

Declining Market List and Policy Changes

Effective January 30, 2009

AIG United Guaranty's Declining Market list and underwriting policy for declining markets are being updated effective for all MI applications received on or after January 30, 2009. The changes outlined in this announcement apply to all business, including loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation, AIG United Guaranty products, and previously approved lender exceptions.

AIG United Guaranty's Declining Market list will have three market classifications "Moderately," "Standard" and "Severely." The new "Moderately" declining markets are currently declining in value but to a lesser degree than "Standard" or "Severely" declining markets. Loans in "Moderately" declining markets will be eligible to 95% LTV with a minimum 700 credit score. The list of "Severely" declining markets is being expanded to include the entire state of Michigan and 7 CBSAs. Please see the Declining Market list effective January 30, 2009, for the complete list of declining markets.

Properties not located in an area identified on AIG United Guaranty's Declining Market list but defined as "declining" based on the appraisal or lender knowledge will be classified as "Standard" and subject to AIG United Guaranty's Declining Market underwriting restrictions.

Additional details on the three declining market groups follow.

"Moderately" Declining Markets (NEW)

The "Moderately" declining market group is new, effective January 30, 2009. These markets are currently declining in value but to a lesser degree than "Severely" or "Standard" declining markets. Loans secured by properties in "Moderately" declining markets are eligible up to 95% LTV with a minimum 700 credit score. A minimum 680 credit score is required for loans up to 90% LTV. All other declining market underwriting restrictions currently in effect apply. (Please see the updated Declining Market list effective January 30, 2009, for the "Moderately" declining markets.)

"Standard" Declining Markets

Loans secured by properties in "Standard" declining markets remain subject to the underwriting restrictions currently in effect for declining markets.

"Severely" Declining Markets

Arizona, California, Florida, and Nevada remain as "Severely" declining markets. Effective with all MI applications received on or after January 30, 2009, the entire state of Michigan and 7 CBSAs have been classified as "Severely" declining markets. All declining market underwriting restrictions currently in effect apply, including the additional underwriting restrictions for "Severely" declining markets below. (Please see the updated Declining Market list effective January 30, 2009, for the 7 CBSAs.)

Additional underwriting restrictions for "Severely" Declining Markets (currently in effect):

- Minimum 720 credit score.
- Maximum loan amount of \$417,000.
- Maximum DTI of 45% for DU Approve/Eligible and LP Accept/Eligible recommendations.

Loans not receiving a DU Approve/Eligible or LP Accept/Eligible recommendation are

subject to the qualifying ratio guidelines outlined in the Underwriting Guidelines & Eligibility Criteria guide at www.ugcorp.com. Given the severe stress these markets are experiencing, close adherence to these guidelines should be exercised. Loans exceeding these ratio guidelines should be considered only when very strong compensating factors exist. All loans with a DTI ratio greater than 45% are ineligible for insurance.

- Florida (only): All attached housing is ineligible (for example, condos, co-ops, townhomes, etc.).

AIG United Guaranty's updated 2009 Declining Markets List will be posted on www.ugcorp.com on Friday, January 16, 2009.

Please refer to AIG United Guaranty's guide for Underwriting Guidelines and Eligibility Criteria for complete declining market underwriting restrictions.