

# The CMG MI Credit Risk Bulletin



Bulletin #1-09 — January 2009

CMG Mortgage Insurance Company

## Summary of Guideline Changes Effective February 17, 2009 and March 6, 2009

CMG Mortgage Insurance Company (CMG MI) continues to evaluate the ongoing changes in today's housing market, while implementing sound policies that promote our goal of providing products that support sustainable homeownership. Therefore, we are announcing eligibility and guideline changes **effective February 17, 2009 and March 6, 2009**.

Please note the following:

- **Changes supersede previously issued CMG MI approved program variations**
- **Changes apply regardless of submission channel to CMG MI**
- **Changes apply and are determinative regardless of any Automated Underwriting System (AUS) recommendation or decision**

### **EFFECTIVE FEBRUARY 17, 2009:**

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

- **Maximum 95% LTV for all loans, including affordable housing loan programs.**
- **Cash-out Refinances, Investment Property, Construction-to-Perm, Interest Only loans, and loans with a representative credit score below 620 are no longer eligible for insurance.**
- **Debt Ratios**
  - o Owner Occupied
    - Maximum 45%, regardless of DU or LP recommendations
  - o Second Home
    - Maximum 41%, regardless of DU or LP recommendations
- **Territorial Underwriting Guidelines**
  - o Until the Department of Insurance (DOI) in the following states approve CMG MI's rate filing for rates effective 12/15/08, there is a minimum loan representative score requirement, in addition to the nationwide underwriting requirements.
    - Washington and Puerto Rico
      - Minimum 700 loan representative credit score
    - New York
      - The borrower's credit characteristics must be comparable to a 700 credit score

*Summary of Guideline Changes Effective February 17, 2009 and March 6, 2009 (cont'd)*

- o The territorial minimum loan representative credit score requirement will no longer apply after the respective state's DOI has approved the rate filing. Please visit [www.cmgmi.com/rates](http://www.cmgmi.com/rates) for updated rate sheets and rate filing state status.
- **Third Party Originations** - Loans for which the loan origination (taking the loan application) or processing functions are performed by an entity other than the entity closing and funding the loan. A Mortgage Service Provider (MSP) may be used to perform all of these functions except the loan origination (taking the loan application), so long as the MSP is paid on an arm's-length fee basis for services performed, with payment of fees not being contingent on mortgage approval or closing.
  - o Third Party Originations are subject to the following restrictions:
    - Owner-Occupied Only
    - Purchase Only
    - Maximum 90% LTV
    - Minimum 720 loan representative credit score
    - 1-unit single-family detached and condominiums
      - Maximum \$625,500 loan amount
    - Manufactured homes and co-ops
      - Maximum \$417,000 loan amount
  - o Ineligible: Second Homes, Rate/Term Refinance, 1-unit single-family attached, and 2-4 units
- **Loan Purpose**
  - o Rate/Term Refinance
    - Pay off 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 has been seasoned for at least 12 months and it 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
  - o Ineligible
    - Cash-out refinance
    - Existing first lien was refinanced within the last 12 months as a cash-out transaction
- **Loan Type**
  - o Balloons
    - Owner-Occupied/Second Home: Term  $\geq$  5 years
- **Minimum Down Payment**

Borrower must have a minimum equity or down payment from their own funds as follows:

  - o Second Home
    - Minimum 5% own funds

*Summary of Guideline Changes Effective February 17, 2009 and March 6, 2009 (cont'd)*

**Changes to A-Minus Program:**

- Discontinued/Ineligible

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

- Discontinued/Ineligible

**EFFECTIVE MARCH 6, 2009:**

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

• **LTV/Loan Amount**

- o Loan Amounts up to \$417,000
  - Owner-Occupied
    - 95% LTV to \$417,000
      - ❖ Minimum 620 loan representative credit score
  - Second Home
    - 90% LTV to \$417,000
      - ❖ Minimum 720 loan representative credit score
- o Loan Amounts > \$417,000
  - Owner-Occupied
    - 95% LTV to \$625,500
      - ❖ Minimum 680 loan representative score
    - 90% LTV to \$729,750
      - ❖ Minimum 720 loan representative score
  - Ineligible: Second Home

• **Minimum Down Payment**

Borrower must have a minimum equity or down payment from their own funds as follows:

- o Owner-Occupied
  - Loan Amount up to \$417,000
    - Loan representative credit score  $\geq$  680, minimum 3% of own funds
    - Loan representative credit score 620-679, minimum 5% of own funds
  - Loan Amount > \$417,000
    - Minimum 5% of own funds
- o Second Home
  - Minimum 10% own funds

• **Eligible Properties**

- o Owner-Occupied
  - 2-units
    - Maximum 90% LTV to \$533,850
  - Condominiums
    - Maximum 95% LTV to \$417,000
      - ❖ Minimum 620 loan representative credit score
    - Maximum 90% LTV to \$625,500
      - ❖ Minimum 720 loan representative credit score

*Summary of Guideline Changes Effective February 17, 2009 and March 6, 2009 (cont'd)*

- Manufactured homes
  - Maximum 90% LTV to \$417,000
    - ❖ Minimum 680 loan representative credit score
- Co-ops subject to the CMG MI Cooperative Housing Master Policy filed with state
  - Maximum 90% LTV to \$417,000
- o Second Home
  - Condominiums
    - Maximum 90% LTV to \$417,000
      - ❖ Minimum 720 loan representative credit score
  - Ineligible: manufactured homes

**Changes to Distressed Markets Policy and List:**

- The following States have been moved to **Tier 2** eligibility:
  - Arizona
  - Florida
  - Michigan
  - Nevada
- The following MSA/MSADs have been added with **Tier 1** eligibility:
  - Baton Rouge, LA
  - Beaumont-Port Arthur, TX
  - Boise City-Nampa, ID
  - Camden, NJ
  - Canton-Massillon, OH
  - Chicago-Naperville-Joliet, IL
  - Cleveland-Elyria-Mentor, OH
  - Des Moines-West Des Moines, IA
  - Duluth, MN-WI
  - Eau Claire, WI
  - Fairbanks, AK
  - Janesville, WI
  - Kansas City, MO-KS
  - La Crosse, WI-MN
  - Lima, OH
  - Milwaukee-Waukesha-West Allis, WI
  - Nassau-Suffolk, NY
  - New Haven-Milford, CT
  - Olympia, WA
  - Philadelphia, PA
  - Portland-South Portland-Biddeford, ME
  - Portland-Vancouver-Beaverton, OR-WA
  - Poughkeepsie-Newburgh-Middletown, NY
  - Providence-New Bedford-Fall River, RI-MA
  - Provo-Orem, UT

*Summary of Guideline Changes Effective February 17, 2009 and March 6, 2009 (cont'd)*

- St. Louis, MO-IL
- Springfield, MA
- Toledo, OH
- Tulsa, OK
- Virginia Beach-Norfolk-Newport News, VA-NC
- Washington-Arlington-Alexandria, DC-VA-MD-WV
- Wichita, KS
- Wilmington, DE-MD-NJ
- Worcester, MA
- Youngstown-Warren-Boardman, OH-PA
- **Ineligible for Mortgage Insurance**
  - Condominiums, 1-unit single family attached, co-ops, and 2-units in Florida
  - Third Party Originations
  - Second Homes
- **LTV/Loan Amount**
  - Loan Amounts up to \$417,000
    - Maximum 95% LTV/CLTV to \$417,000
      - Minimum 680 loan representative credit score
    - Maximum 90% LTV/CLTV to \$417,000
      - Minimum 620 loan representative credit score
  - Loan Amounts > \$417,000
    - Maximum 90% LTV/CLTV to \$625,500
      - Minimum 720 loan representative credit score
- **Credit History**
  - Arizona, California, Florida, Michigan and Nevada
    - Minimum 720 loan representative credit score
- **Debt Ratios**
  - Maximum 41% — compensating factors will not be considered
- **Condominiums**
  - Maximum 85% LTV/CLTV to \$625,500
    - Minimum 720 loan representative credit score
- **Manufactured Homes**
  - 85% LTV/CLTV to \$417,000
    - Minimum 680 loan representative credit score
- **Co-ops**
  - 85% LTV/CLTV to \$417,000
    - Minimum 720 loan representative credit score

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. For more information or to answer your questions, please contact your CMG MI Account Executive or visit our website at [www.cmgmi.com/guidelines](http://www.cmgmi.com/guidelines).