



Your Best Defense in the Downturn

CMG MI Supports You Throughout the Mortgage Cycle

By Mark Berkowitz, Senior Vice President and General Manager, CMG Mortgage Insurance Company

With the arrival of the new year, the mortgage industry encounters an entirely new environment. As an asset class, homes across the United States have dramatically declined in value. According to the latest home price survey released by the National Association of Realtors®, median existing single-family home prices dropped by 12.4 percent in 2008. Many of mortgage lending's familiar fixtures of the past are gone, at least in their traditional forms — big lenders like Washington Mutual (WAMU) and Wachovia, and major investment firms on Wall Street, such as Bear Stearns and Lehman Brothers.

The result is change that impacts every stage of the mortgage loan cycle. New regulations, new requirements, and most of all a new wariness, have changed the way mortgage lenders do business. Although Credit Unions may see exciting growth opportunities in an upended economy where banks are backing away from mortgage business, they would be wise to embrace the more conservative standards that are being implemented across the industry.

While consumers clamor for mortgage loans, Credit Unions ought to look beyond good credit scores and focus on the employment stability of their members and the equity they have in the loan. The unpredictability of the current economy means that employment can abruptly vanish, leaving a homeowner tethered to a property whose declining value prevents him or her from selling it.

A Credit Union's best ally for high loan-to-value (LTV) loans is their mortgage insurance provider. CMG Mortgage Insurance Company (CMG MI) understands that our customers look to



Mark Berkowitz is Senior Vice President and General Manager at CMG Mortgage Insurance Company (CMG MI), which exclusively serves Credit Unions. With nearly two decades of experience in the mortgage insurance industry, Mr. Berkowitz also has considerable knowledge of the Credit Union industry. Previously he served as CMG MI's Vice President of Underwriting and Operations; prior to joining CMG MI in 2004, Mr. Berkowitz was Vice President of Finance at PMI Mortgage Insurance Co., where he was responsible for rating agency relationships.

us for the guidance we can provide in an uncertain marketplace. We have taken full account of the wave of changes affecting the industry and continue to adapt our processes and services to reflect the changing environment. Our goal is to work with Credit Unions to ensure that homeownership is sustainable over the long term and support Credit Unions in pursuing the right opportunities at the right time.

CMG MI's focus on sustainability has been successful, as we continue to be the most stable and financially strong of the mortgage insurance companies. Our

insurer financial strength ratings were affirmed by both Fitch Ratings and Standard & Poor's in April of 2008, and they both recognize that we are a strong counterparty able to support your production of high-quality loans. CMG MI provides tangible value in terms of recommendations, tools and operational support to our customers throughout the mortgage loan cycle, from origination to loss mitigation.

Work with CMG MI to Minimize and Manage Your Risk

Improving the quality of the high-LTV loans you originate is the easiest way to avoid problems for both you and your member down the road. You can do this by following CMG MI's underwriting guidelines and ensuring their effective implementation by utilizing CMG MI's online technology, consulting with our sales team and underwriting network, taking advantage of CMG MI's targeted training, and contacting our Loss Mitigation department as early as possible in the delinquency process.

— CMG MI's underwriting guidelines are valuable tools that allow you to identify mortgage loan applications that carry a high or even unacceptable level of risk. They are always available online at www.cmgmi.com/guidelines. CMG MI updates our guidelines following careful evaluation of the current market, loan performance and current home-price indices. We make every effort to notify customers about guideline changes and alert them to possible changes in eligibility status for pending loans well in advance of the effective date, so that Credit Union loan pipelines are protected.

- When a Credit Union originates a loan that falls outside our eligibility parameters for mortgage insurance on e-cmgmi, a message may appear that identifies why the loan is not eligible for coverage. This helps significantly reduce the risk of error for Credit Unions seeking to conform to the latest guideline changes. (Please be aware that e-cmgmi is not an automated underwriting system and will not decide a loan for you. It is only a vehicle to receive *your* approved loan information and issue the mortgage insurance certificate based on the data supplied by you. All loans insured under the Delegated Program are assumed to be underwritten and approved by you. They must conform to the loan programs that have been approved in advance by CMG MI.)
- To help Credit Unions better understand which markets offer the most potential and which pose the most risk, CMG MI has developed its *Distressed Markets Policy* and List, which are updated as new information becomes available about economic indicators in the nation's MSAs. Our online ZipMap at www.cmgmi.com/zipmap is a convenient tool that allows you to identify a property's status right away by entering its zip code.
- CMG MI's Underwriting Network is also an important resource for Credit Unions. CMG MI posts information about our underwriters, their contact information and their availabilities — including extended business hours — at www.cmgmi.com/uwteam. CMG MI underwriters are ready to assist on underwriting loans with mortgage insurance to ensure compliance with our guidelines. In addition, you can always call the

main number at (888) 746-6264 to check on the status of loans.

- Consult with your CMG MI Account Executive as well. Our Account Executives (AEs) are trained to help facilitate your interactions with our Loss Mitigation and Underwriting departments and can work with you to identify the issues in advance. Ask them to share best practices from other Credit Unions that have successfully tackled delinquent loans or point you towards resources that can help you and your member in a tough situation.
- CMG MI offers training that can also help Credit Unions reduce their risk in today's credit environment. By attending our complimentary Webinars offered at convenient times throughout the year, your staff can build and refine their skills in underwriting layered risk, appraisal review techniques, and working with the self-employed borrower. Ensuring that loan personnel are able to identify red flags on applications, analyze personal and business tax returns, and evaluate the trustworthiness of appraisals is essential to originating quality loans.

Loss Mitigation to Preserve Homeownership

At the other end of the loan cycle is loss mitigation support. When loans become delinquent, expert advice is

CMG Mortgage Insurance Company (CMG MI) supports sustainable homeownership with products and services that can help Credit Unions keep members in their homes. What are the challenges to homeownership in your community – and how can we help? Let us know what you think and what we can do for you by contacting your CMG MI Account Executive or sending an e-mail to CMGMortgage.InsuranceCo@cmgmi.com.

essential. When contacted early on, CMG MI's Loss Mitigation department can work with you to approve your own loan modifications, develop modifications in accordance with the GSEs' Streamlined Modification Program as well as CU HARP, or participate in a more customized solution. CMG MI usually approves appropriate loan modifications presented to us by our customers. Visit www.cmgmi.com/claims for our Claims and Delinquencies Manual, information on the Delinquent Loan Modification process, and links to the forms you will need to complete the process.

CMG MI also offers Loss Mitigation training in Webinar format. An extremely popular course, it focuses on how to keep members in homes while developing a feasible workout plan to bring the loan current. The Webinar offers practical, step-by-step advice on how to get control of delinquencies and develop a plan for managing them.

Value is always important for Credit Unions. During this recession, the value that CMG MI can bring you may be critical to the quality of mortgage loans your Credit Union originates, the ability of members to stay in their homes and the stability of the communities you serve. The support of CMG MI in creating and maintaining sustainable homeownership can make a real difference as we work with you throughout this challenging mortgage cycle.



CMG Mortgage Insurance Company
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