

# Guidelines at a Glance

**CMG Mortgage Insurance Company**

Effective April 1, 2012



**CUNA MUTUAL GROUP**

*CMG Mortgage Insurance Company*  
[www.cmgmi.com](http://www.cmgmi.com)

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# CONFORMING GUIDELINES MATRIX



OCCUPANCY	LOAN PURPOSE	PROPERTY TYPES	MAX LTV/CLTV	CONFORMING LOAN AMOUNT			GEOGRAPHIC LIMITATIONS		
				MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI
Owner-Occupied	Purchase or Rate/Term Refinance Maximum 18% Coverage	1-Unit Single Family (detached & attached) or Condominiums	<= 97/97 <sup>1</sup>	\$417,000 Condos ineligible in entire state of FL	700	45	Properties located in NV, PR, and selected AZ and FL MSA/MSADs Refer to page 7 for a complete list of targeted MSA/MSADs		
		INELIGIBLE							
	Purchase or Rate/Term Refinance <sup>1</sup>	1-Unit Single Family (detached & attached)	<= 95/95	\$417,000	660	45	\$417,000	680	45
		2-Units	<= 95/95	\$533,850	680	45	1-Unit Single Family Attached ineligible in Ocala, FL MSA		
		Manufactured Homes Ineligible: Single-wide manufactured homes	<= 90/90	\$417,000	680	45	INELIGIBLE		
		Condominiums <sup>1</sup> Must be Fannie/Freddie warrantable	<= 95/95	\$417,000	680	45	\$417,000	680	45
	Co-ops <sup>1,2</sup>	<= 95/95	\$417,000	680	45	\$417,000	700	45	Ineligible in Miami-Miami Beach-Kendall, FL MSAD
	Rehabilitation Purchase or Rate/Term Refinance <sup>1</sup>	1-Unit Single Family (detached & attached)	<= 95/95	\$417,000	680	45	\$417,000	680	45
INELIGIBLE									
Cash-Out Refinance <sup>1</sup>	1-Unit Single Family (detached & attached)	<= 90/90	\$417,000	740	45	INELIGIBLE			
		<= 85/85	\$417,000	700	45				
		Condominiums, Co-ops, Manufactured Homes, 2-Units	INELIGIBLE						
Second Home <sup>1</sup>	Purchase or Rate/Term Refinance	1-Unit Single Family (detached & attached)	<= 90/90	\$417,000	700	45	INELIGIBLE		
		Condominiums Must be Fannie/Freddie warrantable	<= 90/90	\$417,000	700	45			
		Co-ops <sup>2</sup>	<= 90/90	\$417,000	700	45			
	Cash-Out Refinance	INELIGIBLE							

<sup>1</sup>Ineligible: Short-Term ARMs less than or equal to 3 years fixed period

<sup>2</sup>Co-ops: Eligibility limited to the states of CT, NJ, NH, MA, NY

# NON-CONFORMING GUIDELINES MATRIX



OCCUPANCY	LOAN PURPOSE	PROPERTY TYPE	MAX LTV/CLTV	NON-CONFORMING LOAN AMOUNT			GEOGRAPHIC LIMITATIONS		
				MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI
Owner-Occupied <sup>1</sup>	Purchase or Rate/Term Refinance	1-Unit Single Family (detached & attached)	<= 95/95	\$625,500	720	45	INELIGIBLE		
			<= 90/90	\$625,500	700	45	\$625,500	740	45
			<= 90/90	\$729,750	720	45	INELIGIBLE		
			<= 85/85	\$729,750	700	45	INELIGIBLE		
							1-Unit Single Family Attached ineligible in Ocala, FL MSA		
	2-Units	<= 95/95	\$533,850	680	45	INELIGIBLE			
	Condominiums <small>Must be Fannie/Freddie warrantable</small>	<= 90/90	\$625,500	700	45	\$625,500	740	45	Ineligible in Ocala, FL MSA
	Co-ops or Manufactured Homes	INELIGIBLE			INELIGIBLE				
	Cash-Out Refinance	1-Unit Single Family (detached & attached)	INELIGIBLE			INELIGIBLE			
Second Home <sup>1</sup>	Purchase or Rate/Term Refinance	1-Unit Single Family (detached & attached)	<= 90/90	\$625,500	720	45	INELIGIBLE		
		Condominiums <small>Must be Fannie/Freddie warrantable</small>	<= 90/90	\$625,500	720	45			
		Co-ops	INELIGIBLE						
		Cash-Out Refinance	INELIGIBLE						

<sup>1</sup>Ineligible: Short-Term ARMs less than or equal to 3 years fixed period

Current Fannie Mae and Freddie Mac loan limits are available at [www.efanniemae.com](http://www.efanniemae.com), [www.freddiemac.com](http://www.freddiemac.com) or via AllRegs®

# CONFORMING AND NON-CONFORMING PROGRAM GUIDELINES



## AUTOMATED APPROVALS

- CMG Mortgage Insurance Company (CMG MI) does not automatically approve or price loans for mortgage insurance based solely on decisions obtained from Agency systems
- Loans submitted and approved by Fannie Mae's Desktop Underwriter® (DU®) and Freddie Mac's Loan Prospector® (LP) must meet CMG MI's Conforming and Non-Conforming Program Guidelines

## ELIGIBLE PROPERTIES

- CMG MI generally insures properties up to 10 acres, provided the property is residential in nature
- 1-unit single family attached and detached
- 2-units
- Condominiums
  - All condominium projects must meet standard Agency Guidelines. Lenders are responsible for determining that all project eligibility representations and warranties are met.
- Cooperative Housing Units (Co-ops)
  - Subject to CMG MI Cooperative Housing Master Policy filed with state DOIs
- Manufactured Homes
  - Must meet Fannie/Freddie's eligibility criteria
  - Ineligible: Single-wide manufactured homes

## INELIGIBLE FOR MORTGAGE INSURANCE

- Investment property
- Non-traditional credit
- Interest-only loans
- Short-Term ARMs less than 1 year fixed period
- Limited documentation loans
- Potential and scheduled negative amortization mortgages, including option payment mortgages
- 3-4 units
- The seller acquired the subject property less than 90 days from the date of the purchase contract. (For CMG MI's complete Property Flipping Policy, please refer to CMG MI's Risk Underwriting Manual)

## SUBORDINATE FINANCING

- Maximum CLTV cannot exceed published maximum LTV stated within the CMG MI Conforming and Non-Conforming Program Guidelines (see Guidelines Matrix)
- Only the first mortgage will be insured by CMG MI
- Rate/Term Refinance Loans - subordinate loan to be repaid or subordinated to the new rate/term refinance mortgage and must be seasoned at least 12 months
- Second Home – new subordinate lien must be fully amortized

## LOAN PURPOSE

- Purchase
  - Relocation Documentation & Eligibility
    - Not eligible for delivery via the CMG MI delegated channel. Must be submitted to the CMG MI Underwriting Network for review
      - Copy of relocation agreement or detail of relocating company's standard relocation "package"
- Rate/Term Refinance
  - Pay off of an existing first lien, including reasonable and customary closing costs
    - If the property was acquired within the last 12 months, the loan-to-value ratio will be determined using the lesser of the purchase price plus value of documented improvements or the current appraised value
  - Pay off of a subordinate lien that is seasoned at least 12 months
    - If seasoning is less than 12 months, documentation is required to verify subordinate lien was used in its entirety to purchase the property
    - If a subordinate lien is a home equity line of credit, verification must be obtained that there have not been total draws within the past 12 months in excess of \$2,000
  - Pay off of a construction loan
    - Lot owned is less than 12 months – the lesser of the original lot purchase price plus the documented cost of improvements, or the current as completed appraisal value
    - Lot owned 12 months or longer – the LTV is based on the current as completed appraisal value
  - Maximum cash back to the borrower not to exceed 2% of the loan amount or \$2,000, whichever is LESS
  - **Ineligible:** Short-Term ARMs (1 to 3 years fixed period)
- 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
  - 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

- 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
  - **Ineligible:** Short-Term ARMs (1 to 3 years fixed period), property listed for sale within the last 12 months, property acquired or constructed within the last 12 months, existing first lien refinanced within the last 12 months as a cash-out transaction

## LOAN TYPE

- Maximum 40-year amortization term
- Fixed-rate, fixed-payment, fully amortized over term
- Adjustable Rate Mortgage (ARM)
  - Positively Amortizing Hybrid ARMs (i.e. 5/1, 7/1, 10/1)
  - Short-Term ARMs (1 to 3 years fixed period)
    - Purchase Only
    - Owner-Occupied
    - **Ineligible:** Properties located in NV, PR, and selected AZ and FL MSA/MSADs listed on page 7, loan amounts >\$417,000
  - Annual caps not to exceed 2% and lifetime cap not to exceed 6%
- Balloons
  - Owner-Occupied/Second Home: Term ≥ 5 years

## TEMPORARY/PERMANENT BUYDOWNS

- Owner-Occupied Only
- 2,1 buydown allowed on Fixed-Rate Mortgages (FRMs) and ≥ 5/1 ARMs
- 3,2,1 buydown allowed on FRMs and ≥ 5/1 ARMs
- Financed Permanent Buydowns are permitted; qualifying LTV will be based on the gross loan amount (including buydown funds)
- **Ineligible:** Cash-Out Refinances, Second Homes

## QUALIFYING RATE

- Hybrid ARMs (i.e., 5/1, 7/1, 10/1) qualify using the start rate
- Short-Term ARMs (1 to 3 years fixed period) qualify using the greater of the initial rate or the Fully Indexed Accrual Rate (FIAR)

# CONFORMING AND NON-CONFORMING PROGRAM GUIDELINES



## ELIGIBLE BORROWERS

- U.S. Citizens
- Inter Vivos Revocable Trusts
- Permanent Resident Aliens (the right to live and work in the US permanently)
- 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
    - Minimum 680 loan representative credit score
    - Owner-Occupied
    - Purchase and Rate/Term Refinance
    - 1-unit single-family detached and attached; condominiums
  - Maximum 90% LTV to \$625,500
    - Minimum 700 loan representative credit score
    - Owner-Occupied
    - Purchase and Rate/Term Refinance
    - 1-unit single-family detached and attached; condominiums
  - Minimum 2 years' established history of residency, employment and credit within the U.S.
  - 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 U.S. 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
- Non-occupant co-borrowers are allowed only for:
  - Owner-Occupied
  - 1-unit property if non-conforming loan amount
  - Owner-occupant borrowers must qualify on their own
- Credit union employee loans are not eligible for delivery via the CMG MI delegated channel. They must be submitted to the CMG MI Underwriting Network for review
- **Ineligible:** Non-Resident Aliens, Partnerships, Corporations, Syndications, Trusts (other than Inter Vivos Revocable Trusts), and Foreign Nationals

## DOCUMENTATION EFFICIENCIES (DU/LP Only)

- Employment, Income, and Assets
  - Loans must receive one of the following recommendations:
    - DU Approve
    - DU Expanded Approval
    - LP Accept
  - A Documentation Efficiency of only a Verbal Verification of Employment is not acceptable
  - Assets for down payment, closing costs and reserves must meet CMG MI guidelines; may be documented using DU/LP permitted documentation

## EMPLOYMENT HISTORY AND INCOME DOCUMENTATION

- **Salaried/Hourly**
  - Minimum 24 months of verified employment in the same or related field
  - Minimum 1 month income verification to include year-to-date earnings
    - Verification must be no more than 30 days old on the date the mortgage note is signed
  - Employment gaps greater than 1 month should be explained
- **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

- Minimum of one credit score is required for each borrower, regardless of DU or LP recommendations. The credit report must be no more than 120 days old on the date the mortgage note is signed
- 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. The validity of the credit score and the number of trade lines is of importance if the credit history is "thin" or limited. Thin credit refers to a file of credit information that contains very little data about the borrower's use of credit, most likely because there isn't a long history of credit use upon which to judge repayment ability. The valid credit score policy does not apply to all borrowers. Borrowers 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, and are not required to have three open and active accounts to qualify, although the minimum loan representative credit scores specified in these guidelines nonetheless apply
- The loan representative credit score will be determined using the lower/middle method; the lowest borrower score will be used
- If the minimum payment for a revolving debt is not stated on the credit report, five percent (5%) of the outstanding balance must be used when calculating the debt ratio or supporting documentation must be provided to support actual minimum payment

- If the minimum payment for an installment debt is not stated on the credit report, a copy of the contract or payment letter must be provided to support actual payment. The payment must be used when calculating the debt ratio. When the credit report does not contain a minimum payment for deferred student loans, the lender may calculate a monthly payment based on 2% of the outstanding balance in lieu of obtaining documentation of the actual monthly payment
- Judgments, liens, collections, voluntary or involuntary repossessions and charge-offs for federal and state tax liens must all be paid in full at the time of loan closing, especially any debt affecting title. However, collection accounts or charged-off accounts do not have to be paid off at or prior to closing if the balance of an individual account is less than \$250 or the total balance of all accounts is \$1,000 or less
- The borrower's credit history must reflect 0x30 mortgage late payments in the last 24 months and 0x60 installment or revolving account late payments in the last 12 months
- Minimum 4 years' re-established traditional credit after discharge of bankruptcy for borrowers who have had one bankruptcy; 2 years with extenuating circumstances
- Minimum 5 years' re-established traditional credit after discharge of bankruptcy for borrowers who have more than one bankruptcy filing in the past 7 years
- Borrowers with a history of Bankruptcy, Foreclosure, Short Sale or a Deed-in-Lieu must meet Fannie Mae/Freddie Mac standard credit underwriting criteria available at [www.efanniemae.com](http://www.efanniemae.com), [www.freddiemac.com](http://www.freddiemac.com) or via AllRegs®
- Borrowers with a prior foreclosure - loans are not eligible for delivery via the CMG MI delegated channel and must be submitted to the CMG MI Underwriting Network for review
- Comparable Credit Criteria (available at [www.cmgmi.com](http://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 recommendations
  - If a revolving debt is to be paid off but not closed, a monthly payment on the current outstanding balance must be considered as long-term debt

**NOTE:** 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

# CONFORMING AND NON-CONFORMING PROGRAM GUIDELINES



## MINIMUM DOWN PAYMENT

- Borrower must have a minimum equity or down payment from their own funds as follows:
  - Owner-Occupied
    - Minimum 3% borrower funds must be verified as part of the transaction for all LTVs
    - Gifts or grants can be applied towards the minimum 3% of borrower funds, when the following guidelines are met:
      - Minimum 740 loan representative credit score
      - Fixed-rate/fixed-payment for at least 5 years
      - 1-unit single family detached and attached
      - Gift, grant, or down payment assistance from a family member defined as related by blood, marriage, adoption or legal guardianship, domestic partner or fiancé/fiancée not related to the transaction, a nonprofit charitable organization (non-Nehemiah), government agency, or borrower's employer
      - **Ineligible:** The gift/grant provider may not be an interested party to the transaction, subordinate financing or soft seconds
  - Second Home
    - Minimum 10% of borrower funds must be verified as part of the transaction
- Additional funds for down payment, closing costs, reserves, and prepaid escrow may be from any of the following sources:
  - Gift, grant, or down payment assistance from a family member defined as related by blood, marriage, adoption or legal guardianship, domestic partner or fiancé/fiancée not related to the transaction, a nonprofit charitable organization (non-Nehemiah), government agency, or borrower's employer
  - Unsecured installment loans may only be from an extended family member who is not a party to the transaction (maximum 2% of purchase price)
  - Non-real estate secured loan; terms of the note must be verified and should reflect the borrower's assets used as security (maximum 2% of purchase price)
  - Subordinate financing with grant-like features
- **Ineligible:** "Sweat Equity" as defined by Fannie Mae/Freddie Mac

## LIQUID ASSETS DOCUMENTATION REQUIREMENT

- One month's current bank statement per account, reporting beginning and end balances, all transactions, and satisfactory explanation for any large deposits or increases

## CASH RESERVES

- Owner-Occupied
  - Purchase or Cash-Out Refinance
    - Minimum 2 months' verified PITI
    - Cannot be proceeds from subject mortgage
  - Rate/Term Refinance
    - None
- Second Home
  - Purchase, Cash-Out Refinance, or Rate/Term Refinance
    - Minimum 2 months' verified PITI
    - Cannot be proceeds from subject mortgage

## CONVERSION OF PRIMARY RESIDENCE

- Sale of primary residence is pending (transaction will not close, with title transfer to new owner, prior to the close of subject transaction)
  - Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction
  - Minimum 6 months PITI for both properties or
  - Minimum 2 months PITI for both properties:
    - Documented equity of at least 30 percent in the existing property (derived from an appraisal, automated valuation model (AVM), or Broker Price Opinion (BPO), minus outstanding liens. Valuation must be current within 30 days of application) and an executed contract is provided
  - No cash-out refinance in the past 6 months
- Conversion to Second Home
  - Both the current and proposed mortgage payment must be used to qualify the borrower for the new transaction; and
  - Minimum 6 months PITI for both properties; or
  - Minimum 2 months PITI for both properties:
    - Document equity of at least 30 percent in the existing property (derived from an appraisal, automated valuation model (AVM), or Broker Price Opinion (BPO), minus outstanding liens. Valuation must be current within 30 days of application)

- Conversion to Investment Property
  - Documented equity of at least 30 percent in the existing property (derived from an appraisal, automated valuation model (AVM), or Broker Price Opinion (BPO), minus outstanding liens. Valuation must be current within 30 days of application)
    - Up to 75% of the rental income to be used to offset the mortgage payment in qualifying
    - Rental income documentation:
      - Copy of the fully executed lease agreement; and
      - Receipt of a security deposit from the tenant and deposit into the borrower's account
      - Minimum 2 months of PITI for both properties
  - If equity of at least 30 percent in the existing property CANNOT be documented, rental income may NOT be used to offset the mortgage payment; and
    - Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction; and
    - Minimum 6 months of PITI for both properties is required to be in reserves

## MAXIMUM INTERESTED PARTY/SELLER CONTRIBUTIONS & CONCESSIONS

- Owner-Occupied
  - Maximum of 3% based upon the lesser of the property's sales price or appraised value on LTVs 90.01 – 97%
  - Maximum of 6% based upon the lesser of the property's sales price or appraised value for LTVs up to 90%
- Second Home
  - Maximum of 6% based upon the lesser of the property's sales price or appraised value

## THIRD PARTY ORIGINATIONS

- Loans that are not originated on behalf of a credit union are ineligible
- **Ineligible:** Properties located in NV, PR, and selected AZ and FL MSA/MSADs listed on page 7

(continued on next page)

# CONFORMING AND NON-CONFORMING PROGRAM GUIDELINES



## APPRAISAL

- Appraisal requirements for all loans > \$625,500, must meet one of the following:
  - 2 independent interior/exterior appraisal reports with photos
  - 1 independent interior/exterior appraisal with photos; **AND**
    - A complete field review supporting value; **OR**
    - A complete Exterior Only Appraisal Report (Form 2055) supporting appraised value
- Appraisals must be no more than 120 days old on the date the mortgage note is signed. Appraisals more than 120 days old up to 12 months old must be recertified. A new appraisal is required if the existing appraisal is more than 12 months old
- Appraisals must meet Fannie Mae and/or Freddie Mac standard underwriting criteria available at [www.efanniemae.com](http://www.efanniemae.com), [www.freddiemac.com](http://www.freddiemac.com), or via AllRegs®
  - Subject property condition must be “average” or above to be eligible for CMG MI delegated delivery
    - Generally property condition must be average or above to be eligible for mortgage insurance
- All appraisals must be in writing or electronic. Standard format is as follows:
  - Single-family and Detached PUDs – Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70, dated March 2005); **OR**
  - Condominiums – Individual Condominium Unit Appraisal Report (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 72, dated March 2005) and the Operating Income Statement (Fannie Mae Form 216/Freddie Mac Form 998, dated August 1988); **OR**
- Manufactured Homes – Manufactured Home Appraisal Report (Fannie Mae Form 1004C/Freddie Mac Form 70B, dated March 2005); **OR**
- Cooperative Housing Units – Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090, dated March 2005) and the Exterior-Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095, dated March 2005); **AND**
- Market Conditions Addendum to the Appraisal Report – Uniform Residential Appraisal Form (Fannie Mae Form 1004MC/Freddie Mac Form 71, dated March 2009)
  - The appraisal report should be prepared by a state-certified or state-licensed appraiser in accordance with Uniform Standards of Professional Appraisal Practices (USPAP)
- Appraisals originally ordered for an FHA loan are acceptable
- **Ineligible:** Streamlined appraisal forms and waivers are ineligible, such as those driven by DU/LP (e.g. property inspection waivers and DU Refi Plus property fieldwork waiver), regardless of appraisal efficiencies by DU/LP

## MULTIPLE LOANS TO SINGLE BORROWER

- CMG MI will insure up to 3 loans to a borrower with a maximum risk exposure of \$300,000 (maximum risk exposure defined as aggregate of original loan amount x percent of MI coverage)
- Within the 3 loans to a borrower limit, CMG MI will only accept the maximum amount on the following:
  - Primary Home – 1 loan maximum
  - Second Home – 1 loan maximum
  - Investment Property – 1 loan maximum (currently insured with CMG MI)

## CMG MI COVERAGES AND PREMIUMS

- For information regarding CMG MI rates and surcharges, please refer to our most current published rate sheets on our Website at [www.cmgmi.com/rates](http://www.cmgmi.com/rates)
- When CMG MI Single Premium is financed, the maximum CLTV is 103% and is subject to state restrictions

## PENDING RATE APPROVALS

- Until the Puerto Rico Department of Insurance (DOI) approves CMG MI's 2011 rate filing, a minimum 680 loan representative credit score and rate/term refinance surcharge of 10-bps applies. Please visit [www.cmgmi.com/rates](http://www.cmgmi.com/rates) for updated rate sheets and state filing status

# CONFORMING AND NON-CONFORMING PROGRAM GUIDELINES



## GUIDELINE LIMITATIONS - TARGETED MARKETS

The entire state of Nevada, Puerto Rico, and certain Arizona and Florida MSA/MSADs listed below are subject to additional guideline limitations. To determine if properties in the states of Arizona and Florida are subject to these limitations, access the CMG MI ZipMap at [www.cmgmi.com/map](http://www.cmgmi.com/map) and enter the property's zipcode

- In these targeted states and MSA/MSADs CMG MI will not insure:
  - LTVs greater than 95%
  - Loan Representative Credit Score of less than 680
  - Second homes
  - 1-unit single family attached and condominiums in Florida
  - 2-4 unit properties
  - Manufactured homes
  - Short-term ARMS (1 to 3 years fixed period)
  - Cash-out refinances
  - Construction-to-perm
  - Non-traditional credit
  - Third-party originations

State	MSA/MSAD Code	MSA/MSAD Name
AZ	35700	Nogales, AZ (Micropolitan Statistical Area)
AZ	37740	Payson, AZ (Micropolitan Statistical Area)
AZ	39140	Prescott, AZ
AZ	40940	Safford, AZ (Micropolitan Statistical Area)
AZ	43320	Show Low, AZ (Micropolitan Statistical Area)
AZ	43420	Sierra Vista-Douglas, AZ (Micropolitan Statistical Area)
AZ	49740	Yuma, AZ
AZ	99999	Non-MSA, AZ
FL	36100	Ocala, FL

# EZ DECISIONING<sup>SM</sup> PROGRAM MATRIX



						GEOGRAPHIC LIMITATIONS	
						Properties located in NV, PR, and selected AZ and FL MSA/MSADs <sup>1</sup>	
OCCUPANCY	LOAN PURPOSE	PROPERTY TYPES	MAX LTV/CLTV	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX LOAN AMOUNT	MIN CREDIT SCORE
Owner-Occupied	Purchase or Rate/Term Refinance	1-Unit Single Family (detached & attached) or Condominiums <sup>5</sup>	<= 97/97 <sup>3</sup>	\$417,000 Condos ineligible in entire state of FL	700	INELIGIBLE	
	Purchase or Rate/Term Refinance <sup>3</sup>	1-Unit Single Family (detached & attached) or Condominiums <sup>3,5</sup>	<= 95/95	\$417,000 <sup>2</sup> Condos ineligible in Miami-Miami Beach-Kendall, FL MSAD	620	\$417,000	680
		2-Units or Manufactured Homes <small>Ineligible: Single-wide manufactured homes</small>	<= 95/95	\$417,000 <sup>2</sup>	620	INELIGIBLE	
		Co-ops <sup>3,4</sup>	<= 95/95	\$417,000 <sup>2</sup>	620	\$417,000	700
	Rehabilitation Purchase or Rate/Term Refinance <sup>3</sup>	1-Unit Single Family (detached & attached)	<= 95/95	\$417,000 <sup>2</sup>	680	\$417,000	680
	Cash-Out Refinance <sup>3</sup>	1-Unit Single Family (detached & attached)	<= 90/90	\$417,000 <sup>2</sup>	740		
<= 85/85			\$417,000 <sup>2</sup>	700			
		Condominiums <sup>5</sup> , Co-ops, Manufactured Homes, 2-Units	INELIGIBLE				
Second Home <sup>3</sup>	Purchase or Rate/Term Refinance	1-Unit Single Family (detached & attached) Condominiums <sup>5</sup> , Co-ops, or Manufactured Homes	<= 90/90	\$417,000 <sup>2</sup> Condos ineligible in Miami-Miami Beach-Kendall, FL MSAD	680		
	Cash-Out Refinance	INELIGIBLE					

<sup>1</sup> Refer to page 7 of CMG MI's Guidelines at a Glance for a complete list of targeted MSA/MSADs

<sup>2</sup> HI properties: Maximum \$625,500 loan amount, 2-unit properties maximum \$533,850

<sup>3</sup> Ineligible: Short Term ARMs less than or equal to 3 years fixed period

<sup>4</sup> Co-ops: Eligibility limited to the states of CT, NJ, NH, MA, NY

<sup>5</sup> Must be Fannie/Freddie warrantable

# EZ DECISIONING<sup>SM</sup>

## PROGRAM GUIDELINES



### LOANS MUST RECEIVE ONE OF THE FOLLOWING RECOMMENDATIONS:

- Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>)
  - Approve/Eligible\*
  - Expanded Approval/Eligible\*
- Loan Prospector<sup>®</sup> (LP)
  - Accept/Eligible\*

### LOANS MUST CONFORM TO THE FOLLOWING 6 GUIDELINE OVERLAYS:

- Eligibility
  - CMG MI's eligibility matrix (page 8)
- Coverage
  - For 95.01%-97.00% LTVs, maximum 18% coverage with loan representative credit score < 720, maximum 35% coverage with loan representative credit score ≥ 720
- Borrower Contribution
  - Minimum verified 3% down payment for borrowers with loan representative credit score < 720, 0% with loan representative credit score ≥ 720 (5% for second homes)
- Credit Score
  - Loan representative credit score is valid, i.e., at least three open and active trade lines are evaluated for a minimum of 12 months

- Appraisal
  - Form 2055 Exterior Only may be obtained if permitted by DU or LP for the loan transaction
  - A 2055 may not be used if the property is currently in foreclosure or is an investor/institution/bank- owned REO; a full URAR is required.
  - Ineligible: 2070 and 2075
- CMG MI's Property Flipping Policy
  - Refer to Property Flipping Policy in CMG MI's Risk Underwriting Manual

### When underwriting loans using DU/LP, CMG MI expects that the lender will:

- Continue to employ prudent underwriting judgment, including determining if using DU or LP is appropriate for a specific loan
- Confirm that all the information provided to DU or LP is accurate
- Assess the appraisal for accuracy and determine that the value is well-supported
- Use due diligence for red flags when reviewing supporting documentation
- Meet the credit report validation requirements

- Determine if there is any derogatory or contradictory information in the loan that could not be analyzed by DU or LP and take action regarding that information
- DU loans – ensure that the loan meets all the verification messages and approval conditions detailed in the findings, that the observations have been reviewed and addressed in the loan file
- LP loans – ensure that the loan meets the credit and loan processing requirement detailed on the feedback certificate

### Eligible as indicated by DU/LP:

- Maximum DTI Ratio
- Reserves
- Pending sale requirements
- Seasoning
- Condo Project Eligibility

### Ineligible:

- Investment Property
- Construction-to-Permanent
- HARPs
- 3-4 Units

*\*Loans with Approve/Ineligible findings meeting CMG MI's Conforming and Non-Conforming Program Guidelines continue to qualify for Employment, Income, and Assets documentation efficiencies. Contact your Account Executive for more information.*

# CONSTRUCTION-TO-PERMANENT PROGRAM GUIDELINES



OCCUPANCY/ LOAN PURPOSE	PROPERTY TYPES	MAX LTV/CLTV	CONFORMING LOAN AMOUNT			NON-CONFORMING LOAN AMOUNT <sup>1</sup>			GEOGRAPHIC LIMITATIONS		
			MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI
<b>Owner-Occupied Construction Purchase or Construction Refinance<sup>1</sup></b>	1-Unit Single Family (detached & attached)	<= 95/95	\$417,000	680	45	INELIGIBLE			Properties located in NV, PR, and selected AZ and FL MSA/MSADs Refer to page 7 for a complete list of targeted MSA/MSADs		
		<= 90/90	\$417,000	680	45	\$625,500	700	45			
<b>Second Home or Investment Property</b>			INELIGIBLE			INELIGIBLE					

<sup>1</sup>Ineligible: Short-Term ARMs less than or equal to 3 years fixed period

Unless otherwise specified, all CMG MI's Conforming and Non-Conforming Program guidelines apply.

## DEFINITION

- A construction-to-permanent loan is the loan an individual borrower(s) obtains that finances the interim construction phase and converts to the permanent financing

**NOTE:** A loan used to purchase a new home from a builder (often referred to as a "turnkey" loan) is not considered construction-to-permanent financing; it should be underwritten as a purchase transaction

## CONSTRUCTION PHASE

- Mortgage insurance coverage on the permanent loan is ineligible if the borrower has any 30-day delinquencies on the construction loan during the construction phase
- CMG MI's commitment/certificate will be issued for a period of 12 months. Commitment/certificate is subject to credit documentation update if greater than 120 days old on the date of MI activation. Loan must meet published Construction-to-Perm program guidelines at time of origination and may be subject to pricing updates if loan characteristics, such as loan representative credit score and/or LTV, changes
- Reinstatement/Extension is not permitted. After 12 months, a new MI application, with current borrower information, is required and is subject to current published Construction-to-Perm program guidelines

## MORTGAGE INSURANCE ACTIVATION

- Mortgage insurance coverage may be placed in-force once the construction is complete, final inspections have been made and certified by the appraiser. Premium is not collected and there is no coverage during the construction phase
- To secure coverage after construction is complete:
  - The lender can choose the effective date based on local practices, such as:
    - Date of the certificate of occupancy
    - Date the property is accepted as complete by the borrower
  - The loan cannot be in default as of the date the lender activates the insurance
  - Contact Policy Servicing at (415) 284-2575 to activate coverage
  - Premium payment to be remitted within 45 days of the effective date selected to secure coverage after construction is completed
    - If the initial premium payment is received past the 45 days, the date the premium payment is received will be the effective date for coverage
  - The Property must be completed according to the plans and specifications on which the appraisal was based. Costs associated with completing construction are not claimable expenses
  - Losses caused by the borrower's inability to secure permanent financing or the lender's unwillingness to convert the loan to a permanent loan are NOT covered

## Must meet the following Conforming and Non-Conforming Program Guideline categories:

- Automated Approvals
- Loan Type
- Temporary/Permanent Buydowns
- Qualifying Rate
- Documentation Efficiencies (DU/LP only)
- Employment History and Income Documentation
- Credit History
- Liquid Assets Documentation Requirement
- Conversion of a Primary Residence
- Appraisals
- Multiple Loans to a Borrower

## ELIGIBLE PROPERTIES

- CMG MI generally insures properties up to 10 acres, provided the property is residential in nature. All property types not explicitly approved are not eligible
- 1-unit single-family attached or detached

## INELIGIBLE FOR MORTGAGE INSURANCE

- Second home
- Investment Property
- Third-party origination
- Non-traditional credit
- Interest only loans
- Limited documentation loans
- Potential and Scheduled negative amortization mortgages including option payment mortgages
- Cooperative Housing Units (Co-ops),
- Manufactured Homes
- Condominiums
- 2-4 units
- Condotels
- Timeshare/interval ownership, mixed-use

# CONSTRUCTION-TO-PERMANENT PROGRAM GUIDELINES

## LOAN PURPOSE

- Construction-Purchase – a transaction where the borrower is not currently the owner of record of the land and/or is acquiring the lot at the time the construction loan is obtained
- Construction-Refinance – a transaction where the borrower holds title to the lot and is named as the borrower for the construction loan
  - Maximum cash back to the borrower not to exceed 2% of the loan amount or \$2,000, whichever is **LESS**.

## LTV/LOAN AMOUNT

- The LTV is based on the appraised value or total acquisition cost, whichever is less, as determined by the length of time the lot has been owned
- Construction-Purchase Transaction – the LTV will be based on the lot purchase price plus the documented costs of improvements; or the current appraised value, whichever is less
- Construction- Refinance Transaction – the LTV will be based on:
  - Lot owned less than 12 months – the lesser of the original lot purchase price plus the documented cost of improvements; or the current as completed appraised value
  - Lot owned 12 months or longer – the LTV is based on the current as completed appraised value
- If the land is acquired by gift or inheritance, use the appraised value of the land and document the acquisition and transfer of the land
- Cost of improvements is defined as the documented costs to build the home, the costs to obtain the construction and/or the permanent financing and the cost of the land, or value of the lot depending on when the lot was acquired
  - Construction costs may include, but are not limited to, building permits and architectural, survey, and loan fees, in addition to the cost of labor and materials required to complete the improvements
- Reimbursement of borrower expenses in excess of the construction loan is considered cash out and is not permitted

Current Fannie Mae and Freddie Mac loan limits are available at [www.efanniemae.com](http://www.efanniemae.com), [www.freddiemac.com](http://www.freddiemac.com) or via AllRegs®

## SUBORDINATE FINANCING

- Maximum CLTV cannot exceed published maximum LTV stated within the CMG MI Construction-to-Permanent Program Guidelines (see page 8)
- Only the first mortgage will be insured by CMG MI
- Rate/Term Refinance Loans - subordinate loan to be repaid or subordinated to the new rate/term refinance mortgage and must be seasoned at least 12 months

## DEBT RATIOS

- Maximum 45%, regardless of DU or LP recommendations
  - If a revolving debt is to be paid off but not closed, a monthly payment on the current outstanding balance must be considered as long term debt
- PITI for the new home will be determined using the interest rate established for the permanent financing
- If documentation in the loan indicates the borrower's current residence will be sold upon completion of construction but is not under a non-contingent sales agreement, the underwriter must ascertain if there is a ready market for the properties in the area. The following market conditions must be present:
  - Marketing times are no greater than 6 months
  - Property values are stable and increasing
  - The borrower equity in the current residence is sufficient to cover sales and closing costs
  - If a ready market for the property cannot be verified, the full payment on both the borrower's current residence and the new home should be considered

**NOTE:** 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

## ELIGIBLE BORROWERS

- U.S. Citizens
- Inter Vivos Revocable Trusts
- Permanent Resident Aliens (the right to live and work in the US permanently)
- Credit union employee loans are not eligible for delivery via the CMG MI delegated channel. They must be submitted to the CMG MI Underwriting Network for review
- **Ineligible:** Owner-builder, Non-occupant co-borrowers, Non-permanent Resident Aliens, Non-Resident Aliens, Partnerships, Corporations, Syndications, Trusts (other than Inter Vivos Revocable Trusts), and Foreign Nationals

## AGE OF CREDIT DOCUMENTS

- The credit documents must be no more than 120 days old on the date of MI activation. Credit documents are defined as the documents used for income, assets, credit report, and appraisal

## MINIMUM DOWN PAYMENT

- Borrower must have a minimum equity or down payment from their own funds as follows:
  - Minimum 5% of borrower funds must be verified as part of the transaction
- Additional funds for down payment, closing costs, reserves, and prepaid escrow may be from any of the following sources:
  - Gift, grant, or down payment assistance from a family member defined as related by blood, marriage, adoption or legal guardianship, domestic partner or fiancé/fiancée not related to the transaction, a nonprofit charitable organization (non-Nehemiah), government agency, or borrower's employer
  - Unsecured installment loans may only be from an extended family member who is not a party to the transaction (maximum 2% of purchase price)
  - Non-real-estate-secured loan: terms of the note must be verified and should reflect the borrower's assets used as security (maximum 2% of purchase price)
  - Subordinate financing with grant-like features

**Ineligible:** "Sweat Equity" as defined by Fannie Mae/Freddie Mac

## CASH RESERVES

- Minimum 2 months' verified PITI
- Cannot be proceeds from subject mortgage

## MAXIMUM INTERESTED PARTY/SELLER CONTRIBUTIONS & CONCESSIONS

- Maximum of 3% based upon the lesser of the property's sales price or appraised value on:
  - LTVs 90.01 - 95% to \$417,000
  - LTVs up to 90% to \$625,500
- Maximum of 6% based upon the lesser of the property's sales price or appraised value on:
  - LTVs up to 90% to \$417,000

# CONSTRUCTION-TO-PERMANENT PROGRAM GUIDELINES

## ADDITIONALLY REQUIRED DOCUMENTATION

- Contract between the builder and borrower showing material and construction cost, time to complete and draw schedule
- A proposed dwelling survey (Plot Plan) is required
- The HUD-1 from the original purchase of the lot is required for the refinance transaction when the property has been owned less than 12 months

## CONVERSION TO PERMANENT

- When the lender receives the final inspections, final title update, and Certificate of Occupancy (if applicable), conversion to a fully amortized loan will occur. The loan will become fully amortized over the remaining term
- If the construction is not completed prior to the expiration of the 12-month construction commitment term, a new MI application, with current borrower information, is required and is subject to current published construction-to-perm program guidelines
- The lender will notify CMG MI of any material changes made to the plans and specifications

## LAND ACQUISITION

- If the borrower does not own the land, the initial draw disbursement may assist in purchasing the land. However, the borrower's down payment must be used towards the purchase of the land before any mortgage proceeds are used

## CONSTRUCTION DRAWS & INSPECTIONS

- The borrower is responsible for any cost overruns and change orders. Any changes to the plans and specifications must be approved by the lender. The lender should obtain a recertification of value from the appraiser reflecting the change

## CMG MI COVERAGES AND PREMIUMS

- All premium plans are available for construction-to-permanent loans
- In order for a claim to be paid for a construction-to-permanent loan, the insurance must be in-force with the premiums paid and the construction must be completed according to the construction plans and specifications on which the appraisal was based
- For information regarding CMG MI rates and surcharges, please refer to our most current published rate sheets on our Web site at [www.cmgmi.com/rates](http://www.cmgmi.com/rates)
- When CMG MI Single Premium is financed, the maximum CLTV is 103% and is subject to state restrictions



**CMG MI's UNDERWRITING NETWORK**

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