

## Eligibility Guidelines and Pricing Re-Classification Changes

In response to the continuing changes in the housing market and mortgage lending risk, United Guaranty is making the following changes, effective for **all** applications for mortgage insurance received on or after **December 3, 2008**. These changes apply to all business, including that related to United Guaranty products and previously approved lender exceptions.

### Pricing Re-classification:

#### Credit Scores lower than 660

- Loans with lower than loan-level credit scores of 660 are only insurable under United Guaranty's Non-Standard (A-minus) rates.
- Credit Unions are subject to the same re-classification and will use Credit Union Non-Standard rates.
- For loans with credit scores lower than 660, the only rates available for borrower-paid mortgage insurance singles, lender-paid mortgage insurance (singles or monthly), split premiums, or Credit Union FinanceAbles<sup>®</sup> will be non-standard monthly/annual rates. This pricing classification may be subject to regulatory approval in some states.
- As a reminder, loans receiving DU Expanded Approval Level I, II, or III recommendations; LP Caution 500-Freddie Eligible recommendations; lender-designated A-minus loans; and loans with credit scores lower than 620 are not eligible for insurance with United Guaranty.
- Revised rate cards will be available on [www.ugcorp.com](http://www.ugcorp.com) on **November 21, 2008**.

### Eligibility and Guideline Changes:

The changes below indicated as "guidelines" will not apply to loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation unless indicated otherwise. All loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation are subject to United Guaranty's eligibility and Declining Market policies.

Changes to eligibility criteria and underwriting guidelines are outlined in the table below. The table addresses only those changes effective December 3, 2008, and does not provide complete eligibility criteria and underwriting guidelines. For complete information on eligibility criteria and underwriting guidelines, please see United Guaranty's Underwriting Guidelines and Eligibility Criteria ("Guide") at [www.ugcorp.com](http://www.ugcorp.com). All changes outlined in this announcement will be incorporated into the Guide and made available by the effective date.

Topics		Changes	Eligibility/Guideline
Transaction Types	Construction-to-Permanent Loans	<ul style="list-style-type: none"> <li>Coverage during the construction phase of a construction-to-permanent loan is no longer available. The property must be complete before the insurance may be activated.</li> </ul>	Eligibility
	Cash-out Refinance	<ul style="list-style-type: none"> <li>Existing loan must have a minimum 6 months' seasoning at the time of the new loan application.</li> </ul>	Guideline
Credit	Bankruptcy	<ul style="list-style-type: none"> <li>All bankruptcies require 4 years' seasoning with re-established credit, <u>regardless of a DU or LP recommendation.</u></li> </ul> <p><b>Borrowers with multiple bankruptcy filings in the past 7 years remain ineligible for insurance.</b></p>	Guideline
	Valid Credit Scores	<ul style="list-style-type: none"> <li>In order for a borrower's credit score to be valid, the credit report must show a minimum of 3 open and active tradelines for the most recent 12 months, regardless of a DU or LP recommendation.</li> <li>Loans with credit scores that do not meet these requirements may be considered under United Guaranty's non-traditional credit guidelines/criteria and will require a full file submission to United Guaranty for underwriting (RAP<sup>®</sup> and UG+3<sup>®</sup> submissions are ineligible).</li> <li>Credit scores generated using traditional tradelines not meeting the minimum requirements stated above are considered invalid scores and should not be provided for the borrower's credit score. Loans where one or more borrowers have an invalid score should be indicated as a "non-traditional credit" loan.</li> </ul>	Eligibility
Qualifying Ratios	DTI Ratio	<ul style="list-style-type: none"> <li>Maximum DTI is 45% for loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation. A DTI ratio higher than 45% may be eligible up to a maximum DTI of 55% with adequate compensating factors and a full file submission to United Guaranty for underwriting (RAP and UG+3 submissions are ineligible).</li> <li>Loans not receiving a DU Approve/Eligible or LP Accept/Eligible recommendation remain subject to United Guaranty's published qualifying ratio guidelines. Loans exceeding these ratios may be eligible for insurance with adequate compensating factors up to a maximum DTI ratio of 45%.</li> </ul>	Eligibility
	Current Primary Residence Pending Sale	<ul style="list-style-type: none"> <li>When a borrower is purchasing a new primary residence and the existing primary residence is pending sale, both the current and proposed mortgage payment must be used to qualify the borrower unless:                             <ul style="list-style-type: none"> <li>An executed sales contract for the current residence is provided; and</li> <li>All financing contingencies have been cleared.</li> </ul> </li> </ul>	Guideline
Assets	Reserves – Current Primary Residence Pending Sale	<ul style="list-style-type: none"> <li>When a borrower is purchasing a new primary residence and the existing primary residence is pending sale, the following reserves are required, <u>regardless of a DU or LP recommendation:</u> <ul style="list-style-type: none"> <li>6 months' PITI is required for both properties, unless</li> <li>30% equity in the current property is documented with a current appraisal, broker price opinion, or automated property valuation; then 2 months' PITI for the existing property and 6 months' PITI for the new property is required.</li> </ul> </li> </ul>	Guideline
	Reserves – Current Primary Residence Converted to Investment Property	<ul style="list-style-type: none"> <li>When a borrower is purchasing a new primary residence and the existing primary residence will be converted to an investment property, the following reserves are required, <u>regardless of a DU or LP recommendation.</u> <ul style="list-style-type: none"> <li>6 months' PITI is required for both properties.</li> </ul> </li> </ul>	Guideline

Topics	Changes		Eligibility/Guideline
Commitment Terms	<b>MI Commitment</b>	<ul style="list-style-type: none"> <li>The commitment term for all MI commitments will be 120 days, regardless of the construction status. A new MI application with current documentation is required for consideration after 120 days.</li> </ul>	Eligibility
	<b>Conditional MI Commitment</b>	<ul style="list-style-type: none"> <li>The commitment term for a conditional commitment will be reduced to 30 days, regardless of construction status. A new MI application with current documentation is required for consideration after 30 days.</li> </ul>	Eligibility

United Guaranty is continuing to evaluate loan performance and industry changes, and if necessary, we will make appropriate pricing and underwriting changes.

All systems, rate cards, and the underwriting guide will be updated.

If you have any questions pertaining to these changes, please contact your United Guaranty sales representative.

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