

## Guidelines - Effective April 2, 2010 (Supersedes all previous guidelines and updates)

CMG Mortgage Insurance Company  
A Joint Venture between PMI Mortgage Insurance Co. and  
CUNA Mutual Insurance Society

# 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

- 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<sup>®</sup> (DU<sup>®</sup>) and Freddie Mac's Loan Prospector<sup>®</sup> (LP) must meet CMG MI's Conforming and Non-Conforming Program Guidelines

### 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<sup>®</sup>

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

- Owner-Occupied
  - 95% LTV to \$417,000
    - Minimum 680 loan representative credit score
- Second Home
  - 90% LTV to \$417,000
    - Minimum 700 loan representative credit score
- **Ineligible:** Investment Property

### Loan Amounts > \$417,000

- Owner-Occupied
  - 90% LTV to \$625,500
    - Minimum 700 loan representative credit score
    - **CMG Single Premium Payment Plan**
      - ❖ **Minimum 680 loan representative credit score**
  - 90% LTV to \$729,750
    - Minimum 720 loan representative credit score
    - **CMG Single Premium Payment Plan**
      - ❖ **Minimum 700 loan representative credit score**
  - 85% LTV to \$729,750
    - Minimum 700 loan representative credit score
    - **CMG Single Premium Payment Plan**
      - ❖ **Minimum 680 loan representative credit 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 (ARM)
  - Positively Amortizing Hybrid ARMs (i.e. 5/1, 7/1, 10/1)
  - Short Term ARMs (1 to 3 years fixed period)
    - Purchase Only
    - Owner-Occupied
    - **Ineligible:** Short Term ARMs less than 1 year fixed period, Loan Amounts > \$417,000
  - Annual caps not to exceed 2% and lifetime cap not to exceed 6%
- Balloons
  - Owner-Occupied/Second Home: Term ≥ 5 years
- **Ineligible:** Potential Negative Amortization, Scheduled Negative Amortization, Option Payment Mortgages, and Interest Only

### Interest Only

- Ineligible

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

### Temporary/Permanent Buydowns

- Owner-Occupied Only
- 2,1 buydown allowed on Fixed Rate Mortgages (FRMs) and  $\geq$  5/1 ARMs
- 3,2,1 buydown allowed on FRMs and  $\geq$  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
- Second Home – new subordinate lien must be fully amortized
- **Ineligible:** 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"
- 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:** Short Term ARMs less than or equal to 3 years fixed period

- Rehabilitation – loan that provides the borrower with funds to cover the costs to renovate, remodel or repair a property. The loan purpose may either be a purchase or a rate/term refinance
  - Loan must meet CMG MI's current guidelines in addition to Fannie Mae's Selling Guide and Freddie Mac Seller Guide guidelines and documentation for rehabilitation loans with these additional criteria:
    - Maximum 95% LTV to \$417,000
      - Owner-Occupied
      - Purchase and Rate/Term Refinance
      - 1-unit single-family detached and attached
    - The borrower must be an individual; no corporations, not-for-profits, or agencies allowed
    - The borrower may not be the contractor or provide repairs as a "do-it-yourself" option
    - A recertification of the property value by an appraiser is required in addition to the certificate of completion. The recertification of value must be added to the loan file documentation
- Cash-Out Refinance – loan where the proceeds exceed the outstanding principal balance of existing lien plus reasonable and customary closing costs; pay off or 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 90% LTV to \$417,000
      - ❖ Minimum 740 loan representative credit score
      - ❖ Maximum \$50,000 cash back to borrower at close
      - ❖ **Ineligible:** Short Term ARMs less than or equal to 3 years fixed period and Balloons
    - Maximum 85% LTV to \$417,000
      - ❖ Minimum 700 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 less than or equal to 3 years fixed period, and Self-Employed Borrower
  - **Ineligible:**
    - Existing first lien was refinanced within the last 12 months as a cash out transaction

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

### 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 verified by a valid permit/Visa) are eligible, subject to:
  - Maximum 95% LTV to \$417,000
    - Owner-Occupied
    - Purchase and Rate/Term Refinance
    - 1-unit single-family detached and attached
  - Minimum 2 years' established history of residency, employment and credit within the US
  - 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
  - The credit union must have acceptable documentation in the loan file to verify the non-permanent resident alien status
- 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

- **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
      - ❖ 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
- **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' personal and 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

### 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 open and active trade lines are evaluated for a minimum of 12 months. Borrowers who have a lengthy and in-depth credit history (multiple years and multiple active, inactive and closed accounts) do not have a credit score validity issue, although the minimum loan representative credit scores specified in these guidelines nonetheless apply
- 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 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

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

- Judgments, liens, collections, voluntary or involuntary repossessions and charge-offs for federal and state tax liens must all be paid in full at the time of loan closing, especially any debt affecting title. However, collection accounts or charged-off accounts do not have to be paid off at or prior to closing if the balance of an individual account is less than \$250 or the total balance of all accounts is \$1,000 or less
- 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 New York
  - The credit score is unusable due to inaccurate informationLoans using the Comparable Credit Criteria must be submitted to the CMG MI Underwriting Network for review

### Nontraditional Credit

- Ineligible

### Debt Ratios

- Maximum 45%, regardless of DU or LP recommendations

**NOTE:** Loans that exceed the above debt-to-income ratio criteria are not eligible for delivery via the CMG MI delegated channel and must be submitted to the CMG MI Underwriting Network for review

### Qualifying Rate

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

- 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
  - Second Home
    - Minimum 10% 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

### 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)

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

- 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

### Liquid Assets

- Verification of Deposit with a two month average balance provided, or
- Two months' current bank statements per account, reporting all transactions and end balances, and satisfactory explanation for any large deposits or increases

### Maximum Interested Party/Seller Contributions & Concessions

- 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%**
- Second Home
  - Maximum of 6% based upon the lesser of the property's sales price or appraised value

### 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
  - 2-units
    - Maximum 95% LTV to \$533,850
      - ❖ Minimum 680 loan representative credit score
  - Condominiums
    - Maximum 95% LTV to \$417,000
      - ❖ Minimum 680 loan representative credit score
    - Maximum 85% LTV to \$625,500
      - ❖ Minimum 700 loan representative credit score
    - Must be Fannie Mae/Freddie Mac warrantable
    - **Ineligible:** Short Term ARMs less than or equal to 3 years fixed period
  - Co-ops subject to the CMG MI Cooperative Housing Master Policy filed with state
    - Maximum 90% LTV to \$417,000
      - ❖ Minimum 680 loan representative credit score
    - **Ineligible:** Short Term ARMs less than or equal to 3 years fixed period
  - Manufactured Homes
    - Maximum 90% LTV to \$417,000
      - ❖ Minimum 680 loan representative credit score
    - **Ineligible:** Single-Wide Manufactured Homes
  - **Ineligible:** 3-4 units, condotels, timeshare/interval ownership, mixed use, builder inventory and spec homes
- 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

### 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
  - 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.com](http://www.freddie.com), or via AllRegs®
  - 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 Report (Fannie Mae Form 1004/Freddie Mac Form 70, dated March 2005); **OR**
  - Condominiums -- Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465, dated March 2005); **OR**
  - 2-Unit Properties -- The Small Residential Income Property Appraisal Report (Fannie Mae Form 1025/Freddie Mac Form 72, dated March 2005) and the Operating Income Statement (Fannie Mae Form 216/Freddie Mac Form 998, dated August 1988); **OR**
  - Manufactured Homes -- Manufactured Home Appraisal Report (Fannie Mae Form 1004C/Freddie Mac Form 70B, dated March 2005); **OR**
  - Cooperative Housing Units -- Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090m dated March 2005) and the Exterior-Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095, dated March 2005); **AND**
  - Market Conditions Addendum to the Appraisal Report – Uniform Residential Appraisal Form (Fannie Mae Form 1004MC/Freddie Mac Form 71, dated March 2009)
- 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), regardless of appraisal efficiencies by DU/LP

### CMG MI Coverages and Premiums

- For information regarding CMG MI rates and surcharges, please refer to our most current 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