

Summary of Eligibility, Underwriting Guideline, and Declining Market Changes *Effective March 10, 2008*

As you are aware, United Guaranty announced guideline and policy changes in January 2008 and February 2008 regarding mortgage insurance applications received on or after March 10, 2008. Some of the February changes had an impact on the changes that were announced in January; therefore, for your convenience, a summary of all changes effective March 10, 2008 is provided below.

All changes apply to loans underwritten by Fannie Mae Desktop Underwriter[®] (DU) and Freddie Mac Loan Prospector[®] (LP), except where specifically indicated. All changes apply to previously approved lender programs.

Eligibility/Guideline Changes

LTV/CLTV and Credit Score:

- All loans with an LTV and/or CLTV above 97% are **ineligible** for mortgage insurance.
- All loans with an LTV and/or CLTV of 95.01 to 97% and a credit score below 680 are **ineligible** for mortgage insurance.
- All loans with an LTV and/or CLTV up to 95% and a credit score below 620 are **ineligible** for mortgage insurance.

The above LTV/CLTV and credit score eligibility changes do not apply to rate/term refinance transactions that are currently insured by United Guaranty when:

- The new loan amount is not increasing more than 2% above the original loan amount;
and
- The coverage percentage is not increasing above the original coverage percentage.

Limited Documentation Loans:

- At least 50% of the qualifying income must be from self-employment income to be eligible for limited documentation. All non-self-employment income used for qualification must be documented. All limited documentation loans will receive Limited Doc pricing.
- Stated Income Verified Assets (SIVA) and Stated Income Stated Assets (SISA) loans above 90% LTV are ineligible for mortgage insurance.
- SIVA loans secured by 2-unit dwellings require a minimum credit score of 680.
- SISA loans secured by 2-unit dwellings require a minimum credit score of 700.
- Cash-out refinance transactions are ineligible for mortgage insurance.
- ARMs with a first rate adjustment of less than 5 years are ineligible for mortgage insurance.
- Limited documentation types not requiring the disclosure of income and/or assets are ineligible for mortgage insurance. (Examples: No Ratio, No Income/No Assets [NINA], No Doc)

AUS Doc waiver loans meeting the following are not subject to these policy changes, provided:

- The borrower is applying for a Full Doc loan.
- The loan is underwritten by DU or LP receiving a DU Approve/Eligible or LP Accept/Eligible recommendation.
- The Findings report does not require income and/or asset documentation.

A-minus:

- Loans receiving a DU Expanded Approval Level I or LP Caution 500–Eligible recommendation above 95% LTV are **ineligible** for mortgage insurance.
- All A-minus loans above 95% LTV are **ineligible** for mortgage insurance.
- A-minus loans with a credit score below 660 are **ineligible** for mortgage insurance.
- Minimum first rate adjustment of 3 years for ARMs.
- Second homes, investment properties, and 3- to 4-unit dwellings are **ineligible** for mortgage insurance.

Non-Traditional Credit:

- Loans with non-traditional credit above 95% LTV are **ineligible** for mortgage insurance.

ARMs:

- Maximum 95% LTV for ARMs with first rate adjustment less than 5 years. *(This change does not apply to loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation.)*
- Potential Negative Amortization ARMs (including Pay-Option ARMs) are **ineligible** for mortgage insurance.

Investment Properties:

- Investment property loans underwritten by Fannie Mae Desktop Underwriter and Freddie Mac Loan Prospector require a minimum 660 credit score. All other investment property loans will continue to require a minimum 660 credit score.

Cash-Out Refinance Transactions:

- Second homes and investment properties are **ineligible** for mortgage insurance.

Interest-Only: *(These changes do not apply to loans receiving a DU Approve/Eligible or LP Accept/Eligible recommendation.)*

- Maximum 95% LTV.
- Minimum 680 credit score.
- Second homes are **ineligible** for mortgage insurance.
- 3- to 4-unit dwellings are **ineligible** for mortgage insurance.

“Representative” Loan Level Credit Score:

- Loans using any methodology other than United Guaranty’s methodology of “lowest score of all representative borrower scores” are **ineligible** for mortgage insurance. See United Guaranty’s Underwriting Guidelines at www.ugcorp.com for further details on credit score methodology.

Maximum Borrower Exposure: Maximum of two loans insured per borrower, with only one insured per borrower of the following:

- Primary residence
- Second home
- Investment property
- A-minus
- Limited documentation

Declining Markets

The following changes remove United Guaranty's restrictions announced in January for California and Florida, and the requirement to reduce the maximum allowable LTV/CLTV by 5%.

Declining Markets Definition:

Effective with all applications for mortgage insurance **received on or after March 10, 2008**, United Guaranty will consider the property to be in a declining market when any one or more of the following exist:

- The property is located in an United Guaranty-identified MSA.
- The property appraisal has any negative comments, including but not limited to, adjustments or indications of being in a declining market (oversupply, over six months' marketing time, or declining markets check box noted).
- The GSE AUS response identifies the subject property location as being in a declining market.
- The lender has any other market intelligence or knowledge of the subject property being in a declining market.

United Guaranty's **Declining Markets List** will be posted on www.ugcorp.com in early March and will be updated quarterly.

Declining Market Underwriting Restrictions:

In addition to the changes to United Guaranty's definition of declining markets shown above, the following restrictions apply to all loans secured by properties located in a declining market. These restrictions are effective for all applications for mortgage insurance **received on or after March 10, 2008**, and apply to loans located in a declining market.

United Guaranty's Declining Markets Underwriting Restrictions do not apply to rate/term refinance transactions that are currently insured by United Guaranty when:

- The new loan amount is not increasing more than 2% above the original loan amount; **and**
- The coverage percentage is not increasing above the original coverage percentage.
- **A full Uniform Residential Appraisal Report (URAR), with interior/exterior inspections, is required when the property is located in an MSA identified as a declining market on United Guaranty's Declining Markets List.**
- **The following loans are ineligible when located in a declining market as defined above (no exceptions):**
 - LTV/CLTV higher than 95%.
 - Cash-out refinance.
 - A-minus loans.
 - Investment properties (including owner-occupied 3- to 4-unit dwellings).
 - Second homes secured by 2- to 4-unit and cooperative dwellings.
 - Limited documentation (this does not include AUS doc waiver loans).
 - Manufactured housing.
 - Interest-only ARMs with first rate adjustment less than 5 years.
 - Potential negative amortization.
 - Loan amounts greater than \$650,000.
 - Non-traditional credit loans.

Declining Market Underwriting Restrictions continued:

- **Owner-occupied, purchase, and rate/term refinance transactions are limited as follows:**
 - Maximum LTV/CLTV of 95% requires a minimum credit score of 680.
 - LTV/CLTV of 90% requires a minimum credit score of 620.
 - Maximum LTV/CLTV of 90% for condominiums, cooperatives, and 2-unit dwellings.
 - ARMs are limited as follows:
 - Minimum first rate adjustment of 5 years (5/1, 7/1, 10/1).
 - Maximum 90% LTV for interest-only.
 - Minimum interest-only period of 10 years.
 - Borrowers must make a 5% down payment contribution from their personal funds. An additional down payment greater than 5% may be from a gift. See United Guaranty's Underwriting Guidelines at www.ugcorp.com for additional information on gift funds.

- **Second Home (1-unit only), purchase, and rate/term refinance transactions are limited as follows:**
 - Maximum LTV/CLTV of 90% with a minimum credit score as follows:
 - Single-family detached dwellings require a minimum credit score of 660.
 - Condominiums and PUDs require a minimum credit score of 700.
 - No gifts are allowed for down payment.
 - ARMs are limited as follows:
 - Minimum first rate adjustment of 5 years (5/1, 7/1, 10/1).
 - Minimum interest-only period of 10 years.