



## Revised Effective Date for Upcoming Changes

### Effective Date Changes

On August 12, 2009, RMIC announced several modifications to our eligibility guidelines and documentation requirements to be consistent with recent Investor announcements [[Release Notes 2009-8](#)]. The changes announced in that release were to be effective on October 1, 2009. RMIC subsequently delayed the effective date of three of the changes until January 1, 2010 [[Release Notes 2009-9](#)]. Due to a change in Investor implementation date, RMIC is delaying the effective date of some of the remaining changes to January 1, 2010.

As previously announced, the following changes will be effective for all mortgage insurance applications submitted on or after **October 1, 2009**:

#### Maximum Age of Appraisals:

- 120 days from the date of the note for existing properties and new construction, or from the date of conversion to permanent financing for Construction-Permanent loans. If the appraisal is more than 120 days from the date of the note, or the date of conversion, the appraiser must perform an appraisal update, which includes the following:
  - An exterior inspection of the property; and
  - A review of current market data to determine if the property has declined in value since the original appraisal date.

If the appraiser indicates that the property has not declined in value this updated information can be reported on the Appraisal Update and/or Completion Report (1004D) or in letter format. However, if the appraiser indicates that the property has declined in value then a new appraisal must be obtained for the property.

- RMIC requires a new appraisal if the original appraisal is more than 12 months from the date of the note or the date of conversion.

#### Qualifying Borrowers for ARM Loans and Buydowns:

- ARMs with fixed periods of five years or less – Borrowers must qualify at the greater of the note rate or fully indexed accrual rate.
- Temporary Buydowns – Borrowers must qualify at the greater of the note rate or fully indexed accrual rate.

#### Reserve Requirements:

- Two months of PITI (PITI includes principal, interest, taxes, insurance, ground rents, cooperative fees, homeowner's dues and special assessments) reserves must be verified on all loans. Six months reserves are required if the borrower is retaining an existing primary residence and converting it to a second home or investment property.

The following changes will be effective for all mortgage insurance applications submitted on or after **January 1, 2010**:

#### Maximum Age of Credit Documents (extension to January 1 was previously announced):

- 90 days from the date the note is signed on existing properties
- 120 days from the date the note is signed on new construction
- 120 days from the date of conversion of a Construction-Permanent loan to permanent financing

**Trailing Co-borrower Income (extension to January 1 was previously announced):**

- RMIC will no longer permit the use of projected income from a trailing co-borrower.

**Reserve Requirements (extension to January 1 was previously announced):**

- Only 70% of the current value of the borrower's stocks, bonds, and mutual funds may be used to satisfy reserve requirements.
- Only 60% of the vested amount of retirement funds may be counted as reserves.

**Business Funds Used for Closing:**

- If the borrower is withdrawing funds from his or her business for closing, a letter must be obtained from the borrower's CPA stating that the borrower has access to the funds and that withdrawal of the funds will not adversely affect the business.

**Documenting the Borrower's Earnest Money Deposit:**

- The file must contain evidence of the source of funds (i.e., the Verification of Deposit or borrower's bank statements must indicate that the average balance in the borrower's accounts was large enough to support the deposit).
- The file must contain evidence of payment of the deposit by including a copy of the cancelled check. A written statement from the holder of the deposit is acceptable if the borrower's check has not cleared his or her bank account.

**Additional Requirements for Tax Returns to Support Income Documentation:**

- Two years of tax returns provided by the borrower plus the most recent year's transcripts from the IRS (or the most recent two years of IRS Transcripts) must be provided in addition to RMIC's standard employment documentation requirements if the borrower is employed by a relative or interested party to the transaction.
- Rental Income from a property other than the subject property must be documented with tax returns, supported by the most recent year's transcripts from the IRS, if the borrower owned and rented the property during the most recent tax year. Leases are not acceptable documentation for rental income unless the borrower acquired the property after filing his or her most recent tax return.
- The borrower's most recent year of tax returns or IRS Transcripts must be obtained to assess the impact of any business loss that may exist for a self employed co-borrower whose income is not being used to qualify for the loan.

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).**

**Supporting Resources**

The following materials will be posted to [www.rmic.com](http://www.rmic.com) to assist customers with underwriting and implementation of these changes:

- This announcement (Release Notes 2009-11)
- [Quick Reference Underwriting Guidelines](#) (Effective October 1, 2009)

RMIC's Mortgage Insurance Guidelines are available in electronic format at [www.rmic.com](http://www.rmic.com). If you have any questions regarding RMIC's guidelines or policies, please contact your RMIC Account Manager at 800-999-7642.