



Release Notes

March 5, 2008

Release 2008-04

Guideline Changes, Declining Value Policy Replacement

What's New in This Release?

Based on our continuing review of developments in the market, RMIC is replacing our existing Declining Value Policy which became effective 1/28/08. The updated policy better aligns geographically with current GSE declining markets policies and has been modified to improve operational implementation. In addition, we are making two additional guideline changes effective on March 10 and March 21, respectively.

Changes to Underwriting Guidelines

- Effective for commitments submitted on or after March 10, 2008, RMIC will no longer insure loans with Desktop Underwriter® decisions of Expanded Approval Levels II and III.
- Effective for commitments submitted on or after March 21, 2008, loans on investment properties will require a minimum loan representative FICO score of 680, regardless of AUS decision.

New Declining Markets Policy to Replace the Current Declining Value Policy—Effective for Commitments Submitted On or After March 21, 2008

RMIC is replacing our current Declining Value Policy with a new Declining Markets Policy effective for all commitments submitted **on or after March 21, 2008**. In addition to replacing the current policy, we are eliminating the previously announced guideline requiring full case underwriting for refinance loans with debt-to-income ratios (DTI) > 45% in AZ, CA, FL, MI, NV, and OH.

Declining Markets Definition

RMIC requires that any loan that meets any of the following criteria must comply with the declining markets eligibility requirements listed below:

Appraisal Data—Loans on properties for which the appraisal indicates any of the following: property values in the subject neighborhood are “declining,” an over-supply exists, the marketing time exceeds 6 months, or there are other comments within the appraisal that indicate that values are declining.

Identified Market Areas—Loans on properties in areas that have been identified as distressed or declining, as designated by the following:

- AUS Message—Loans which receive a declining markets message from an automated underwriting system (AUS) such as Desktop Underwriter®; or
- OFHEO Index—Loans on properties in Metropolitan Statistical Areas (MSAs) meeting either of the criteria below (this methodology is also currently used by Freddie Mac):
 - The overall decline in the OFHEO Index for the MSA for the most recent two quarters is greater than 1% (for example 4Q07 vs. 2Q07); or
 - There is an overall decline in the OFHEO Index for the MSA year-over-year, unless there is overall growth in the OFHEO Index for the MSA in the most recent two quarters (for example, the market is considered declining if 4Q07 vs. 4Q06 is negative and 4Q07 vs. 2Q07 is negative).

Lender Designation—Loans on properties that the Lender considers declining.

Declining Markets Eligibility Requirements

All loans in declining markets, as defined above, must meet the following eligibility requirements:

- The maximum allowable LTV/CLTV on declining market properties will be reduced by five percent from the LTV/CLTV otherwise allowed by RMIC's underwriting guidelines.
 - For example, if RMIC's normal underwriting guidelines for a specific loan would have allowed an LTV ratio of 95%, the maximum allowable LTV ratio for the same loan in a declining market would be 90%.
- The following loans on properties in a declining market are not eligible for RMIC coverage: A-Minus loans, Investment Properties, Cash-Out Refinances, and loans with Reduced Documentation.
- LPMIpreferred® pricing will require a minimum representative FICO score of 720 for loans on declining market properties.
- Loans secured by condominiums determined to be in a declining market will be limited to a maximum LTV of 90%, except where the LTV is limited to less than 90% by other factors.

Declining Markets Support Tools Available from RMIC

In order to support our customers in understanding and applying our declining markets policy, RMIC has the following resources available at www.rmic.com:

RMIC's Housing Market Monitor—This easy to use, Excel-based tool quickly determines whether a given zip code falls into one of the Identified Market Areas described in RMIC's declining markets policy. The Housing Market Monitor can be accessed via www.rmic.com from the following address:

<http://www.rmic.com/productsandservices/marketanalysis/mama/Pages/DecliningMarketsZipCodeLookup.aspx>

Declining Markets Policy LTV Reductions Flyer—This one-page flyer reiterates RMIC's declining markets policy and shows the effect of the policy on many common products and property types. The flyer can be accessed from RMIC's homepage, www.rmic.com.

Updated Guidelines and Policies

RMIC's Mortgage Insurance Guidelines are available in electronic format at www.rmic.com. All guidelines are updated after the implementation dates for the individual program changes. If you have any questions regarding RMIC's new guidelines, please contact your RMIC Account Manager at 800-999-7642.

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