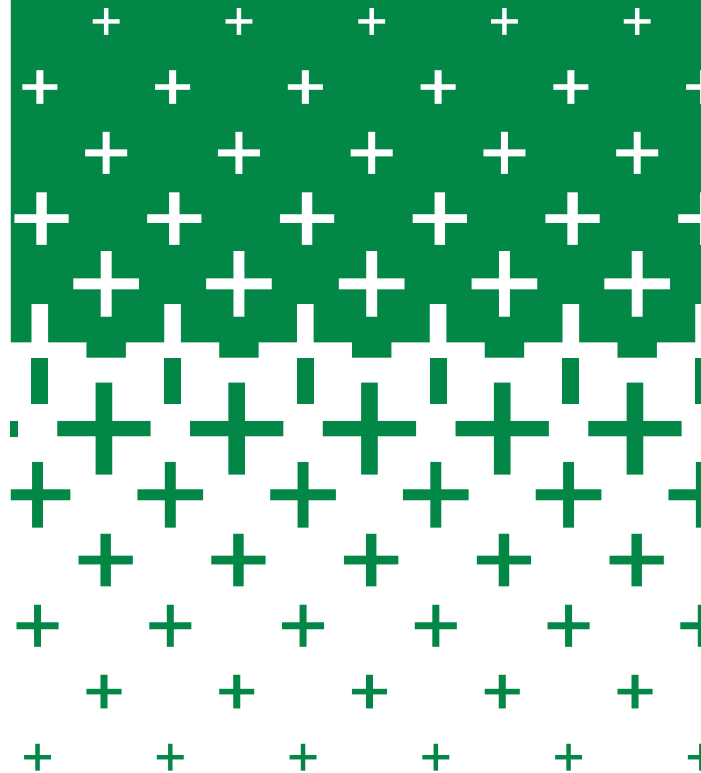


Underwriting Guidelines

Enact Mortgage Insurance
underwritten by:
Enact Mortgage Insurance
Corporation of North Carolina

EnactSM




**PEAK
PORTFOLIO PROGRAM**
Enact's exclusive portfolio product suite

Enact Peak PortfolioSM Underwriting Guideline Changes and Clarifications

The following guideline changes and clarifications will be effective for MI Applications received on or after January 10, 2022 unless otherwise specified. The Peak Portfolio Underwriting Guidelines with complete details will be updated and available on our website, [EnactMI.com](https://enactmi.com) on January 10, 2022.

Enact Peak Portfolio Underwriting Guideline Changes and Clarifications			
Guideline Updates Effective December 10, 2021			
Topic	Section	Old Guideline	New Guidelines
Peak Loan Amounts	2.1 , 2.2 , 2.4 , 7.4	Various Underwriting Guidelines have maximum loan limits of \$850,000 or \$1,000,000	Various Underwriting Guideline loan limits have been expanded <i>from</i> : <ul style="list-style-type: none"> \$850,000 to \$1,000,000, <i>and</i> \$1,000,000 to \$1,250,000
Guideline Updates Effective January 10, 2022			
Acreage	7.13	Maximum 40 acres	Removing maximum acreage. Refer to Enact's Standard Guidelines for additional Acreage requirements.
Construction-to-Permanent	2.1 , 2.2 , 2.4	Construction-to-Permanent is ineligible for property types other than single family detached or manufactured housing	Allowing single family attached property types for Construction-to-Permanent loans.
Loan Attributes requiring an Enact Underwrite	4.0	Various loan attributes require an Enact Underwrite.	Removing requirements for an Enact Underwrite for the following: <ul style="list-style-type: none"> Loan amounts > \$1,000,000 Nontraditional credit loans Earth, dome, and geothermal properties Atypical/unique properties Temporary Leave Income

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1 OVERVIEW (04/01/2021)

Enact Peak Portfolio loans are insured through Enact Mortgage Insurance Corporation of North Carolina's ("EMIC-NC") Peak Portfolio (Peak) program and require a Peak Portfolio Master Policy (Master Policy Form MP 1920). Peak Portfolio loans are not currently eligible for delivery to Fannie Mae (FNMA), Freddie Mac (FHLMC), the (GSE's).

Peak is not available in all states. Peak is currently unavailable for Lenders domiciled in AK, HI, ME, NH and WA.

The loan must meet the Peak guidelines or Enact Standard guidelines in their entirety. Guidelines may not be commingled when a loan is submitted for insurance.

1.1 Fair Lending (07/01/2019)

It is Enact's policy to provide all creditworthy applicants equal access to the capital, products, services and expertise of the corporation and its employees without regard to race, color, sex, religion, national origin, handicap, familial status, age, marital status, sexual orientation, geographic location or any other prohibited basis as defined by federal and state law. We require appraisers to report neighborhood and property conditions in factual and specific terms; to be impartial and specific in describing favorable or unfavorable factors; and to avoid the use of subjective, racial or stereotypical terms, phrases, or comments in the appraisal report. We do not designate certain areas as "acceptable" or "unacceptable". Enact does not "red line."

1.2 Homeowners Protection Act (07/01/2019)

The Homeowners Protection Act (HPA), which applies to loans closed on or after July 29, 1999, addresses private mortgage insurance disclosure and cancellation. It provides for cancellation of mortgage insurance when certain conditions are met and requires disclosure at origination and during loan servicing. Refer to the [Enact's Lender Servicing Guide](#) for more information about cancellation or termination of mortgage insurance.

1.3 Compliance with Law (07/01/2019)

Loans must comply with federal, state and local law regulations, ordinances, rules and orders.

1.4 Affordable Housing and Housing Finance Agency Program (12/16/2019)

Enact has a special commitment to serve low-to-moderate income borrowers through our Affordable Housing efforts. We work closely with our customers on Affordable Housing products and programs designed to meet the needs of diverse markets. While Enact has made a strong commitment to Affordable Housing, we have not reduced our commitment to sound risk management practices. We wish to partner with our customers who share Enact's dedication to high quality Affordable Housing lending.

1.5 Portfolio Dispersion (07/01/2019)

Enact monitors the dispersion of our customers' portfolios. Enact periodically reviews a customer's performance, geographic distribution, mix of loan characteristics, project concentration, loan origination sources, and concentration of high-risk products, and compares the results to Enact's portfolio actual and targeted mix and performance. On occasion, Enact may also review a customer's operational policies and processes. As necessary, observations and suggestions will be shared with our customers.

1.6 Origination Channel (07/01/2019)

Retail and non-retail originated loans are eligible for insurance through Enact's Peak Portfolio (Peak) program.

Retail

Enact considers a loan to be a retail origination when the entity that orders the mortgage insurance coverage (the Insured) performs all the following loan tasks:

- Taking the loan application
- Processing the loan application
- Underwriting the loan application for MI eligibility by the Insured, an MSP, or Enact (Investor underwriting for compliance to its guidelines is not considered an MI eligibility underwrite)
- Funding and closing the loan

Non-Retail

Enact considers a loan to be a non-retail origination when a third party to the transaction originates the loan. Table-funded loans are considered non-retail.

1.7 Mortgage Insurance Underwriting Method (07/01/2019)

Peak loans may be submitted to Enact for an Enact/non-delegated underwrite or may be underwritten by an approved delegated Lender in accordance with the processes and procedures specified in the Delegated Underwriting Program Guide.

Loans falling outside Enact's published guidelines deserving special consideration, should be submitted to Enact for a non-delegated underwrite.

1.8 Commitment Terms (04/01/2021)

Enact's Commitment/Certificate of Insurance is valid for four (4) months from date of issuance. Our standard Commitment term is twelve (12) months for construction-to-permanent loans. Insurance on such loans is subject to the Property being completed and sold to the borrower pursuant to the original specifications and plans submitted with the credit package. Please refer to Section 27 of Master Policy 1920 for any potential Claim impact due to Incomplete Construction.

For additional information on Commitment Terms refer to the Enact Mortgage Insurance Corporation Underwriting Guidelines book section 5.1.

2 UNDERWRITING GUIDELINES (04/01/2021)

Although Peak loans are not currently eligible for delivery to the GSEs, to ensure simplicity in the underwriting process and to avoid guideline repetition, Peak Underwriting Guidelines in many instances will align with the GSE's standard guidelines and documentation requirements (Fannie Mae, Freddie Mac), or other Enact Standard Underwriting Guidelines (Underwriting Guidelines).

When both the Peak guidelines and Enact's Standard guidelines are "silent", follow either FNMA or FHLMC published standard guidelines. The least restrictive of the agencies' standard guidelines may be followed, however FNMA and FHLMC guidelines may not be comingled in an Origination File.

Throughout this document there are references to various sections of the Enact Mortgage Insurance Corporation Underwriting Guidelines (UWGL) book. These references are designed to guide the Lender to additional relevant information about a guideline or topic.

For example: A reference to information regarding Qualifying Ratios appears as: (UWGL 5.12), indicating that Section 5, Subsection 12 of the Enact Mortgage Insurance Corporation, Underwriting Guidelines book provides additional information related to this topic.

All loans must meet the requirements of Section 5 and Section 7 of the Enact Underwriting Guidelines (UWGL) unless specifically addressed in this material.

ELIGIBILITY MATRICES

Peak Portfolio loans are insured through Enact Mortgage Insurance Corporation of North Carolina's ("EMIC-NC") Peak Portfolio (Peak) are not currently eligible for delivery to Fannie Mae (FNMA), Freddie Mac (FHLMC), the (GSEs).

2.1 PEAK PORTFOLIO (01/10/2022)

Primary Residence – Purchase and Rate/Term Refinance & Construction-to-Permanent				
Property Type	Maximum LTV/CLTV	Maximum Loan Amount	Minimum Credit Score	Maximum DTI
Single family (detached & attached), Condominiums ¹ , Cooperatives	97%	\$1,000,000	620	50%
	95%	\$1,250,000	620	50%
	90%	\$2,500,000	660	45%
Manufactured Housing	95%	\$1,000,000	660	45%
2- 4 Units ^{2, 3}	95%	\$1,250,000	620	50%
Primary Residence – Cash-Out Refinance				
Single family (detached & attached), Condominiums ¹ , Cooperatives Maximum cash-out: \$250,000	95%/ NA	\$1,000,000	620	50%
	85%/ NA	\$1,250,000	680	45%
Second Home – Purchase and Rate/Term Refinance & Construction-to-Permanent				
Single family (detached & attached), Condominiums ¹ , Cooperatives and Construction-to-Permanent ¹	90%	\$1,000,000	660	50%
	85%	\$1,500,000	740	45%
Second Home – Cash-Out Refinance				
Single family (detached & attached), Condominiums ¹ , Cooperatives Maximum cash-out: \$250,000	85%/ NA	\$1,000,000	700	45%
Investment Property – Purchase and Rate/Term Refinance				
Single family (detached & attached), Condominiums ¹ , Cooperatives	90%/ NA	\$1,000,000	680	45%
¹ Non-warrantable Condominiums eligible on a case-by case basis. For additional information refer to Section 7.15 of this guide. ² 2-Unit Renovation loans are limited to a maximum 85% LTV. 3-4 Unit Renovation loans are ineligible. ³ Construction-to-Permanent is ineligible for and 2-4 unit properties. DTI excluding the mortgage insurance premium is used for pricing purposes, the total DTI including mortgage insurance is used for guideline eligibility.				

Peak Portfolio Guidelines and Requirements

All Loans	All loans must meet the requirements of Section 5 and Section 7 of the Enact Underwriting Guidelines (UWGL) unless specifically addressed in the Peak guide.																																									
Eligible Loan Types	<ul style="list-style-type: none">Fixed rate/fixed paymentFully amortizing ARMs with an initial term \geq 1 year and Balloons, with an initial term \geq 5yrTemporary buydowns <p>For additional information on this topic refer to Section 3 of this guide.</p>																																									
Minimum Borrower Contribution & Reserves	<p>For additional information on this topic refer to Section 7.4 of this guide.</p> <table><tr><th>Occupancy/ Loan Amount/ Purpose</th><th>Minimum Borrower Contribution</th><th>Months Reserves</th></tr><tr><td>Primary Residence</td><td></td><td></td></tr><tr><td>1-Unit<ul style="list-style-type: none">Purchase Loan Amount \leq \$1,000,000</td><td>3%</td><td>2 mos. - \leq \$1,000,000</td></tr><tr><td><ul style="list-style-type: none">Purchase Loan Amount \$1,000,001 - \$1,500,000</td><td>5%</td><td><ul style="list-style-type: none">6 mos. - \$1,000,001- \$1,250,00012 mos. - \$1,250,001- \$1,500,000</td></tr><tr><td><ul style="list-style-type: none">Purchase Loan Amount $>$ \$1,500,000</td><td>10%</td><td>12 mos.</td></tr><tr><td><ul style="list-style-type: none">Rate/Term & Cash-out Refinances</td><td>N/A</td><td>0 mos.</td></tr><tr><td>2-4 Unit Purchase & Rate/Term Refinances</td><td>5%</td><td>6 mos.</td></tr><tr><td>Second Home</td><td></td><td></td></tr><tr><td>Purchase Loan Amount \leq \$1,000,000</td><td>5% <i>Minimum borrower contribution for second homes may consist of 3% gift and 2% Borrower Own Funds.</i></td><td>6 mos.</td></tr><tr><td>Purchase Loan Amount $>$ \$1,000,000</td><td>10%</td><td>12 mos.</td></tr><tr><td>Rate/Term & Cash-out Refinances</td><td>N/A</td><td>0 mos.</td></tr><tr><td>Investment Property</td><td></td><td></td></tr><tr><td>Purchase & Rate/Term Refinances</td><td>10%</td><td>6 mos.</td></tr></table> <p>The minimum borrower contribution for:</p> <ul style="list-style-type: none">1-Unit Primary ResidencesSecond Homes \leq \$1,000,000 <p>May be met through gifts, grants or employer assistance, in accordance with GSE guidelines, only if:</p> <ul style="list-style-type: none">Credit score $>$ 680 and DTI $<$ 45%No subordinate financing resulting in monthly payment obligations			Occupancy/ Loan Amount/ Purpose	Minimum Borrower Contribution	Months Reserves	Primary Residence			1-Unit <ul style="list-style-type: none">Purchase Loan Amount \leq \$1,000,000	3%	2 mos. - \leq \$1,000,000	<ul style="list-style-type: none">Purchase Loan Amount \$1,000,001 - \$1,500,000	5%	<ul style="list-style-type: none">6 mos. - \$1,000,001- \$1,250,00012 mos. - \$1,250,001- \$1,500,000	<ul style="list-style-type: none">Purchase Loan Amount $>$ \$1,500,000	10%	12 mos.	<ul style="list-style-type: none">Rate/Term & Cash-out Refinances	N/A	0 mos.	2-4 Unit Purchase & Rate/Term Refinances	5%	6 mos.	Second Home			Purchase Loan Amount \leq \$1,000,000	5% <i>Minimum borrower contribution for second homes may consist of 3% gift and 2% Borrower Own Funds.</i>	6 mos.	Purchase Loan Amount $>$ \$1,000,000	10%	12 mos.	Rate/Term & Cash-out Refinances	N/A	0 mos.	Investment Property			Purchase & Rate/Term Refinances	10%	6 mos.
Occupancy/ Loan Amount/ Purpose	Minimum Borrower Contribution	Months Reserves																																								
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Investment Property																																										
Purchase & Rate/Term Refinances	10%	6 mos.																																								

Peak Portfolio Guidelines and Requirements	
Credit Tradelines	<ul style="list-style-type: none"> Minimum of three (3) tradelines/credit references, open or closed, that have been evaluated at least 12 months. <ul style="list-style-type: none"> Credit references may be a combination of tradelines, traditional or nontraditional credit. (Nontraditional credit limited to \$1,000,000 loan amount) At least one borrower on the loan must have a valid credit score. <p>For additional information on this topic refer to (UWGL 7.4 & 7.5).</p>
Documentation	<p>Loans with a DU Approve/Ineligible or Loan Product Advisor Accept/Ineligible recommendation or risk classification: May follow the respective AUS documentation requirements for employment, income and assets.</p> <ul style="list-style-type: none"> All other parameters of Enact's Peak Guidelines must be met, <i>including but not limited to</i>, requirements regarding LTV, credit score, DTI, reserves, Borrower Own Funds. <p>For additional information on this topic refer to (UWGL 7.1).</p>
Appraisal	<ul style="list-style-type: none"> All property evaluations must have an Interior/Exterior review and all applicable addenda. Loan amounts > \$1,500,000 <ul style="list-style-type: none"> 2 Full URARs, or 1 Full URAR and a Field Review (Form 2000/Form 1032) <p>For additional information on this topic refer to (UWGL 5.29).</p>
Eligibility Exclusions	<ul style="list-style-type: none"> Lender programs and/or products not meeting Peak or Standard guidelines must be approved in writing by Enact.

Peak Portfolio loans are insured through Enact Mortgage Insurance Corporation of North Carolina's ("EMIC-NC") Peak Portfolio (Peak) are not currently eligible for delivery to Fannie Mae (FNMA), Freddie Mac (FHLMC), the (GSEs).

2.2 PEAK PROFESSIONAL (01/10/22)

Primary Residence – Purchase and Rate/Term Refinance & Construction-to-Permanent				
Property Type	Maximum LTV/CLTV	Maximum Loan Amount	Minimum Credit Score	Maximum DTI
Single family (detached & attached), Condominiums ¹ , Cooperatives	97%	\$1,000,000	620	50%
	95%	\$1,250,000	620	50%
	90%	\$2,500,000	660	45%
¹ Non-warrantable Condominiums eligible on a case-by case basis. For additional information refer to Section 7.15 of this guide.				
DTI excluding the mortgage insurance premium is used for pricing purposes, the total DTI including mortgage insurance is used for guideline eligibility.				
Peak Professional Guidelines and Requirements				
All Loans	All loans must meet the requirements of Section 5 and Section 7 of the Enact Underwriting Guidelines (UWGL) unless specifically addressed the Peak guide.			
Eligible Loan Types	<ul style="list-style-type: none">Fixed rate/fixed paymentFully amortizing ARMs with an initial term ≥ 1 yearBalloons, with an initial term ≥ 5 yearTemporary buydowns For additional information on this topic refer to Section 3 of this guide.			
Minimum Borrower Contribution & Reserves	Occupancy/Loan Amount/ Purpose	Minimum Borrower Contribution	Months Reserves	
	Primary Residence			
	1-Unit			
	<ul style="list-style-type: none">Purchase Loan Amount ≤ \$1,000,000	3%	2 mos. - ≤ \$1,000,000	
	<ul style="list-style-type: none">Purchase Loan Amount \$1,250,001 - \$1,500,000	5%	<ul style="list-style-type: none">6 mos. - \$1,000,001- \$1,250,00012 mos. - \$1,250,001-\$1,500,000	
	<ul style="list-style-type: none">Purchase Loan Amount > \$1,500,000	10%	12 mos.	
	<ul style="list-style-type: none">Rate/Term & Cash-out Refinances	N/A	0 mos.	
For additional information on this topic refer to Section 7.4 of this guide.				
Credit Tradelines	<ul style="list-style-type: none">Minimum of three (3) tradelines/credit references, open or closed, that have been evaluated at least 12 months.<ul style="list-style-type: none">Credit references may be a combination of tradelines, traditional or nontraditional credit. (Nontraditional credit limited to \$1,000,000 loan amount)At least one borrower on the loan must have a valid credit score. For additional information on this topic refer to (UWGL 7.4 & 7.5).			

Peak Professional Guidelines and Requirements

Documentation	<p>Loans with a DU Approve/Ineligible or Loan Product Advisor Accept/Ineligible recommendation or risk classification: May follow the respective AUS documentation requirements for employment, income and assets.</p> <ul style="list-style-type: none"> All other parameters of Enact's Peak Guidelines must be met, <i>including but not limited to</i>, requirements regarding LTV, credit score, DTI, reserves, Borrower Own Funds. <p>For additional information on this topic refer to (UWGL 7.1).</p>
Appraisal	<ul style="list-style-type: none"> All property evaluations must have an Interior/Exterior review and all applicable addenda. Loan amounts > \$1,500,000 <ul style="list-style-type: none"> 2 Full URARs, or 1 Full URAR and a Field Review (Form 2000/Form 1032) <p>For additional information on this topic refer to (UWGL 5.29).</p>
Borrower Eligibility	<p>At least one borrower in the transaction must:</p> <ul style="list-style-type: none"> Have an acceptable designation which may include, but is not limited to: Medical Resident, Medical Fellow, Doctor of Medicine, Dental Science, Optometry, Osteopathy, Doctor of Veterinary Medicine, Attorney, Chiropractor (DC), Certified Public Account (CPA) or PhD in a non-medical profession. If a Resident or Fellow: <ul style="list-style-type: none"> Must have a signed guaranteed non-contingent employment contract or be a graduate from a doctoral program. Third party written evidence of an acceptable doctorate degree or Juris Doctor degree (J.D.) is required as documentation for the Origination File.
Treatment of Student Loan Debt	<p>Student loan debt may be excluded from the DTI calculation with documentation to evidence that the loan payments will be in deferment after the loan closing date.</p> <p>If there are multiple borrowers on loan with deferred student loan debt, the exclusion of student loan debt only applies to the borrower(s) with the designations meeting the program requirements.</p>
Alternative Documentation for Medical Residents	<p>Medical Residents with a minimum of 6 months residency remaining may use the alternative documentation listed below as evidence that student loan will be in deferment:</p> <ul style="list-style-type: none"> Letter from employer verifying the medical resident's start date, or Letter from employer verifying at least 6 months residency remaining, or Letter from the student loan servicer confirming that the student loan payments will be in deferment after the loan closing date
Eligibility Exclusions	<p>Lender programs and/or products not meeting Peak or Standard Guidelines must be approved in writing by Enact.</p>

2.3

THIS SECTION HAS BEEN REMOVED (08/30/2020)

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Peak Portfolio loans are insured through Enact Mortgage Insurance Corporation of North Carolina's ("EMIC-NC") Peak Portfolio (Peak) are not currently eligible for delivery to Fannie Mae (FNMA), Freddie Mac (FHLMC), the (GSEs).

2.4 PEAK AFFORDABLE HOUSING (01/10/2022)

Primary Residence – Purchase and Rate/Term Refinance & Construction-to-Permanent

Property Type	Maximum LTV/CLTV	Maximum Loan Amount	Minimum Credit Score	Maximum DTI
Single family (detached & attached), Condominiums ² , Cooperatives	97%/ 105%	\$1,000,000	620	50%
Manufactured Housing	95%/ 105%	\$647,200	620	50%

¹ Non-warrantable Condominiums eligible on a case-by case basis. For additional information refer to Section 7.15 of this guide.

DTI excluding the mortgage insurance premium is used for pricing purposes, the total DTI including mortgage insurance is used for guideline eligibility.

Affordable Housing Guidelines and Requirements

All Loans	All loans must meet the requirements of Section 5 and Section 7 of the Enact Underwriting Guidelines (UWGL) unless specifically addressed in the Peak guide.		
General Requirements for Affordable Housing	<ul style="list-style-type: none">All borrowers must occupy the property.Homebuyer Education is not required for first time homebuyers.		
Subordinate Financing	Subordinate financing must meet Fannie Mae’s Community Seconds or Freddie Mac’s Affordable Seconds guidelines with the exception that the Lender may provide funding . <ul style="list-style-type: none">Any recorded subordinate lien must be included in the CLTV.Any resulting payment obligations must be included in the DTI.		
Eligible Loan Types	<ul style="list-style-type: none">Fixed rate fixed paymentARMs with initial term ≥ 1 yearTemporary buydowns		
Minimum Borrower Contribution & Reserves			
	Occupancy	Minimum Borrower Contribution	Months Reserves Purchase/ Rate/Term Refinance
	1 - Unit Primary	DTI ≤ 45% - 1% DTI >45% - 3%	Purchase: 2 mos. Refinance: 0 mos.
<p>The minimum borrower contribution can be met through gifts, grants or employer assistance, in accordance with GSE guidelines, only if:</p> <ul style="list-style-type: none">Primary, purchase residenceCredit score ≥ 680 and DTI ≤ 45% <p>For additional information on this topic refer to Section 7.4 of this guide as well as (UWGL 7.10.1 and 7.10.3.) for information on Eligible Sources of Funds.</p>			

Affordable Housing Guidelines and Requirements

Credit Tradelines	<ul style="list-style-type: none"> Minimum of three (3) tradelines/credit references, open or closed, that have been evaluated at least 12 months. <ul style="list-style-type: none"> Credit references may be a combination of tradelines, traditional or nontraditional credit. At least one borrower on the loan must have a valid credit score. For additional information on this topic refer to (UWGL 7.4 & 7.5).
Documentation	<p>Loans with a DU Approve/Ineligible or Loan Product Advisor Accept/Ineligible recommendation or risk classification: May follow the respective AUS documentation requirements for employment, income and assets.</p> <ul style="list-style-type: none"> All other parameters of Enact's Peak Guidelines must be met, including but not limited to, requirements regarding LTV, credit score, DTI, reserves, Borrower Own Funds, etc. <p>For additional information on this topic refer to (UWGL 7.1).</p>
Appraisal	<ul style="list-style-type: none"> All property evaluations must have an Interior/Exterior review (URAR) and all applicable addenda.
Eligibility Exclusions	Lender programs and/or products not meeting Peak or Standard Guidelines must be approved in writing by Enact.

3 ELIGIBLE LOAN TYPES

3.1 Fixed Rate/Fixed Payment (07/01/2019)

Fixed rate/fixed payment mortgages must be fully amortizing and may have terms up to 40 years.

Note: Maximum amortization term for manufactured homes not to exceed 30 years.

3.2 Adjustable Rate Mortgage (ARM) Requirements and Features (08/30/2020)

ARMs must be fully amortizing and may have terms up to 40 years. The ARM index rate must be tied to an index that is published and easily verified by the borrower, and beyond control of the lender.

Eligible ARM features:

Per Adjustment Caps on ARM Loans				
Initial Fixed Period ¹	Max Initial Cap (1 st Adjustment)	Max Periodic Cap (Subsequent Annual)	Lifetime Cap	ARM Term Restrictions
1 – 2 years	2%	2%	6%	Min. ARM Term \geq 3 yrs.: Loan Amounts $>$ \$1,000,000
3 years	3%			
\geq 5 years	6%			

¹ The minimum subsequent interest rate adjustment period is 6 months.

3.2.1 Fixed Period ARMs (07/01/2019)

Loans featuring level payments for a minimum of 5 years are eligible for fixed rate MI pricing provided that the loan has no potential for negative amortization.

3.2.2 ARM Qualifying Rates (09/18/2021)

- Follow GSE standard requirements for ARMs with initial fixed periods $<$ 5 years. For more information, see [Fannie Mae](#) or [Freddie Mac](#).
- ARMs with initial fixed periods \geq 5 years qualify at the Note Rate.

3.3 Balloon Mortgages (01/10/2022)

Balloon payment loans are not fully amortizing over the loan term and require the balance of the mortgage be paid in a lump sum at the end of the initial term. [For additional information on this topic refer to \(UWGL7.3\).](#)

- Minimum term for the balloon is 5 years.
- Fixed rate/term loans only
- Balloons are ineligible with:
 - Cash-out refinances
 - Manufactured Housing
 - Investment properties
 - Loan amounts $>$ \$1,250,000

The lender, however, must offer the borrower a new loan at market rates in an amount not less than, the outstanding principal balance with no decrease in the amortization period for insurance coverage to continue.

3.4 Temporary Buydowns (01/10/2022)

Occupancy	Loan Type	LTV	Max Buydown Period	Program Restrictions
Primary Residence	<ul style="list-style-type: none"> Fixed rate ≥ 1 year ARMs 	97%	3-2-1	Temporary Buydowns are ineligible in conjunction with: <ul style="list-style-type: none"> Manufactured Housing Investment properties Cash-out Refinances Non-Traditional Credit
Second Homes		90%		

3.4.1 Temporary Buydown Qualifying Rates (07/01/2019)

Follow GSE standard requirements. For more information, see [Fannie Mae](#) or [Freddie Mac](#).

4 INELIGIBLE LOAN FEATURES (01/10/2022)

Appraisals

- Exterior only appraisals
- Automated Valuation Models (AVMs)
- Desk Review

Assets

- Cash on hand
- Shared equity

Geography

Properties located in - Guam, Puerto Rico, Virgin Islands

Income

Rental income from the subject second home may not be used to qualify

Interested Party Contributions - Payment

Loans with payment abatements.

Loan Types

- Cash-out refinances:
 - Properties purchased within the last 6 months
 - Properties previously listed for sale, must be removed from market prior to closing. Origination File must contain documentation
- Graduated Payment Mortgage (GPM)
- Interest only loans
- Loans featuring negative amortization
- Pay option ARMS (POA)

Property Types

- Commercially used properties
- Unimproved land
- Time-share units
- Mobile Homes
- Working farms, orchards and ranches
- Houseboats
- Condotels

For additional information on this topic refer to (UWGL 5.8).

Additional Ineligible Loan Features - Loans > \$1MM

- Non-Occupant Co-borrowers
- Non-traditional Credit

Enact Underwrite Required

- Non-Warrantable Condos
- Loans with resale restrictions that survive foreclosure
- Loans closed more than 120 days are ineligible for delegated loan submission, however, may be submitted for an Enact underwrite

For additional information on this topic refer to (UWGL 5.8.1).

5 OCCUPANCY

5.1 Primary Residence (07/01/2019)

A property is considered a primary residence if it meets the following criteria:

- It is occupied by the borrower for at least six months out of the year and is the address of record for taxes, voter registration, etc.
- It is located within reasonable commuting distance of the borrower's place of employment.
- The borrower declares an intention to occupy the property as a primary residence.
- The property must be occupied by the borrower within sixty (60) days of closing or completion.

We will classify as a primary residence, a home purchased by a borrower for parents who are unable to work or do not have sufficient income to qualify for a mortgage, or a parent/guardian purchasing for their disabled adult child.

For additional information on this topic refer to (UWGL 5.13.1).

5.2 Second Home (07/01/2019)

A property is considered a second home if it meets the following criteria:

- A 1-unit property located at a reasonable distance away from the borrower's primary residence
- Occupied by the borrower for some portion of the year
- Borrower must have exclusive control over the property
- No agreements may exist that give a management firm control over the occupancy of the property
- Must not be rental property, subject to rental pools, timeshare or shared ownership agreements. If rental income is identified, the loan is eligible to be underwritten as a second home if the income is not used for qualifying purposes and all other requirements for second homes are met including the occupancy requirements above.
- Second Homes with seasonal occupancy limitations must follow GSE standard guidelines.

For additional information on this topic refer to (UWGL 5.13.2).

5.3 Investment Property (01/10/2022)

A property is considered an investment property if it meets the following criteria:

- Non-owner-occupied property
- For borrowers who are natural Persons
- Rental income may be used to qualify
- **Ineligible features:** Cash-out refinances, construction-to-permanent, 2-4 units, financed MI, ARMs with initial term <1 year, balloons and temporary buydowns.

6 ELIGIBLE TRANSACTION TYPES

6.1 Purchase (07/01/2019)

The loan proceeds may be used to:

- Finance the purchase of a property
- Finance the purchase and renovation of a property
- Construct a new property – either through a one-time or two-time closing construction-to-permanent loan
- Payoff of an installment land contract that was executed within the 12 months preceding the date of the loan application.
- Convert a lease option to purchase into permanent financing

6.2 Rate/Term Refinance (03/01/2020)

The loan may adhere to the GSE guidelines in which the loan amount may include:

- Payoff of unpaid principal balance of the existing first mortgage, or an eligible loan obligation used to finance energy improvements
- Payoff or paydown the outstanding principal balance of subordinate liens securing the property that were used in whole to acquire the subject property
- Paying of closing costs, financing costs, points, prepaids, and
- Cash- back to the borrower:
 - Not to exceed 2% of the principal amount of the new loan amount or \$2,000, whichever is less, or
 - If following FHLMC's No Cash-Out Refinance guidelines, funds not to exceed the greater of 1% of the principal amount of the new loan or \$2,000

6.3 Portfolio Rate/Term Refinance (01/10/2022)

For all non-agency or lender portfolio transactions not adhering to the agency refinance definitions in the section above, Enact allows a different treatment of the payoff of subordinate liens for determining the refinance type.

A loan may be considered a rate/term refinance if it:

- Meets agencies' definition for payoff of the unpaid principal balance, closing costs, financing costs, points, prepaids, and funds for the borrower's use, and
- Payoff of outstanding subordinate mortgage liens securing the subject Property that have twelve (12) months' seasoning
 - Where the subordinate lien is a Home Equity Line of Credit, total draws within the last 12 months cannot exceed \$2,000. Origination File must maintain evidence of the total draws in the past 12 months.
 - Seasoning requirement exceptions are permitted subject to additional criteria.

For additional information on this topic refer to in (UWGL 5.15.1.1).

6.4 Cash-out Refinance (07/01/2019)

The mortgage amount may include:

- Cash back to Borrower not to exceed \$250,000.
 - **Funds that may be included** when calculating maximum cash back to Borrower
 - Payoff of the outstanding principal balance of subordinate liens securing the Property that were not used in whole to acquire the subject Property
 - Payoff of Revolving, Installment or Other Debt
 - Other funds for the borrower's use
 - **Funds that may not be included** when calculating the maximum cash back to Borrower
 - Payoff of unpaid principal balance of the existing first mortgage,
 - Payoff of outstanding balance of subordinate liens securing the property that was used in whole to acquire the subject property,
 - Payoff of closing costs, financing costs, points and prepaids
- **Ineligible for Cash-out Refinance**
 - Properties purchased within the last 6 months
 - Properties previously listed for sale, must be removed from market prior to closing. Origination File must contain documentation to evidence listing was removed prior to closing.
 - Re-subordinated secondary financing.

6.5 Construction-To-Permanent Transactions (C-to-P) (07/01/2019)

Enact will insure both a **Single Close and Two Time Close Construction-to-Permanent** loan transactions. Mortgage insurance coverage may be provided during the construction phase or at completion of construction.

6.5.1 Purchase C-to-P

Borrower is not the owner of record of the land prior to the closing of the construction financing.

LTV is based upon: the lesser of Acquisition cost (purchase price of the lot plus total documented construction costs), or Appraised value, as completed.

6.5.2 Rate/Term C-to-P

Borrower is the owner of record of the land prior to the closing of the construction financing.

LTV is based upon: the current appraised value, as completed.

6.5.3 Underwriting

- Borrower is underwritten and qualified with the full PITIA one time according to the terms of the permanent financing.
 - The borrower may make interest only (IO) payments during the construction phase, the end loan or permanent terms may not be IO.
 - A change from a fixed rate to an ARM is allowed when the change occurs on or before the loan converts to permanent financing. The new loan product may be an ARM with an initial fixed term of 3 years or greater.
- For single close construction-to-permanent loans, there is only one Note date, therefore, the conversion/modification date is not applicable to the age of **(credit)** documentation. If the Lender opts to activate coverage at the time of property completion, the Lender is not required to submit updated credit documents as long as the loan closed per the terms of the Commitment/Certificate of Insurance.

6.5.4 Mortgage Insurance Coverage

Coverage may be activated prior to completion or upon completion of construction. Certificate activation instructions may vary based on the premium plan option.

6.5.4.1 Prior to Completion of Construction/Insure During Construction

- The loan close date provided to Enact to activate coverage is the initial loan close date. Insurance is effective as of the initial loan close date and premium is billed according to the premium plan.
- Upon completion of the construction, Enact must be notified should any of the loan terms change.
- Certificate activation instructions may vary based on the premium plan option.

6.5.4.2 Upon Completion of Construction/ Insure Upon Completion of Construction

- Prior to activation of coverage, Enact must be notified should any of the loan terms change. Construction must be completed at the time of activation as evidenced by acceptance of the property by the borrower (such as a final walk-through inspection report) and issuance of a Certificate of Occupancy. These documents must be added to the Lenders Origination File.

For additional information on this topic refer to (UWGL 5.2).

- For manufactured housing, the installation must be fully complete, including permanent utility connections and construction of any site-built improvements such as garages, decks, or porches as evidenced by a satisfactory Appraisal Update and/or Completion Report.
- Loan is ineligible if borrower has any 30-day delinquencies during construction phase. The pay history from the construction phase must be added to the Lender's Origination File.
- All mechanics' liens, materialmen's liens or any other liens affecting title must be satisfied prior to activation of coverage.
- The loan close date provided to Enact to activate coverage is the date the loan converts to the permanent financing. By providing this date and the MI premium, the lender is representing and warranting that:
 - The borrower had no delinquencies during the construction phase
 - There are no outstanding liens or any debt affecting title, and
 - The Origination File documentation is complete.

For additional information on this topic refer to (UWGL 5.7).

6.6 Renovation Loans (12/19/2019)

Enact will insure renovation loans, including GSE renovation programs, that provide the borrower with funds to cover the costs to renovate, remodel or repair an existing property.

- The loan must be identified as a "renovation" on the mortgage insurance Application
- The Commitment term for renovation loans is 120 days. Commitment terms exceeding 120 days are handled on a case-by-case basis
- Renovation loans are ineligible for:
 - 2 Unit properties > 85% LTV
 - 3-4 Unit properties

For additional information on this topic refer to (UWGL 7.15).

7 UNDERWRITING (04/01/2021)

Peak Portfolio Guidelines are applicable to manually underwritten loans as well as loans that have received a FNMA Desktop Underwriter (DU) Approve/ Ineligible or FHLMC Loan Product Advisor (LPA) Accept/ Ineligible decision.

- When available, DU or LPA underwriting decision may utilize the associated documentation efficiencies for employment, income and assets.
- All other loans should be documented according to (Fannie Mae, Freddie Mac) requirements.
 - Follow Fannie Mae's guidelines when Fannie Mae is the investor, or the Fannie Mae Selling Guide is your standard guideline set, or
 - Follow Freddie Mac's guidelines when Freddie Mac is the investor or the Freddie Mac Seller Guide is your standard guideline set, or
 - Follow the least restrictive of the agencies' guidelines for all other situations

For additional information on this topic refer to (UWGL 7.2).

7.1 Borrower Eligibility (07/01/2019)

Enact will insure loans for natural Persons only, except for Inter Vivos Revocable Trusts. Corporations, partnerships or associations may be eligible for special programs subject to written approval by Enact.

Eligible Borrowers are:

- U.S. Citizens
- Non-Permanent Resident Aliens
- Permanent Resident Aliens
- Inter Vivos Revocable Trusts

Enact will insure loans to non-U.S. citizens who are non-permanent or permanent resident aliens under the same terms available to U.S. citizens provided:

- All borrowers are lawfully present in the U.S. and supporting documentation must be maintained in the Origination File. Refer to the documentation requirements as referenced below.
- All borrowers have a valid Social Security Number or Individual Tax Identification Number (ITIN)
 - At least one borrower on the loan must have a valid Social Security Number
 - By itself, an ITIN is not evidence that the borrower is lawfully present in the United States. An ITIN is issued strictly for tax payment purposes.
- All borrowers whose income is being used to qualify for the loan have a two (2) year history of employment, income and credit that meets GSE standard guidelines.

For additional information on this topic refer to (UWGL 5.9).

7.2 Credit Underwriting (01/10/2022)

- **Credit Report Requirements:**
 - Enact requires a Residential Mortgage Credit Report (RMCR) or an in-file credit report that reflects
 - Credit data for each borrower from a minimum of two (2) repositories; three (3) repositories are preferred (Credit repositories include Equifax, Experian and TransUnion).
 - At least one borrower must have a minimum of (3) tradelines/credit references that have been evaluated for at least 12 months for a credit score to be considered valid.
- **Loan Representative Credit Score:**
 - When one or more borrowers, have valid credit score(s)
 - The lowest of the borrower's credit scores, typically the lowest middle score, is considered the Loan Representative Credit Score.
 - When one borrower has a valid credit score and one or more borrowers do not:
 - The lowest borrower credit score is considered the Loan Representative Credit Score.

- **Non-traditional Credit:**

- The following guidelines apply for loans with non-traditional credit:
 - Loan amounts \leq \$1,000,000
 - Maximum LTV 95% and maximum DTI of 41%
- Non-traditional credit is ineligible with Construction-to-Permanent, Manufactured Housing, 2nd homes, Investment and 2-4 Unit properties.

For additional information on this topic refer to (UWGL 7.5 -7.9).

7.3 Asset and Liability Assessment (07/01/2019)

Follow either FNMA or FHLMC published manual underwriting guidelines (Fannie Mae, Freddie Mac). For all other situations, follow the least restrictive of the agencies' guidelines.

For additional information on this topic refer to (UWGL 7.10.1-7.10.2.).

7.4 Minimum Borrower Contribution and Reserves (9/18/2021)

The borrower's minimum contribution must be put "into the transaction". This means that the minimum amount required from the borrower is used for down-payment, closing costs, financing costs and/or prepaids. The minimum amount must be verified and documented as the borrower's own funds.

For additional information on this topic refer to (UWGL 7.10.1 & 7.10.3.).

Unless specified in the specific Program Requirements and Guidelines, below is the minimum required borrower contribution for all transactions:

Occupancy/ Loan Amount/ Purpose	Minimum Borrower Contribution	Months Reserves
Primary Residence		
1-Unit		
• Purchase Loan Amount \leq \$1,000,000	3%	2 mos. - \leq \$1,000,000
• Purchase Loan Amount \$1,000,001 - \$1,500,000	5%	• 6 mos. - \$1,000,001- \$1,250,000 • 12 mos. - \$1,250,001-\$1,500,000
• Purchase Loan Amount $>$ \$1,500,000	10%	12 mos.
• Rate/Term & Cash-out Refinances	N/A	0 mos.
2-4 Unit		
• Purchase & Rate/Term Refinances	5%	6 mos.
Second Home		
• Purchase Loan Amount \leq \$1,000,000	5% <i>Minimum borrower contribution for second homes may consist of 3% gift and 2% Borrower Own Funds.</i>	6 mos.
• Purchase Loan Amount $>$ \$1,000,000	10%	12 mos.
• Rate/Term & Cash-out Refinances	N/A	0 mos.
Investment Property		
• Purchase & Rate/Term Refinances	10%	6 mos.

The minimum borrower contribution for:

- 1-Unit Primary Residences
- Second Homes \leq \$1,000,000

may be met through gifts, grants or employer assistance, in accordance with GSE guidelines, only if:

- Credit score \geq 680 and DTI \leq 45%
- No subordinate financing resulting in monthly payment obligations

7.5 Interested Party Contributions (07/01/2019)

Follow GSE standard guidelines for treatment of builder/seller contributions, subject to these maximums:

Builder/Seller Contributions		
Occupancy	LTV/CLTV	Max Contribution
Primary Residence	90.01 – 97%	3%
	90%	
Second Homes	90%	6%
Investment Property	85%	2%

Note: *The payment of HOA fees for a term of ≤ 12 months is considered an interested party contribution.*

7.6 Loan Documentation (07/01/2019)

Follow either FNMA or FHLMC published manual underwriting guidelines ([Fannie Mae](#), [Freddie Mac](#)) for both asset documentation and age of documentation requirements. For all other situations, follow the least restrictive of the agencies' guidelines.

From time-to-time Enact Underwriters may request additional documentation to supplement the GSE's minimums in order to better support the underwriting decision.

7.6.1 Electronically Generated Verifications (07/01/2019)

- Lender represents and warrants the integrity and accuracy of the information
- Significant debts, such as mortgage or installment loans, not verified on the credit report or the in-file reports must be verified

7.6.2 Employment and Income Documentation (07/01/2019)

Income and employment are required to be stable. To prove stability of either income or employment, two (2) years of receipt should be documented. If less than two (2) years are documented, the borrower's income must be:

- Adequately verified
- Stable
- Sufficient to repay the mortgage debt
- Likely to continue (This applies to income types for which continuance is always defined and documentable)

For additional information on this topic refer to (UWGL 7.11 -7.11.11).

7.7 Mortgage and Rental Payment History (07/01/2019)

- Mortgage Payment History - follow either FNMA or FHLMC published manual underwriting guidelines ([Fannie Mae](#), [Freddie Mac](#)). For all other situations, follow the least restrictive of the agencies' guidelines.
- Rental Payment History - A direct verification of rental payments (a VOR or 12 months cancelled checks, as applicable) will be required if:
 - The borrower is a nontraditional credit borrower which requires a verification of rental payments as one credit reference, or
 - An additional credit reference is needed to meet our minimum tradeline and history requirement
 - When a borrower is not paying for any monthly housing, an explanation should be provided

7.8 Appraisal Requirements (09/18/2021)

- All property evaluations must have an Interior/Exterior review (URAR).
- The appraisal form and applicable addenda must meet GSE requirements.
- Use of automated valuation models (AVMs), Appraisal Waivers, PIAs, desk reviews, or exterior only appraisals to obtain property values are ineligible.
- Follow the GSE's standard guidelines for age of appraisal of 120 days. Follow the GSE's policy for obtaining an appraisal update and/or new appraisal for outdated and expired appraisals.
- Loan amounts > \$1,500,000
 - 2 Full URARs, or
 - 1 Full URAR **and** a Field Review (Form 2000/Form 1032)

7.9 Construction-to-Permanent Appraisal (07/01/2019)

- URAR, "subject to completion" completed by an appraiser at time of underwrite.
- The appraisal form and applicable addenda must meet GSE requirements.
- Appraisal Update and/or Completion Report (Form 1004D/442) completed by the appraiser at completion of construction.
- A new appraisal may be required at completion of construction if the appraiser indicates on the 1004D/442 that the value has declined.
- The update and/or new appraisal must be added to the Origination File documentation.
- If the original appraisal is:
 - ≤ 120 days: Form 1004D/442 with the Certification of Completion section completed by the appraiser must be added to the Origination File documentation
 - > 120 days: Form 1004D/442 must be completed in its entirety by the appraiser. If the appraiser notes that the market value has declined, then a new appraisal is required.

7.10 Completion Escrow (07/01/2019)

Enact will insure loans with completion escrows provided the lender has the ability to escrow for the renovation and repairs. Follow Fannie Mae or Freddie Mac guidelines for the establishment and disbursement of the account funds and/or the GSE's standard guidelines for the specific renovation program. For loans underwritten by Enact, the Commitment/Certificate of Insurance issued will be conditioned for the escrowed funds and disbursement only for completed repairs and improvements.

7.11 Manufactured Housing (08/30/2020)

- Manufactured housing must meet GSE standard guidelines.
- The unit must have the general appearance and functional utility of a conventional site-built home
- The appraisal must address local demand, marketability, and supply of manufactured housing in the area, as well as the quality of construction
- The unit must not be atypical for the neighborhood
- The appraisal report must have a minimum of two (2) manufactured home comparable sales. No comparable sales can be created by combining a land sale with a manufactured home purchase price
- The remaining economic life must be greater than the loan term but no less than 20 years

For additional information on this topic refer to (UWGL 7.12).

7.12 Two Individual Residential Dwellings on One Lot (07/01/2019)

Information about loans for properties that contain two (2) individual residential dwellings such as a unit above a detached garage, guest house or basement apartment subject to additional criteria.

For additional information on this topic refer to (UWGL 7.13).

7.13 Acreage (01/10/2022)

Enact does not have a maximum acreage limitation.

Non-residential properties such as agricultural properties, commercially used properties, working farms, orchards and ranches or other properties that are not residential in nature are ineligible for MI regardless of the acreage.

For additional information on this topic refer to (UWGL 5.18.5).

7.14 Energy Improvement (07/01/2019)

Enact will insure loans for borrowers financing the costs of energy improvements for an existing property according to published Fannie Mae Selling Guide guidelines and documentation.

For additional information on this topic refer to (UWGL 5.18.3 & 7.16).

7.15 Non-Warrantable Condominiums (07/01/2019)

Loans in attached condominium projects that do not meet GSE project eligibility requirements, and are considered non-warrantable, may be submitted to Enact on a case-by-case basis.

Origination Files containing a Condo Project Advisor feedback certificate in which a Project Waiver Request (PWR) has been granted may be submitted to Enact for consideration on a case-by-case basis.