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DOCUMENTATION TYPES GUIDE

RADIAN

Contents

Introduction	3
Documentation Types	3
Full Documentation (based on GSE standards).....	3
Full Documentation Alternative (based on GSE standards)	4
Full Documentation DU/LP (based on GSE standards).....	6
Full Documentation Proprietary AUS (must be Radian authorized) ...	6
Ineligible Documentation.....	7
Lender-Radian Negotiated Agreements	8

Introduction

Loans with full documentation of income, employment, and assets are the most desirable in terms of managing credit risk. However, Radian recognizes that, under certain circumstances and with proper origination practices, reductions in the amount of documentation required can be made without unduly compromising the credit quality and the future performance of these loans. Marginal increase in credit risk can be mitigated by selective use of reduced documentation to less-risky loans or by price adjustments. While many documentation types are referenced in mortgage loan origination and mortgage insurance guidelines, the mortgage industry has not adopted clear and concise universal definitions. This document therefore establishes Radian's requirements for verification and documentation of employment, income, and assets.

Documentation Types

This document supplements and should be used in conjunction with Radian's Platinum and Standard mortgage insurance Underwriting Guidelines, available on our Web site at www.radian.biz.

Full Documentation (based on GSE standards)

Radian accepts the documentation standards established by Fannie Mae and Freddie Mac for verification of income, employment, and assets. Verification and documentation requirements for sources of employment, income, and assets not referenced herein default to Fannie Mae/Freddie Mac standards for non-DU/LP mortgages.

Employment	Employed borrower, owning less than 25% of the business	<p>Employment for the most recent 24 months verified in writing.</p> <p>Acceptable written verification must include:</p> <ul style="list-style-type: none"> ■ Employer name ■ Employer address ■ Employer phone number ■ Borrower's job title ■ Borrower's dates of employment <p>Any gaps of employment must be explained by the borrower in writing, with documentation of school enrollment, military service, etc., as applicable.</p>
	Self-employed borrower, owning 25% or more of the business	<p>Confirmation of self-employment/existence of the business.</p> <p>Confirmation is required from an independent source such as phone directories, state or local business license grantors, or the accountant of the business. If business licensing is mandatory, a copy of the business license is required.</p>
Income	Employed borrower, owning less than 25% of the business	<p>Confirmation of the borrower's earnings for the current year (including the most recent 30-day period) and earnings over the past two calendar years provided in writing by each applicable/corresponding employer.</p> <p>Income information may be reflected on the same written statement obtained for verification of employment.</p>

<ul style="list-style-type: none"> ■ Self-employed borrower, owning 25% or more of the business OR ■ Employed borrower, receiving income on a per-job or contract basis OR ■ Employed borrower, receiving commission income that represents 25% or more of borrower's total income OR ■ Employed borrower, employed by a family member 	<p>Confirmation of the borrower's earnings for the most recent two calendar years.</p> <p>The borrower's personal US Federal income tax returns, including all schedules, for the most recent two years are required.</p> <p>If tax returns are obtained directly from the borrower, then documentation must include one of the following, signed by the borrower:</p> <ul style="list-style-type: none"> ■ Request for Copy of Tax Form (IRS Form 4506) ■ Request for Transcript of Tax Return (IRS Form 4506-T) ■ Tax Information Authorization (IRS Form 8821) <p>If the loan application is dated after April 15th of any calendar year, income documentation should also include year-to-date information in the form of a P&L statement, quarterly estimate of taxes (IRS Form 1040ES), etc.</p> <p>Business tax returns must be obtained if the viability of the business generating the applicable income is questionable or the borrower's income has increased during the past two years.</p>
<p>Non-wage income (such as pensions, investments, trusts, and rents)</p>	<p>Confirmation of the borrower's income for the most recent two calendar years.</p> <p>The borrower's personal US Federal income tax returns, including all schedules, for the most recent two years are required.</p> <p>If tax returns are obtained directly from the borrower, then documentation must include one of the following, signed by the borrower:</p> <ul style="list-style-type: none"> ■ Request for Copy of Tax Form (IRS Form 4506) ■ Request for Transcript of Tax Return (IRS Form 4506-T) ■ Tax Information Authorization (IRS Form 8821) <p>Copies of the following as applicable to the nature of the income should also be included:</p> <ul style="list-style-type: none"> ■ Award letters ■ Pension statements ■ IRS Form 1099
<p>Assets</p>	<p>Verification that the borrower has sufficient liquid assets available to complete the mortgage transaction and adequate reserves after closing. Refer to Radian's Platinum and Standard Underwriting Guidelines for reserve requirements.</p> <p>Written verification of checking accounts, savings accounts, brokerage accounts, etc. is required. The depository institution must complete a Verification of Deposit form or provide other acceptable written documentation reflecting the name of the depository institution and including an authorized employee signature and date information provided. In addition to current cash and other asset balances, the average balance in the borrower's depository accounts for the two-month period preceding the date of the loan application must be provided.</p>

Full Documentation Alternative (based on GSE standards)

As an alternative to the foregoing, Radian accepts:

- The alternative documentation standards established by Fannie Mae and Freddie Mac for verification of income, employment, and assets.
- Income and employment verification reports produced by third-party verification services, in lieu of the documentation alternatives specified below. These verification services must be approved by and/or be in compliance with Fannie Mae or Freddie Mac guidelines.

Verification and documentation requirements for sources of income and assets not referenced herein default to Fannie Mae/Freddie Mac standards for non-DU/LP mortgages.

Employment	
Employed borrower, owning less than 25% of the business	<p>Lender's verbal verification of employment from all employers during the most recent 24 months.</p> <p>Verbal verification of employment must include the following:</p> <ul style="list-style-type: none"> ■ Name of the lender's employee who contacted the employer ■ Name of the entity/business/company contacted ■ Name and title of the individual providing the information ■ Date of the contact ■ Independent source of the telephone number used to contact the employer
Self-employed borrower, owning 25% or more of the business	<p>Confirmation of self-employment/existence of the business.</p> <p>Confirmation is required from an independent source such as phone directories, state or local business license grantors, or the accountant of the business. If business licensing is mandatory, a copy of the business license is required.</p>
Income	
Employed borrower, owning less than 25% of the business	<p>Confirmation of the borrower's earnings for the current year (including the most recent 30-day period) and earnings over the past two calendar years.</p> <p>Copies of Form W-2 (from all applicable employers) and a computer generated or typed check stub reflecting the most recent 30-day period and year-to-date earnings (from current employer) are required.</p>
<ul style="list-style-type: none"> ■ Self-employed, owning 25% or more of the business OR ■ Employed borrower, receiving income on a per-job or contract basis OR ■ Employed borrower, receiving commission income that represents 25% or more of borrower's total annual income OR ■ Employed borrower, employed by a family member 	<p>Confirmation of the borrower's earnings over the past two calendar years.</p> <p>Signed pages 1 and 2 of the borrower's most recent personal US Federal tax return and one of the following, signed by the borrower:</p> <ul style="list-style-type: none"> ■ Request for Copy of Tax Form (IRS Form 4506) ■ Request for Transcript of Tax Return (IRS Form 4506-T) ■ Tax Information Authorization (IRS Form 8821)
Non-wage income (such as pensions, investments, trusts, and rents)	<p>Confirmation of the borrower's income over the past two calendar years.</p> <p>Signed pages 1 and 2 of the borrower's most recent US Federal tax return and one of the following, signed by the borrower:</p> <ul style="list-style-type: none"> ■ Request for Copy of Tax Form (IRS Form 4506) ■ Request for Transcript of Tax Return (IRS Form 4506-T) ■ Tax Information Authorization (IRS Form 8821) <p>Copies of the following as applicable to the nature of the income should also be included:</p> <ul style="list-style-type: none"> ■ Award letters ■ Pension statements ■ IRS Form 1099
Assets	<p>Substantiation that the borrower has sufficient liquid assets available to complete the mortgage transaction and adequate reserves after closing. Refer to Radian's Platinum and Standard Underwriting Guidelines for reserve requirements.</p> <p>Copies of the applicable bank statements or investment portfolio statements that cover activity in the accounts for the most recent two-month period or, if account information is reported on a quarterly basis or less frequently, the most recent account statement that is available. If the latest bank statement is more than 45 days earlier than the date of the loan application, the lender should ask the borrower to provide a more recent supplemental bank-generated form that shows the account number, balance, and date. Depository statements must clearly identify the account holder and include the account number, the time period covered by the statement, all deposits/withdrawals, or other financial activity. Retirement account or 401(k) statements must identify the borrower's vested interest and terms and conditions for withdrawal of funds.</p>

Full Documentation DU/LP (based on GSE standards)

Radian supports the use of Fannie Mae’s Desktop Underwriter (DU) and Freddie Mac’s Loan Prospector (LP) automated systems as a valuable tool for providing efficiencies of processing documentation versus traditional mortgage processing. Please refer to Radian’s Platinum and Standard mortgage insurance Underwriting Guidelines at www.radian.biz for complete details of DU/LP eligibility.

Loan-level preconditions to acceptance

- The initial 1003 must be completed in its entirety.
- The DU Case Number or LP Key Number, as applicable, must be reflected on the Findings or Feedback report.
- The copyrighted two-word DU/LP recommendation—Approve/Eligible or Accept/Eligible—must be reflected on the Findings or Feedback report.
- The lender must confirm the accuracy of the data submitted and ensure that it did not fail to submit any data that might have affected the DU response/LP recommendation.

Full Documentation DU/LP

With employment, income, and asset documentation

Based on the data input into DU or LP, specific output messages will describe the type of documentation required for employment, income, and asset verification. Refer to Radian’s Platinum and Standard Underwriting Guidelines for reserve requirements.

The lender must comply with all of the verification messages and/or approval conditions that are specified in the Findings report. The loan must be validated per the DU Findings or LP Feedback report with no manual waiver or override of conditions related to verification of employment, income, or assets.

With employment, income, and/or asset documentation waivers

Based on the data input into DU or LP, specific output messages will describe the types of documentation needed for verification and may not require employment, income, and/or asset verification (example: LP Accept Plus). Refer to Radian’s Platinum and Standard Underwriting Guidelines for reserve requirements.

The lender must comply with all of the verification messages and/or approval conditions that are specified in the Findings or Feedback report. The loan must be validated per the DU Findings or LP Feedback report with no manual waiver or override of conditions related to verification of employment, income, or assets.

Full Documentation Proprietary AUS (must be Radian authorized)

Radian must authorize, on a system-by-system basis, the use of a lender’s proprietary or custom automated underwriting system. Automated underwriting systems (AUS) vary in their ability to analyze employment, income, and assets, and to stipulate support documentation. Therefore, Radian must evaluate the lender’s model, its capabilities, and all of the possible AUS output messages by comparing them to Radian’s expected output messages. For the lender’s model to be acceptable to Radian, our assessment must determine that the output from the proprietary AUS and the required documentation presents an acceptable risk profile.

Loan-level preconditions to acceptance

- The initial 1003 must be completed in its entirety.

- The system response/recommendation, as set forth in Radian’s written approval of the lender’s proprietary automated underwriting system must be reflected on the loan-level findings report.
- The lender must confirm the accuracy of the data submitted and ensure that it did not fail to submit any data that might have affected the AUS response/recommendation.

Full Documentation Proprietary AUS

With employment, income, and asset documentation	Specific feedback messages will describe the type of documentation needed for employment, income, and asset verification based on the data input into the system. The lender must comply with all of the verification messages and/or approval conditions that are specified in the findings report. Refer to Radian’s Platinum and Standard Underwriting Guidelines for reserve requirements.
With employment, income, and/or asset documentation waivers	Specific feedback messages will describe the type of documentation needed for employment, income, and asset verification based on the data input into the system, and may not require employment, income, and/or asset verification. The lender must comply with all of the verification messages and/or approval conditions that are specified in the findings report. Refer to Radian’s Platinum and Standard Underwriting Guidelines for reserve requirements.

Ineligible Documentation

Limited Documentation loans (commonly known as “Alternative A” or “Alt-A” loans) became ineligible for Radian mortgage insurance in April, 2008. Loans which do not conform to all of the requirements of Full Documentation (one of the various Full Documentation categories herein) are deemed to be Limited Documentation loans, which are ineligible for Radian. This includes any GSE standard or negotiated program or commitment that allows reduced or limited documentation.

Limited Documentation includes, but is not limited to, the following common product, program, and/or documentation names or loan application characteristics:

- Programs which allow the waiver or override of verification messages and/or approval conditions that are specified in the DU Findings or LP Feedback report.
- SIVA: Stated income with verified assets, employment disclosed and verified
- SISA: Stated income and stated assets, employment disclosed and verified
- No Ratio: No income disclosed on the loan application, employment/assets disclosed and verified
- NINA: No income or assets disclosed on the loan application, employment disclosed and verified
- No Doc: No income, assets, or employment disclosed on the loan application
- Reduced Doc: Requirements vary by lender but do not meet requirements of Full Documentation (as stated herein)
- Programs that use borrower bank statements as verification of self-employed income and/or employment.
- Programs which use a *Request for Copy of Tax Form* (IRS Form 4506), the *Request for Transcript of Tax Return* (IRS Form 4506-T), or the *Tax Information Authorization* (IRS Form 8821) in lieu of full documentation of income and/or employment.

- Limited Doc/Alt A programs or transactions using DU/LP or a proprietary AUS to evaluate their eligibility. (While the AUS may produce decisions and reports that appear to be acceptable, their Findings Reports are not valid for defining eligibility for Radian mortgage insurance. Such loan files must be treated as Radian Limited Documentation (Alt A) submissions for mortgage insurance regardless of the lender's choice to use that automated underwriting system in their underwriting process or the terms of any GSE negotiated commitment.)

Radian does not permit, under any circumstances, a loan application originated or submitted under a Full Documentation program to later be switched to a Limited Documentation program or submission.

Lender-Radian Negotiated Agreements

Lenders may request a variance to Radian's published guidelines or request Radian's approval of their proprietary guidelines. Approval of any such variance or proprietary guidelines must be authorized in writing by a Radian Risk Management representative prior to delivery of the subject mortgage insurance applications to Radian. Radian's written approval of a variance or proprietary guidelines will reflect mortgage insurance eligibility terms, conditions, acceptable submission methods, required data fields, limitations, and/or restrictions, including detailed language with regard to authorized documentation type and corresponding mortgage insurance rates.