

MGIC

Basics of MI:

Opening the doors for millions of families

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WHO WE ARE & WHAT WE DO

- In 1957 Max Karl founded the modern MI industry and MGIC in Milwaukee, WI. The nation's oldest private mortgage insurer. We've been serving Puerto Rico mortgage insurance needs for the last 36 years, since 1990.
- Take first-loss credit position on low down payment residential mortgages.
- Reduce cost for borrowers and promote risk-sharing compared to FHA product.



MGIC

How Do Borrowers Qualify for MI?

- The Four Cs
  - Credit
  - Capacity
  - Capital
  - Collateral

Affordable lending for Puerto Rico - Conforming

DU Approve/Loan Product Advisor
Maximum LTV/Occupancy
95%* - Primary
90% - Second Home
Units
Primary Residence, 1 to 2 units
Second Home, 1 unit
Maximum DTI Ratio
45%
Loan Type
As allowed by DU or Loan Product Advisor
Minimum Credit Score **
680



Overlays are subject to MGIC underwriter discretion (exceptions are monitored).

*97% LTV is acceptable for a financed single premium (first time homebuyers).

**The lowest of all Borrower Indicator Scores – the lower of 2 or the middle of 3 credit scores for each borrower.

Non-Go! (Non conforming)

Standard Underwriting Criteria

For loans not eligible for Puerto Rico MGIC Go! Streamlined MI.

Standard loans are considered under the fulfillment of the manual analysis of the case and based solely on the applicability of our credit guides.

Non-Go! = Cases according to the requirements of the MGIC Credit Policy

All credit and reserve requirements apply without exception for DU results.

There are differences in the analysis of condominiums and their requirements.


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MGIC

CONDOMINIUMS

- PRIMARY
- SECOND HOMES

Condominium project review – Primary residence

Project must be **eligible** for MGIC in PR (must call to validate with office)

- Condominiums must have separate rooms for living and sleeping
- All condominium units must have at least one owned or assigned parking space, or condominium projects must have at least one parking space per unit
- MGIC condominium maximum project exposure: 33% of sold units
- All properties must be constructed using reinforced concrete walls and concrete slabs
- Minimum 400 square feet of living area for attached housing units
- **Ineligible:** Manufactured homes, nonwarrantable projects, investment properties, 3- to 4-unit properties, co-ops, wood-and-zinc-constructed properties; studio or efficiency apartments

Second homes occupancy

- Eligible properties must:
  - Have the intended use and enjoyment for the exclusive benefit of the homeowner
  - Have full kitchen facilities with standard-sized appliances
  - Be outside the geographic location of the primary residence
  - Have separate rooms for living and sleeping
  - Have no lock-out bedrooms
  - Not be part of a rental pool agreement
- All condominium units must have at least one owned or assigned parking space, or condominium projects must have at least one parking space per unit
- MGIC condominium maximum project exposure: 33% of sold units
- All properties must be constructed using reinforced concrete walls and concrete slabs
- Minimum 500 square feet of living area for attached housing units
- **Ineligible:** Manufactured homes, nonwarrantable projects, investment properties, wood-and-zinc-constructed properties; studio or efficiency apartments



Condominium evaluation

For MGIC Go! Applications we accept:

- Short form with limited review, lender compliance.
- Full form or FNMA CPM certificate.

MGIC condominium questionnaire is the required document for mortgage insurance submission effective June 1, 2017 on Non-Go! Applications.

New Condominium project form

Form 1076

Condominium Project Questionnaire

Fannie Mae

ADDENDUM ADDED DECEMBER 2021

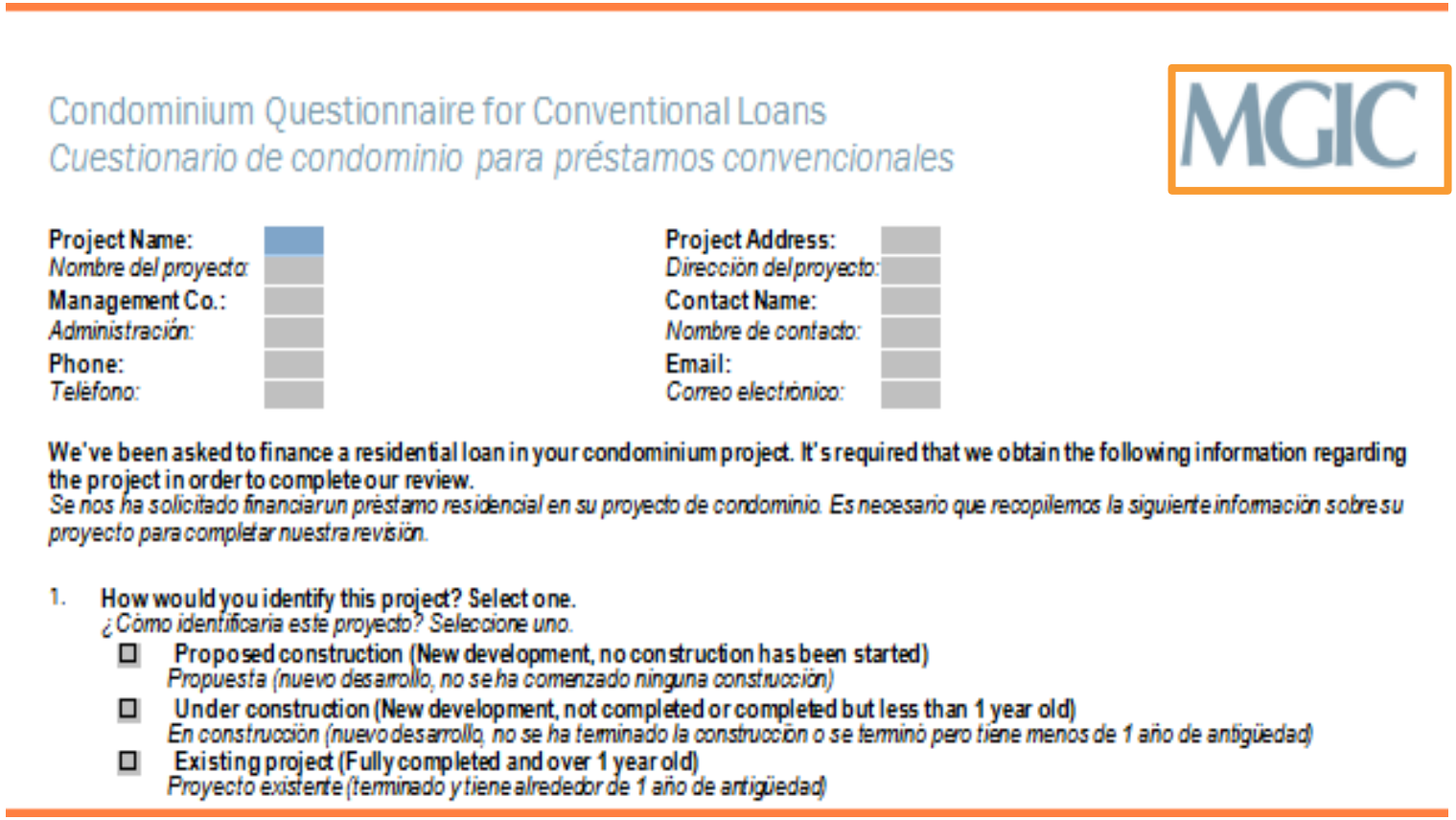
Instructions

Lender: Complete the first table below and enter the date on which the form should be returned to you.

Homeowners' Association (HOA) or Management Company: This form has been sent to you on behalf of an individual seeking mortgage financing to purchase or refinance a unit in this project. The mortgage lender needs this information to determine the eligibility of the project for mortgage financing purposes. Complete and return this form by _____ (DATE) to the lender listed below. Questions about this form should be directed to the lender contact.

Lender Name:		**Lender Phone Number:**	
Contact Name:		**Lender Fax Number:**	
Lender Address:		**Lender Email Address:**	

Condominium Questionnaire – Non conforming



Condominium Questionnaire for Conventional Loans
Cuestionario de condominio para préstamos convencionales

MGIC

Project Name:
Nombre del proyecto:
Management Co.:
Administración:
Phone:
Teléfono:

Project Address:
Dirección del proyecto:
Contact Name:
Nombre de contacto:
Email:
Correo electrónico:

We've been asked to finance a residential loan in your condominium project. It's required that we obtain the following information regarding the project in order to complete our review.
Se nos ha solicitado financiar un préstamo residencial en su proyecto de condominio. Es necesario que recopilemos la siguiente información sobre su proyecto para completar nuestra revisión.

1. **How would you identify this project? Select one.**
   ¿Cómo identificaría este proyecto? Seleccione uno.
   - ☐ **Proposed construction (New development, no construction has been started)**
     Propuesta (nuevo desarrollo, no se ha comenzado ninguna construcción)
   - ☐ **Under construction (New development, not completed or completed but less than 1 year old)**
     En construcción (nuevo desarrollo, no se ha terminado la construcción o se terminó pero tiene menos de 1 año de antigüedad)
   - ☐ **Existing project (Fully completed and over 1 year old)**
     Proyecto existente (terminado y tiene alrededor de 1 año de antigüedad)

New Condo Lending Guidelines

For Fannie Mae & Freddie Mac



CHANGES ON CONDOMINIUMS REQUIREMENTS

GSE Condominium Project Standards Updates

- Expansion of Waiver/Exempt of Project Review
  - **Old**: Limited to 2–4-unit projects
  - **New**: Up to 10 units, 5–10-unit projects may have additional requirements
- Retirement of PERS Review requirements for new projects with attached units in Florida
  - **Old**: PERS Review required
  - **New**: Lender full review
- Retirement of Investor Concentration Limits for Established Projects
  - **Old**: Limited to 50% for investment property transactions
  - **New**: No limit
- Retirement of the Limited/Streamline Review process
  - **Old**: Allowed for established projects that met LTV restrictions
  - **New**: Effective Aug. 3, 2026, projects require lender full review or if applicable, meet Waiver/Exempt of Project Review
- Enhanced Reserve Study in lieu of Replacement Reserves requirements
  - **Old**: Allowed any allocation method
  - **New**: Effective Aug. 3, 2026, remains allowable, however limits the allocation methods utilized
- Increased Replacement Reserves requirements
  - **Old**: Minimum 10% of annual budgeted income
  - **New**: Effective Jan. 4, 2027, minimum 15% of annual budgeted income

As a reminder, MGIC Standard follows Agency guidelines and Agency selling guide documentation requirements and these MGIC guidelines:

- MGIC maximum exposure: 33% of the total sold units in a project
- Ineligible: Manufactured housing units

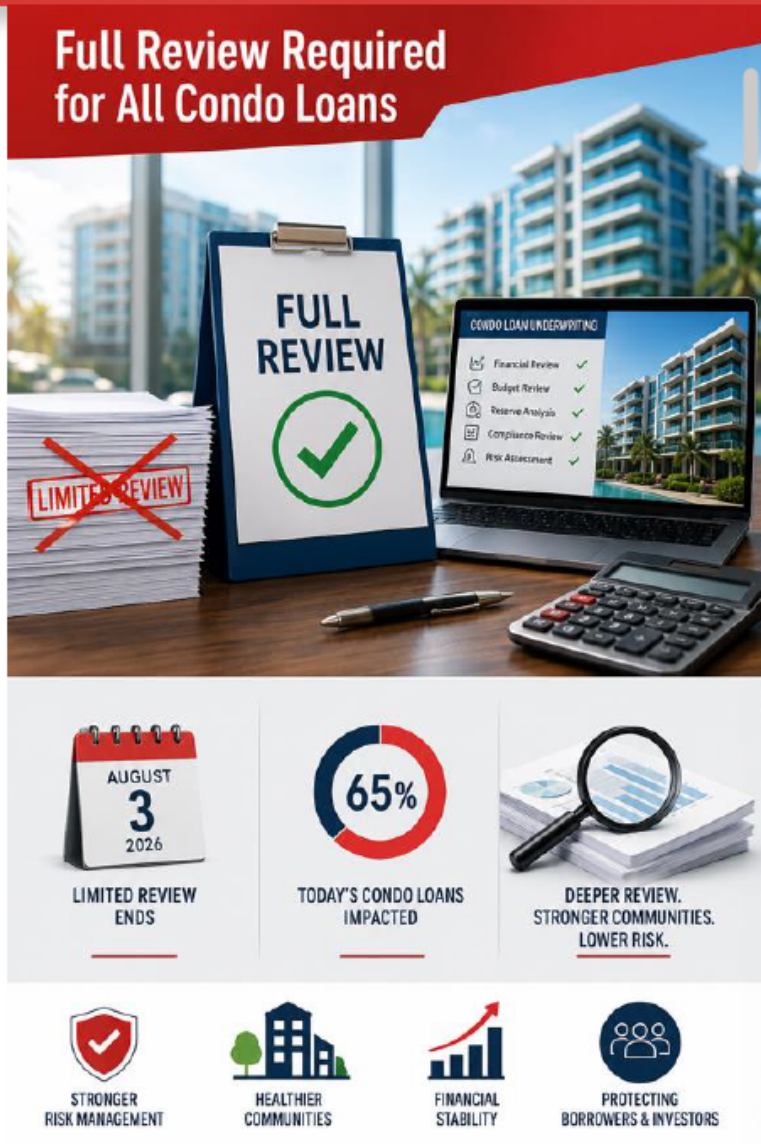
Key Changes & Impacts

- Fannie Mae and Freddie Mac Condo & Co-op Guideline Updates
  - On March 18, 2026, Fannie Mae and Freddie Mac announced new lending guidelines for condominium properties.
  - These updates will be implemented according to the attached schedule, with many changes taking effect immediately.
  - **Key Changes**
    - Expanded eligibility for association insurance coverage
    - Revised investor ownership thresholds
    - Introduction of a waiver of review for eligible condo projects with fewer than 10 units
    - Elimination of mandatory PERS review for new condominium projects in Florida

- Underwriting Impact
  - Removal of the “Limited Review” process
  - Mandatory “Full Review” for all condo loan underwriting
  - Expected increase in underwriting timelines
  - Potential impact on project eligibility due to required budget reviews
- Upcoming Financial Requirements
  - Increase in required budgeted reserves from 10% to 15% of operating budgets, **effective January 4, 2027**
  - Condominium associations will need to adjust annual budgets accordingly
  - Reserve Study funding requirements now mandate use of the highest recommended funding plan provided by the Reserve Study professional

Full Review Required for All Condo Loans

- Elimination of Limited Review Underwriting
  - The Limited Review underwriting process for condominium loans will expire on **August 3, 2026**
  - All condo loans will be required to undergo **Fannie Mae Full Review underwriting**
  - Currently, approximately 65% of condo loans are processed using Limited Review
- Impact of Limited Review Removal
  - Permitted Limited Review previously loan approvals **without evaluating the association's operating budget**
  - As a result, loans were approved in properties that may have had
    - Insufficient reserves (**below the 10% threshold**)
    - Non-compliant special assessments **(Identified through the budget review process)**
    - Unaddressed critical repairs or deferred maintenance issues (**Identified through the budget review process**)
- Key Change Under Full Review
  - **Operating budgets will be fully analyzed**, including reserve funding and financial stability



Reserve Increase from 10% to 15%

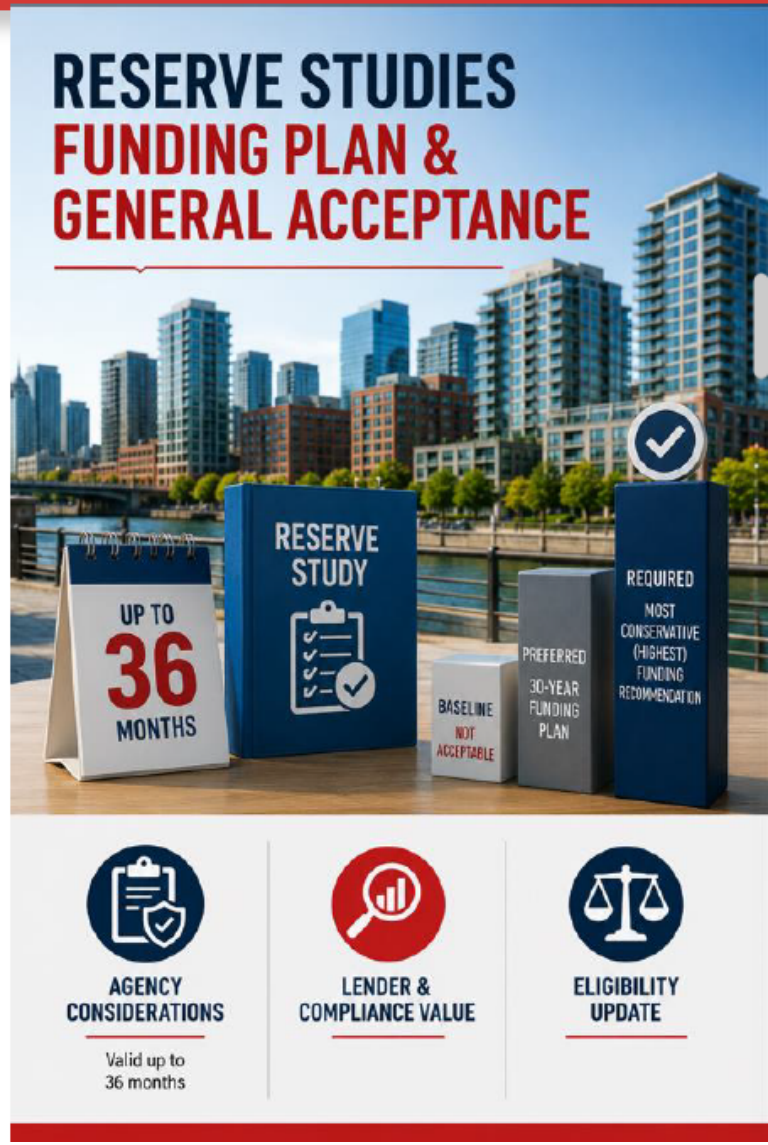


- **Effective January 4, 2027**
  - Condominium associations will be required to maintain a **minimum 15% reserve allocation** within their annual operating budgets.
  - **Reserve Studies may be utilized to establish a more precise and defensible funding requirement**, ensuring compliance while aligning contributions with actual property needs
- Impact of Increased Reserve Requirements
  - Higher capital reserve requirements will lead to **increased monthly maintenance costs** for unit owners
  - Condo associations operating on **mid-year budget cycles** will need to **revise budgets in advance of the new guidelines**
  - Association management **advising condo boards** of required funding increases
  - Luxury condo properties, normally minorly impacted from agency lending compliance requirements, are aligning operational documents, insurance policies, and reserves with agency requirements to ensure jumbo and portfolio mortgage lending availability
  - Increase in non-warrantable condo lending expected as compliance is likely to take time to implement

CondoTek™

Reserve Studies Funding Plan Method & General Acceptance

- **Reserve Studies – Agency Considerations**
  - Generally accepted by Fannie Mae and Freddie Mac
  - Valid for up to 36 months
  - 30-year funding plans are preferred
  - Associations must utilize the **most conservative (highest) funding recommendation** outlined in the study
  - Baseline funding plans are not acceptable
- Lender & Compliance Value of Reserve Studies
  - Professionally prepared Reserve Studies strengthen lender review and approval outcomes
  - Recent on-site inspections provide critical insight into component condition and capital needs
  - Well-funded associations can demonstrate compliance—**even when recommended contributions are below the 15% threshold**—if supported by a credible Reserve Study
- Eligibility Update
  - 15% Reserve Funding or a Reserve Study
  - GSE's Will Accept The Lesser of the 2



Condo Projects *Exempt* From Review



- 2–4 Unit Condominium Properties Continue to be Exempt From Review
- 5–10 Unit Condominium Properties
  - **May** be exempt from review, subject to eligibility criteria
- Eligibility Criteria (Applies to Condo Projects with ≤10 Units)
  - Not part of a master association
  - No condotel or hotel-like usage
  - No manufactured housing (in most cases)
  - No material financial, structural, or critical repair concerns
  - Not designated as “Unavailable for Lending”
- **Effective Date:** Immediate
- Eligibility Update
  - Critical Repairs and Deferred Maintenance Review Required for Both 2-4 Unit and 5-10 Unit Condominium Properties

Thank you!

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