

The CMG MI Credit Risk Bulletin

Bulletin #1-10 — January 2010



CMG Mortgage Insurance Company

Summary of Eligibility and Guideline Changes Effective January 8, 2010

CMG Mortgage Insurance Company (CMG MI) continues to evaluate the ongoing changes in today's housing market, while implementing sound policies that promote our goal of providing mortgage insurance products that support sustainable homeownership. As a result of our latest review, we are making key changes to our Conforming and Non-Conforming Program, Distressed Markets Policy, and Distressed Markets List, as well as Comparable Credit Eligibility Criteria, **effective January 8, 2010**. We are also introducing our new Construction-To-Permanent Program guidelines, **effective January 8, 2010**.

Please note the following:

- **Changes supersede previously issued CMG MI approved program variations**
- **Changes apply regardless of submission channel to CMG MI**
- **Changes apply regardless of any Automated Underwriting System (AUS) recommendation or decision**

Changes to Conforming and Non-Conforming Guidelines:

- **LTV/Loan Amount** – For loan amounts greater than \$417,000
 - o Owner-Occupied
 - 90% LTV to \$625,500
 - Minimum 720 loan representative credit score
 - 85% LTV to \$729,750
 - Minimum 720 loan representative credit score
 - CMG Single Premium Payment Plan
 - Minimum 700 loan representative score
 - o Ineligible: Second Home and Investment Property
- **Loan Type** – Clarification that CMG MI will NOT insure ARMs with a fixed period of less than 1 year
 - o Short Term ARMs (1 to 3 years fixed period)
 - Purchase Only
 - Owner-Occupied
 - Minimum 700 loan representative credit score
 - Ineligible: Short Term ARMs less than 1 year fixed period, Loan Amounts > \$417,000

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

- **Loan Purpose**
 - o Rehabilitation – loan that provides the borrower with funds to cover the costs to renovate, remodel or repair a property. The loan purpose may either be a purchase or a rate/term refinance
 - Loan must meet CMG MI’s current guidelines in addition to Fannie Mae’s Selling Guide and Freddie Mac Seller Guide guidelines and documentation for rehabilitation loans with these additional criteria:
 - Maximum 95% LTV to \$417,000
 - Owner-Occupied
 - Purchase and Rate/Term Refinance
 - 1-unit single-family detached and attached
 - The borrower must be an individual; no corporations, not-for-profits, or agencies allowed
 - The borrower may not be the contractor or provide repairs as a “do-it-yourself” option
 - A recertification of the property value by an appraiser is required in addition to the certificate of completion. The recertification of value must be added to the loan file documentation
 - o Cash-Out Refinance– loan where the proceeds exceed the outstanding principal balance of existing lien plus reasonable and customary closing costs; pay off or subordinate a junior lien which is seasoned less than 12 months whether or not the borrower received any cash from the transaction; all debt consolidation is treated as Cash-Out
 - Owner-Occupied
 - Maximum 85% LTV to \$417,000
 - Minimum 700 loan representative credit score
 - Maximum \$75,000 cash back to borrower at close
 - Ineligible: Property listed for sale in the last 12 months, property purchased within the last 12 months, Second Home, Investment Property, Condominium, Co-op, Third Party Originations, Short Term ARMs (1 to 3 years fixed period), and Self-Employed Borrower
 - o Ineligible – Removed reference to Construction-To-Perm as ineligible
 - Existing first lien was refinanced within the last 12 months as a cash out transaction
 - **Eligible Borrowers**
 - o Non-permanent Resident Aliens (the right to live and work in the US temporarily verified by a valid permit/Visa) are eligible, subject to:
 - Maximum 95% LTV to \$417,000
 - Owner-Occupied
 - Purchase and Rate/Term Refinance
 - 1-unit single-family detached and attached
 - Minimum 2 years’ established history of residency, employment and credit within the US

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

- Heavy emphasis will be placed on employment and likelihood of continuation
- Assets for down payment, closing costs and reserves should be verified on deposit in a US financial institution for at least 6 months
- The credit union must have acceptable documentation in the loan file to verify the non-permanent resident alien status
- **Employment History**
 - Self-Employed
 - Minimum 24 months' history of self-employment verified by most recent 2 years' personal and business tax returns
 - Business tax returns are not required if the borrower meets all of the following:
 - The borrower has been self-employed in the same business for at least five years
 - The borrower's individual tax returns show an increase in income from self-employment in the past two years
 - All down payment and closing costs are from the borrower's personal funds; funds from business account(s) cannot be used
- **Credit History**
 - Although a credit score can be generated with one trade line, CMG MI does not consider the credit score valid unless at least three open and active trade lines are evaluated for a minimum of 12 months. Borrower's who have a lengthy and in-depth credit history (multiple years and multiple active, inactive and closed accounts) do not have a credit score validity issue, although the minimum loan representative credit scores specified in these guidelines nonetheless apply.
 - Comparable Credit Criteria (available at www.cmgmi.com) may be used in lieu of credit score to determine eligibility only if one of the following conditions apply
 - Property is located in New York
 - The credit score is unusable due to inaccurate informationLoans using the Comparable Credit Criteria must be submitted to the CMG MI Underwriting Network for review
- **Debt Ratios**
 - Maximum 45%, regardless of DU or LP recommendationsNOTE: Loans that exceed the above debt-to-income ratio criteria are not eligible for delivery via the CMG MI delegated channel and must be submitted to the CMG MI Underwriting Network for review
- **Liquid Assets**
 - Verification of Deposit with a two month average balance provided, or
 - Two months' current bank statements per account, reporting all transactions and end balances, and satisfactory explanation for any large deposits or increases

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

- **Eligible Properties**
 - Owner-Occupied
 - 1-unit single-family detached and attached
 - 2-units
 - Maximum 95% LTV to \$533,850
 - Minimum 680 loan representative credit score
 - Condominiums
 - Maximum 95% LTV to \$417,000
 - Minimum 680 loan representative credit score
 - Maximum 85% LTV to \$625,500
 - Minimum 700 loan representative credit score
 - Must be Fannie Mae/Freddie Mac warrantable
 - **Ineligible:** Short Term ARMs (1 to 3 years fixed period)
 - Co-ops subject to the CMG MI Cooperative Housing Master Policy filed with state
 - Maximum 90% LTV to \$417,000
 - Minimum 680 loan representative credit score
 - **Ineligible:** Short Term ARMs (1 to 3 years fixed period)
 - Manufactured Homes
 - Maximum 90% LTV to \$417,000
 - Minimum 680 loan representative credit score
 - Ineligible: Single-Wide Manufactured Homes
 - **Ineligible:** 3-4 units, condotels, timeshare/interval ownership, mixed use, builder inventory and spec homes
 - All appraisals must be in writing or electronic. Standard format is as follows:
 - Single-family and Detached PUDs – Uniform Residential Appraisal Form (Fannie Mae Form 1004/Freddie Mac Form 70, dated 2005); **OR**
 - Condominiums – Individual Condominium or PUD Unit Form (Fannie Mae Form 1073/Freddie Mac Form 465, dated March 2005); **OR**
 - 2-Unit Properties – The Small Residential Income Property appraisal Report (Fannie Mae Form 1025/Freddie Mac Form 1072 dated March 2005) and The Operating Income Statement (Fannie Mae Form 216); **OR**
 - Manufactured Homes – Manufactured Home Appraisal Report, Form 1004C/70B; **OR**
 - Cooperative Housing Units – Individual Cooperative Interest Appraisal Report – Fannie Mae Form 2090 and the Exterior-Only Individual Cooperative Interest Appraisal Report – Fannie Mae Form 2095; **AND**
 - Market Conditions Addendum to the Appraisal Report – Uniform Residential Appraisal Form (Fannie Mae Form 1004MC/Freddie Mac Form 71, dated March 2009)

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

Changes to Distressed Markets Policy

Effective 1/8/10, CMG MI announces changes to its Distressed Markets Tier 1 and Tier 2 Policy. The Distressed Markets Policy – Tier 1 covers those Distressed Markets in which there have been improvements in home prices, but which are still potentially vulnerable to high unemployment and increasing mortgage delinquencies. The Distressed Markets Policy – Tier 2 covers those Distressed Markets which are projected to continue to experience more significant economic and/or housing downturns and are expected to take longer to improve.

Changes to Distressed Markets Policy – Tier 1

- **LTV/Loan Amount:**
 - Loan Amounts > \$417,000
 - CMG Single Premium Payment Plan
 - Minimum 700 loan representative credit score
- **Property Type:**
 - 2-units
 - Maximum 95% LTV/CLTV to \$533,850
 - Minimum 700 loan representative credit score
 - Condominiums
 - Maximum 95% LTV/CLTV to \$417,000
 - Minimum 700 loan representative credit score
 - Co-ops
 - Maximum 90% LTV/CLTV to \$417,000
 - Minimum 680 loan representative credit score
 - Manufactured Homes
 - Maximum 90% LTV/CLTV to \$417,000
 - Minimum 700 loan representative credit score
- **CMG MI will not insure:**
 - 3-4 Unit Properties
 - Single-Wide Manufactured Homes

Changes to Distressed Markets Policy – Tier 2

- **LTV/Loan Amount**
 - Loan Amounts up to \$417,000
 - Maximum 90% LTV/CLTV to \$417,000
 - Properties located in Arizona, Florida, Michigan, and Nevada
Minimum 720 loan representative credit score, regardless of property type
 - Properties located in California Tier 2 MSA/MSADs
Minimum 720 loan representative credit score, regardless of property type
 - Properties located in all other states
Minimum 680 loan representative credit score

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

- o Loan Amounts > \$417,000
 - Maximum 85% LTV/CLTV to \$625,500
 - Minimum 740 loan representative credit score
 - Ineligible: Properties located in Arizona, Florida, Michigan, Nevada, and California Tier 2 MSA/MSADs
- **Property Type:**
 - o Condominiums
 - Maximum 90% LTV/CLTV to \$417,000
 - Minimum 680 loan representative credit score
 - o Co-ops
 - Maximum 90% LTV/CLTV to \$417,000
 - Minimum 700 loan representative credit score

Changes to Distressed Markets List

Effective 1/8/10, CMG MI is pleased to announce that significant MSA/MSADs changes have been made to our Distressed Markets List, as follows:

- **The following State has been removed from Tier 2 on the state level, but will be subject to both CMG MI's Distressed Markets Policy - Tier 1 and Tier 2 guidelines, respectively, based on MSA/MSAD:**
 - o **State:**
 - California – See Distressed Markets List for specific MSAs at www.cmgmi.com/distressed_markets
- **The following State will be subject to CMG MI's Distressed Markets Policy - Tier 1 guidelines:**
 - o **State:**
 - Hawaii
- **The following MSA/MSADs have been removed from the CMG MI Distressed Markets List:**
 - o **MSA/MSADs:**
 - Boston-Quincy, MA (MSAD)
 - Canton-Massillon, OH
 - Charlottesville, VA
 - Chicago-Naperville-Joliet, IL (MSAD)
 - Dalton, GA
 - Danville, IL
 - Dayton, OH
 - Greensboro-High Point, NC
 - Janesville, WI
 - Lima, OH
 - McAllen-Edinburg-Mission, TX
 - Minneapolis-St. Paul-Bloomington, MN-WI
 - Salt Lake City, UT

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

- Sandusky, OH
- Spartanburg, SC
- Sumter, SC
- Toledo, OH

- **The following States will remain to be subject to CMG MI's Distressed Markets Policy - Tier 2 guidelines:**
 - **State:**
 - Arizona
 - Florida
 - Michigan
 - Nevada
 - Puerto Rico

- **The following MSA/MSADs will be subject to CMG MI's Distressed Markets Policy - Tier 1 guidelines:**
 - **MSA/MSADs:**
 - Allentown-Bethlehem-Easton, PA-NJ
 - Atlanta-Sandy Springs-Marietta, GA
 - Atlantic City-Hammonton, NJ
 - Baltimore-Towson, MD
 - Bellingham, WA
 - Bethesda-Frederick-Gaithersburg, MD (MSAD)
 - Bremerton-Silverdale, WA
 - Bridgeport-Stamford-Norwalk, CT
 - Camden, NJ
 - Coeur d'Alene, ID
 - Danville, VA
 - Dover, DE
 - Duluth, MN-WI
 - Edison-New Brunswick, NJ
 - Elkhart-Goshen, IN
 - Eugene-Springfield, OR
 - Gainesville, GA
 - Gary, IN (MSAD)
 - Grand Junction, CO
 - Hagerstown-Martinsburg, MD-WV
 - Hickory-Lenoir-Morganton, NC
 - Kingston, NY
 - Kokomo, IN
 - Lake County-Kenosha County, IL-WI (MSAD)
 - Lewiston-Auburn, ME
 - Manchester-Nashua, NH
 - Mansfield, OH
 - Medford, OR

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

- Michigan City-La Porte, IN
 - Nassau-Suffolk, NY (MSAD)
 - New Haven-Milford, CT
 - New York-White Plains-Wayne, NY-NJ (MSAD)
 - Newark-Union, NJ-PA (MSAD)
 - Norwich-New London, CT
 - Oakland-Fremont-Hayward, CA
 - Ocean City, NJ
 - Oxnard-Thousand Oaks-Ventura, CA
 - Peabody, MA (MSAD)
 - Portland-Vancouver-Beaverton, OR-WA
 - Poughkeepsie-Newburgh-Middletown, NY
 - Providence-New Bedford-Fall River, RI-MA
 - Provo-Orem, UT
 - Racine, WI
 - Rockford, IL
 - Salem, OR
 - Salisbury, MD
 - San Diego-Carlsbad-San Marcos, CA
 - San Francisco-San Mateo-Redwood City, CA
 - San Jose-Sunnyvale-Santa Clara, CA
 - Santa Ana-Anaheim-Irvine, CA
 - Santa Barbara-Santa Maria-Goleta, CA
 - South Bend-Mishawaka, IN-MI
 - Springfield, MA
 - Springfield, OH
 - St. George, UT
 - Tacoma, WA (MSAD)
 - Trenton-Ewing, NJ
 - Vineland-Millville-Bridgeton, NJ
 - Virginia Beach-Norfolk-Newport News, VA-NC
 - Washington-Arlington-Alexandria, DC-VA-MD-WV (MSAD)
 - Weirton-Steubenville, WV-OH
 - Wilmington, DE-MD-NJ (MSAD)
 - Worcester, MA
 - Youngstown-Warren-Boardman, OH-PA
- **The following MSA/MSADs will be subject to CMG MI's Distressed Markets Policy - Tier 2 guidelines:**
 - o MSA/MSADs:
 - Bakersfield, CA
 - Bend, OR
 - Boise City-Nampa, ID
 - Chico, CA

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

- El Centro, CA
- Fresno, CA
- Hanford-Corcoran, CA
- Los Angeles-Long Beach-Glendale, CA
- Madera, CA
- Merced, CA
- Modesto, CA
- Napa, CA
- Redding, CA
- Riverside-San Bernardino-Ontario, CA
- Sacramento--Arden-Arcade--Roseville, CA
- Salinas, CA
- San Luis Obispo-Paso Robles, CA
- Santa Cruz-Watsonville, CA
- Santa Rosa-Petaluma, CA
- Stockton, CA
- Vallejo-Fairfield, CA
- Visalia-Porterville, CA
- Winchester, VA-WV
- Yuba City, CA

To determine if a property is subject to the CMG MI Tier 1 or Tier 2 Distressed Markets Policies, please visit the CMG MI ZipMap at <http://www.cmgmi.com/map>. Additional information regarding the CMG MI Tier 1 and Tier 2 Distressed Markets Policies is available at: www.cmgmi.com/distressed_markets.

Changes to Comparable Credit Eligibility Criteria

- After meeting the base eligibility criteria shown in the CMG MI Program Guideline Summary, credit characteristics may be used to determine credit eligibility only if one of the following conditions apply:
 - o The property is located in New York
 - o The credit score is unusable due to inaccurate information
- Revision to Comparable Credit Score tiers as follows:
 - o 680-699 Credit Score
 - o 700-719 Credit Score
 - o 720-739 Credit Score
 - o 740-759 Credit Score
 - o 760+ Credit Score

Additional information regarding CMG MI's Comparable Credit Eligibility Criteria is available at: www.cmgmi.com/guidelines.

Summary of Eligibility and Guideline Changes Effective January 8, 2010 (cont'd)

NEW PROGRAM GUIDELINES - Construction-To-Permanent Program

Please review the complete Construction-To-Permanent Program guidelines at:
www.cmgmi.com/guidelines.

The above is only a summary of the guideline changes effective January 8, 2010. Complete CMG MI program guidelines are available at: www.cmgmi.com/guidelines.

Please make any necessary updates to your internal systems. CMG MI recommends that you notify your staff and branches of the changes and the effective date as soon as possible. For more information or to answer your questions, please contact your CMG MI Account Executive or visit our website at www.cmgmi.com/guidelines