

Eligibility & Guideline Changes

Effective August 18, 2008

The housing market continues to change, as does the level of risk associated with mortgage lending. United Guaranty will make the following changes to eligibility criteria and underwriting guidelines effective for mortgage insurance applications received on or after August 18, 2008.

These changes apply to all business, including that related to United Guaranty products and previously approved lender programs. United Guaranty will continue to defer to Fannie Mae’s Desktop Underwriter (DU)[®] and Freddie Mac’s Loan Prospector (LP)[®] for underwriting guidelines when a DU Approve/Eligible or LP Accept/Eligible recommendation is received; however, these loans are subject to United Guaranty’s eligibility criteria and Declining Market policy. Loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation that do not meet United Guaranty’s eligibility criteria or Declining Market policy will be ineligible for insurance.

Changes to eligibility criteria and underwriting guidelines are outlined in the table below. The table addresses only those changes effective August 18, 2008, and does not provide complete eligibility criteria and underwriting guidelines. United Guaranty’s complete eligibility criteria and underwriting guidelines are available at www.ugcorp.com. All changes outlined in this announcement will be incorporated prior to the effective date.

If you have questions regarding these changes, please contact your local United Guaranty sales representative or regional underwriting manager.

Topics		Changes	Policy/Guideline
Declining Markets	Re-Certification of Value	<ul style="list-style-type: none"> Re-certifications of value are ineligible if the property was in a declining market at the time the commitment/certificate was issued or at the time the appraisal expired. 	Eligibility
General Parameters	CLTV/HCLTV	<ul style="list-style-type: none"> Purchase transactions with simultaneous secondary financing are ineligible for insurance. Rate/term refinance transactions <ul style="list-style-type: none"> New simultaneous secondary financing is ineligible for insurance. Existing subordinate financing may be re-subordinated. The CLTV ratio may never exceed the maximum LTV ratio for the transaction type. Cash-out refinance transactions <ul style="list-style-type: none"> Subordinate financing is ineligible for insurance. Any existing subordinate financing must be paid from the borrower’s own funds or the loan proceeds. Re-subordination is not allowed. 	Eligibility

Topics		Changes	Policy/Guideline
Loan Types/Features	Interest-Only (IO)	<ul style="list-style-type: none"> Ineligible for insurance. 	Eligibility
Property Types	2-Unit Dwellings	<ul style="list-style-type: none"> Ineligible for insurance. 	Eligibility
Transaction Types	Streamlined Purchase ¹	<ul style="list-style-type: none"> Ineligible for insurance. 	Eligibility
Products	PITI Abatement ²	<ul style="list-style-type: none"> Ineligible for insurance. 	Eligibility
Credit	Foreclosure, Deed-in-lieu of Foreclosure, and Pre-Foreclosure Sale (Short Sale) ³	<ul style="list-style-type: none"> Ineligible for insurance. 	Eligibility
	Bankruptcy ³	<ul style="list-style-type: none"> Borrowers with multiple bankruptcy filings in the last 7 years are ineligible for insurance. All bankruptcies (other than Chapter 13) are eligible for insurance 4 years after the dismissal or discharge date Chapter 13 bankruptcies are eligible for insurance 4 years after the dismissal date or 2 years after the discharge date. Borrowers are eligible for insurance 2 years after the discharge or dismissal date if the bankruptcy was caused by documented extenuating circumstances (e.g., loss of job, divorce). 	Guideline
Income	Qualifying Ratios	<ul style="list-style-type: none"> All loans with DTI ratios greater than 55% are ineligible for insurance, regardless of the GSE AUS recommendation. <p><i>Note:</i> No other qualifying ratio guidelines apply for loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation.</p> <p>All other loans 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 55%.</p>	Eligibility
	Rental Income ³	<ul style="list-style-type: none"> Rental income from current principal residence, which is being converted to investment property: <ul style="list-style-type: none"> 75% of the documented rental income can be used to offset the mortgage payment if 30% equity in the existing property is documented (derived from an appraisal, automated valuation system (AVM), or Broker Price Opinion (BPO). The rental income must be documented with a copy of a fully executed lease and the receipt of a security deposit from the tenant and evidence of deposit into the borrower's account. 	Guideline

<i>Topics</i>		<i>Changes</i>	<i>Policy/Guideline</i>
Assets	Reserves ³	<ul style="list-style-type: none"> • The following reserves are required when the borrower is retaining ownership to their current primary residence: <ul style="list-style-type: none"> – If the current principal residence is converted to a second home or investment property, 6 months' PITI is required for both properties. – Reduced reserves for no less than 2 months for both properties may be considered if 30% equity in the existing property is documented (derived from an appraisal, automated valuation system (AVM), or Broker Price Opinion (BPO)). 	Guideline

For United Guaranty's complete eligibility policies and underwriting guidelines, see www.ugcorp.com.

¹ Streamlined purchase transactions generally include the following:

- Originator of the new loan is the servicer of the existing loan.
- The borrowers for the new purchase transaction loan are the same borrowers as for the existing loan.
- The new maximum loan amount is based on a percentage of the existing loan's original balance (e.g. 150%).
- Maximum DTI requirement.
- Income and/or assets may be stated.

² A PITI Abatement program is any program where an interested party to the transaction agrees to pay the borrower's principal, interest, taxes, and/or insurance obligation for a time certain (e.g. 6 months, 1 year).

³ This guideline change/clarification is in response to Fannie Mae Announcement 08-16. United Guaranty has matched Fannie Mae's guideline changes for bankruptcies, foreclosures, and conversion of principal residence to second home or investment property with the following exceptions:

- Borrowers with multiple bankruptcies in the past 7 years are ineligible for insurance.
- Borrowers with foreclosures, deeds-in-lieu of foreclosures, or pre-foreclosures (short sale) are ineligible for insurance.