



**Re: PMI Distressed Markets Policy Changes for California Effective October 1, 2008**

PMI continues to evaluate ongoing changes in the housing market, and implement sound policies that support a healthy mortgage industry and promote our mission of sustainable homeownership.

The recently released Standard & Poor's Case-Shiller Composite Home Price Indices, an important measure of the movement in U.S. home prices, indicated that property values continued to decline in California in the last quarter. In addition, the Office of Federal Housing Enterprise Oversight (OFHEO) data reported a year-over-year decline of 15.80% (as of 6/30/08) in California. We expect depreciation in values to continue due to the presence of excess housing inventory in the state.

Therefore, we are revising our Distressed Markets Policy as follows:

**Effective October 1, 2008, all loans for properties in California**, including those submitted through Fannie Mae Desktop Underwriter<sup>®</sup> and Freddie Mac Loan Prospector<sup>®</sup>, must meet the following guidelines:

- Minimum 720 credit score
- Maximum loan amount at conforming levels, no conforming jumbos
- Debt-to-income (DTI) ratio cannot exceed 45%

For details, please see the PMI Distressed Markets Policy, Distressed Markets List, LTV/CLTV Distressed Markets Chart, and the first page of our General Underwriting Guidelines, which reflect the changes that will be effective for California properties on October 1.

We remain committed to promoting responsible and sustainable homeownership in all the communities we serve. Thank you for the opportunity to work with you to achieve this goal. If you have any questions, please contact your PMI representative or call **800.966.4764**.