



PMI Mortgage Insurance Co.
PMI Insurance Co.

PMI Plaza
3003 Oak Road
Walnut Creek, CA 94597
Direct: (800) 288-1970
Fax: (925) 658-6938

February 11, 2008

RE: Mortgage Insurance Guideline Changes *Effective March 1, 2008*

Dear Valued Customer:

PMI employs a variety of sophisticated risk modeling tools to help assess key factors that shape the future direction of the housing market, including housing supply, foreclosure inventory, delinquencies, employment rates and price appreciation trends. Based on our assessment, we have observed significant market downturns in many areas of the country during the past several months, and our models project future downturns in a substantial number of markets.

As a result of housing market performance, and in order to continue to provide support for your ability to facilitate sustainable homeownership for qualified borrowers, PMI is making the following guideline changes, **effective March 1, 2008**:

- **Loans with loan-to-value (LTV) and/or combined loan-to-value (CLTV) ratios of 97.01% and above, regardless of the automated underwriting system (AUS) decision, are not eligible for mortgage insurance.**
- **Desktop Underwriter® Expanded Approval® I (EA I) AUS recommendations for LTV/CLTV ratios of 95.01% and above are not eligible for mortgage insurance.**
- **For Limited Documentation loans, at least 50% of the total qualifying income will need to come from non-salaried sources.**
- **A 5-percentage-point LTV/CLTV reduction will be required from the maximum financing allowed for all loan products/programs, not to exceed 90% LTV/CLTV, for properties in distressed markets. In addition, payment options ARMs and A-Minus (FICO® scores 575-619) loans for properties in distressed markets are not eligible for mortgage insurance.**

Distressed markets are defined as (1) specific geographic areas where property values are declining or are likely to decline; and (2) specific geographic areas where property values are being influenced by foreclosures and unemployment rates, among other factors.

This policy applies when the following indicators are present:

- The appraisal report indicates declining values; **or**
- A declining market message from an AUS system is received; **or**
- A lender's independent research reveals that the subject property is located in a declining market; **or**
- The subject property is located in an MSA/MSAD on the *PMI Distressed Markets List* (refer to list within *PMI Distressed Markets Policy* link on Page 2).

(continued)

It is particularly important in a distressed market to determine that the value of the subject property is well supported; therefore, we recommend obtaining the following with the origination appraisal report:

- Two comparables that have closed within the last 90 days; **and**
- A current listing; **and**
- Detailed explanations 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.

**Examples of
Distressed Market LTV/CLTV Reduction**

	Maximum Financing LTV/CLTV	Distressed Market Reduced LTV/CLTV
Full Doc Standard	97%	90%
Full Doc Interest Only	95%	90%
Limited Doc	90%	85%

Updated underwriting guidelines within the Program Guideline Summary are located on our website at www.pmi-us.com/resourcecenter and will be posted no later than March 1. Where relevant, these changes also apply to any loan programs previously approved by PMI, effective March 1. Please also note that the rate sheets (see link below) do not include all loan scenarios. Our online Rate Quote calculator (www.pmi-us.com/ratequote) will include this new rate information beginning March 1.

To view the following, please click on the accompanying links:

Reference material	Website link
Rate Sheets: <ul style="list-style-type: none"> • PMI Monthly/pmiNU MONTHLYSM • A-Minus/Expanded Criteria <p>Note: All relevant rate sheets will be posted on our website by March 1, 2008.</p>	www.pmi-us.com/guidelinechanges
<i>LTV/CLTV Distressed Markets Charts</i>	www.pmi-us.com/guidelinechanges
<i>PMI Distressed Markets Policy</i> (includes a list of the affected MSA/MSADs)	www.pmi-us.com/guidelinechanges
Frequently Asked Questions	www.pmi-us.com/guidelinechanges
<i>Keys to Appraisal Review in Distressed or Declining Markets</i>	www.pmi-us.com/guidelinechanges
<i>Economic and Real Estate Trends (ERET)</i>	www.pmi-us.com/products_services/eret.html

PMI is committed to achieving affordable, responsible and sustainable homeownership in all of the communities we serve, and we appreciate the opportunity to work with you to achieve this goal. If you have any questions regarding these changes, please contact your PMI representative or call **800.966.4PMI (4764)**.

Sincerely,



Joanne Berkowitz
Executive Vice President
Risk Management & Operations