RELEASE NOTES

October 29, 2008

Release 2008-18

Changes to Declining Markets and DTI Eligibility

What's New in This Release?

Based on the continued dislocation of the housing, mortgage and credit markets, RMIC is making adjustments to our underwriting guidelines related to declining markets and total debt to income ratio (DTI) requirements. In both cases, the purpose of the modifications is to simplify our guidelines and implement prudent underwriting standards for higher risk loans.

The changes to the Declining Markets Policy and DTI guidelines are effective for all mortgage insurance applications submitted on or after **November 24, 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.

Updated Declining Markets Policy—Effective November 24, 2008

RMIC is adjusting our Declining Markets Policy in order to make it more consistent with the risks we perceive in various markets. Our goal is both to simplify the policy and to maintain its widely accepted independent third party evaluation and transparency offered by using the OFHEO Index.

Definition of Declining Markets:

- Removal of AUS market indication from automatic declining market designation
- Appraisal data and lender designation will continue to be used to define declining markets. When these methods are used to identify a property as declining, and the area is not classified as a declining market using the OFHEO Index (see below), the Enhanced Declining Markets Policy will apply.
- The OFHEO Index will be used to categorize Metropolitan Statistical Areas (MSAs) as Declining or Enhanced Declining Markets as follows:

  Declining Market—An MSA is defined as a Declining Market if either of the following are true:

  - The overall decline in the OFHEO Index for the MSA in the most recent two quarters (e.g., 2Q08 vs. 4Q07) is at least 1.0%; or
  - There is an overall decline in the OFHEO Index for the MSA in both the most recent two quarters and year over year (e.g. 2Q08 vs. 2Q07).

  Enhanced Declining Market—An MSA is defined as an Enhanced Declining Market if the overall decline in the OFHEO Index for the MSA in the most recent two quarters is less than 2.5% (previously 2.0%).

Declining Markets Eligibility:

- The rule automatically reducing the allowable LTV/CLTV by 5% in declining markets has been eliminated as have the additional eligibility requirements required in Enhanced Declining markets.
- The following table will be used to determine loan eligibility in Stable markets, as well as under our Enhanced and Standard Declining Markets policies:

Minimum Loan Representative FICO Score • Maximum LTV/CLTV

		Declining Markets	
Loan Characteristic	Stable Markets	Enhanced Policy	Standard Policy
Purchase: Retail	720/97 620/95	700/95	720/90
Purchase: Wholesale	620/95	700/95	720/90
Rate/Term Refinance	620/95	700/95	720/90
2-Unit Properties	680/95	700/90	720/90
Condo/Co-op/Attached	620/90	700/85	720/85
1-Unit > $417,000	720/90	720/85	720/85

Declining Markets Eligibility: (continued)

- The following loan characteristics are ineligible in all declining markets (Enhanced and Standard)
  - Second homes
  - Nontraditional credit
  - Construction-to-permanent
  - Seller concession greater than 3%
  - DTI greater than 45%
- Attached properties, including condominiums, cooperatives and attached PUDs (which includes townhomes), are ineligible in the state of Florida.

A flyer with RMIC's complete Declining Markets Policy and its effects on LTV/CLTV limits is available at www.rmic.com.

Declining Markets and Credit Policy Lookup (to be updated on November 24, 2008)

Keep in mind that RMIC offers a quick and easy way to identify market classifications and the applicable policies through our web-based Zip Code Tool. Simply put in the subject property zip code and you will receive an instant response providing RMIC's market classification and applicable credit policy that would apply. To access RMIC's Zip Code Tool, please use the following link:

Click Here for RMIC's Zip Code Lookup Tool

DTI Guideline Changes—Effective November 24, 2008

RMIC is adopting the following simplified guidelines for DTIs:

- All programs and markets will have a maximum DTI of 45% for both manually underwritten loans (increased from 41%) and loans which have an eligible AUS recommendation.
- RMIC will consider insuring loans with up to 55% DTI under the following conditions:
  - The loan has a DU Approve or LP Accept recommendation; and
  - The property securing the loan is not in a declining market (Standard or Enhanced) as defined by RMIC's Declining Markets Policy; and
  - The representative FICO score is 660 or greater
  - The loan amount is less than $417,001 for a 1-unit property and $533,851 for a 2-unit property
  - The loan is submitted to RMIC for underwriting as a full package. Delegated and Easy IQ2® submissions are not eligible for DTI >45%.

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 10.29.08)
- Summary of RMIC Guideline and Pricing Changes
- Declining Markets Policy – Effective November 24, 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.