

# The CMG MI Credit Risk Bulletin



Bulletin #2-10 — January 2010

CMG Mortgage Insurance Company

## Summary of Eligibility and Guideline Changes Effective February 5, 2010

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 changes to our Conforming and Non-Conforming Program and Construction-To-Permanent Program, **effective February 5, 2010**.

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:

- **Automated Approvals**
  - CMG Mortgage Insurance Company (CMG MI) does not automatically approve loans for mortgage insurance based solely on decisions obtained from Agency systems
  - Loans submitted and approved by Fannie Mae's Desktop Underwriter® (DU®) and Freddie Mac's Loan Prospector® (LP) must meet CMG MI's Conforming and Non-Conforming Program Guidelines
- **Employment History**
  - Document Efficiencies (DU/LP only)
    - One of the following documentation sets will be required (employment gaps explained when required by the findings):
      - A verbal Verification of Employment (completed prior to closing); and
        - Verification of Employment, or
        - One month's paystubs, which contains at least 30 days of year-to-date earnings, and a verbal Verification of Employment; or
        - One paystub and the most recent year's W-2s and a verbal Verification of Employment, or

## *Summary of Eligibility and Guideline Changes Effective February 5, 2010 (cont'd)*

- ❑ One year's personal federal tax returns, or
    - ❑ Two years' personal federal tax returns, or
    - ❑ Two years' personal and two years' business federal tax returns (if self-employed)
  - A Documentation Efficiency of only a Verbal Verification of Employment is not acceptable
  - Assets for down payment, closing costs and reserves must meet CMG MI requirements; however, they may be documented using the documentation permitted by DU/LP
  - **Ineligible:** Loan amount > \$417,000
- **Maximum Interested Party/Seller Contributions & Concessions**
  - o Owner-Occupied
    - Maximum of 3% based upon the lesser of the property's sales price or appraised value on LTVs 90.01 – 95%
    - Maximum of 6% based upon the lesser of the property's sales price or appraised value for LTVs up to 90%
    - CMG Single Premium Payment Plan
      - Maximum of 6% based upon the lesser of the property's sales price or appraised value for LTVs up to 95%
  - o Second Home
    - Maximum of 6% based upon the lesser of the property's sales price or appraised value
- **Appraisal**
  - o **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), regardless of appraisal efficiencies by DU/LP

### **Changes to Construction-To-Permanent Guidelines**

- **Automated Approvals**
  - o CMG Mortgage Insurance Company (CMG MI) does not automatically approve loans for mortgage insurance based solely on decisions obtained from Agency systems
  - o Loans submitted and approved by Fannie Mae's Desktop Underwriter® (DU) and Freddie Mac's Loan Prospector® (LP) must meet CMG MI's Construction-To-Permanent Program Guidelines
- **Employment History**
  - o **Document Efficiencies (DU/LP only)**
    - One of the following documentation sets will be required (employment gaps explained when required by the findings):
      - A verbal Verification of Employment (completed prior to closing); and

*Summary of Eligibility and Guideline Changes Effective February 5, 2010 (cont'd)*

- Verification of Employment, or
  - One month's paystubs, which contains at least 30 days of year-to-date earnings, and a verbal Verification of Employment; or
  - One paystub and the most recent year's W-2s and a verbal Verification of Employment, or
  - One year's personal federal tax returns, or
  - Two years' personal federal tax returns, or
  - Two years' personal and two years' business federal tax returns (if self-employed)
- A Documentation Efficiency of only a Verbal Verification of Employment is not acceptable
- Assets for down payment, closing costs and reserves must meet CMG MI requirements; however, they may be documented using the documentation permitted by DU/LP
  - **Ineligible:** Loan amount > \$417,000
- **Maximum Interested Party/Seller Contributions & Concessions**
  - o Maximum of 3% based upon the lesser of the property's sales price or appraised value on:
    - LTVs 90.01 - 95% to \$417,000
    - LTVs up to 90% to \$625,500
  - o Maximum of 6% based upon the lesser of the property's sales price or appraised value on:
    - LTVs up to 90% to \$417,000
- **Appraisal**
  - o **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), regardless of appraisal efficiencies by DU/LP

The above is only a summary of the guideline changes effective February 5, 2010. 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).