

June 2, 2008

**IMPORTANT: Distressed Markets Policy and Program Guidelines Changes**

Dear Valued Customer:

To continue to meet your mortgage insurance needs and support your efforts to foster sustainable homeownership, CMG Mortgage Insurance Company (CMG MI) must periodically update our guidelines in response to developments in the overall mortgage market.

As a result of the continued downturn in the U.S. housing market and our assessment of home prices based on leading home price indices, CMG MI will be making changes to the following:

*CMG MI Distressed Markets Policy – Effective July 1, 2008*  
CMG MI Program Guidelines - **Effective July 1, 2008**

Additionally, 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 the *CMG MI Distressed Markets Policy*:**

- CMG MI will not insure:
  - Nontraditional Credit
  - Cash-Out Refinances
  - Investment Properties
- Construction-to-Permanent loan
  - Maximum LTV is 85.00%

**MSA and State additions to the Distressed Markets List:**

- Cincinnati-Middletown, OH-KY-IN
- Dayton, OH
- Denver-Aurora, CO
- California
- Florida
- Michigan
- Puerto Rico

To determine if a property is subject to the *CMG MI Distressed Markets Policy*, please visit the CMG MI ZipMap at <http://www.cmgmi.com/map>. Additional information regarding the *CMG MI Distressed Markets Policy* is available at: [www.cmgmi.com/distressed\\_markets](http://www.cmgmi.com/distressed_markets).

### **Changes to Conforming & Non-Conforming Program:**

#### LTV/Loan Amount

- LTV = 95.01 – 97.00%
  - Minimum 700 loan representative credit score
  - Maximum Loan Amount = \$600,000
- LTV = 97.01 – 100.00%
  - Minimum 700 loan representative credit score
  - Contributions and concessions are not eligible for mortgage insurance

#### Loan Type

- Potential Negative Amortization ARMs and Option Payment Mortgages are not eligible for mortgage insurance

#### Interest Only

- Maximum LTV/CLTV is 95.00%
- Minimum 680 loan representative credit score

#### Loan Purpose

- Maximum \$50,000 Cash-Out
- Second Homes and Investment Properties are not eligible for Cash-Out Refinances

#### Nontraditional Credit

- Loans with nontraditional credit are not eligible for delivery via the CMG MI delegated channel. They must be submitted to a CMG MI underwriting office for review.

#### Eligible Properties

- Manufactured Homes
  - Maximum LTV is 95.00%

### **Changes to A-Minus Program:**

#### LTV/Loan Amount

- Maximum LTV is 90.00%
- Second Homes are not eligible for mortgage insurance

#### Loan Purpose

- Cash-Out Refinances are not eligible for mortgage insurance

#### Eligible Properties

- 2-4 Unit properties and manufactured homes are not eligible for mortgage insurance

**Changes to Construction-To-Permanent Program:**

LTV/Loan Amount

- Second Homes are not eligible for mortgage insurance

Interest Only

- Minimum fixed period of 5 years

Loan Purpose

- Cash-Out Refinances are not eligible for mortgage insurance

Credit History

- Minimum 680 loan representative credit score

**The following program guideline change applies to all programs:**

Multiple Loans to a 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

**The CMG MI Affordable and Limited Doc Programs have been discontinued.**

Attached please find the CMG MI “Ineligibility Chart” for your reference.

Complete CMG MI program guidelines are available at: [www.cmgmi.com/guidelines](http://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.

CMG MI is committed to achieving affordable, responsible and sustainable homeownership in all of the communities we serve, and we appreciate the opportunity to work with you to achieve this goal. If you have any questions regarding these changes, please contact your CMG MI Account Executive.



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Enclosure: Ineligibility Chart