

Declining Markets *Effective January 1, 2008*

The lending industry is currently experiencing rapid market changes with supplies of homes for sale increasing and marketing times extended. For the next 18-24 months, the outlook for the real estate market is unfavorable. In light of these conditions, United Guaranty is implementing a guideline and addressing our expectations of all parties involved in the origination and approval of loans secured by properties located in markets experiencing declining property values (“declining markets”). We will continue to monitor market changes closely and may make future changes as deemed necessary.

Roles and Responsibilities of Appraisers, Lenders, and Underwriters:

United Guaranty expects the appraiser to provide an accurate and adequately supported opinion of value and an accurate description of the property in all market conditions. The appraiser is also expected to provide an objective assessment of the primary indicators of market conditions in the neighborhood. When indicators such as price changes, supply and demand, and market activity indicate a decline in property values, an over-supply of homes, and/or marketing times longer than six months, the appraiser must consider these factors in their analysis and accurately reflect them in the appraisal report. Additionally, the appraiser must describe the reasons for these trends and indicate what, if any, impact they have on the opinion of market value for the subject property.

It is the responsibility of our lenders and underwriters to ensure the appraiser has adequately addressed all primary indicators of market conditions in the appraisal report, and to be familiar with market conditions in the subject neighborhood. If the appraisal report does not accurately reflect the current market conditions, it is expected that additional information will be requested from the appraiser to provide clarification or justification so that an informed decision can be made regarding the property value and market conditions of the neighborhood.

In all cases, United Guaranty expects prudent and objective underwriting to be exercised in assessing the collateral and the borrower’s ability to qualify for the mortgage, considering all aspects of the transaction.

Guideline for Declining Markets:

Effective with all applications for mortgage insurance received on or after January 2, 2008, the maximum allowable LTV/CLTV/HCLTV as indicated in United Guaranty’s published underwriting guidelines should be reduced by 5% for loans located in declining markets. “Declining markets” are those indicated on the appraisal report as having declining property values, or those for which a declining market message is returned by DU or LP.

This also applies to all loans originated under previously approved lender programs, and loans underwritten by Fannie Mae’s Desktop Underwriter or Freddie Mac’s Loan Prospector.

If you have questions about these changes, please contact your United Guaranty representative. As always, we appreciate our continued partnership, and we look forward to working with you.