

# Guideline Changes Effective 1/12/2009

## Frequently Asked Questions

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### Loans with LTV/CLTVs of 97.01% and Above

#### Internal & External

**Q1: Why will loans with LTV/CLTVs of 97.01% and above no longer be eligible for mortgage insurance (MI)?**

A1: Many of our customers are getting back to basics and CMG MI supports their ability to facilitate sustainable homeownership. Loans with no down payment have a higher likelihood of default. Our guideline changes emphasize the importance of having some equity, thereby supporting the market for member borrowers who have the greatest chance for successful and sustainable homeownership.

**Q2: What will happen to a loan outside these guideline changes?**

A2: No CMG MI mortgage insurance rate will be returned by e-cmgmi or your loan origination system.

**Q3: Will CMG MI honor a Commitment and Certificate if it is issued for a 100% LTV loan prior to 1/12/09, but is closing after 1/12/09?**

A3: Yes, CMG MI will honor a Commitment and Certificate if it is issued for a 100% LTV loan prior to 1/12/09 and is closing after 1/12/09. Any extensions to these commitments must be reviewed by management at the CMG MI Home Office.

**Q4: Why are you making this guideline change so soon after announcing your previous guideline changes that will be effective on 12/15/08?**

A4: Previously, CMG MI believed that the pricing changes made to the 100% LTV loans were adequate and represented the direction of the market. However, CMG MI has seen that home prices continue to fall across the nation based on our review of the recent announcements on the Office of Federal Housing Enterprise Oversight (OFHEO) and Case Shiller home price indices. Also, many of our competitors have made changes to restrict their 100% LTV eligibility. We have made these changes to emphasize the importance of having equity in a home loan and to avoid being adversely selected.

Please note that this 1/12/09 change is entirely separate from the guideline and rate changes that will go into effect on 12/15/08.

**Q5: Will these changes impact my systems?**

A5: CMG MI cannot assess the impact these changes will have on your systems. We understand that this may initially be a difficult change and we are hoping you will be able to adapt your systems as soon as possible, and encourage you to notify your staff and branches. The credit union underwriter will be expected to ensure the borrower's down payment meets the new guideline requirements.

**Q6: What will happen to a loan that doesn't meet CMG MI's new guidelines?**

A6: If a loan does not meet CMG MI's Program Guidelines, it will go into a "Pend" status and our CMG MI Home Office Staff will contact you regarding the loan.

**Q7: How will e-cmgmi and/or our loan origination system enforce the maximum LTV allowed?**

A7: A submitted loan will be pended by e-cmgmi or your loan origination system if it exceeds CMG MI's maximum LTV allowed for a program or product. Once the loan is in "Pend" status, the CMG MI Home Office Staff will contact you regarding the loan.

**Q8: Does this new policy affect the Housing Finance Agencies?**

A8: Yes, the Housing Finance Agencies must comply with the new policy.

**Q9: Is it possible to process loans with higher LTVs for the Affordable product?**

A9: The maximum allowed LTV is 97% for Affordable products, and would be reduced if the property is in a declining market or on the CMG MI *Distressed Markets List*.

**Q10: I use CMG MI for my contract underwriting; will you continue to underwrite the loans that CMG MI will not insure?**

A10: Yes. When a particular loan falls outside of CMG MI's insuring guidelines, but still complies with the credit union's loan program guidelines, CMG MI may underwrite and approve the loan for salability but NOT for mortgage insurance. In this case, CMG MI's contract underwriter should add a condition stating that CMG MI is unable to insure the loan and that mortgage insurance should be secured from another MI company.

**Distressed Markets**

**Q11: How will this change impact the CMG MI *Distressed Markets Policy*?**

A11: At this time, there will be no change to our *Distressed Markets Policy*. However, we anticipate there will be changes to this policy and specific MSAs and states regarding maximum LTV/CLTVs, and those changes will be announced sometime in January 2009.

Our approach of identifying markets – in this case, distressed markets – is based on industry research, as well as month-over-month movements in delinquency rates. CMG MI's resulting distressed markets guidelines include both a reduction in LTV (to ensure there is some equity position to help withstand market downturn) and a recommendation for increased attention during the appraisal evaluation (to ensure the value is accurately stated/supported on the appraisal).

We strongly believe that continuous analysis is the best method of risk management. Therefore, we will continue to watch regional markets, the impact of our LTV reductions, and predictions on future market movements to help ensure that our distressed market approach is the most effective in supporting sustainable homeownership.

**Q12: How often will the CMG MI *Distressed Markets List* change?**

A12: The list is scheduled to be updated on a quarterly basis; however, market conditions may warrant more frequent updates. The economic and market data that helps determine property values changes continuously, and we analyze the data on an ongoing basis. CMG MI will send e-mail updates that will include MSAs/MSADs that were added and/or removed from the list, as well as the effective date of the changes. Additionally, a new *Guidelines* update will be posted at [www.cmgmi.com/guidelines](http://www.cmgmi.com/guidelines) and the updated CMG MI *Distressed Markets List* will be available at [www.cmgmi.com/distressed\\_markets](http://www.cmgmi.com/distressed_markets).