

## ***Eligibility, Guideline, and Declining Market Changes*** ***Effective March 10, 2008***

Based on continuing evaluation of industry changes and performance, AIG United Guaranty is making the following guideline and eligibility changes effective for all applications for mortgage insurance **received on or after March 10, 2008**.

These changes append the notice sent to customers by AIG United Guaranty on January 22, 2008. All changes can be viewed at <https://www.ugcorp.com/miunderwriting.html>.

### **Eligibility Changes**

#### ***LTV/CLTV and Credit Score:***

- All loans with an LTV and/or CLTV above 97% are ineligible for AIG United Guaranty mortgage insurance, including loans underwritten by Fannie Mae Desktop Underwriter® and Freddie Mac Loan Prospector.®
- All loans with an LTV and/or CLTV of 95.01 to 97% and a credit score below 680 are ineligible for AIG United Guaranty mortgage insurance, including loans underwritten by Fannie Mae Desktop Underwriter and Freddie Mac Loan Prospector.
- All loans with an LTV and/or CLTV up to 95% and a credit score below 620 are ineligible for AIG United Guaranty mortgage insurance, including loans underwritten by Fannie Mae Desktop Underwriter and Freddie Mac Loan Prospector.

These LTV/CLTV and credit score eligibility changes do not apply to rate/term refinance transactions that are currently insured by AIG 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-minus:***

- A-minus loans with a credit score below 660 are ineligible for AIG United Guaranty mortgage insurance, including loans underwritten by Fannie Mae Desktop Underwriter and Freddie Loan Prospector.

### **Guideline Changes**

#### ***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:***

- Cash-out refinances are ineligible for second homes and investment properties.

## Declining Markets

*The following changes remove AIG United Guaranty's recently announced restrictions for California and Florida effective March 10, 2008.*

### ***Declining Markets Definition:***

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

- Property is located in an AIG United Guaranty identified MSA;
- 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);
- GSE AUS response identifies the subject property location as being in a declining market;
- Lender has any other market intelligence or knowledge of the subject property being in a declining market.

AIG United Guaranty's **MSA Listing** will be posted on [www.ugcorp.com](http://www.ugcorp.com) by the end of February and will be updated quarterly.

### ***Declining Market Underwriting Restrictions:***

In addition to the changes to AIG 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.

AIG United Guaranty's Declining Markets Underwriting Restrictions do not apply to rate/term refinance transactions that are currently insured by AIG 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.
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- **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 AIG United Guaranty's MSA Listing.**
  - **The following loans are ineligible when located in a declining market as defined above (no exceptions):**
    - LTV/CLTV greater 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.

- **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 properties.
  - 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 AIG United Guaranty's Underwriting Guidelines at [www.ugcorp.com](http://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.