

The CMG MI Credit Risk Bulletin

Bulletin #4-10 - April 2010



CMG Mortgage Insurance Company

Summary of Eligibility and Guideline Changes Effective May 7, 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 announcing changes to our Conforming and Non-Conforming Program, Construction-To-Permanent Program and Distressed Markets Policies, **effective May 7, 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

- **Credit History – Further clarification regarding the evaluation of 3 open and active trade lines**
 - o 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. The validity of the credit score and the number of trade lines is of importance if the credit history is “thin” or limited. Thin credit refers to a file of credit information that contains very little data about the borrower's use of credit, most likely because there isn't a long history of credit use upon which to judge repayment ability. The valid credit score policy does not apply to all borrowers. 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, and are not required to have three open and active accounts to qualify, although the minimum loan representative credit scores specified in these guidelines nonetheless apply.

Changes to Construction-To-Permanent Guidelines

- **Loan Type – Remove purchase only requirement for Short Term ARMs, thus Short Term ARMs are eligible for both Construction-Purchase and Construction-Refinance transactions**
 - Short Term ARMs (1 to 3 years fixed period)
 - Ineligible: Short Term ARMs less than 1 year fixed period, Loan Amounts > \$417,000
- **Credit History – Further clarification regarding the evaluation of 3 open and active trade lines**
 - 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. The validity of the credit score and the number of trade lines is of importance if the credit history is “thin” or limited. Thin credit refers to a file of credit information that contains very little data about the borrower’s use of credit, most likely because there isn’t a long history of credit use upon which to judge repayment ability. The valid credit score policy does not apply to all borrowers. 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, and are not required to have three open and active accounts to qualify, although the minimum loan representative credit scores specified in these guidelines nonetheless apply.

Changes to Distressed Markets Policy

Effective 5/7/10, CMG MI announces changes to its Distressed Markets Tier 1 and Tier 2 Policies. 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. The Distressed Markets Policy - Tier 2 covers those Distressed Markets which are projected to continue to experience more significant economic and/or housing downturns and are expected to take longer to improve.

Changes to Distressed Markets Policy – Tier 1

- **LTV/Loan Amount – Increase maximum loan amounts for 85% LTV and 90% LTV guidelines**
 - Loan Amounts > \$417,000
 - Maximum 90% LTV/CLTV to \$625,500
 - Minimum 720 loan representative credit score
 - Maximum 85% LTV/CLTV to \$729,750
 - Minimum 720 loan representative credit score
 - CMG Single Premium Payment Plan
 - Minimum 700 loan representative credit score

Changes to Distressed Markets Policy – Tier 2

- **LTV/Loan Amount – Lower minimum loan representative credit score requirement for properties located in Arizona, Florida, Michigan, Nevada, and California Tier 2 MSA/MSADs**
 - o Loan Amounts up to \$417,000
 - Maximum 90% LTV/CLTV to \$417,000
 - Properties located in Arizona, Florida, Michigan, and Nevada
 - Minimum 700 loan representative credit score, regardless of property type
 - Properties located in California Tier 2 MSA/MSAD
 - Minimum 700 loan representative credit score, regardless of property type
 - Properties located in all other states
 - Minimum 680 loan representative credit score

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 May 7, 2010. 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.