

The CMG MI Credit Risk Bulletin

Bulletin #5-09 — October 2009



CMG Mortgage Insurance Company

Summary of Eligibility and Guideline Changes Effective November 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 mortgage insurance products that support sustainable homeownership. As a result of our latest review, we are making key changes to our Conforming and Non-Conforming Program, Distressed Markets Policy, and Distressed Markets List, **effective November 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 regardless of any Automated Underwriting System (AUS) recommendation or decision**

Changes to Conforming and Non-Conforming Guidelines:

- **LTV/Loan Amount** – For loan amounts up to \$417,000
 - Second Home
 - 90% LTV to \$417,000
 - Minimum 720 loan representative credit score
- **Loan Type**
 - Short Term ARMs (1 to 3 years fixed period)
 - Purchase Only
 - Owner-Occupied
 - Minimum 700 loan representative credit score
 - **Ineligible:** Loan Amounts > \$417,000
 - Balloons
 - Owner-Occupied/Second Home: Term ≥ 5 years
- **Subordinate Financing**
 - Second Home – new subordinate lien must be fully amortized
- **Loan Purpose**
 - Cash-Out Refinance – loan where the proceeds exceed the outstanding principal balance of existing lien plus reasonable and customary closing costs; pay off or

Summary of Eligibility and Guideline Changes Effective November 6, 2009 (cont'd)

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 Cash-Out

- Owner-Occupied
 - Maximum 85% LTV to \$417,000
Minimum 720 loan representative credit score
Maximum \$75,000 cash back to borrower at close
- **Ineligible:** Property listed for sale in the last 12 months, property purchased within the last 12 months, Second Home, Investment Property, Condominium, Co-op, Third Party Originations, Short Term ARMs (1 to 3 years fixed period), and Self-Employed Borrower
- Rate/Term Refinance
 - Ineligible: Short Term ARMs (1 to 3 years fixed period)
- **Credit History**
 - Although a credit score can be generated with one trade line, CMG MI does not consider the credit score valid unless at least three open and active trade lines are evaluated for a minimum of 12 months
 - If the minimum payment for a revolving 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
 - If the minimum payment for an installment debt or student loan is not stated on the credit report, a copy of the contract or payment letter must be provided to support actual payment
- **Qualifying Rate**
 - Short Term ARMs (1 to 3 years fixed period) qualify using the greater of the initial rate or the Fully Indexed Accrual Rate (FIAR)
- **Minimum Down Payment**
 - Second Home
 - Minimum 10% of borrower funds must be verified as part of the transaction
- **Maximum Interested Party/Seller Contributions & Concessions**
 - Second Home
 - Maximum 6% not to exceed the lesser of the property's sales price or appraised value
- **Eligible Properties**
 - Owner-Occupied
 - Condominiums
 - Maximum 95% LTV to \$417,000
Minimum 700 loan representative credit score
 - **Ineligible:** Short Term ARMs (1 to 3 years fixed period)

Summary of Eligibility and Guideline Changes Effective November 6, 2009 (cont'd)

- Co-ops
 - **Ineligible:** Short Term ARMs (1 to 3 years fixed period)
- Second Home
 - 1-unit single-family detached and attached
 - **Ineligible:** Condominiums, co-ops, 2-4 units, manufactured homes, condotels, timeshare/interval ownership, mixed use, builder inventory and spec homes, and third party originations
- **Multiple Loans to a Borrower – Remove from Second Home** “currently insured with CMG MI”
 - 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 (currently insured with CMG MI)
- **Appraisal – Clarification on requirements**
 - 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); **OR**
 - Condominiums -- Individual Condominium or PUD Unit Form (Fannie Mae Form 1073/Freddie Mac Form 465, dated March 2005); **OR**
 - 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; **AND**
 - Market Conditions Addendum to the Appraisal Report – Uniform Residential Appraisal Form (Fannie Mae Form 1004MC/Freddie Mac Form 71, dated March 2009)

Changes to Distressed Markets Policy:

Effective 11/6/09, CMG MI announces a major change to its Distressed Markets Policy. We are introducing a two-tiered approach to insuring mortgage loans for properties in Distressed Markets. The Distressed Markets Policy - Tier 1 covers those Distressed Markets in which there have been improvements in home prices, but which are still potentially vulnerable to high unemployment and increasing mortgage delinquencies.

CMG MI will insure mortgage loans for *Tier 1 Distressed Markets* properties as follows:

- **Distressed Markets Policy - Tier 1**
 - **LTV/Loan Amount:**
 - Loan Amounts up to \$417,000
 - Maximum 95% LTV/CLTV to \$417,000
Minimum 700 loan representative credit score
 - Maximum 90% LTV/CLTV to \$417,000
Minimum 680 loan representative credit score

Summary of Eligibility and Guideline Changes Effective November 6, 2009 (cont'd)

- Loan Amounts > \$417,000
 - Maximum 90% LTV/CLTV to \$500,000
Minimum 720 loan representative credit score
 - Maximum 85% LTV/CLTV to \$625,500
Minimum 720 loan representative credit score
- **Property Type:**
 - Condominiums
 - Maximum 90% LTV/CLTV to \$417,000
 - Minimum 700 loan representative credit score

Distressed Markets that are not categorized as Tier 1 or have not been removed from the Distressed Markets List are automatically covered by the Distressed Markets Policy - Tier 2. There are no further guideline changes for insuring them.

Changes to Distressed Markets List:

Effective 11/6/09, CMG MI is pleased to announce that more U.S. states and MSAs have been removed from our Distressed Markets List except for the MSAs/MSADs noted next to the individual States, as follows:

- **The following States have been removed from the CMG MI Distressed Markets List:**
 - **State:**
 - Connecticut – See Distressed Markets List for specific MSAs
 - New Jersey – See Distressed Markets List for specific MSAs
 - Rhode Island – See Distressed Markets List for specific MSAs
- **The following MSA/MSADs have been removed from the CMG MI Distressed Markets List:**
 - **MSAs/MSADs:**
 - Cambridge-Newton-Framingham, MA (MSAD)
 - Charleston-North Charleston-Summerville, SC
 - Chattanooga, TN-GA
 - Cleveland-Elyria-Mentor, OH
 - Columbus, OH
 - Corvallis, OR
 - Fayetteville-Springdale-Rogers, AR-MO
 - Hartford-East Hartford-West Hartford, CT
 - Mankato-North Mankato, MN
 - Milwaukee-Waukesha-West Allis, WI
 - Mount Vernon-Anacortes, WA
 - Ogden-Clearfield, UT
 - Olympia, WA
 - Philadelphia, PA (MSAD)
 - Richmond, VA
 - Seattle-Bellevue-Everett, WA (MSAD)
 - Spokane, WA
 - St. Louis, MO-IL
 - York-Hanover, PA

Summary of Eligibility and Guideline Changes Effective November 6, 2009 (cont'd)

- **The following States will be subject to CMG MI's Distressed Markets Policy**
 - **Tier 2 guidelines:**
 - o **State:**
 - Arizona
 - California
 - Florida
 - Hawaii
 - Michigan
 - Nevada
 - Puerto Rico

- **The following MSA/MSADs will be subject to CMG MI's Distressed Markets Policy**
 - **Tier 1 guidelines:**
 - o **MSAs/MSADs:**
 - Atlanta-Sandy Springs-Marietta, GA
 - Boston-Quincy, MA (MSAD)
 - Bremerton-Silverdale, WA
 - Canton-Massillon, OH
 - Charlottesville, VA
 - Chicago-Naperville-Joliet, IL (MSAD)
 - Dalton, GA
 - Danville, IL
 - Danville, VA
 - Dayton, OH
 - Gary, IN (MSAD)
 - Grand Junction, CO
 - Greensboro-High Point, NC
 - Hickory-Lenoir-Morganton, NC
 - Janesville, WI
 - Lake County-Kenosha County, IL-WI (MSAD)
 - Lima, OH
 - Manchester-Nashua, NH
 - Mansfield, OH
 - McAllen-Edinburg-Mission, TX
 - Minneapolis-St. Paul-Bloomington, MN-WI
 - New York-White Plains-Wayne, NY-NJ (MSAD)
 - Portland-Vancouver-Beaverton, OR-WA
 - Providence-New Bedford-Fall River, RI-MA
 - Provo-Orem, UT
 - Racine, WI
 - Salisbury, MD
 - Salt Lake City, UT
 - Sandusky, OH
 - Spartanburg, SC

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- St. George, UT
 - Sumter, SC
 - Tacoma, WA (MSAD)
 - Toledo, OH
 - Vineland-Millville-Bridgeton, NJ
 - Washington-Arlington-Alexandria, DC-VA-MD-WV (MSAD)
 - Weirton-Steubenville, WV-OH
 - Wilmington, DE-MD-NJ (MSAD)
 - Worcester, MA
 - Youngstown-Warren-Boardman, OH-PA
- **The following MSA/MSADs will be subject to CMG MI's Distressed Markets Policy - Tier 2 guidelines:**
 - MSAs/MSADs:
 - Allentown-Bethlehem-Easton, PA-NJ
 - Atlantic City-Hammonton, NJ
 - Baltimore-Towson, MD
 - Bethesda-Frederick-Gaithersburg, MD (MSAD)
 - Bellingham, WA
 - Bend, OR
 - Boise City-Nampa, ID
 - Bridgeport-Stamford-Norwalk, CT
 - Camden, NJ
 - Coeur d'Alene, ID
 - Dover, DE
 - Duluth, MN-WI
 - Edison-New Brunswick, NJ
 - Elkhart-Gosen, IN
 - Eugene-Springfield, OR
 - Gainesville, GA
 - Hagerstown-Martinsburg, MD-WV
 - Kingston, NY
 - Kokomo, IN
 - Lewiston-Auburn, ME
 - Medford, OR
 - Michigan City-La Porte, IN
 - Nassau-Suffolk, NY (MSAD)
 - New Haven-Milford, CT
 - Newark-Union, NJ-PA (MSAD)
 - Norwich-New London, CT
 - Ocean City, NJ
 - Peabody, MA (MSAD)
 - Poughkeepsie-Newburgh-Middletown, NY
 - Rockford, IL

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- Salem, OR
- South Bend-Mishawaka, IN-MI
- Springfield, MA
- Springfield, OH
- Trenton-Ewing, NJ
- Virginia Beach-Norfolk-Newport News, VA-NC
- Winchester, VA-WV

To determine if a property is subject to the *CMG MI Distressed Markets Policy*, please visit the CMG MI ZipMap at <http://www.cmgmi.com/map>. Additional information regarding the *CMG MI Distressed Markets Policy* is available at: www.cmgmi.com/distressed_markets.

The above is only a summary of the guideline changes effective November 6, 2009. Complete CMG MI program guidelines are available at: 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 or visit our website at www.cmgmi.com/guidelines.