless of the number of payments remaining on the balance of the lease.	
	<b>Student Loan Payments (Deferred)</b>	<p>Must be included regardless of deferment period.</p> <p>If payment is not reported on the credit report, obtain one of the following:</p> <ul style="list-style-type: none"> <li>• A payment coupon;</li> <li>• Copy of note;</li> <li>• Letter from institutional lender; OR</li> <li>• Credit supplement.</li> </ul>	<p>The lender may use:</p> <ul style="list-style-type: none"> <li>• 0.5% of the unpaid balance or lender calculated payments meeting Fannie Mae requirements for student loan payments not reflected on the credit report.</li> <li>• Payment reflected on the credit report with no minimum overlays.</li> <li>• Documented income-based student loan payments including \$0 payments.</li> </ul>

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Monthly Obligations	Loans Secured by Financial Assets	<p>Must be included unless evidence of the following are obtained:</p> <ul style="list-style-type: none"> <li>• Loan may be repaid through liquidation of the asset;</li> <li>• Loan was made by a financial institution; AND</li> <li>• Funds are reduced by the outstanding balance of the loan when considering funds available to the borrower.</li> </ul>	Although the payment may be excluded from overall debts, it must be included on the application.
	Alimony/Child Support	<p>Must be included if greater than 10 payments remain.</p> <p>Payment should be verified with a legal document identifying terms and payment.</p>	
	HELOC	The minimum payment required per the note or identified on the credit report is used to qualify the borrower.	If the note does not require a minimum monthly payment, a payment is not required to be developed or included in the borrower's debt-to-income ratio.
	Co-signed Loans	<p>May be excluded if there is evidence the primary obligor has made consistent and timely payments for the most recent 12 months by obtaining one of following:</p> <ul style="list-style-type: none"> <li>• Cancelled checks; OR</li> <li>• Statement from the institutional lender.</li> </ul>	For non-mortgage liabilities the payer is not required to be a signer on the note.
Contingent Liabilities	Court-ordered Assignment of Debt	<p>May be excluded if the following are obtained:</p> <ul style="list-style-type: none"> <li>• The recorded court document evidencing the assignment of the obligation to another party;</li> <li>• Evidence of transfer of title out of the borrower's name.</li> </ul>	Late payments made prior to court assignment of debt must satisfy credit eligibility for payment history.
	Business Debts in Borrower's Name	<p>May be excluded if all the following are obtained:</p> <ul style="list-style-type: none"> <li>• Satisfactory payment history of the debt</li> <li>• Evidence the debt was paid from business funds for the past 12 months; AND</li> <li>• Business cash flow analysis considering the expense related to the debt.</li> </ul>	<p>Account used to pay the debt must consist of company funds not personal funds.</p> <p>Recent debt that has not been included in the business cash flow must be considered.</p>
	Mortgage Assumptions	<p>May be excluded if all the following are provided:</p> <ul style="list-style-type: none"> <li>• A formal executed assumption agreement.</li> <li>• Evidence borrower is no longer in title to the property; AND</li> <li>• Evidence consistent and timely payments have been made by the assuming party for the most recent 12-month period.</li> </ul>	

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<b>Significant Derogatory Credit Event</b>	<b>Documentation/ Satisfaction</b>	If the credit report does not reflect satisfied, obtained one of the following: <ul style="list-style-type: none"> <li>Release of lien;</li> <li>Credit supplement;</li> <li>Discharge of BK; OR</li> <li>Direct verification from lender or lien holder.</li> </ul>	<b>Derogatory Event</b>	<b>Waiting Period Requirements with satisfactory re-established credit</b>	<b>Waiting Period Requirements with Agency defined extenuating circumstances and satisfactory re-established credit</b>
			<b>Bankruptcy</b> Chapter 7 or 11	4 years from discharge date	2 years from discharge date; Maximum LTV 95%
			<b>Bankruptcy</b> Chapter 12 or 13	2 years from discharge date 4 years from dismissal date	2 years from discharge date 2 years from dismissal date Maximum LTV 95%
			<b>Bankruptcy</b> Multiple filings within last 7 years	5 years from most recent discharge or dismissal date	3 years from most recent discharge or dismissal date; Maximum LTV 95%
			<b>Foreclosure</b>	5 years	3 years Primary Residence; Maximum LTV 90%; Purchase; Rate/Term Refinance
			<b>Short sale; Deed in Lieu of Foreclosure; Mortgage Charge-off; Modification resulting in principal forgiveness</b>	4 years	2 years Maximum LTV of 95%
			<b>Re-Establishment of Credit</b>	Must obtain evidence of the following: <ul style="list-style-type: none"> <li>All accounts are current;</li> <li>Housing reference covers 24 months reflecting payments as agreed and current;</li> <li>3 credit references, in addition to the housing reference, that are current and have been open and active within the most recent 24 months reflecting no more than 2x30 and 0x60;</li> <li>No derogatory credit i.e., liens, judgments, collections.</li> </ul>	

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Conversion of Principal Residence	Current Residence Pending Sale but Not Closed	If the borrower's current primary residence is pending sale but will not close prior to the subject transaction the current PITIA may be excluded with evidence of: <ul style="list-style-type: none"> <li>• The executed sales contract for the current residence; and</li> <li>• Confirmation that any financing contingencies have been removed.</li> </ul>	
	To Second Home	Must include full payment.	
	To Investment	Must include payment in overall debts. To offset the payment: calculate and document rental income per Agency guidelines.	

## Income

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Topic		Requirements	Guidance
Age of Income Documentation		Must be dated within 120 days of note date. See Radian Guidelines for New Construction/ Conversion of Construction-to-Permanent (12-month commitment)	Paystubs should be dated within 30 days of application date.
	Paystub	Paystubs must: <ul style="list-style-type: none"> <li>• Be computer-generated/typed;</li> <li>• Identify the borrower, employer, and source of income;</li> <li>• Report the time period covered; current period earnings and deductions; and year to date earnings.</li> </ul>	Paystubs may not be handwritten.  Review deductions for inconsistencies, garnishments or additional debts.
Verification of Income	Verbal VOE	Must be within 10 business days prior to the note date for employment income and within 30 calendar days prior to the note date for self-employment income. It must report: <ul style="list-style-type: none"> <li>• The third-party source used to obtain contact information.</li> <li>• Employer contact information – name, phone number and name and title of individual who provided information.</li> <li>• Date of contact.</li> <li>• Borrower's dates of employment and title/position;</li> <li>• Self-employed borrowers: Lender must verify existence of borrower's business with a third party i.e., CPA, licensing bureau. Identify the source; name and title of individual who located third-party source; name, phone number listing and address of the business.</li> </ul>	

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<b>Verification of Income</b>	<b>VOE</b>	Form 1005, Request for Verification of Employment, may be used to determine adequacy and continuance of income for salaried and commissioned borrowers.	<p>Determine if the form is completed by an appropriate party i.e., payroll, human resources or a supervisor.</p> <p>Confirm it was not completed prior to the application date. Address those completed on a weekend or holiday.</p> <p>Document should not contain alterations, erasures, or corrections.</p> <p>Income or employment information provided that is not typical for the position or type of employment should be evaluated.</p>
	<b>Third-Party Employment Verification Vendor</b>	An acceptable form of verification, i.e., The Work Number, but may need to supplement with additional info from the employer.	
	<b>W2/1099</b>	Must be complete and clearly identify the borrower as the employee.	Should be the employee's copy.
	<b>Tax Returns (including extensions &amp; transcripts)</b>	<ul style="list-style-type: none"> <li>• Must be signed and include all required Schedules/Forms.</li> <li>• A 4506–T must be executed by the borrower at application and at closing. Transcripts are not required to be obtained, however if the lender processes the 4506-T and obtains transcripts, they must be provided in the loan file.</li> <li>• Transcripts may be used as an alternative to individual federal tax returns however if they do not provide sufficient detail to document income/expenses the individual federal tax returns will be required.</li> <li>• In the event the borrower files a tax extension, the extension along with the most recent two years tax returns is required.</li> </ul>	<p>Material discrepancies between transcripts and income documentation must be satisfactorily explained and documented or loan is not eligible for mortgage insurance.</p> <p>A total tax liability stated on an extension that is less than the previous year's tax liability may require clarification and explanation.</p>
<b>Earned Income</b>	<b>Base Salary/ Hourly Wages</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• Most recent paystub, and</li> <li>• W2s from the most recent 2 years, and</li> <li>• A verbal VOE; OR</li> <li>• VOE, and</li> <li>• Verbal VOE if VOE is not within 10 days of note.</li> <li>• An explanation from the borrower for employment gaps greater than 6 months.</li> </ul>	<p>Borrowers employed by family members or other interested parties to the transaction must provide most recent signed individual federal tax returns.</p> <p>Pay raises within 90 days may be included in the in the income calculation.</p>



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<b>Earned Income</b>	<b>Base Salary/ Wage Increase</b>	<p>The calculation of the borrower's Stable Monthly Income and documentation of the amount in the Mortgage File may include income from a future salary increase provided that:</p> <ul style="list-style-type: none"> <li>• The borrower's employer verifies in writing the amount and effective date of the salary increase and the documentation is retained in the Mortgage file; and</li> <li>• The effective date of the salary increase is not more than 90 days after the Note Date.</li> <li>• The borrower must have reserves to cover any shortfall in monthly income until the effective date of the increase.</li> </ul>	
	<b>Overtime/Bonus/ Tip Income/ Seasonal</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• Most recent paystub, and</li> <li>• W2s from the most recent 2 years, and</li> <li>• A verbal VOE; OR</li> <li>• VOE covering 2 full years, and</li> <li>• Verbal VOE if VOE is not within 10 days of note.</li> </ul>	<p>Projected bonus/OT is not eligible as a source of qualifying income.</p> <p>Seasonal income documentation is to provide a reasonable expectation of continuance.</p>
	<b>Commission</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• Most recent paystub, and</li> <li>• W2s from the most recent 2 years, or</li> <li>• A VOE covering 2 full years</li> <li>• Verbal VOE if VOE is not within 10 days of note.</li> </ul>	<p>YTD commission income which is significantly higher than previous years may require explanation/ additional support if being used to qualify.</p>
	<b>Part-time/ Second Jobs or Multiple</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• Most recent paystub, and</li> <li>• W2s from the most recent 2 years, and</li> <li>• A verbal VOE; OR</li> <li>• VOE covering 2 full years, and</li> <li>• Verbal VOE if VOE is not within 10 days of note.</li> </ul>	
	<b>Employment Contracts</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• Fully executed legal binding employment contract addressing start date, source of income, and rate of pay;</li> <li>• Evidence conditions of employment have been satisfied;</li> <li>• Document 2-year continuous history in profession (advanced schooling allowed);</li> <li>• Start date must be within 90 days of closing.</li> </ul>	
	<b>Military</b>	<p>See Section Base Salary/Hourly Wages.</p> <p>Entitlements, such as housing allowance, clothing allowance, hazard pay, rations etc., are eligible sources of qualifying income.</p>	<p>The paystub is identified as a LES or Leave and Earnings Statement.</p> <p>Address income continuance when the LES identifies a Discharge date within the next 12 months</p>

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<b>Self-employed Income</b>	<b>Sole Proprietorship/ Schedule C</b>	<ul style="list-style-type: none"> <li>• Obtain signed individual federal tax returns for the most recent 2 years which reflect at least 12 months of self-employed income; AND</li> <li>• Verification of the business from a third-party source within 30 days prior to note date.</li> </ul>	The use of IRS-issued transcripts of the individual federal tax returns that were filed is acceptable as long as the information is legible, complete and includes the information from the applicable schedules.
	<b>Partnership/ LLC/S-Corp</b>	<ul style="list-style-type: none"> <li>• Obtain signed individual federal tax returns and business tax returns including K-1 for the most recent 2 years which reflect at least 12 months of self-employed income; AND</li> <li>• Verification of business from a third-party source within 30 days prior to note date is required.</li> </ul>	IRS-issued transcripts may be used as long as adequate information is provided to identify source and stability of qualifying income.
	<b>Corporation</b>	<ul style="list-style-type: none"> <li>• Obtain signed individual federal tax returns and Corporation tax returns for the most recent 2 years which reflect at least 12 months of self-employed income; AND</li> <li>• Verification of business from a third-party source within 30 days prior to note date is required.</li> </ul>	The use of IRS-issued transcripts of the individual and business federal tax returns that were filed is acceptable as long as the information is legible, complete and includes the information from the applicable schedules.
<b>Retirement Income</b>	<b>Social Security Income</b>	Obtain one of the following: <ul style="list-style-type: none"> <li>• A copy of the award letter;</li> <li>• The most recent year's 1099s;</li> <li>• 2 months bank statements showing receipt;</li> <li>• Most recent signed individual federal tax returns.</li> </ul>	Provide support for continuance when the borrower is not of retirement age.
	<b>Pension/Annuity</b>	Obtain one of the following: <ul style="list-style-type: none"> <li>• Letter from organization;</li> <li>• Copy of retirement awards letter;</li> <li>• Most recent signed individual federal tax returns;</li> <li>• The most recent year's 1099s;</li> <li>• 2 months bank statements showing receipt.</li> </ul>	

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	Topic	Requirements	Guidance
<b>Unearned Income</b>	<b>Alimony/Child Support</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• A legal order, such as divorce decree and property settlement agreement, requiring the payment; AND</li> <li>• Verification of consistent receipt of the income from the same source, for a minimum of 12 months; OR</li> <li>• Verify consistent receipt of the income from the same source for a minimum of 6 months, when the income does not exceed 30% of the loan's total qualifying income, OR</li> <li>• In lieu of court documents provide the voluntary payment agreement with evidence of 12 months on time receipt of payments.</li> </ul>	<p>The age of the child must be identified in order to support 3-year continuance.</p> <p>Child support income may be "grossed up."</p>
	<b>Capital Gains/ Dividend &amp; Interest</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• 2 years signed individual federal tax returns; AND</li> <li>• Evidence the assets producing the income or comparable assets are under the ownership and control of the borrower and not committed elsewhere.</li> </ul> <p>To determine qualifying income, average the income received from the tax returns for the last 2 years.</p>	<p>Non-recurring or inconsistent capital gain income is not an eligible source of qualifying income.</p> <p>Assets being used for down payment, cannot be used for income.</p>
	<b>Disability</b>	<p>Obtain one of the following:</p> <ul style="list-style-type: none"> <li>• A copy of the disability policy;</li> <li>• Benefits statement;</li> <li>• Insurance policy/statement; AND</li> </ul> <p>Evidence of receipt for at least 2 months with one of the following:</p> <ul style="list-style-type: none"> <li>• 2 months bank statements;</li> <li>• 2 months of check stubs; AND</li> <li>• Verify 3 years of continuance.</li> </ul>	<p>If borrower is on short-term disability or maternity leave, obtain a statement from both borrower and employer as to when borrower is due to return to work and at what rate of pay. Overall employment history and stability will be considered and evaluated.</p>
	<b>Auto/Housing Allowance</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• 2 years signed individual federal tax returns to verify the income received exceeds any associated expenses; AND</li> <li>• Most recent paystub reflecting current auto/housing allowance.</li> </ul>	<p>Should be received for a minimum of 12 months from same source with a 2 year history of receipt with no indications that the auto or housing allowance will terminate in the next 3 years.</p> <p>Any loans secured by the auto or home must still be counted as a monthly debt, and not used to offset the allowance.</p>

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Topic		Requirements	Guidance
Unearned Income	Unemployment Benefits	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• 2 years signed individual federal income tax returns to determine that borrower has received benefits; AND</li> <li>• 2 years most recent 1099s.</li> </ul> <p>To determine qualifying income, average the amount of unemployment claimed for the last 2 years.</p>	<p>If the borrower has not been employed in the same field of work, or the underwriter determines the borrower's employment to be unstable, unemployment benefits should not be used as qualifying income.</p> <p>Must have been received for a minimum 2 years.</p> <p>Borrower should be employed in an occupation where it is typical for the employees to receive unemployment, such as seasonal workers.</p>
	Trust Income	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• A copy of the trust agreement or trustee's statement to confirm the amount of income paid along with the frequency and duration; AND</li> <li>• 2 years signed individual federal tax returns including Schedule E.</li> </ul>	<p>Confirm the Trust agreement specifically identifies the borrower as a recipient of Trust income.</p>
	Documentation	<ul style="list-style-type: none"> <li>• 2 years signed individual federal tax returns with Schedule E.</li> <li>• If property was recently obtained and therefore not reported on the most recent tax return, a valid current lease agreement may be used.</li> <li>• If property was recently converted into a rental, obtain a fully executed lease.</li> </ul>	<p>Rental properties on the schedule E must match the properties reflected within the schedule of Real Estate Owned section of the application.</p> <p>If that is not the case, provide documentation evidencing property acquisition or disposition.</p>
Rental Income	Calculation	<ul style="list-style-type: none"> <li>• When using tax returns to calculate annual rental income:                             <ul style="list-style-type: none"> <li>• Subtract total expenses from total rents received.</li> <li>• Add back insurance expense, mortgage interest paid, tax expense, HOA, depreciation, and any one-time extraordinary expense.</li> <li>• Divide by 12 to arrive at monthly amount</li> <li>• Subtract monthly PITIA.</li> </ul> </li> <li>• When using lease agreement to calculate monthly income, only 75% of the gross rent may be used minus current PITIA.</li> </ul>	<p>If the net rental income is positive, it is included in the total income. However, if rental income is negative, the loss must be treated as a liability.</p> <p>Address/explain non-recurring or casualty loss expenses that have been disregarded in the calculation.</p>

## Assets

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Topic		Requirements	Guidance
<b>Age of Asset Documentation</b>		<p>Must be dated within 120 days of note date.</p> <p>See Radian Guidelines for New Construction/ Conversion of Construction-to-Permanent (12-month commitment).</p>	Statements should be dated within 45 days of application date.
<b>Types of Documents</b>	<b>VOD</b>	<p>Form 1006, Request for Verification of Deposit, may be used to document assets.</p> <p>Must include date account was opened and a 2-month average balance.</p>	Must be completed in its entirety with no erasures, alterations, or corrections.
	<b>Bank Statements</b>	<p>Account statements covering the most recent 2 months.</p> <p>Statements must identify:</p> <ul style="list-style-type: none"> <li>• Borrower as account holder;</li> <li>• Account number;</li> <li>• Time period covered by the statement;</li> <li>• All transactions occurring within the time period;</li> <li>• Ending balance.</li> </ul>	<p>Asset statements should include all pages reporting transaction activity.</p> <p>Funds held in joint or multiple owner accounts may require clarification of ownership. The borrower must be a legal owner of the account and have the authority to withdraw funds.</p>
	<b>Uncustomary Deposits into Borrower's Account</b>	The source of recent large deposits must be identified and documented regardless if the funds are required.	Individual or aggregate deposits, exceeding fifty percent (50%) of the borrower's monthly gross income, are generally defined as large.
	<b>Seasoned Assets</b>	Funds under the ownership and control of the borrower for a minimum of 60 days prior to the date of application.	Assets which source a deposit must also be seasoned.
<b>Gifts and Gifts of Equity</b>		<p>Must obtain a fully executed gift letter which includes:</p> <ul style="list-style-type: none"> <li>• Donor's name, address, and phone number;</li> <li>• Borrower's name;</li> <li>• Relationship of donor and borrower;</li> <li>• Amount of gift funds;</li> <li>• Statement that no repayment is expected; AND</li> </ul> <p>Document transfer of funds with one of the following:</p> <ul style="list-style-type: none"> <li>• Copy of donor's check and borrower's deposit slip;</li> <li>• Copy of donor's withdrawal slip and borrower's deposit slip; OR</li> <li>• Copy of donor's cashier check presented to the closing agent.</li> </ul> <p>To document the transfer of funds for gift equity, provide fully executed Closing Disclosure reflecting the receipt.</p>	Acceptable donors are individuals who are related to the borrower by blood, marriage, adoption, legal guardianship or persons with an established relationship to the borrower.

## Assets

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Topic	Requirements	Guidance
<b>Grants</b>	<p>May be allowed once the borrower has satisfied the minimum contribution required from their own funds.</p> <p>Must obtain the following:</p> <ul style="list-style-type: none"> <li>• Award letter for gift/grant which includes the amount and name of the donor; AND</li> <li>• Verification that repayment is not required.</li> </ul>	<p>Acceptable donors are churches, municipalities, non-profit organizations, and public agencies.</p>
<b>Retirement Assets</b>	<p>May be used if funds are verified by account statements covering the most recent 2 months.</p> <p>Statements must identify:</p> <ul style="list-style-type: none"> <li>• Borrower as account holder;</li> <li>• Time period covered by the statement;</li> <li>• All transactions occurring within the time period;</li> <li>• Ending balance;</li> <li>• Vested balance;</li> <li>• Any outstanding loans;</li> <li>• Conditions under which the funds may be withdrawn or borrowed.</li> </ul> <p>Obtain evidence of liquidation when:</p> <ul style="list-style-type: none"> <li>• Needed to satisfy the minimum contribution required from borrower own funds.</li> <li>• Funds are needed to complete the transaction.</li> </ul>	<p>Retirement accounts which allow for withdrawal only in connection with borrower's employment, termination, or death are not available for consideration.</p>
<b>Stocks, Stock Options, Bonds, Mutual Funds, Securities</b>  <b>Publicly traded and verifiable through financial publications</b>	<p>May be used if funds are verified by account statements covering the most recent 2 months.</p> <p>Statements must identify:</p> <ul style="list-style-type: none"> <li>• Borrower as account holder;</li> <li>• Account number;</li> <li>• Time period covered by the statement;</li> <li>• All transactions occurring within the time period;</li> <li>• Ending balance;</li> <li>• Outstanding loans.</li> </ul> <p>If borrower does not receive statements, must obtain evidence of:</p> <ul style="list-style-type: none"> <li>• Seasoned ownership of the asset;</li> <li>• Net value at the time of sale or liquidation;</li> <li>• Borrower's receipt of funds realized from sale or liquidation.</li> </ul> <p>Must obtain evidence of liquidation when:</p> <ul style="list-style-type: none"> <li>• Needed to satisfy the minimum contribution required from borrower own funds.</li> <li>• Funds are needed to complete the transaction.</li> </ul>	<p>Non-vested stock options are not an acceptable source of funds.</p> <p>When used as reserves, only 70% of documented value may be considered.</p> <p>Non-vested stock and vested stock options are not an acceptable source of reserves.</p>
<b>Proceeds from Sale of Real Estate Owned</b>	<p>Must obtain a fully executed Closing Disclosure documenting borrower's portion of proceeds.</p>	<p>A property owned by multiple parties may require clarification of borrower's proceeds.</p>

## Assets

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Topic	Requirements	Guidance
<b>Deposit on Sales Contract</b>	<p>The account used to source the deposit is identified on the application and the funds are properly sourced and seasoned.</p> <p>If considered in the funds available to close, obtain cancelled check or evidence the check has cleared the account with a copy of the check and bank statement.</p>	<p>Large deposits, or deposits which exceed the amount that are customary for the area, require evaluation.</p> <p>Avoid duplication of the asset by identifying as either a credit within the details of transaction, or include the amount in the current balance of an available asset</p>
<b>Business Assets</b>	<p>Must obtain the following:</p> <ul style="list-style-type: none"> <li>• 1003 identifying business;</li> <li>• Verification of the business from a third party source;</li> <li>• Business tax returns;</li> <li>• Evidence of borrower's majority ownership and control of business assets;</li> <li>• Verification of seasoned business assets;</li> <li>• Lender's cash flow analysis evidencing that removal of business assets will not negatively impact ability of business to continue operating or produce revenue.</li> </ul>	<p>A lender providing a cash flow analysis must provide a clear conclusion that removal of business assets will not negatively impact ability of the business to continue operating or produce revenue.</p>
<b>Sale of Personal Asset</b>	<p>Must obtain evidence of the following:</p> <ul style="list-style-type: none"> <li>• Borrower's seasoned ownership of the asset;</li> <li>• Current value;</li> <li>• Bill of sale; AND</li> <li>• Borrower's receipt of funds.</li> </ul>	<p>Current value should be determined by an independent and reputable source</p> <p>The party purchasing the asset may not be an interested party to the transaction.</p>
<b>Secured Borrowed Funds</b>	<p>Must obtain evidence of the following:</p> <ul style="list-style-type: none"> <li>• Borrower's seasoned ownership of the asset;</li> <li>• Current value;</li> <li>• Terms of the secured loan; AND</li> <li>• Borrower's receipt of funds.</li> </ul>	<p>The party providing the secured loan may not be a party to the transaction.</p>
<b>Rent Credit for Option to Purchase</b>	<p>Must obtain the following:</p> <ul style="list-style-type: none"> <li>• Option to Purchase contract with a minimum 12-month original term. It must specify all terms and conditions of the lease/option to purchase including monthly rental payment; AND</li> <li>• Cancelled checks/money order receipts to evidence the most recent 12 months payments;</li> <li>• Market rent as determined by subject property appraisal.</li> </ul>	<p>Contract must allow for the difference between actual rent paid and market rent to be credited towards down payment.</p> <p>Actual rent paid must exceed market rent for the past 12 months.</p>

## Assets

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Topic	Requirements	Guidance
<b>Trade Equity</b>	<p>May be allowed once the borrower has satisfied the minimum contribution required from their own funds.</p> <p>Must obtain the following:</p> <ul style="list-style-type: none"> <li>• Current property appraisal to determine equity available for trade;</li> <li>• Sales or trade-in contract;</li> <li>• Search of land records to verify ownership of the property and liens; AND</li> <li>• Evidence of title transfer and satisfaction of borrower's liens.</li> </ul>	Transfer costs to be considered in computation of trade equity that will be available to borrower.
<b>Credit For Value of Lot Purchased prior to application</b>	<p>Must obtain evidence of the following:</p> <ul style="list-style-type: none"> <li>• Ownership of the lot;</li> <li>• Any existing liens on the lot.</li> </ul> <p>Credit = Appraiser's opinion of value less existing lien.</p>	
<b>Cash Value of Life Insurance</b>	<p>May be used if funds are verified with account statement.</p> <p>Statements must identify:</p> <ul style="list-style-type: none"> <li>• Life insurance company;</li> <li>• Borrower as the policy owner;</li> <li>• Time period covered;</li> <li>• Ending cash value;</li> <li>• Any outstanding loans.</li> </ul> <p>Obtain evidence of liquidation when:</p> <ul style="list-style-type: none"> <li>• Needed to satisfy the minimum contribution required from borrower own funds;</li> <li>• Funds are needed to complete the transaction.</li> </ul>	If applicable, repayment obligation must be determined and considered.
<b>Trust Accounts</b> <b>Held by an independent party that typically handles trust accounts</b>	<p>Obtain the following:</p> <ul style="list-style-type: none"> <li>• Identification of the Trustee including name, address, and phone number;</li> <li>• Evidence the borrower as the beneficiary</li> <li>• Letter from the Trust Manager/Trustee verifying value, borrower's immediate access to the funds and conditions of withdrawal; AND</li> <li>• Evidence receipt of funds.</li> </ul>	Determine if withdrawal of funds from a Trust account impacts Trust income being used to qualify the borrower.



## Sales Contract and Appraisal

Topic		Requirements	Guidance
Sales Contract	Form	<p>Fully executed by all parties to include all pages, addendums and change orders.</p> <p>The name of the buyer and seller must be legible.</p> <p>The sales contract must be provided in its entirety to the appraiser, including any subsequent updates, revisions.</p> <p>Identify and disclose any non-arm's length transactions.</p>	<p>Assignment of the purchase agreement to another party is generally not acceptable.</p> <p>Review the sales contract in combination with the preliminary title policy and appraisal to confirm the seller as identified on the purchase agreement is the owner of public record.</p>
	Interested Party Contributions	<p><b>Financing Concessions:</b> Must be clearly identified within the sales contract.</p> <p>Credits for repairs or decorating may be included within these limits up to a maximum of 3%.</p> <p>A contribution that exceeds the maximum allowable is considered a sales concession.</p> <p><b>Sales Concessions:</b> Require a dollar-for-dollar reduction to the sales price to calculate the maximum loan-to-value for lending purposes.</p> <p><b>Personal Property:</b> Must be disclosed within the sales contract. If the personal property contributes value to the transaction, it is considered a sales concession.</p> <p><b>Abatements:</b> Not eligible</p>	<p>Maximum financing concessions paid by the seller is limited to:</p> <ul style="list-style-type: none"> <li>• 3% for 90.01 to 97% LTV</li> <li>• 6% for 90% or below LTV.</li> </ul> <p>It is not acceptable to increase the sales price to accommodate seller paid concessions after the terms of the sale have been negotiated and accepted by the parties.</p> <p>Removal of personal property from the sales contract for the sole purpose of eligibility is not permitted.</p> <p>To determine if personal property contributes value to the transaction:</p> <ul style="list-style-type: none"> <li>• Review appraiser analysis regarding the impact of the personal property on the transaction;</li> <li>• Consider if removal of the item impacts the value or motivates the buyer to purchase the property;</li> <li>• Determine if it can be removed from the property and has a recognizable re-sale value.</li> </ul>
Appraisal	Age of Document	<p>Date of the report must be within 120 days of the note.</p> <p>See Radian Guidelines for New Construction/ Conversion of Construction-to-Permanent (12-month commitment)</p>	<p>A Recertification of Value will be considered when the original report does not identify declining market conditions.</p>
	Type of Appraisal	<p>Original (PDF) appraisal to be provided.</p> <p>An Interior/Exterior inspection appraisal report includes:</p> <ul style="list-style-type: none"> <li>• 1004MC;</li> <li>• Interior/exterior photos of subject;</li> <li>• Exterior photos of comparables;</li> <li>• Room sketch; AND</li> <li>• Street map which includes the location of subject and comparables.</li> </ul>	

## Sales Contract and Appraisal

Topic		Requirements	Guidance
<b>Appraisal</b>	<b>Identification and Analysis</b>  <b>Participants, Terms, Value and Marketability</b>	<p>The appraiser must identify and analyze the following:</p> <ul style="list-style-type: none"> <li>• The buyer and purchase price, if applicable</li> <li>• The seller and owner of public record</li> <li>• The listing history</li> <li>• Market conditions</li> <li>• Seller concessions and personal property</li> <li>• Transaction history</li> <li>• Significant recent increase in value</li> <li>• Non-arms length transaction</li> <li>• Unique features</li> <li>• Non-conforming use</li> </ul>	<p>The appraiser must be provided with a complete copy of the executed sales contract including any subsequent updates and revisions.</p> <p>The seller and owner of public record must be identified by name. Any discrepancy must be addressed.</p> <p>The listing history must provide details specific to offering dates and price</p> <p>Property flips may require additional due diligence.</p>
	<b>Recertification of Value</b>	<p>Appraisal Update and/or Completion Report, Form 1004D, which includes:</p> <ul style="list-style-type: none"> <li>• Re-inspection of the exterior of the property;</li> <li>• Appraiser's review of current market data which may include additional comparables;</li> <li>• Appraiser's determination of whether the property has declined in value since the date of the original appraisal.</li> </ul>	<p>A Recertification of Value is not appropriate in the event the appraiser identified declining market conditions on the original appraisal.</p>
	<b>Field Reviews</b>	<p>Include field reviews that are required per Fannie, Freddie or Investor program underwriting guidelines.</p> <p>Use of a field review value to determine LTV requires the following:</p> <ul style="list-style-type: none"> <li>• Compliance with Fannie announcement SEL-2010-09 and subject to any subsequent updates;</li> <li>• Receipt of the original appraisal; AND</li> <li>• Documentation and/or explanation as to why the original appraisal report was not accepted by the lender.</li> </ul>	<p>Field reviews will be considered on a case-by-case situation when determining changes to value or LTV.</p>
	<b>Postponed Improvements</b>	<p>When an escrow account is not established obtain the following:</p> <ul style="list-style-type: none"> <li>• An appraisal completed as is with no required repairs; OR</li> <li>• An appraised value based on current condition which is not subject to proposed or required improvements or repairs.</li> </ul>	<p>Postponed improvements for a transaction with or without an escrow, may not affect the livability, soundness, or structural integrity of the property.</p> <p>When an escrow account is established, the cost of the postponed improvements should not exceed 10% of the completed as is value.</p>