

## **FITCH DOWNGRADES CMG MORTGAGE INSURANCE COMPANY ON INCREASING DELINQUENCIES IN INSURED PORTFOLIO**

Fitch Ratings-New York-09 December 2009: Fitch Ratings has downgraded CMG Mortgage Insurance Company's (CMG) Insurer Financial Strength (IFS) rating to 'BBB' from 'A+'. The Rating Outlook remains Negative.

The downgrade is driven primarily by increasing prime delinquencies and their potential impact on capitalization. In addition, Fitch believes that additional capital is unlikely to be forthcoming from either of CMG's parent companies, PMI Mortgage Insurance Co. (PMI) and CUNA Mutual Insurance Society, which constrains the ability of CMG to write new, high quality business. Furthermore, Fitch notes that CMG is operationally dependent on PMI and this raises uncertainty regarding CMG's operational stability and infrastructure in a scenario where PMI is placed into runoff.

CMG's primary default rate has increased but remains well below that of all of its peers. Fitch attributes CMG's stronger performance, in part, to CMG's role as a niche player, catering to the unique origination channels within the credit union space. CMG's investment grade ratings reflect these considerations. Primary new insurance written was \$489 million for the third quarter of 2009 (3Q'09) compared to \$1,052 million for 2Q'09 and \$1,466 million for 3Q'08.

While new insurance levels were down across the board for mortgage insurers, CMG's ability to write new business has been constrained by its increasing risk to capital ratio, which was 16.8:1 at the end of 3Q'09. CMG's current ownership agreement provides for a capital call to its two parent companies, in the event that CMG's risk-to-capital ratio reaches 19:1.

The Negative Outlook reflects continued uncertainty with respect to the mortgage insurance industry in general. In the case of CMG, a further downgrade could result should delinquencies increase significantly beyond their current levels, or if material operational interruptions are experienced in an event where PMI enters runoff.

Fitch has downgraded the following rating. The Rating Outlook remains Negative:

CMG Mortgage Insurance Company  
--IFS to 'BBB' from 'A+'.

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