



Updated Market Classifications and Guideline Modifications

What's New in This Release?

RMIC is providing an update to our market classifications and announcing several modifications to our eligibility guidelines.

The policies outlined in this release supersede all existing waivers and negotiated guideline variances previously granted by RMIC, and apply regardless of the findings of any automated underwriting system (AUS).

Updated Market Classifications

RMIC is making changes to the classification of markets under our Declining Markets Policy. 60 markets improved from their previous classification, and 16 markets became more restrictive. The 76 markets whose classifications changed, and each market's previous and new classifications, are listed at the end of this Release Notes. RMIC's complete list of market classifications can be found by accessing [RMIC's Housing Market Monitor](#). The updated market classifications will be effective for all mortgage insurance applications submitted on or after the following dates:

- **December 16, 2009** for loans in markets that have improved in classification (i.e., moved from **Standard Declining** to **Enhanced Declining** or **Check Appraisal or Lender's List**, or from **Enhanced Declining** to **Check Appraisal or Lender's List**);
- **January 11, 2010** for loans in markets that have a more restrictive classification (i.e., moved from **Check Appraisal or Lender's List** to **Enhanced Declining** or **Standard Declining**, or from **Enhanced Declining** to **Standard Declining**).

Guideline/Eligibility Change — January 1, 2010

The following is a **change to a previously announced eligibility guideline** that has not yet taken effect. This change is effective for all mortgage insurance applications submitted on or after **January 1, 2010**:

Tax Returns:

RMIC announced in Release Notes 2009-8 that 2 years of tax returns would be required for borrowers employed by an interested party to the transaction. RMIC is reducing that requirement to 1 year of tax returns or IRS tax transcripts, which is consistent with RMIC's standard requirement for obtaining 4506 IRS tax transcripts, as follows:

Employment by a Relative or Interested Party to the Transaction:

- In addition to the income documentation required to meet RMIC's definition of full or alternative documentation, RMIC requires the most recent year of complete tax returns or IRS tax transcripts that support the income used to qualify the borrower
- An interested party to the transaction includes the seller, builder, real estate agent or an individual who will benefit from the sale of the property

Guideline/Eligibility Changes — January 11, 2010

The following modifications to eligibility guidelines are effective for all mortgage insurance applications submitted on or after **January 11, 2010**.

The following are **clarifications** to existing eligibility guidelines:

Cash Reserves — RMIC is clarifying its requirements for the source of the borrower's cash reserves:

The borrower must have sufficient assets verified from his own funds equal to the minimum required reserves and the minimum required down payment.

Non-Arm's Length Transactions — RMIC is clarifying its position on non-arm's length transactions:

A non-arm's length transaction is one in which the parties involved in the transaction are not independent of each other. Examples of non-arm's length transactions include family sales between parent and child, property in an estate, employer and employee, friends, renter and landlord, and a mortgage lender who directly or indirectly is the seller of REO. Non-arm's length transactions require close scrutiny and must meet the following requirements:

- The relationship between the parties to the transaction must be disclosed to RMIC; and
- The underwriter must ensure that the borrower has adequate equity in the property, occupancy is correctly represented, seller contributions are acceptable and within guideline limitations, and the sales price and appraised value are accurate; and
- The appraiser must be informed that the transaction is not arm's length and must comment on the buyer's and/or seller's relationship to the interested party to the transaction and its effect on the marketability of the property; and
- If the lender is the property seller, the loan must be a full file submitted to an RMIC underwriter

Interested Party Contribution Limits — RMIC is clarifying its position on below market interest rates offered by lenders on REO loans:

Below market interest rates offered to borrowers by lenders to facilitate the sale of real estate owned (REO) must meet RMIC's interested party contribution limits, as outlined in RMIC's underwriting guidelines. Each 0.25% reduction in interest rate is equivalent to one discount point (i.e., a reduction of 0.75% in rate equals a 3% interested party contribution).

Expanded Approval Loans — RMIC is clarifying its eligibility requirements for Expanded Approval II and III loans:

Since Fannie Mae DU 8.0 restricts Expanded Approval II and III loans to DU Refi Plus only, RMIC is clarifying that we will still accept Expanded Approval II and III recommendations on loans that meet RMIC's HARP New Servicer or HARP Same Servicer guidelines. Non-HARP Expanded Approval II and III loans will be ineligible.

The following is a **change** to an existing eligibility guideline:

Lot Value/Acquisition Cost — RMIC is reducing the period of ownership required for the appraised value of the borrower's lot to be used in the calculation of acquisition cost:

If the borrower purchased the lot upon which the subject property is being built at least 12 months prior to applying for construction financing, or if the lot was a gift or inheritance, RMIC will allow the appraised value of the lot to be used in the acquisition cost calculation for determining the LTV/CLTV. However, if the borrower purchased the lot less than 12 months ago, RMIC requires that the lesser of the appraised value or actual cost of the lot be used to determine the LTV/CLTV.

Supporting Resources

The following materials will be posted to www.rmic.com to assist customers with implementation of these changes:

- This announcement (Release Notes 2009-13)
- [RMIC's Declining Markets Policy](#)
- [Updated List of RMIC's Market Classifications](#)
- [Quick Reference Underwriting Guidelines](#) (Effective January 11, 2010)

RMIC's Mortgage Insurance Guidelines are available in electronic format at www.rmic.com. If you have any questions regarding RMIC's new guidelines, please contact your RMIC Account Manager at 800-999-7642.

RMIC Market Classification Changes

Improved Markets

Effective December 16, 2009

State	Metropolitan Statistical Area (MSA)	Previous Market Status	New Market Status
AK	Fairbanks	Enhanced Declining	Check Appraisal or Lender's List
AR	Hot Springs	Enhanced Declining	Check Appraisal or Lender's List
AR-MO	Fayetteville-Springdale-Rogers	Enhanced Declining	Check Appraisal or Lender's List
CO	Pueblo	Enhanced Declining	Check Appraisal or Lender's List
CT	Bridgeport-Stamford-Norwalk	Standard Declining	Enhanced Declining
CT	New Haven-Milford	Standard Declining	Enhanced Declining
DC-VA-MD-WV	Washington-Arlington-Alexandria	Standard Declining	Enhanced Declining
GA	Hinesville-Fort Stewart	Standard Declining	Enhanced Declining
GA	Warner Robins	Standard Declining	Enhanced Declining
IA	Des Moines-West Des Moines	Enhanced Declining	Check Appraisal or Lender's List
IA	Dubuque	Enhanced Declining	Check Appraisal or Lender's List
IA	Iowa City	Enhanced Declining	Check Appraisal or Lender's List
IL	Danville	Standard Declining	Enhanced Declining
IN-KY	Evansville	Standard Declining	Enhanced Declining
KS	Lawrence	Enhanced Declining	Check Appraisal or Lender's List
KY	Elizabethtown	Standard Declining	Enhanced Declining
KY	Lexington-Fayette	Enhanced Declining	Check Appraisal or Lender's List
KY	Owensboro	Enhanced Declining	Check Appraisal or Lender's List
KY-IN	Louisville-Jefferson County	Enhanced Declining	Check Appraisal or Lender's List
LA	Shreveport-Bossier City	Enhanced Declining	Check Appraisal or Lender's List
MA	Springfield	Standard Declining	Enhanced Declining
MA	Worcester	Standard Declining	Enhanced Declining
MO	Joplin	Enhanced Declining	Check Appraisal or Lender's List
MO	Springfield	Enhanced Declining	Check Appraisal or Lender's List
MS	Gulfport-Biloxi	Standard Declining	Enhanced Declining
MT	Missoula	Standard Declining	Enhanced Declining
NC	Goldsboro	Enhanced Declining	Check Appraisal or Lender's List
NC	Rocky Mount	Standard Declining	Enhanced Declining
NE	Lincoln	Enhanced Declining	Check Appraisal or Lender's List
NM	Albuquerque	Standard Declining	Enhanced Declining
NM	Santa Fe	Standard Declining	Enhanced Declining
NY	Elmira	Standard Declining	Enhanced Declining
NY	Utica-Rome	Standard Declining	Enhanced Declining
OH	Columbus	Enhanced Declining	Check Appraisal or Lender's List
OH-KY-IN	Cincinnati-Middletown	Enhanced Declining	Check Appraisal or Lender's List
OK	Lawton	Enhanced Declining	Check Appraisal or Lender's List
PA	Johnstown	Standard Declining	Enhanced Declining
PA	Reading	Standard Declining	Enhanced Declining
PA-NJ	Allentown-Bethlehem-Easton	Standard Declining	Enhanced Declining
SC	Charleston-North Charleston-Summerville	Standard Declining	Enhanced Declining
SC	Sumter	Standard Declining	Enhanced Declining
TN	Cleveland	Standard Declining	Enhanced Declining
TN-GA	Chattanooga	Standard Declining	Enhanced Declining
TN-MS-AR	Memphis	Standard Declining	Enhanced Declining
TX	El Paso	Enhanced Declining	Check Appraisal or Lender's List
TX	McAllen-Edinburg-Mission	Enhanced Declining	Check Appraisal or Lender's List
TX	Sherman-Denison	Standard Declining	Check Appraisal or Lender's List

State	Metropolitan Statistical Area (MSA)	Previous Market Status	New Market Status
TX	Wichita Falls	Enhanced Declining	Check Appraisal or Lender's List
VA	Danville	Standard Declining	Enhanced Declining
VA	Harrisonburg	Enhanced Declining	Check Appraisal or Lender's List
VA-NC	Virginia Beach-Norfolk-Newport News	Standard Declining	Enhanced Declining
VT	Burlington-South Burlington	Enhanced Declining	Check Appraisal or Lender's List
WI	Appleton	Enhanced Declining	Check Appraisal or Lender's List
WI	Green Bay	Enhanced Declining	Check Appraisal or Lender's List
WI	Madison	Enhanced Declining	Check Appraisal or Lender's List
WI	Oshkosh-Neenah	Enhanced Declining	Check Appraisal or Lender's List
WV	Charleston	Enhanced Declining	Check Appraisal or Lender's List
WV	Morgantown	Enhanced Declining	Check Appraisal or Lender's List
WV-OH	Parkersburg-Marietta-Vienna	Enhanced Declining	Check Appraisal or Lender's List
WV-OH	Wheeling	Standard Declining	Enhanced Declining

More Restrictive Markets

Effective January 11, 2010

State	Metropolitan Statistical Area (MSA)	Previous Market Status	New Market Status
CO	Grand Junction	Enhanced Declining	Standard Declining
IN	Kokomo	Check Appraisal or Lender's List	Enhanced Declining
IN	Muncie	Check Appraisal or Lender's List	Enhanced Declining
MI	Jackson	Enhanced Declining	Standard Declining
MI	Kalamazoo-Portage	Enhanced Declining	Standard Declining
MI	Muskegon-North Shores	Enhanced Declining	Standard Declining
MI	Niles-Benton Harbor	Enhanced Declining	Standard Declining
MT	Great Falls	Check Appraisal or Lender's List	Enhanced Declining
PA	Williamsport	Check Appraisal or Lender's List	Enhanced Declining
TN	Nashville-Davidson--Murfreesboro--Franklin	Check Appraisal or Lender's List	Enhanced Declining
UT	Ogden-Clearfield	Enhanced Declining	Standard Declining
UT-ID	Logan	Check Appraisal or Lender's List	Enhanced Declining
WA	Longview	Enhanced Declining	Standard Declining
WA	Mount Vernon-Anacortes	Enhanced Declining	Standard Declining
WA	Yakima	Check Appraisal or Lender's List	Enhanced Declining
WY	Casper	Check Appraisal or Lender's List	Enhanced Declining