



FAQs

September 14, 2020

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

The answers contained within are specific to loan files reviewed for eligibility under Radian's Manual Underwriting guidelines. A separate FAQ is available for loan files which qualify under Radian's *One Underwrite (AUS)*[®] eligibility.

For complete details regarding Radian guidelines, please visit: [Eligibility Matrices and Underwriting Guidelines](#)

Product

Financed MI (Single Premium)

Q: How is financed mortgage insurance priced?

A: Financed mortgage insurance is priced using the base LTV (LTV before the premium is added). Radian allows the financed premium to be added up to 100% Gross LTV.

SplitEdge[®]

Q: Is the borrower able to finance the up-front portion of the premium?

A: Yes, up to the maximum LTV/ CLTV as reflected on Radian's eligibility matrices.

Note: Loans using non-traditional credit are ineligible for Radian's SplitEdge[®] program.

Q: May an Interested Party in the transaction pay the *SplitEdge* premium for the borrower?

A: Since *SplitEdge* is a borrower-paid program, the up-front premium is considered a closing cost. Interested Party participation in the payment of this premium is subject to published Interested Party Contributions (IPC) guidelines and RESPA requirements. The monthly premiums are paid by the borrower.

Submission

Refer with Caution, Caution

Q: Can a file that receives a DU Refer with Caution or Loan Product Advisor Caution be manually underwritten?

A: Yes. Since these recommendations require manual underwriting.

Assets

Gift Funds

Q: May gift funds be applied toward occupant borrower own funds?

A: Personal gifts, gifts of equity, down payment assistance, grants, or employer assistance meeting Agency requirements are acceptable sources of occupant borrower own funds for purchase transactions of single-family primary residences under Radian's Manual Underwriting eligibility subject to:

- Maximum Base Conforming including Alaska & Hawaii loan amounts;
- The 3% is verified as available in the borrower's asset accounts (Depository, Retirement, Stock); or
- The borrower's FICO \geq 680.

Q: Do funds received as a wedding gift meet Radian's requirement for borrower own funds?

A: Wedding gifts meeting Agency donor requirements may be applied toward occupant borrower own funds. Gifts not meeting these requirements must be seasoned or applied after the borrower's minimum own funds contribution.

Q: Can gift funds be used to meet reserve requirements?

A: Yes, gift funds may be used for reserves once the down payment requirements have been met.

Inherited Funds

Q: Are unseasoned inherited funds considered borrower own funds?

A: Documented, recently distributed funds from an inheritance are considered borrower own funds.

Joint Accounts

Q: Can a borrower use funds from a jointly owned account?

A: Jointly owned funds are eligible, providing the borrower is a legal owner and has authority to withdraw funds. However, all funds must be properly sourced and/or seasoned.

Secured Loan

Q: Is a secured loan made by the mortgage lender considered borrower own funds?

A: Unless the lender has an interest in the property (lender selling own REO, for example) they are not considered an interested party to the transaction. Therefore a lender can make a loan secured by an auto refinance, financial asset, etc., and the funds considered borrower own funds.

Borrower

Q: Does Radian have requirements for non-permanent residents?

A: A non-permanent resident must be legally present and able to document a two-year employment and credit history. The lender must determine that the borrower is legally in the US and has an expectation of continuance. Radian does not review visa or other such documentation in lieu of the lender's own review and determination.

Credit

Authorized User Accounts/Joint Obligations

Q: Can authorized user accounts be used to satisfy minimum trade line requirements?

A: If the borrower is able to document he/she has been the actual and sole payer for at least 12 months preceding the date of the application, it can be used. Any such account must be considered in the credit analysis and debt-to-income ratio.

Q: Must the payment associated with an authorized user account be counted in the borrower's ratios?

A: Yes, the payment must be included unless the file documents the account does not belong to the borrower's spouse; is excluded as a contingent liability; or the borrower has been removed from the account.

Q: Can joint debt be excluded if the borrower's married status is separated?

A: Joint debt must be considered unless it has been assigned to the other party as part of a court approved legal separation agreement.

Q: A joint mortgage assigned to the borrower's ex-spouse in a divorce settlement went into foreclosure. Would this foreclosure be considered in the borrower's credit profile?

A: An obligation assigned to another party as a result of a court order is considered a contingent liability and not included in the borrower's credit profile. However, the payment history prior to the court ordered assignment would need to be considered.

Q: Does Radian require the borrower qualify with any expenses associated with a property owned by a non-applicant spouse on which the borrower is not obligated?

A: If the borrower has any ownership in the property, monthly operating expenses such as taxes/insurance/HOA dues etc. must be considered.

Consumer Credit Counseling

Q: What is Radian's requirement regarding borrowers in Consumer Credit Counseling?

A: Radian does not have specific restrictions regarding Consumer Credit Counseling. Borrowers must meet all credit requirements per Radian guidelines.

Current Residence Pending Sale

Q: If the current home is a pending sale does the payment have to be included in the ratios?

A: Follow Agency requirements for excluding payment.

Litigation

Q: Will Radian insure a borrower who is currently a party to a lawsuit?

A: Generally, a borrower involved in pending litigation is not eligible. However, Radian will review on a case by case basis and offer consideration to those with adequate resources who are the plaintiff, fully insured or can provide a legal opinion which indicates the litigation is without merit.

Payoff Debt

Q: Can a borrower payoff/pay-down debt to qualify?

A: Radian will permit the payoff of debt to qualify under the following conditions:

- The funds used to pay the debt are verified, seasoned and/or sourced.
- Revolving accounts must be paid in full.
- Installment debts must be paid in full; or may be paid down to less than ten months when the borrower demonstrates sufficient financial resources to maintain payments without impacting ability to service the new mortgage.

Property Taxes

Q: How are projected taxes calculated for purchase transactions in California?

A: Radian calculates according to California's Proposition 13. Contact the county assessor's office to determine the applicable property tax levy.

Q: Can the borrower be qualified using a projected tax rate which is lower than the rate currently in place?

A: On existing property, a borrower is generally qualified using the tax payment as currently levied. Radian will consider a projected tax payment, in states which provide for a Homestead Exemption, when all the following apply:

- The loan file includes evidence of the current mill levy, the Homestead Exemption allowance and assessed value of the property as a result of the subject transaction.
- The borrower does not have a Homestead Exemption currently filed on any property unless the property will be sold prior to closing.
- The borrower files for the Homestead Exemption at the time of closing.
- The lower tax rate must be effective as of the closing date.

Q: How are taxes determined on a new construction property?

A: The lender may use a percentage of the sales price to determine the tax payment. The percentage used will vary according to location and should reflect the percentage which is typical for an existing property within the same tax district.

Trade Lines

Q: Does Radian require accounts be open to meet trade line requirements?

A: Radian does not require the account(s) to be currently open. However the accounts must have been active and evaluated for a minimum of 12 months. If the borrower's credit history consists of only dated, closed accounts, sufficient data may not exist to establish an acceptable current credit profile.

Truncated Social Security Numbers

Q: Will Radian accept a credit report which truncates the borrower's Social Security numbers?

A: If Radian is able to independently verify the borrower's social security number and the file does not contain inconsistencies in borrower information, Radian may accept. If there are indications of multiple Social Security numbers in the file, a credit report without truncated numbers will be required.

Income

Alimony/Child Support/Separate Maintenance Payments

Q: Does Radian accept private alimony, child support, or separate maintenance agreements?

A: In lieu of court documents Radian will accept a voluntary payment agreement with evidence of 12 months on-time receipt of payments.

Debtor in Possession (Employer)

Q: May a borrower's income from an employer who is a Debtor in Possession be used to qualify for mortgage insurance?

A: An employer who is listed as Debtor in Possession is under bankruptcy protection while still operating the business. Income will be reviewed case by case. Further explanation may be required and the stability must be considered.

Fluctuating Income

Q: Does Radian consider declining income?

A: The reason for the income decline along with the stability of current income will be considered when determining if declining income may be used to qualify. Income which is continuing to decline may not be eligible.

Q: Will Radian allow a borrower to qualify using year-to-date commission income that is substantially higher than commission income earned in previous years?

A: Generally, Radian will not qualify a borrower using year-to-date that is significantly higher than previous year average. However, Radian will consider unique circumstances when sufficiently documented.

Rental Income

Q: How is rental income calculated when a borrower owns a rental property with another individual and they are both obligated on the mortgage?

A: The calculation must include the same percentage of PITI(A) for the rental property as the borrower's share of income and expenses. Example; If the borrower is claiming 50% of the income and expenses the final calculation must include 50% of the total PITI(A).

Temp Agency

Q: Is income received from temporary employment acceptable?

A: Yes, income from temporary employment may be used to qualify when the borrower is able to demonstrate a two-year history of consistent temporary employment (does not have to be the same agency). Income is calculated using a two-year average and must be supported by current year-to-date earnings. Unemployment compensation may not be included in the average.

Property/Appraisal

Avalanche Zones (Blue), Lava Zones, Disaster Areas

Q: Will Radian insure a property located in an avalanche zone, lava zone or disaster area?

A: Radian will consider properties located in designated zones and disaster areas, provided the homeowner is able to secure adequate homeowners insurance and the current condition of the property is accurately reflected on the appraisal report. Eligibility is based on Agency guidelines, value and marketability being supported, and the property meeting minimum property standards.

Changes to the terms of the Purchase Agreement

Q: Must the appraisal report be updated to reflect a change in the terms of the purchase agreement such as sale price or financing/sales concessions, including personal property?

A: Yes, the appraiser must be notified when there are changes to the terms of the purchase agreement. The appraiser must analyze any impact of these changes on value.

Condominiums

Q: Does Radian insure transactions that include condominium units sold to the Agencies with recourse?

A: Condominium units that are sold with recourse in exchange for reduced project eligibility reps and warrants require prior approval.

Q: Is the builder/developer included in the single entity ownership limitation?

A: The builder/developer is exempt during the initial marketing period. If the units do not sell and the builder chooses to rent one or more units, the single entity limitation applies.

Q: Will Radian insure a unit in a small project that has a homeowners association (HOA) but no fees?

A: The project is eligible for consideration as long as the CCR's permit the HOA to impose fees as needed and the project meets Agency warrantability requirements.

Q: If utilities are included in the HOA fee, can the amount directly related to the utilities be deducted from the monthly HOA fee for qualifying purposes?

A: Yes, the portion directly related to the payment of utilities may be excluded with proper documentation.

Q: Is the seller allowed to escrow for an upcoming HOA assessment?

A: The seller may escrow with the following documentation:

- A letter from the HOA explaining the HOA is currently considering a one-time assessment for improvements, etc., with approximate dates for the decision and assessment amount.
- The purchase agreement clearly states the funds to be provided by the seller will be held in escrow for a certain period and be applied to the assessment. If the assessment is not levied within that period or there are funds remaining after payment, the balance in the account is returned to the seller.
- The escrow agreement must be provided.

Q: Will Radian insure a unit in a project where the HOA has the right of first refusal?

A: As long as the first right of refusal provision does not limit or restrict sales price but simply offers other unit owners the option to purchase, Radian will insure.

Construction

Q: Will Radian's 120-day commitment insure a property under construction or renovation?

A: Radian does not insure construction or renovation loans during the construction or renovation phase under the 120-day commitment.

Q: Does Radian's 12-month commitment provide coverage during the construction period?

A: Radian will insure during the construction period.

Leasehold Estate

Q: Will Radian insure a property held in Leasehold Estate?

A: Yes, properties, excluding co-ops, held in leasehold estate are eligible. The lender must assure properties held in a leasehold estate conform to Fannie Mae/Freddie Mac requirements. Radian does not review leasehold estate documents.

LLC

Q: Is a property titled in the name of a LLC eligible for mortgage insurance?

A: Radian will insure if the borrower is sole owner of the LLC. The LLC may quit claim title to the borrower for closing. The preliminary title report must consider the borrower and not only the LLC.

Mineral Rights

Q: Will Radian insure a property on which mineral rights have been retained by a party other than our borrower?

A: This is common in areas like Pennsylvania and Louisiana. Typically, the title company offers an endorsement which allows for a clear and marketable title; however, the lender is responsible to determine whether the title is clear and marketable.

Post and Pier Foundation

Q: Does Radian insure a property with a post and pier foundation?

A: Yes, Radian will insure as long as the appraisal report demonstrates it is typical for the area, comps with similar construction are provided and there is no impact to value or marketability.

Postponed Improvements

Q: Does Radian require cosmetic repairs be completed prior to close?

A: Repairs which are required as a condition of a conventional appraisal must generally be completed. Radian will offer consideration when the cosmetic repair has no impact on value and does not impact the livability, soundness or structural integrity of the property.

Private Road

Q: Will Radian insure a property accessed by a private road?

A: Radian will insure a property on a private road with an adequate, legally enforceable agreement for maintenance. If the property is located in a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required. Private roads must be typical for the area, the appraiser must comment on the impact to value and marketability, and provide comparables with similar features.

PUD Project Information

Q: Is the appraiser always required to complete the PUD Information Section on the appraisal report?

A: No, Completion of this section is not required unless the subject is attached AND the developer is still in control of the HOA.

Re-cert of Value

Q: Does Radian accept recertification of value?

A: Radian accepts recertification of value meeting Agency requirements.

Row Houses

Q: Does Radian have specific requirements when the property is a Row House?

A: A Row House is classified as a single-family dwelling for qualifying purposes. Depending on appraisal or title requirements, a party wall agreement may be required.

Utilities

Q: Will Radian insure properties with hauled water?

A: No. The subject property must have a permanent water source.

Q: Will Radian accept a property whose water source is a shared well?

A: A shared well meeting Agency standards is acceptable.

Transaction

Auction

Q: Will Radian insure a condominium unit that is being sold at auction?

A: If only one unit is being sold at auction, Radian will review on a case by case basis. However, when more than one unit or an entire project is being auctioned or is planning to be auctioned, approval from Radian is required.

Co-op Flip Tax

Q: What is a Co-op flip tax and how does it impact the underwriting process?

A: A flip tax is a transfer fee charged by the cooperative on a purchase transaction typically in New York City. The sales contract may identify a base sale price and a final sales price (base sales price + co-op flip tax). The loan to value ratio (LTV) for qualifying purposes is computed on the base sales price. The co-op flip tax is considered a closing cost and if paid by the borrower, sufficient funds must be evidenced.

Escrows

Q: Are borrowers required to establish escrow accounts for taxes and insurance?

A: Radian does not require escrow accounts.

Non-Arms Length

Q: Does Radian permit non-arms length transactions?

A: A non-arms length transaction is eligible. Any non-arms length transaction must be disclosed to the appraiser and the appraisal report must identify and comment on the impact, if any, to the subject property value.

Q: Will Radian permit a borrower to purchase a 2nd home without owning a primary residence?

A: A borrower is not required to own a primary residence in order for Radian to insure a second home. However the borrower's primary housing expense must be considered in the debt-to-income ratio.

Rate/Term Refinances

Q: Will Radian insure a loan paying off non-purchase subordinate financing?

A: The following may be included in a Rate/Term Refinance:

- The pay off of a non-purchase money fixed subordinate lien seasoned for at least 12 months.
- The pay off of a Home Equity Line of Credit evidencing total draws not exceeding \$2000 within the last 12-months.
- **The payoff of an unseasoned, non-purchase money subordinate lien used entirely to make improvements to the subject property.**

Realtors Contributing to Borrower's Closing Costs, Pre-paid

Q: Is the Realtor associated with the transaction allowed to pay all or part of the borrower's closing costs/prepaid items?

A: Realtors are interested parties to the transaction and therefore subject to Agency Interested Party Contributions (IPC) restrictions.

Subordinate Liens, Delinquent Taxes or HOA (Pre-foreclosure or Short Sale)

Q: Can a borrower agree to pay the seller's subordinate lien and delinquent taxes or HOA fees in order to clear title?

A: The payoff by the borrower of a seller's subordinate lien, delinquent taxes or HOA fees is acceptable in the case of a pre-foreclosure or short sale provided:

- The details are identified and agreed to by all parties, including the current servicer, and contained within the loan file;
- The additional funds required by the borrower to complete the transaction are included in the 1003 Details of Transaction, verified, sourced and seasoned; and
- The Closing Disclosure accurately reflects the transaction.