

PMI Distressed Markets Policy

Updates effective 11.15.09 are highlighted in yellow

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

When one of the following indicators is present:

1. The subject property is located in a state, MSA/MSAD, or non-MSA area on the **PMI Distressed Markets List**; **or**
2. The declining property value box is checked on the appraisal report; **or**
3. The lender has identified the MSA/MSAD on their internal declining markets list/policy; **or**
4. The lender's independent research shows the MSA/MSAD is declining.

If the lender can provide documentation that the property is not in a declining market, then PMI's standard guidelines apply.

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

- At least 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 established, identify the property's location (state, MSA/MSAD, or non-MSA area) from the PMI Distressed Markets List and apply the following LTV maximums.

The following are not eligible for mortgage insurance:

- Attached housing (condominiums, attached PUDs, 2-4 units, co-ops, townhomes and rowhouses) in the state of Florida
- ARMs with an initial fixed period of less than 5 years
- Interested Party Contributions greater than 3%
- Manufactured housing
- 2- to 4-unit properties
- Reduced Appraisal Forms 2055 Exterior only, drive-by inspections, Property Inspection Waivers (PIW)/Alternatives (PIA)
- Credit scores less than 700
- LTVs greater than 90%
- Loans with DTIs greater than 45%
- Third Party Originations
- Loans with an EA-III recommendation from Desktop Underwriter®
- Cash-out Refinances
- Rehabilitation loans
- All loans for Arizona, California, Florida, Hawaii, Maryland, Michigan, Nevada, New Jersey and Rhode Island properties that have:
 - Credit score less than 720;
 - DTIs greater than 45%;
 - LTVs exceeding 90%
- LTVs exceeding 85% for Co-ops
- Interest-only loans
- Limited documentation loans
- Investment property
- Second home
- Borrowers with nontraditional credit
- Construction-permanent loans
- Potential negative amortization mortgages
- Scheduled negative amortization loans
- Option Payment mortgages

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
- 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

To determine if a subject property is located in a PMI Distressed Market, go to ZipMap at www.pmi-us.com/map and enter the property's ZIP code.

ALL AREAS EXCLUDING AZ, CA, FL, HI, MD, MI, NV, NJ & RI			
MAX LTV	MIN CREDIT SCORE	PROPERTY TYPE	MAX DTI
90%	700	1 Unit, Condo & Co-op	45%
85%	700	1 Unit, Condo & Co-op	45%
HIGH BALANCE LOANS			
90%	740	1 Unit, Condo	45%
85%	740	1 Unit, Condo & Co-op	45%
AZ, CA, FL, HI, MD, MI, NV, NJ AND RI			
MAX LTV	MIN CREDIT SCORE	PROPERTY TYPE	MAX DTI
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