

# 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<sup>®</sup> ("DU") and Freddie Mac's Loan Prospector<sup>®</sup> ("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<sup>®</sup>

- Owner-Occupied
  - 100% LTV to \$550,000
    - Minimum 700 loan representative credit score
  - 97% LTV to \$600,000
    - Minimum 700 loan representative credit score
  - 95% LTV to \$650,000
  - 90% LTV to \$750,000
  - 85% LTV to \$850,000
- Second Home
  - 95% LTV to \$650,000
- Investment Property
  - 90% LTV to \$650,000

(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 Mortgage (FRM); 3/1 and 5/1 ARMs to 95% LTV
- 3,2,1 buydown allowed on FRM; 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
- 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

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

Cash-Out; property should not have been listed for sale in the last 90 days

- Owner-Occupied
  - Maximum 95% LTV
    - Minimum 680 loan representative credit score
    - Maximum \$50,000 Cash-Out
  - Maximum 90% LTV
    - Minimum 660 loan representative credit score
    - Maximum \$50,000 Cash-Out
- **Ineligible:** Second Home and Investment Property

### 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
    - 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
- **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
  - 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

### 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
- Minimum 4 years re-established traditional credit after discharge of bankruptcy; 2 years with extenuating circumstances
- 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 a CMG MI underwriting office 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:

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

- 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 information
- Loans using the Comparable Credit Criteria should be submitted to a CMG MI underwriting office for review.

### 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.
- Maximum 95% LTV
- 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

- Maximum 45% for LTVs greater than 97%, regardless of DU or LP recommendations
- Maximum 50% for LTVs less than or equal to 97%, 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 a CMG MI underwriting office for review.

### Qualifying Rate

- Positively Amortizing ARMs with an initial payment rate that is less than or equal to 300 bps below the 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

- Potential Negative Amortizing ARMs and Option Payment Mortgages qualify using the FIAR

### Minimum Down Payment

- Borrower must have a minimum equity or down payment from their own funds as follows:
  - LTV > 97%
    - Minimum \$500 own funds
  - LTV > 95% - 97%
    - Minimum 3% own funds
  - LTV ≤ 95%
    - Owner-Occupied
      - ❖ Loan representative credit score ≥ 680, minimum 3% own funds
      - ❖ Loan representative credit score 620-679, 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

### Cash Reserves

- Owner Occupied/Second Homes
  - Minimum 2 months' PITI
- Investment Properties
  - Minimum 6 months' PITI
- Reserves cannot be proceeds from subject mortgage

### 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%

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

- 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

### 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
  - 3-4 units
    - Maximum 90% LTV
  - Condominiums must be Fannie Mae/Freddie Mac warrantable
  - Manufactured homes
    - Maximum 95% LTV
    - 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
  - **Ineligible:** 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 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, timeshare/interval ownership, mixed use, builder inventory and spec homes
- Investment Property
  - 1-unit single-family attached or detached
  - 2-4 units
  - 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:** Manufactured homes, Co-ops, 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

### Other

- 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

### 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.