

MGIC Short Sale Requirements

A short sale may be an appropriate workout option when:

- all home retention options have been exhausted, AND
- the borrowers are unable to continue paying their full mortgage payment (including escrows).

<p>Delegated Guidelines for Short Sales</p>	<p>You have delegated authority to complete a borrower-titled short sale on every MGIC-insured loan where:</p> <ul style="list-style-type: none"> ▪ the borrowers don't qualify for a loan modification and don't have the long-term financial ability to continue paying their full mortgage payment (including escrows); ▪ they are at least 60 days delinquent; ▪ you have determined financial hardship (see Hardship Criteria below); ▪ the following criteria have been met: <ul style="list-style-type: none"> - The property is owner occupied. - The loss on the sale of the property must be less than \$75,000. - The sale price is based on an interior Broker's Price Opinion (BPO) or appraisal performed within 90 days of the sale. (Value should be determined by a broker other than the listing agent or the buyer's agent.) - The property is sold on an "as is" basis, with the "as is" value being within 90% of the repaired value. - The net proceeds at closing are at least 82% of the "as is" value. - The sale must be an "arms length" transaction, and the borrower or buyer must not receive any funds from the sale of the property. - Third-party vendor loss mitigation fees should not be included on the claim. ▪ you have performed an analysis of the borrowers' financial situation (see Borrower Financial Analysis, page 2) and determined no surplus of funds exist.
<p>Hardship Criteria</p>	<p>MGIC defines hardship as the borrowers' long-term inability to maintain mortgage payments due to circumstances beyond their control, including:</p> <ul style="list-style-type: none"> ▪ involuntary unemployment; ▪ involuntary relocation; ▪ divorce; ▪ reduction in income used to sustain mortgage debt; ▪ serious illness, long-term incapacity or death of a co-borrower; OR ▪ call to active military duty. <p>► These examples do not explicitly define all potential hardship situations.</p> <p>To determine hardship, conduct a thorough review of the borrowers' financial information; see Borrower Financial Analysis (page 2).</p>

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MGIC Short Sale Requirements *(continued)*

<p>Borrower Financial Analysis</p>	<p>MGIC requires that you perform a borrower financial analysis for all short sales to determine whether the borrowers have surplus funds available to contribute toward completion of the short sale.</p> <p>Surplus funds</p> <p>MGIC deems that borrowers have surplus funds if any of the following conditions is met as a result of the financial analysis:</p> <ul style="list-style-type: none"> ▪ Monthly cash flow exceeds \$200; OR ▪ Short-term savings equals or exceeds the equivalent of 3 full mortgage payments (including escrows); OR ▪ Long-term savings* exceeds \$50,000. <p>Financial Analysis Results</p> <p>If the results do not show surplus funds, and the loan meets MGIC's Delegated Guidelines, you can proceed and complete the short sale without MGIC's prior approval.</p> <p>If results show surplus funds:</p> <ul style="list-style-type: none"> ▪ MGIC nondelegated requirements (page 3) for short sales apply; ▪ the short sale must be submitted to MGIC for review; AND ▪ MGIC may require that a minimum borrower contribution be provided in the form of: <ul style="list-style-type: none"> - certified funds to the servicer, - an MGIC promissory note OR - a combination thereof. <p>If required, the contribution is paid at the time of closing on MGIC's behalf in order to complete the sale.</p>
<p>Submission</p>	<p>Submit the results of the MGIC Financial Analysis Form (available May 1, 2010) or other comparable analysis via MGIC/Link Servicing.</p>

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<p>Nondelegated Requirements for Short Sales</p>	<p>Short sales that fall outside of MGIC Delegated Guidelines (page 1) require MGIC approval <i>before</i> the sale is completed.</p> <p>Submit your request for approval to MGIC along with required documentation as described below.</p>
<p>Required Documentation</p>	<p>MGIC requires the following documents:</p> <ul style="list-style-type: none"> ▪ a completed MGIC Financial Analysis or comparable analysis; ▪ bank statements, pay stubs and documentation for all sources of income from the last 30 days; ▪ federal tax returns for the last year OR IRS Form 4506-T, Request for Transcript of Tax Return, completed and signed by the borrowers; ▪ a letter of hardship written by the borrower or a personal representative indicating the reason for default; ▪ financials, income and expense breakdown, current within the last 90 days; ▪ a recent credit report (if available); ▪ an estimated HUD-1 Settlement Statement or Net Sheet; ▪ an executed Offer to Purchase agreement; ▪ a payoff statement including all fees and costs; AND ▪ a Broker's Price Opinion (BPO) or an appraisal no more than 90 days old, including interior photographs. <p>► MGIC may request additional documentation prior to approval of the sale.</p>
<p>Submit for Approval</p>	<p>Submit your request for approval and required documentation using MGIC/ Link Servicing.</p>
<p>Determining Second Lien Payoff Provisions for Short Sales</p>	<p>Second lien payoff provisions apply to second mortgages owned by a third party (a legal entity unaffiliated with the servicer).</p> <p>If a second mortgage exists, and the short sale has influence on MGIC's claim settlement (i.e., a second mortgage exists and the second lien holder demands funds to release the lien), use the following to determine the allowable payoff:</p> <ul style="list-style-type: none"> ▪ MGIC will agree to pay a maximum of \$3,000 or an amount not to exceed 50% of the current outstanding second lien amount to the second lien holder. This requirement only applies in the event the net proceeds from the short sale plus MGIC's claim payment will make the servicer whole. <p>If the short sale has no influence on the claim settlement (i.e., MGIC's percentage option settlement amount is less than the loss on sale), MGIC has no requirements or limitations on the second lien payoff provision.</p>
<p>Training & Support</p>	<p>View our MGIC/Link Short Sale training tutorial.</p> <p>Contact MGIC Customer Service, customer_service@mgic.com or 1-800-424-6442.</p>

*Long-term savings accounts or investments aim to encourage long-term saving, usually offering more generous investment returns than regular saving investments in exchange for restricted access to your funds.

MGIC considers the following accounts and investments as long-term savings: life insurance, 529 Accounts (e.g., EdVest), 401(k), IRA or Keogh plans and pension accounts. The following account types have been excluded from our long-term savings category, as they are accounted for in short-term savings: stocks, CDs and money market funds.