



## RMIC Procedure for Loans with Fannie Mae's Minimum MI Coverage

### What's New in This Release?

RMIC is announcing a special procedure for loans submitted with Fannie Mae's Minimum MI coverage option to help customers avoid costly errors, inaccurate borrower disclosures, and delays due to inadvertent ordering of improper MI coverage. This procedure will go into effect the weekend of December 12, 2009, to coordinate with the release of Desktop Underwriter® (DU) 8.0.

### Fannie Mae's Minimum MI Coverage

In September (Announcement 09-29), Fannie Mae announced a new MI coverage option, called Minimum MI, which will be available as part of DU Release 8.0 beginning the weekend of December 12, 2009. Minimum MI combines the charter level minimum of MI coverage with a non-refundable, non-cancellable Loan-Level Price Adjustment (LLPA). Fannie is simultaneously retiring their Reduced MI and Lower-Cost MI options. Following implementation, DU Underwriting Findings on many greater than 80% LTV loans will show two options for MI coverage—Minimum MI or Standard MI.

#### Customer Feedback

RMIC has discussed Fannie's new option with many customers, and the majority of Lenders have indicated that they do not plan to use Minimum MI. However, many customers expressed serious concern about the lack of flexibility to opt out of receiving the Minimum MI option and the potential for it to be ordered in error, creating serious issues with existing processes, applying the correct pricing, and accurate borrower disclosures.

#### Consequences of Incorrect Coverage

In order to implement Minimum MI, a lender must ensure a borrower's note rate or settlement costs are adjusted to include the associated LLPA, and loan disclosures must be changed to show the correct pricing and MI coverage. If Standard MI was intended but Minimum MI is ordered incorrectly without accounting correctly for the additional LLPA, the lender may have to absorb the cost of the LLPA or incur expenses for loan document revisions and closing delays.

### RMIC Procedure Change to Verify Coverage Selection

To help customers prevent inadvertent ordering of incorrect MI coverage, RMIC will suspend loans with Minimum MI coverage (i.e., charter level coverage). This will allow the Lender to confirm that it was their intent to order Minimum MI coverage and that their loan pricing and disclosures are correct. If Minimum MI was ordered in error, customers will be able to resubmit the loan with the desired coverage or contact RMIC for assistance.

Please contact your RMIC Account Manager if you have any questions.

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