

**Updated Guidelines - Effective October 2, 2009**  
**(Supersedes all previous guidelines and updates)****C M G M I G U I D E L I N E S****CONFORMING & NON-CONFORMING PROGRAM****Distressed Markets Policy**

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

**Territorial Underwriting Guidelines**

- Until the Department of Insurance (DOI) in the following states approve the rate filing for the rates effective 12/15/08, there is a minimum loan representative score requirement in addition to the nationwide underwriting requirements.
  - Puerto Rico
    - Minimum 700 loan representative credit score
- 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.

**Automated Approvals**

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

**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®

**Loan Amounts up to \$417,000**

- Owner-Occupied
  - 95% LTV to \$417,000
    - Minimum 680 loan representative credit score
- **Ineligible:** Second Home and Investment Property

**Loan Amounts > \$417,000**

- Owner-Occupied
  - 90% LTV to \$625,500
    - Minimum 740 loan representative score
  - 85% LTV to \$729,750
    - Minimum 740 loan representative score
- **Ineligible:** Second Home and Investment Property

**Loan Type**

- Maximum 40 year amortization term
- Fixed rate, fixed payment, fully amortized over term
- Adjustable Rate Mortgage
  - Positively Amortizing 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 ≥ 5 years
- **Ineligible:** Short-Term ARM (3 years or less fixed period), Potential Negative Amortization, Scheduled Negative Amortization, Option Payment Mortgages, and Interest Only

**Interest Only**

- Ineligible

**Temporary/Permanent Buydowns**

- Owner-Occupied Only
- 2,1 buydown allowed on Fixed Rate Mortgages (FRMs) and ≥ 5/1 ARMs
- 3,2,1 buydown allowed on FRMs and ≥ 5/1 ARMs
- 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
- **Ineligible:** Second Home and Investment Property

**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**
  - 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 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
  - Maximum cash back to the borrower not to exceed 2% of the loan amount or \$2,000, whichever is less
- **Ineligible:**
  - All Cash-Out Refinance transactions
  - Existing first lien was refinanced within the last 12 months as a cash out transaction
  - Construction-To-Perm
- Non-occupant co-borrowers are allowed only for:
  - Owner-Occupied
  - 1-unit property if non-conforming loan amount
  - Owner-occupant borrowers 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
    - Assets for down payment, closing costs and reserves should be verified on deposit in a US financial institution for at least 6 months

### Credit History

- Minimum of one credit score is required for each borrower, regardless of DU or LP recommendations. The credit report must be no more than 90 days old on the date the mortgage note is signed
- Although a credit score can be generated with one trade line, CMG MI does not consider the credit score valid unless at least three trade lines are evaluated for a minimum of 12 months
- The loan representative credit score will be determined using the lower/middle method; the lowest borrower score will be used
- If the minimum payment for a debt is not stated on the credit report, five percent (5%) of the outstanding balance must be used when calculating the debt ratio or supporting documentation must be provided to support actual minimum payment

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

- 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 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

- Ineligible

### Debt Ratios

- Maximum 41%, regardless of DU or LP recommendations

**NOTE:** Loans that exceed the above debt-to-income ratio criteria, not to be greater than 45%, may be submitted to the CMG MI Underwriting Network for consideration with multiple compensating factors. The below is a list of some of the compensating factors that may be considered:

- Any compensating factors used should be completely documented in the file
- The borrower has an excellent credit history, represented by a 720 or better credit score based on multiple high credit line accounts from major creditors
- The borrower demonstrates the ability to maintain a good credit history, accumulate savings, and maintain a debt-free position

- The borrower has demonstrated the ability to devote a greater portion of income to housing expense as evidenced by the borrower's current housing and total debt ratios
- The residual income is equal to or greater than the PITI for the subject property
- There is less than a ten-point spread between the new housing debt ratio and the total debt ratio
- The new mortgage payment does not exceed 110% of the prior/existing mortgage or rental payment
- The borrower has excellent liquid assets, represented by CDs, savings accounts, checking accounts, stocks and bonds (not retirement accounts) that are equal to at least 12 months' PITI
- The borrower has additional short-term income (such as Social Security income, alimony, child support, note receivables, mortgage differential payments, trust income, VA benefits) that could not be counted as "stable" income because the income stream will not continue for at least three years beyond the date of the loan application
- The borrower has significant equity in other real estate owned, generally 30% or higher
- The borrower has a potential for increased earnings
- Energy efficient dwelling

### Qualifying Rate

- Hybrid ARMs (i.e. 5/1, 7/1, 10/1) qualify using the start rate

### Minimum Down Payment

- Borrower must have a minimum equity or down payment from their own funds as follows:
  - Owner-Occupied
    - Minimum 5% of borrower funds must be verified as part of the transaction
- 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

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

### Cash Reserves

- Reserves cannot be proceeds from subject mortgage
- Single Property
  - Loan Amount up to \$417,000
    - Minimum 2 months' PITI
  - Loan Amount > \$417,000
    - 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
    - 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.

### 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 – 95%
  - Maximum 6% not to exceed the lesser of the property's sales price or appraised value for LTVs up to 90%

### 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 detached and attached
  - Condominiums
    - Maximum 90% LTV to \$417,000
      - ❖ Minimum 680 loan representative credit score
    - Maximum 85% LTV to \$625,500
      - ❖ Minimum 740 loan representative credit score
    - Must be Fannie Mae/Freddie Mac warrantable
  - Co-ops subject to the CMG MI Cooperative Housing Master Policy filed with state
    - Maximum 90% LTV to \$417,000
      - ❖ Minimum 720 loan representative credit score
  - **Ineligible:** 2-4 units, manufactured homes, condotels, timeshare/interval ownership, mixed use, builder inventory and spec homes

### Third Party Originations

- Loans that are not originated on behalf of a credit union are ineligible.

### 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 (currently insured with CMG MI)
  - Investment Property – 1 loan maximum (currently insured with CMG MI)

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

### 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.freddie.mac.com](http://www.freddie.mac.com), or via AllRegs<sup>®</sup>
  - 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
- 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)
  - Market Conditions Addendum to the Appraisal Report – Uniform Residential Appraisal Form (Fannie Mae Form 1004MC/Freddie Mac Form 71, dated March 2009)
  - Condominiums -- Individual Condominium or PUD Unit Form (Fannie Mae Form 1073/Freddie Mac Form 465, dated March 2005)
  - 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
- The appraisal report should be prepared by a state-certified or state-licensed appraiser in accordance with Uniform Standards of Professional Appraisal Practices (USPAP).
- **Ineligible:** Streamline appraisal forms and waivers are ineligible, such as those driven by DU/LP (e.g. Exterior-only 2055 drive-by inspections, property inspection waivers and DU Refi Plus property fieldwork waiver)

### 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.