



October 3, 2006

Re: UNACCEPTABLE SELLER/INTERESTED PARTY CONTRIBUTIONS

Dear RMIC Master Policy Holder,

RMIC has become aware of a significant increase in mortgage loan transactions with unacceptable seller contributions. These unacceptable contributions have normally been associated with new construction in markets experiencing a significant real estate downturn, but may also affect existing properties. The intent of this letter is to reiterate our existing policy relative to acceptable and unacceptable seller/interested party contributions and to offer further clarification.

RMIC does not permit the contribution of property or gifts to the borrower by any interested party to the purchase transaction. Interested parties are defined as property sellers, developers, builders and realtors. We do not consider the lender to be an interested party unless the lender is affiliated with the seller or realtor.

Unacceptable contributions include, but are not limited to, furniture, automobiles, club memberships and dues, decorator allowances, cash for the down payment and other items that are not related to the purchaser's mortgage transaction. The fair market value of these unacceptable contributions must be deducted from the purchase price and appraised value in order to establish the "adjusted value". This "adjusted value" must be used to calculate the LTV and down payment requirements.

RMIC does permit interested parties to contribute funds for purchaser's closing costs, prepaid expenses or temporary buydowns. These contributions are limited based upon the lesser of the sales price or appraised value and our policy is as follows:

- **Primary Residences and Second Homes:**
 - > 90% LTV = 3%
 - ≤ 90% LTV = 6%
- **Investment Property:**
 - All LTVs = 3%

Please do not hesitate to contact your RMIC Account Manager if you should have any questions about our policy relative to seller/interested party contributions.

Sincerely,

Lou M. Garner
RMIC Risk Policy Group Manager