

Top Trending Mortgage FAQs

Focus on Credit & Appraisals



MGIC

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The Four Cs

Credit

Borrower's willingness to repay a loan

Capacity

Borrower's ability to repay based on the amount & stability of income

Capital

Borrower's investment in the property from savings & other sources

Collateral

Property's value & marketability to provide adequate security for the loan based on the appraisal

Credit FAQs

What are your biggest challenges when it comes to credit?

Pop quiz #1

Traditional credit review should be based on a minimum of 3 tradelines with a 24-month history.

Answers:

- a) True
- b) False

What do I need to consider when it comes to authorized user accounts?

What is required in order to omit debt that is paid by a borrower's business?

What do I do with Klarna, Affirm and other debts found on bank statements?

Do I need to document balances and terms, or can they be omitted?

Pop quiz #2

Which is the greatest contributor in determining a credit score?

Answers:

- a) Total debt
- b) Credit mix
- c) Payment history
- d) Length of credit history
- e) New credit

When should I take action to remove disputed accounts or address collections?

The future of credit evaluation

What?

- **FICO 10T or VantageScore**
- **Bi-merge reports**

Why? Credit score model update

When? Q4 2025

Credit resources

mgic.com/mortgage-connects
mgic.com/training

Is your Credit Score making the grade?
 What you need to know to pass with flying colors.

If you're thinking about buying a home, you'll need to study up on the basics of your credit score.

5 key elements of your credit score*

35%	30%	15%	10%	10%
PAYMENT HISTORY Do you make your payments on time?	TOTAL DEBT How much of your available credit has been used?	LENGTH OF CREDIT HISTORY How long have you had a credit history?	CREDIT MIX Do you have more than one line of credit?	NEW CREDIT Have you opened new credit recently?

Credit Score Study Guide

- Know the 5 key elements of your credit score (Hint: see above!)
- Understand that your credit score can affect your ability to qualify for a mortgage. Find out how at readynest.com
- Request your credit report annually to check it for accuracy. Get it at annualcreditreport.com
- Dispute any errors. Contact the credit bureau whose report has the mistake – online, by phone or by mail.

Equifax | Experian | TransUnion

GRADING SCALE

A	800+
B	740-799
C	670-739
D	580-669
F	<580

HOW TO ACE THE FINAL EXAM:

- Open new credit accounts sparingly
- Maintain a history of responsible use
- Pay down debt
- Make payments on time
- Diversify credit mix

AIM HIGH:
Shoot for the best score.

Looking for extra credit?
Here's the ultimate study guide: readynest.com/credit-reports

35-51464 3/21/23

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 Sample Opt-Out Letter

Dear Valued Client,

I am often asked about how to eliminate unwanted solicitations from mortgage lenders, credit card companies, and other credit grantors. The best way to eliminate them is to opt out by using the following links:

- To eliminate unwanted mail solicitations, go to OptOutPrescreen.com or call 1-888-567-8688
- To eliminate unwanted phone solicitations, go to DoNotCall.gov or call 1-888-382-1222. Report all phone numbers currently in use (home and cell)

There are some exceptions to this process. Companies that have a current relationship with you are exempt, as are certain non-profit organizations (such as religious, political, or community-based non-profits seeking funding). To eliminate these solicitations, it is best to contact each organization directly.

You may also contact the Association of National Advertisers (ANA) at DMAchoice.org for additional assistance.

Thank you!

Find more resources to use with borrowers at mgic.com/mortgage-connects

This content is brought to you by Mike Olden, VP – Sales & Education, American Reporting Company

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Watch this webinar recording

Credit Scores & Credit Reporting Updates: Trigger Leads, Credit Score Modernization, Best Practices & More

Recorded on 10/21/24

Join us as we welcome back **Mike Olden, American Reporting Company's (ARC) vice president of sales & education**, to answer the most frequently asked questions about credit scores and credit reporting.

During this 60-minute webinar, Mike will discuss:

- Trigger leads and how LOs can help consumers today
- Soft hit credit reports
- Current timeline for credit score modernization
- How lenders can reduce credit reporting costs
- Best practices for lenders to avoid delays before and after pulling credit

Available to download:

- Presentation handout
- Credit reporting resources
- About FICO scores and inquiries
- Example of an "opt out" letter from LO

Credit Resources

Free Credit Reports: www.annualcreditreport.com

Learn about FICO: www.ficoscore.com/education

Credit Counseling: <https://hud.gov/counseling>

Learn about Vantage 4.0 scores: <https://vantagescore.com/lenders/why-vantagescore/our-models/>

Learn about FICO 10T: <https://www.fico.com/en/ficoscore10>

Take a quiz: <http://www.creditscorequiz.org/>

Appraisal FAQs

What are your biggest challenges when it comes to appraisal review?

How are condition ratings assigned by an appraiser?

Answers:

- a) The condition of the property is compared to that of the comparables
- b) Ratings are based on any deferred maintenance found at the subject property
- c) Each property is rated as a whole, based on the merits of the improvements

Originating & Underwriting

Noble Appraiser Video Series

Common misunderstandings about Fannie Mae policies can lead to unacceptable appraisal practices. Watch the Noble Appraiser vanquish those myths in our ongoing series.

Appraiser Overview

- [Learn More](#)

Resources

- [Property Condition Ratings Reference Guide](#)
- [Property Quality Ratings Reference Guide](#)



The Desktop Appraisal Discovery

Watch the Noble Appraiser explore the benefits of performing desktop appraisals

Can you explain comps? How are they selected for a property?

For example: I've had a situation where the property was dilapidated, but the comps were newer. Could the value be disputed?

Pop quiz #4

If a comparable closed over 12 months ago, it cannot be used by an appraiser.

Answers:

- a) True
- b) False

If we are not using income from an ADU, what information is required within the appraisal report?

**With the new ROV requirements,
what impact do you foresee this
will have on additional time added
to the industry?**

Lender responsibilities for ROV

- Establish a ROV process for borrowers to appeal an appraisal when it is believed the opinion of value is unsupported, deficient or reflects discriminatory practices
- Provide a ROV disclosure at time of loan application and again with the appraisal report
- Complete its appraisal review before initiating the ROV process
- Designate an underwriter or subject matter expert to review the ROV request to validate the request contains sufficient information
- Utilize a standardized format to communicate with the appraiser
- **Define turn-time expectations**
- Forward the appraisal report, along with findings, to the appropriate appraisal licensing agency or regulatory board if material deficiencies are not corrected by the appraiser
- Ensure all documentation related to the ROV are retained in the loan file

Are borrowers allowed to do their own repairs and provide their own invoice/receipt for a Borrower Attestation?

Pop quiz #5

If an appraisal update (Form 1004D) reports an increased value, can the higher value be used to underwrite the loan?

Answers:

- a) Yes
- b) No
- c) It depends

Appraisal evaluation future

What? New UAD and URAR

Why? Improving quality and consistency

When? Q4 2025

Appraisal resources



Watch this webinar recording How to Review an Appraisal

Recorded on 11/21/24

During this webinar, you will get the tools you need to help build and strengthen your appraisal evaluation skills. The more familiar you become with typical secondary market guidelines, learn what valuation methods are available, and develop a deeper understanding of certain cautionary items that help identify potential problems, the better you will be at evaluating an appraisal.

In this 90-minute session, you will:

- Learn what the lender's responsibility is during an appraisal review
- Analyze the Uniform Residential Appraisal Report (URAR 1004/70), including interior and exterior photos, location map and floor plan sketch

Available to download:

- [Presentation handout](#)
- [Appraisal checklist](#)
- [Activity](#)
- [Participant manual](#)

APPRAISAL REPORT CHECKLIST		MGIC
This checklist is designed to help you review the following appraisal reports: Uniform Residential and Manufactured Home. Checklist answers printed in blue indicate designate cautionary items that may require additional comment by an appraiser and further review.		
Borrower Name: _____		
Subject Property Address: _____		
Subject Section		
1. Do the property address and seller/borrowers' names match the loan file?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
2. Is the buyer or seller an LLC or Corporation?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
3. Are there any Special Assessments?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
4. How are the property rights appraised?	<input type="checkbox"/> Fee Simple	<input type="checkbox"/> Leasehold <input type="checkbox"/> Other
5. Has the subject property been offered for sale in the past 12 months?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Contract Section		
6. Did appraiser analyze the contract (if applicable)?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
7. Is the contract an arms length sale?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
8. Does the owner of public record match the seller names on the contract?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
9. Is there any financial assistance being paid by any party on behalf of the borrower?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
10. If manufactured home, did the appraiser review the manufacturer's invoice?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Neighborhood Section		
11. Is the location rural or less than 25% built up?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
12. Are property values declining?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
13. Does demand/supply reflect an oversupply?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
14. Is the marketing time more than six months?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
15. Is the sales price within the neighborhood price range?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
16. Does the subject property conform to the present land use?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
17. Are there any negative comments in the Neighborhood section?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
HUD Data Plate (Manufactured Home Appraisal Report Only)		
18. Is the HUD Data Plate/Compliance Certificate attached to the dwelling?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
19. Is a HUD Certificate label attached to the exterior of each section of the dwelling?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
20. Do the Wind, Roof Load and Thermal Zone meet minimum HUD requirements for the location of the subject property?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Site Section		
21. Is the zoning rated legal nonconforming or illegal?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
22. Is the present use the highest and best use?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
23. Are the utilities and/or Off-Site improvements public?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
24. Is the property in a Special Flood Hazard area?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
25. Are there any adverse comments, (e.g., environmental conditions, land uses, easements, view, etc.) in the Site section?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
If Manufactured Home		
26. Are the site size, shape and topography generally conforming and acceptable in market area?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
27. Is there adequate vehicular access to subject property?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
28. Is the street property maintained?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Improvements Section		
29. Does the Condition Rating of C1-C8 meet guidelines or investor criteria?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
30. Are there any comments indicating adverse property conditions (e.g., settlement, dampness, repairs, etc.)?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
31. Are there any physical deficiencies or adverse conditions that affect the livability, soundness or structural integrity of the property?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
32. Does the property conform to the neighborhood?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
33. If manufactured home, does the Design (style) indicate the number of sections as one?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Sales Comparison Approach		
34. Does the Quality Rating of Q1-Q8 meet guidelines or investor criteria?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
35. Are the comparable sales located within an acceptable distance from the subject?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
36. Is the sales price/gross living area for the subject property consistent with the comparable sales?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
37. Did the appraiser use only data or verification sources that are non-public or non-MLS such as builder or developer?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
38. Are there three comparable sales that have closed within the last six months or appropriate time frame for current market conditions?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
39. Did the appraiser select a rating and factor for both location and view?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
40. Are the comparables similar to the subject in location, design, age, size, room count and amenities?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
41. Did the appraiser explain and support with market data any superior comparable sales?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
42. If the subject property is in a controlled market, is there at least one comparable sale outside the control of the developer, builder or property seller?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
43. If the subject property is a manufactured home, are there a minimum of two comparable sales that are also manufactured homes with similar features including overall quality and condition?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
44. If the subject has unusual features, did the appraiser provide additional comparable sales with similar characteristics?	<input type="checkbox"/> YES	<input type="checkbox"/> NO

Appraisal resources

Fannie Mae UAD <https://singlefamily.fanniemae.com/delivering/uniform-mortgage-data-program/uniform-appraisal-dataset>

Freddie Mac UAD page: <https://sf.freddiemac.com/tools-learning/uniform-mortgage-data-program/uad>

UAD and Forms Playbook: https://sf.freddiemac.com/docs/pdf/requirements/uad_partner_playbook.pdf

Training: <https://www.fanniemae.com/course/singlefamily/uadtrainingfiles/story.html>

URAR layout: <https://singlefamily.fanniemae.com/media/document/zip/appendix-c-1-urar-layout>

Samples: <https://singlefamily.fanniemae.com/media/document/zip/appendix-d-1-urar-sample-scenarios-and-xml-files>

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