



Release Notes

November 27, 2007

Guideline Changes and Declining Markets Policy

WHAT'S NEW IN THIS RELEASE?

Based on our continued monitoring of credit performance and the real estate marketplace, RMIC will make the following change to our underwriting guidelines effective **January 1, 2008**:

- Loans over 95% LTV with FICO scores under 620 will be ineligible for coverage regardless of the decision of any automated underwriting system (AUS).

In addition, RMIC is making the following changes to our guidelines regarding loans on declining value properties and on those with reduced documentation effective **January 28, 2008**:

- For loans on properties of declining value, the maximum LTV for all loans will be reduced by five percent. These guidelines will supersede the decision of any automated underwriting system (AUS).
- Eligibility in all markets for loans with reduced documentation will be limited to Stated Income/Verified Assets (SIVA) or Stated Income/Stated Assets (SISA) loan types. Also, cash-out refinances will no longer be eligible for RMIC's Reduced Documentation program.

1. ELIGIBILITY CHANGE

Effective **January 1, 2008**, loans with a loan to value (LTV) ratio over 95% which have a loan representative FICO score below 620 will no longer be eligible for coverage by RMIC. RMIC will honor all existing commitments submitted prior to January 1, 2008.

This eligibility change applies to all previously approved lender programs.

2. DECLINING VALUE POLICY

RMIC defines loans on declining value properties as any of the following:

- Loans which receive a declining value message from an automated underwriting system (AUS) such as Desktop Underwriter®.
- Loans on properties for which the appraisal indicates that property values in the subject neighborhood are "declining".
 - The appraiser should provide additional comments supporting "increasing" or "stable" if "declining" was not selected and the appraisal reflects that an over-supply of properties exist, the marketing time exceeds 6 months, or other comments within the appraisal that indicate that values are declining.

Effective for commitments submitted on or after **January 28, 2008**, the maximum allowable LTV on declining value properties will be reduced by five percent from the LTV otherwise allowed by RMIC's underwriting guidelines.

- For example, if RMIC's normal underwriting guidelines on a specific loan would have allowed an LTV ratio of 95%, the maximum allowable LTV ratio for the same loan on a declining value property would be 90%.

This guideline change applies to all previously approved lender programs.

RMIC continues to have concerns regarding loans in declining markets, particularly those involving additional risk layers. We will continue to monitor production and may take additional actions to limit these loans in the future. In addition, we may limit the concentration of layered risks a lender may deliver in declining markets.

3. REDUCED DOC CREDIT POLICY CHANGES

The following changes to RMIC's Reduced Documentation program will be effective for all commitments submitted on or after **January 28, 2008**:

Eligibility for RMIC's Reduced Documentation program will be limited to loans for which both the income and assets have been either stated or verified. The LTV and FICO requirements are as follows:

- SIVA/VISA Only — Max 95% LTV with a minimum FICO of 680
- SIVA/SISA/VISA — Max 90% LTV with a minimum FICO of 660
- No Ratio, NINA, and No Doc loans — Ineligible

Cash-out refinances will no longer be eligible for insurance under the Reduced Documentation program.

GUIDELINES AND RATE MATERIALS

RMIC's Premium Rates brochure, updated to include the new guideline adjustments, is in development and will be distributed when available. For additional supplies after distribution, contact your RMIC Account Manager (800-999-7642) or RMIC's Sales Customer Service Center at 800-999-7642, extension 4300.

RMIC's Mortgage Insurance Guidelines are available at www.rmic.com and will be updated to include the new guideline changes.

CONTACT INFORMATION

If you have any questions regarding RMIC's new guidelines, please contact your RMIC Account Manager at 800-999-7642.

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