



# Release Notes

May 14, 2008

Release 2008-09

New Pricing, Enhanced Declining Markets Policy, and DU 7.0 Alignment

## What's New in This Release?

RMIC is announcing a number of pricing and credit policy changes in response to continued market changes and the upcoming release of Fannie Mae's Desktop Underwriter® 7.0. The pricing and credit policy modifications announced in this release are intended to provide a foundation to stabilize our credit policy, improve liquidity in soft markets and provide greater eligibility alignment with Desktop Underwriter®.

**The effective date for the re-introduction of Expanded Approval eligibility under Desktop Underwriter® 7.0 is June 2, 2008.**

**The effective date for all other changes included in this release will be July 14, 2008:**

- New base rate pricing for RMIC's Monthlies/ZIP® Monthlies
- Modifications to adjustments for Rate & Term Refinances
- Re-pricing of RMIC's LPMIpreferred® program
- Update to Non-Conforming Balance Policy and Premium Rate Adjustments
- Expanded Maximum Allowable Financing for Soft Markets
- Modifications to Interest Only eligibility criteria

**The policies and pricing outlined in this release supersede 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.**

## Premium Rate Changes—Effective July 14, 2008

The rapid decline in cure rates, increased severities, and current nationwide outlook for negative to flat home price appreciation requires RMIC to make a number of premium rate increases. The purpose of the rate modifications is to re-establish a prudent foundation from which RMIC can provide insurance in all markets.

- A-Paper Monthlies/ZIP® Monthlies base rates are increasing and will have a simpler structure which includes Fixed Payment and Non-Fixed Payment types. An excerpt of the new rates can be found below:

*Full or Alternative Documentation, 30-Year, Purchase, Primary Residence, No Refund*

Monthlies/ZIP® Monthlies		Fixed Payment	
LTV %	Coverage %	FICO 700+	FICO 680-699
95.01-97	35	.98	1.10
	18	.61	.77

Monthlies/ZIP® Monthlies		Fixed Payment	Non-Fixed Payment
LTV %	Coverage %	FICO 620+	
90.01-95	30	.94	1.07
	16	.72	.78
85.01-90	25	.62	.77
	12	.44	.49
Up to 85	12	.38	.43
	6	.34	.39

- RMIC is modifying A-Paper Monthlies/ZIP® Monthlies risk adjustments for Rate and Term Refinances and for 1-unit property loans with balances in excess of \$417,000 as shown below:

### Monthlies/ZIP® Monthlies Adjustments

Rate/Term Refinance	+ .05%
1-Unit > \$417,000	+ .25%

- RMIC is modifying Singlemax Plus risk adjustments for Rate & Term Refinances and for 1-unit property loans with balances in excess of \$417,000 as shown below:

<u>Singlemax Plus Adjustments</u>	90.01-95% LTV	85.01-90% LTV	Up to 85% LTV
Rate/Term Refinance	+ .35%	+ .25%	+ .20%
1-Unit > \$417,000	Ineligible	+ 1.25%	+ 1.00%

- RMIC's LPMIpreferred® rates are increasing. In conjunction with the increase, RMIC will be retiring the special underwriting guidelines supporting the program. LPMIpreferred® will follow the same credit policy as all other RMIC products. This includes the retirement of the minimum FICO requirement of 720 in declining markets. An excerpt of the new single premium rates and adjustments can be found below:

30-Year, Purchase, Primary Residence, No Refund

LPMIpreferred® Single Premiums		Fixed Payment		
LTV %	Coverage %	FICO 700+	FICO 680-699	FICO 620-679
95.01-97	35	3.06	4.10	—
	18	1.90	2.55	—
90.01-95	30	2.22	2.95	3.77
	16	1.47	1.95	2.47
85.01-90	25	1.35	1.75	2.25
	12	1.10	1.40	1.67
Up to 85	12	.99	1.10	1.28
	6	.89	1.00	1.12

LPMIpreferred® Single Premiums		Non-Fixed Payment		
LTV %	Coverage %	FICO 700+	FICO 680-699	FICO 620-679
90.01-95	30	2.91	3.85	4.90
	16	1.91	2.55	3.20
85.01-90	25	1.74	2.30	2.93
	12	1.40	1.60	1.93
Up to 85	12	1.24	1.50	1.67
	6	1.14	1.30	1.45

#### LPMIpreferred® Single Premium Adjustments

25 Years or Less	– .55%
Rate/Term Refinance	+ .25%
Cash-Out Refinance	+ .50%
Second Home	+ .60%
Investment Property	+ 1.60%
1-Unit > \$417,000	+ 1.25%

### Enhanced Declining Markets Policy—Effective July 14, 2008

In combination with the premium rate changes listed above, RMIC will enhance our Declining Markets Policy with the establishment of higher maximum financing in soft markets. The modification is being made to improve liquidity for markets with less severe declines or demonstrating positive improvements based on the OFHEO Home Price Index. The following modifications to our Declining Market Policy will coincide with RMIC's pricing modifications:

- **If a loan meets ALL of the criteria below, RMIC will allow up to a 95% LTV/CLTV for 1-unit properties with conforming loan balances (i.e. ≤ \$417,000) and up to 90% LTV/CLTV for eligible non-conforming balance loans:**
  - The OFHEO Index for the property's MSA for the most recent two quarters declined by less than 2% (e.g., 1Q08 vs. 3Q07), and
  - The loan representative FICO is at least 700, and
  - The loans must be for an owner-occupied, primary residence, single-family detached property, and
  - The loan is a Purchase or Rate/Term refinance, and
  - The loan is a fully amortizing Fixed Payment, 5-year or greater ARM, or I/O ARM with a fixed period of at least 5 years, and
  - The maximum allowable debt-to-income (DTI) ratio is 45%, and
  - The loan is one of the following:
    - DU 7.0 Approve or Expanded Approval
    - LP Accept or Accept Plus
    - Manually underwritten
- If a loan does not meet ALL the above criteria, the maximum allowable LTV will be reduced by five percent from the LTV otherwise allowed by RMIC's underwriting guidelines.
- In addition, all loans in declining markets, as defined by RMIC, must meet the eligibility requirements listed below:
  - Loans in a declining market require a minimum loan representative FICO score of 680.
  - Loans with Nontraditional Credit are ineligible for coverage.
  - Construction/permanent loans are ineligible for coverage.
  - RMIC is retiring the minimum FICO requirement of 720 in declining markets for LPMIpreferred®.
  - Cash-Out Refinances, Investment Properties, and Condominiums with LTV/CLTVs > 85% in declining markets continue to be ineligible for coverage.

Full revised guidelines are available in the guideline summary and in an updated Declining Markets flyer which will be posted to [www.rmic.com](http://www.rmic.com).

## Alignment with Upcoming Release of Fannie Mae's Desktop Underwriter® 7.0 Effective June 2, 2008

RMIC has reviewed and tested Fannie Mae's 7.0 release of Desktop Underwriter®. Our analysis concludes that Fannie Mae has made significant improvements to the system which will allow us to expand our DU 7.0 eligibility criteria in combination with the pricing modifications announced above. This will provide a substantially higher degree of alignment and consistency with DU 7.0 decisions, improving your underwriting and operational efficiency. While we are retaining our current credit policies and eligibility criteria, our analysis indicates that the vast majority of DU Approve/Eligible and Expanded Approval loans will be eligible for insurance with RMIC under the following expanded RMIC eligibility criteria:

- RMIC will once again insure Expanded Approval loans (including EA-1, EA-2, and EA-3 designations) receiving **DU 7.0** recommendations. **DU 7.0** Expanded Approval loans will also be eligible for insurance in declining markets.
- **DU 7.0** Expanded Approval loans must still meet RMIC's standard guidelines for coverage. This includes but is not limited to a minimum FICO of 620 up to 95% LTV/CLTV and a minimum FICO of 680 up to 97% LTV/CLTV. Please refer to RMIC's standard underwriting guidelines for complete parameters.
- Expanded Approval programs will receive RMIC's Class-I A-Minus rates. An excerpt of RMIC's A-Minus Class-I base rates are shown in the chart below.
- Loans with Expanded Approval decisions from **Desktop Underwriter® 5.7** and **Loan Prospector® A-Minus** will remain ineligible for insurance. **Although a DU 5.7 Expanded Approval loan that is submitted for insurance may receive a commitment, commitments based on DU 5.7 Expanded Approvals will be considered invalid.**

*Full or Alternative Documentation, 30-Year, Purchase, Primary Residence, No Refund*

A-Minus LTV %	FICO 620+ • Class I		
	Coverage %	Fixed Payment	Non-Fixed Payment
95.01-97	35	1.53	—
	18	.90	—
90.01-95	30	1.20	1.49
	16	.79	.98
85.01-90	25	.76	.94
	12	.52	.64
Up to 85	12	.44	.55
	6	.38	.47

## Non-Conforming Balance Guideline & Pricing Changes—Effective July 14, 2008

RMIC is implementing modified surcharges on 1-unit properties with loan amounts greater than \$417,000, as noted above. This change also applies to Conforming Jumbo programs offered by Fannie Mae and Freddie Mac.

## Other Guideline/Eligibility Changes—Effective July 14, 2008

- 2-unit properties will have a maximum loan amount of \$533,850 and require a minimum FICO of 680.
- Interest Only loans will now require a minimum 680 FICO score and will be limited to a maximum LTV/CLTV of 95%. The minimum interest only period is 10 years.
- Loans over 95% LTV/CLTV with an initial fixed payment term of less than five years are no longer eligible for RMIC insurance.

## Updated Underwriting Guidelines & Rate Materials

RMIC's Mortgage Insurance Guidelines are available in electronic format at [www.rmic.com](http://www.rmic.com). For your reference, a Summary of Recent Pricing and Guideline Changes is also available from [www.rmic.com](http://www.rmic.com). If you have any questions regarding RMIC's new guidelines, please contact your RMIC Account Manager at 800-999-7642. Any premium rate changes announced in this release and their effective dates are subject to regulatory approval.

Desktop Underwriter® is a registered trademark of Fannie Mae.  
Loan Prospector® is a registered trademark of Freddie Mac.

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