

# Terminology

**All Premium Rates** are expressed as percentages.

**Mortgage Terms:** Mortgages that amortize over more than 25 years, but not more than 40 years use the 30-year rates. Mortgages that amortize over 25 years or less use the 25-year rates.

**Loan-to-Value, or LTV,** is the ratio of the loan amount to the lesser of the sales price or the appraised value, expressed as a percentage. LTVs greater than 100% are limited to fixed rate mortgages, including ARMS with initial terms of 5 years or more, for primary residence, owner-occupied properties. Principal in excess of 100% must only be used to finance loan closing costs.

**Fixed Rate Mortgages** feature level interest rates and payments for the first 5 years of the mortgage. All plans must meet the following conditions: (1) the loan period cannot exceed 40 years and (2) offer no temporary buydowns, rate concessions, graduated payment features or have the potential for negative amortization during the first 5 years.

**Temporary Buydowns and ARMS with Annual Caps of 1% or Less** feature payment changes, or the potential for payment changes during the first 5 years of the mortgage. Included are fixed rate loans with 1% annual temporary buydowns; one-year or six-month ARMS with 1% or less annual effective interest rate caps; 3/3, 3/1 and 2/1 ARMS with initial interest rate adjustments of 3% or less.

**ARMS with Annual Caps Greater than 1% (Non-Fixed)** feature payment changes or the potential for payment changes during the first 5 years of the mortgage. Included are adjustable rate mortgages, balloons with a term of less than 5 years, rate concessions, buydowns and potential negative amortization during the first 5 years.

**Rate and Term Refinances** are refinanced loans featuring cash back to the borrower in an amount not to exceed the greater of that permitted by applicable Fannie Mae, Freddie Mac or investor guidelines. With respect to investor guidelines, cash back to the borrower cannot exceed the lesser of 2% of the balance of the new refinanced mortgage or \$2,000.

**Cash-out Refinances** are refinanced loans featuring cash back to the borrower in excess of that permitted for Rate and Term Refinanced Loans as defined herein.

**Second Homes** are properties that are occupied by the borrower, but not as a primary residence.

**Investor Loans** are properties that are used for rental purposes or are not occupied by the borrower.

**Alt A Loans,** also called reduced documentation or limited/no doc loans, are loans where the borrower provides little or no income and/or asset documentation. **These programs should be approved by Triad in advance of insuring individual loans.** These loans typically do not meet the GSE definition of full or alternative documentation.

**Negative Amortization** occurs when the monthly payment is insufficient to fund complete repayment of the loan at its end of term, so that the balance owed may increase, rather than decrease over the life of the loan. This category includes any loan that features negative amortization or the potential for negative amortization.

**Scheduled Negative Amortization Mortgages** are mortgages that will incur negative amortization according to a rigid payment and amortization schedule that does not vary with the interest rate; or, any potential negative amortization mortgage where the negative amortization can be greater than 25% of the initial mortgage balance.

**Mortgage programs allowing loans with potential or scheduled negative amortization must be approved by Triad in advance of insuring individual loans.**

**A Credit Score** must be either Equifax/Beacon<sup>SM</sup>, TransUnion/EMPIRICA<sup>®</sup> or Experian/Fair Isaac Model (FICO). It should be either the middle of three scores or the lower of two scores. The credit score must be based on at least three tradelines and be an accurate and complete reflection of the primary borrower's (main income provider) credit history. **Credit scores are required with all submissions.**

**For 3/2 programs,** the borrower must provide a minimum of 3% of his/her own funds. Use "95.01% & Greater" rates.

**A Relocation Mortgage** is one made to an employee who is moving because of a transfer to a new job location under a corporate relocation program. It is not a mortgage made to a new employee as an inducement to join the company. Fannie Mae and Freddie Mac guidelines set forth the elements that identify an employee's loan as a relocation mortgage.

**Cancellation of Refundable Premiums:** If mortgage insurance is cancelled pursuant to the Homeowners Protection Act of 1998 (HPA), contact Customer Service at 888-691-8074 for the refund amount. If mortgage insurance is cancelled for any other reason, contact Customer Service for the appropriate refund schedule.

**The rates in these schedules apply to all states SUBJECT TO STATE APPROVAL. Contact your Triad account executive or underwriting office if you have any questions, or visit our website at [www.triadguaranty.com](http://www.triadguaranty.com).**