



RELEASE NOTES

September 23, 2008

Release 2008-15

CHANGES TO ELIGIBILITY AND GUIDELINES

What's New in this Release?

During these unsettled times in the financial and housing markets, it is critical that RMIC continue to maintain our financial strength and dedicate our support and substantial capital resources to insuring risks that positively contribute to the fundamentals of the housing market. RMIC is announcing changes to our eligibility and guidelines that reflect this position while maintaining eligibility for the most important segments of the market.

The credit policy changes announced in this release are effective for all mortgage insurance applications submitted on or after **November 1, 2008**.

The policies outlined in this release **supersede all existing waivers and negotiated guidelines previously granted by RMIC, and apply regardless of the findings of any automated underwriting system (AUS)** except where specifically noted.

Guideline/Eligibility Changes—Effective November 1, 2008

- Loans with LTV/CLTVs of 95.01% to 97% may only be originated through a lender's retail channels (i.e., broker originated and wholesale loans are ineligible). In order to be considered a retail loan, the loan must be closed and the MI ordered in the name of the originating lender, by that lender's personnel. The minimum representative FICO required for insurance on loans over 95% LTV/CLTV will remain 720 as stated in the August 27, 2008 release notes.
- Loans on Investment Properties will no longer be eligible for coverage.
- Cash-Out Refinances will no longer be eligible for coverage.
- Eligible loans with representative FICO scores below 660 will be classified as A-Minus loans and may be eligible for RMIC's A-Minus program (i.e., loans with representative FICO scores between 620 and 659 will no longer be eligible for RMIC's Monthlies/ZIP® Monthlies, Singlemax Plus or LPMIpreferred® programs). Eligible loans with Desktop Underwriter® (DU®) 7.0 Expanded Approval recommendations will continue to be classified as A-Minus loans regardless of FICO score.
- All loans with A-Minus pricing (including all loans with FICOs below 660 and loans with DU® 7.0 Expanded Approval recommendations) will be limited to a maximum allowable debt-to-income (DTI) ratio of 45%.
- Loans on Second Homes will:
 - Require a minimum loan representative FICO score of 720, and
 - Be limited to a maximum LTV/CLTV of 90%.
- If the subject property is a Second Home, the borrower may own no more than a total of four (4) financed properties including their primary residence.
- Interest Only loans will:
 - Require a minimum loan representative FICO score of 720, and
 - Be limited to a maximum LTV/CLTV of 90%, and
 - No longer be eligible for coverage with DU® 7.0 Expanded Approval recommendations.
- For Non-Fixed Payment loans (i.e. loans with minimum payments that can change in the first five years):
 - The maximum initial interest rate discount from the fully indexed accrual rate (FIAR) will be 200 basis points, and
 - The interest rate used to qualify the borrower for the loan must be at least the greater of the initial interest rate or the FIAR.

- Loans on one-unit properties with loan balances over \$417,000 that otherwise meet RMIC's non-conforming balance guidelines (including Conforming Jumbo) will require a minimum representative FICO score of 720.
- Rate/Term Refinances are defined as refinances of first lien mortgages only. The following are defined as Cash-Out Refinances and will be ineligible for coverage:
 - Refinances involving the consolidation of existing subordinate lien(s) or line(s) of credit. (Note that such existing liens may be resubordinated in the context of a Rate/Term Refinance);
 - Refinances within 6 months of the first lien origination date to consolidate a second lien or other line(s) of credit; and
 - Loans to finance lien-free properties that already have one or more of the borrowers on the property title.
- Rate/Term Refinances which cannot be shown to improve the borrowers' ability to repay their mortgage debt are ineligible.
- Rate/Term Refinances on properties listed for sale in the last 6 months are eligible only if the property has been taken off the market. If the subject property is a primary residence, the borrower must confirm their intent to occupy it.
- RMIC no longer provides coverage during the construction phase of Construction-Permanent loans. We will still issue commitments with a 12-month term during the construction period to facilitate one-close and two-close processes. However, coverage may not be activated until the permanent financing has been closed or perfected.
- RMIC will no longer contract underwrite subordinate liens. This includes all subordinate installment liens and revolving lines of credit. **This change supersedes and replaces any provisions in the Agreement for Loan Underwriting Review that permits the underwriting of these loans.**
- All loans with an appraisal more than 60 days old at the date of closing will require a new appraisal or a recertification of the existing appraisal and the value.

Declining Markets Policy Guideline/Eligibility Changes—Effective November 1, 2008

RMIC's Declining Markets Policy will be amended as follows:

- Loans on Second Homes will no longer be eligible for coverage.
- The maximum allowable DTI will be 45%.
- Maximum allowable seller or other interested party contribution of 3%, regardless of LTV/CLTV.
- Interest Only loans will no longer be eligible for RMIC's Enhanced Declining Markets policy and will follow general Declining Markets eligibility.

Updated Underwriting Guidelines and Rate Materials

The following materials will be posted to www.rmic.com to assist customers with underwriting and implementation of the credit policy:

- This announcement (Release Notes 09.23.08)
- Quick Reference Underwriting Guidelines – November 1, 2008
- Declining Markets Policy – Effective November 1, 2008

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.

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