

# C M G M I G U I D E L I N E S

## CONFORMING & NON-CONFORMING PROGRAM

The CMG MI Conforming and Non-Conforming Program is designed for borrowers with a minimum loan representative credit score of 620 with conforming or non-conforming loan amounts.

### Distressed Markets Policy

- Please refer to CMG MI's Distressed Markets Policy to determine if the property is subject to further guideline restrictions.

### Automated Approvals

- All Fannie Mae's Desktop Underwriter® ("DU") and Freddie Mac's Loan Prospector® ("LP") recommendations must meet CMG Mortgage Insurance Company's ("CMG MI") Conforming and Non-Conforming Program Guidelines.

### LTV/Loan Amount

Loan amounts equal to conforming 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®

- Owner-Occupied
  - 100% LTV to \$550,000
    - Minimum 680 loan representative credit score
  - 97% LTV to \$600,000
    - Minimum 680 loan representative credit score
  - 95% LTV to \$650,000
  - 90% LTV to \$750,000
  - 85% LTV to \$850,000
- Second Home
  - 95% LTV to \$550,000
    - Minimum 720 loan representative credit score
  - 90% LTV to \$600,000
    - Minimum 680 loan representative credit score
- Investment Property
  - 85% LTV to \$533,850
    - Minimum 720 loan representative credit score

(Maximum LTV subject to state/geographic restrictions)

### Loan Type

- Maximum 40 year amortization term
- Fixed rate, fixed payment, fully amortized over term
- Adjustable Rate Mortgage
  - Positively Amortizing ARM
  - Short Term ARM (3 years or less fixed period)
  - Hybrid ARM (i.e. 5/1, 7/1, 10/1)
  - Annual caps not to exceed 2% and lifetime cap not to exceed 6%

- Balloons
  - Owner-Occupied: Term  $\geq$  3 years
  - Second Home/Investment Property: Term  $\geq$  5 years
  - **Ineligible:** Interest Only
- **Ineligible:** Potential Negative Amortization, Scheduled Negative Amortization, and Option Payment Mortgages

### Interest Only

- Maximum 95% LTV
- Minimum 680 loan representative credit score
- Fixed rate and ARMs with a fixed period of  $\geq$  5 years
- Interest only period must be a maximum of 15 years
- 1-2 units only
- **Ineligible:** Manufactured Homes, 3-4 units, Investment Properties, Balloon Mortgages, Temporary Buydowns, and Cash-Out Refinances

### Temporary/Permanent Buydowns

- Owner-Occupied Only
- 2,1 buydown allowed on Fixed Rate Mortgages (FRMs) and  $\geq$  3/1 ARMs to 95% LTV
- 3,2,1 buydown allowed on FRMs and  $\geq$  5/1 ARMs to 95% LTV
- 1,0 buydown allowed on 1-yr ARMs to 95% LTV
- Financed Permanent Buydowns are permitted; qualifying LTV will be based on the gross loan amount (including buydown funds)
- **Ineligible:** Cash-Out Refinances, Second Homes, Investment Properties, and Interest Only

### Subordinate Financing

- Maximum CLTV cannot exceed published maximum LTV stated within the CMG MI Conforming and Non-Conforming Program Guidelines (see LTV/Loan Amount)
- 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/Investment Property - 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"

## CONFORMING & NON-CONFORMING PROGRAM (cont'd)

- Rate/Term Refinance – used to pay off an existing first lien, including reasonable and customary closing costs; pay off of a subordinate lien that is seasoned at least 12 months; maximum cash back to the borrower of 2% of loan amount or \$2,000, whichever is less
  - Second Homes
    - No Cash-Out or secondary financing in prior 12 months for 95% LTV
- 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; property should not have been listed for sale in the last 90 days
  - Owner-Occupied
    - Maximum 95% LTV to \$417,000
      - ❖ Minimum 720 loan representative credit score
      - ❖ Maximum \$25,000 cash back to borrower at close
    - Maximum 90% LTV to \$500,000
      - ❖ Minimum 660 loan representative credit score
      - ❖ Maximum \$50,000 cash back to borrower at close
  - **Ineligible:** Second Home and Investment Property
    - Assets for down payment, closing costs and reserves should be verified on deposit in a US financial institution for at least 6 months
- Non-occupant co-borrowers are allowed only for:
  - Maximum 95% LTV
  - Owner-Occupied
  - 1-unit property if non-conforming loan amount
  - Owner-occupant borrower 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

### Employment History

- **Salaried/Hourly**
  - Minimum 24 months of verified employment in the same or related field
  - Minimum 30 days' current income verification
  - Employment gaps greater than 1 month should be explained
  - If loan is submitted through DU or LP, refer to the DU or LP recommendations regarding documentation requirements in reference to employment gaps
- **Self-Employed**
  - Minimum 24 months' history of self-employment verified by most recent 2 years' 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

### 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) are eligible for:
  - Purchase and Rate/Term Refinance
  - Owner-Occupied only
  - Evidence of *Occupancy* status is validated by one of the following required INS documents:
    - Unexpired foreign passport containing INS form I-94 stamped with "Employment Authorized"
    - Temporary Resident Card form I-688
    - Employment Authorization Card form I-688 A or O containing the applicant's photograph
  - Evidence of *Residency* status is validated by a copy of the borrower's temporary work Visa (INS form I-94). The following documentation is required for Residency eligibility:
    - Borrower must have established a 2-year history of residency, employment and credit within the US
    - VISA status must provide a remaining duration of at least three years
    - Heavy emphasis will be placed on employment and likelihood of continuation

### Credit History

- Minimum of one credit score is required with a minimum loan representative credit score of 620, regardless of DU or LP recommendations
- The loan representative credit score will be determined using the lower/middle method; the lowest borrower score will be used
- Judgments, Liens, Collections, Voluntary or Involuntary Repossessions and Charge-offs must all be paid in full at the time of loan closing
- 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

## CONFORMING & NON-CONFORMING PROGRAM (cont'd)

- 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 a state where pricing cannot be based on credit score
  - The credit score is unusable due to invalid credit information found on the report
  - Lack of sufficient credit informationLoans using the Comparable Credit Criteria must be submitted to the CMG MI Underwriting Network for review.

### Nontraditional Credit

- Loans with nontraditional credit are not eligible for delivery via the CMG MI delegated channel. They must be submitted to the CMG MI Underwriting Network for review.
- Maximum 95% LTV
- For pricing purposes, nontraditional credit will be treated as comparable to a 620 loan representative credit score.
- When the borrower has established little or no traditional credit, nontraditional credit sources must be verified to evaluate the borrower's history of making regular payments to a third party and to establish his/her paying habits on those obligations. Nontraditional credit should be used to build a credit profile and not as a compensating factor to offset derogatory credit.
- In an instance where a nontraditional credit history is to be developed, the following conditions must be reported on the borrower's credit report:
  - The borrower has no FICO score due to no credit record with a repository; or
  - The borrower has a low FICO score; there is no history of delinquency in the file and the reason codes list lack of credit accounts, accounts not opened long enough, or lack of usage as the reason. A FICO credit score based on fewer than three trades will be considered unusable. A merged credit report may report three or more trades in total. However, a credit score determined by using

less than three trades from an individual repository is also considered unusable.

In the event the credit report reflects a low FICO score for the borrower due to lack of sufficient information, it is then appropriate to build a profile based on nontraditional sources.

- Nontraditional credit should be verified and compiled by an independent credit reporting agency. Favorable as well as unfavorable credit references should be provided by the lender. A minimum of 4 open accounts with a 12-month history of payments should be provided. Some sources for verifying nontraditional credit may include:
  - Rent/mortgage payments (current and previous residences)
  - Utility payments (gas, electricity, water, trash collection)
  - Telephone bills
  - Telephone cable service
  - Auto/life/renter's insurance premiums
  - Child care payments
  - Alimony or child support
  - Retail store payments (department, furniture, appliance)
  - School tuition
  - Medical bills paid in installments
  - Non-credit payment accounts
- Maximum 1x30 late rent payment in the last 24 months
- Maximum 1x60 late payment for installment or revolving accounts in the last 12 months

### Debt Ratios

- Owner Occupied/Second Homes
  - Maximum 45% for LTVs greater than 95%, regardless of DU or LP recommendations
  - Maximum 50% for LTVs less than or equal to 95%, regardless of DU or LP recommendations
- Investment Properties
  - Maximum 45%, regardless of DU or LP recommendations

**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.

### Qualifying Rate

- Positively Amortizing ARMs with an initial payment rate that is less than or equal to 300 bps below the Fully Indexed Accrual Rate (FIAR) qualify using the initial payment rate plus the first adjustment
- Positively Amortizing ARMs with an initial payment rate that is more than 300 bps below the FIAR qualify using the FIAR

## CONFORMING & NON-CONFORMING PROGRAM (cont'd)

### Minimum Down Payment

- Borrower must have a minimum equity or down payment from their own funds as follows:
  - LTV > 97% - 100%
    - Minimum \$500 own funds
  - LTV > 95% - 97%
    - Minimum 3% own funds
  - LTV ≤ 95%
    - Owner-Occupied
      - ❖ Loan representative credit score ≥ 660, minimum 3% own funds
      - ❖ Loan representative credit score 620-659, minimum 5% own funds
    - Second Homes
      - ❖ Minimum 5% own funds
    - Investment Properties
      - ❖ Minimum 10% own funds
- Additional funds for down payment, closing costs, and prepaid escrow may be from any of the following sources:
  - Gift, grant, or down payment assistance from a family member 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
  - Minimum 2 months of 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).
  - Primary Home Converts to an 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.
    - 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.

### Cash Reserves

- Reserves cannot be proceeds from subject mortgage
- Single Property
  - Owner Occupied/Second Homes
    - Minimum 2 months' PITI
  - Investment Properties
    - Minimum 6 months' PITI
- Multiple Properties
  - Current principal residence is pending sale (transaction will not be closed 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 of PITI for both properties
    - No cash-out refinance in the past 6 months
  - Primary Home Converts to a Second Home
    - Both the current and proposed mortgage payment must be used to qualify the borrower for the new transaction; and
    - Minimum 6 months of PITI for both properties; or

### Maximum Interested Party/Seller Contributions & Concessions

- Owner-Occupied
  - Maximum 3% not to exceed the lesser of the property's sales price or appraised value on LTVs 90.01 – 97%
  - Maximum 6% not to exceed the lesser of the property's sales price or appraised value for LTVs up to 90%
- Second Home
  - Maximum 3% not to exceed the lesser of the property's sales price or appraised value on LTVs 90.01 – 95%
  - Maximum 6% not to exceed the lesser of the property's sales price or appraised value for LTVs up to 90%
- Investment Property
  - Maximum 2% not to exceed the lesser of the property's sales price or appraised value
- **Ineligible:** Loans with LTVs > 97%, Cash-Out Refinances

## CONFORMING & NON-CONFORMING PROGRAM (cont'd)

### Eligible Properties

- CMG MI generally insures properties up to 10 acres, provided the property is residential in nature. All property types not explicitly approved below are not eligible.
- Owner-Occupied
  - 1-unit single-family attached or detached
  - 2-units
    - Maximum 95% LTV
    - Minimum 680 loan representative credit score
  - Condominiums must be Fannie Mae/Freddie Mac warrantable
  - Manufactured homes
    - Maximum 95% LTV to \$417,000
      - ❖ Minimum 680 loan representative credit score
    - Maximum 90% LTV to \$417,000
    - Must meet Fannie Mae/Freddie Mac property eligibility criteria available at [www.efanniemae.com](http://www.efanniemae.com), [www.freddiemac.com](http://www.freddiemac.com), or via AllRegs®
  - Co-ops subject to the CMG MI Cooperative Housing Master Policy filed with state
    - Maximum 90% LTV to \$650,000
      - ❖ Minimum 720 loan representative credit score
  - **Ineligible:** 3-4 units, condotels, timeshare/interval ownership, mixed use, builder inventory and spec homes
- Second Home
  - 1-unit single-family attached or detached
  - Condominiums must be Fannie Mae/Freddie Mac warrantable
  - Manufactured homes
    - Maximum 90% LTV to \$417,000
    - Must meet Fannie Mae/Freddie Mac property eligibility criteria available at [www.efanniemae.com](http://www.efanniemae.com), [www.freddiemac.com](http://www.freddiemac.com), or via AllRegs®
  - **Ineligible:** Co-ops, 2-4 units, condotels, timeshare/interval ownership, mixed use, builder inventory and spec homes
- Investment Property
  - 1-unit single-family attached or detached
    - Maximum \$417,000 loan amount
  - 2-units
    - Minimum 740 loan representative credit score
  - Condominiums must be Fannie Mae/Freddie Mac warrantable
  - If more than 4 properties are financed, then borrower must provide the following evidence:
    - "Rent loss" insurance covering a minimum of 6 months' rent
  - **Ineligible:** 3-4 units, manufactured homes, Co-ops, condotels, timeshare/interval ownership, mixed use, builder inventory and spec homes

### 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

### Appraisal

- Appraisal requirements for all loans > \$650,000, 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 appraised value
- 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
  - Loans with recommendations by Fannie Mae's Desktop Underwriter receiving DU Approve or EA I and or Freddie Mac's Loan Prospector receiving LP Accept may utilize the appraisal options provided in the recommendation.
- 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)
  - Condominiums -- Individual Condominium or PUD Unit Form (Fannie Mae Form 1073/Freddie Mac Form 465, dated March 2005)
  - 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)
  - Manufactured Homes -- Manufactured Home Appraisal Report, Form 1004C/70B
  - Investment Properties require:
    - The Single-Family Comparable Rent Schedule (Fannie Mae Form 1007 and the Operating Income Statement (Fannie Mae Form 216)
  - 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

## **CONFORMING & NON-CONFORMING PROGRAM (cont'd)**

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- The appraisal report should be prepared by a state-certified or state-licensed appraiser in accordance with Uniform Standards of Professional Appraisal Practices (USPAP).

### **CMG MI Coverages and Premiums**

- For information regarding CMG MI rates and surcharges, please refer to our published rate sheets on our Web site at [www.cmgmi.com](http://www.cmgmi.com).
- When CMG MI Single Premium is financed, the maximum CLTV is 105% and is subject to state restrictions.