



## PMI Distressed Markets Policy

**It is critical to review and analyze the appraisal to ensure that the property value is supported before implementing the Distressed Markets Policy. A poor, inaccurate, or incorrect appraisal is not corrected by a reduction in the loan-to-value (LTV).**

### When one of the following indicators is present:

- The declining property value box is checked on the appraisal report; **or**
- A lender's independent research reveals that the subject property is located in a declining market; **or**
- The subject property is located in a MSA/MSAD on the **PMI Distressed Markets List**.

### The value of the subject property must be well supported; therefore, we recommend obtaining the following with the origination appraisal report.

- Two comparable sales that have closed within the last 90 days prior to the effective date of the appraisal, **and**
- A current listing of a comparable property to demonstrate the subject property's neighborhood is not continuing to decline, **and**
- A detailed explanation from the appraiser as to why property values are declining in the area and what effect falling home prices have had on the value and marketability of the subject property.

### Once the above criteria have been considered and a valid and accurate appraised value is established, there are two designated levels.

- **Level 1** is for those states, MSA/MSADs, and non-MSA areas where we anticipate the downturn to be less severe based on the underlying fundamentals, including unemployment trends, home price volatility, etc.
- **Level 2** is for those states, MSA/MSADs, and non-MSA areas that are projected to continue to experience more significant economic and/or housing downturns and are expected to take longer to improve.

### To determine the maximum allowed LTV for the property, identify the property's location (state, MSA/MSAD, or non-MSA area) from the PMI Distressed Markets List:

#### Level 1

- 1-unit primary residence purchase or rate/term refinances (except manufactured homes and co-ops) are eligible for insurance up to **95%** LTV.

#### Level 2

- The LTV ratio must be reduced five percentage points (5%) below the maximum financing allowed for the selected program or product, not to exceed **90%** LTV.

### Additionally, the following are not eligible for mortgage insurance:

- Loans with an EA-III recommendation from Desktop Underwriter®
- Cash-out refinances
- Limited documentation
- Condominiums in the following Florida MSA/MSAD's:
  - Deltona-Daytona Beach-Ormond Beach, FL
  - Fort Lauderdale-Pompano Beach-Deerfield Beach, FL (MSAD)
  - Miami-Miami Beach-Kendall, FL (MSAD)
  - Naples-Marco Island, FL
  - Pensacola-Ferry Pass-Brent, FL
  - West Palm Beach-Boca Raton-Boynton Beach, FL (MSAD)
- Investment properties
- Loans with credit scores less than 620
- Potential negative amortization mortgages
- Option Payment mortgages

**Note:** PMI will consider insuring a new Streamlined Refinance without implementing the PMI Distressed Markets Policy if the loan being refinanced is currently insured with PMI, providing the refinance improves the borrower's and PMI's position. The new Streamlined Refinance loan must be submitted to the Regional Operations Center (ROC) for review and approval.

### Conforming Jumbo loans are not subject to the LTV/CLTV reductions.

PMI continually monitors the volatility in the marketplace, as well as adequacy and risk factors relative to our guidelines. This may require us to make additional changes to our underwriting guidelines or pricing. The **PMI Distressed Markets List** will be reviewed and updated on a quarterly basis, or as needed.

To access this document electronically:

- Go to [www.pmi-us.com](http://www.pmi-us.com).
  - Select "Resource Center" and scroll to the middle.
  - Select "Underwriting Guidelines" and scroll to the middle.
  - Click on "Distressed Markets Policy"
- [www.pmi-us.com/resourcecenter/mi\\_guidelines.html](http://www.pmi-us.com/resourcecenter/mi_guidelines.html)

To determine if a subject property is located in a PMI Distressed Market, go to ZipMap at [www.pmi-us.com/map](http://www.pmi-us.com/map) and enter the property's zip code.