

Radian eBulletin 2007-02

August 28, 2007
(revised)

Guideline Changes (BPMI & LPMI) Effective September 17, 2007

In recognition of changing market conditions, Radian Guaranty, Inc. is making changes to its program guidelines effective September 17, 2007.

These guideline changes will take effect for all mortgage insurance applications received on or after September 17, 2007. Existing commitments will be honored for loans certified within their commitment period.

New guidelines and rate charts will be posted on Radian's website at www.radian.biz prior to September 17, 2007. If these guideline changes conflict with any preexisting individually negotiated commitment guidelines, please contact your Radian Sales Representative or Risk Manager.

Radian has not yet determined whether these changes will be permanent. We will continue our analysis and monitor results closely. We anticipate that based on market conditions, the Standard Industry "A" guidelines may be updated to reflect industry changes. Guideline changes to Radian's A Minus and Alt A programs will also be monitored, but are likely to be more permanent in nature. As updates occur to Radian's guidelines, the appropriate notice will be given to our lender partners.

Loans with the following characteristics are eligible for Radian Standard Industry "A" mortgage insurance:

- ❑ ***Must have DU Approve/ Eligible or LP Accept/ Eligible response***
- ❑ ***Must be Primary Residence, 1-2 Units***
- ❑ ***Must be a Purchase or Rate/Term Refinance transaction***
- ❑ ***Must have a minimum 620 FICO score***

All other Standard Industry "A" loans not meeting the above criteria must meet Radian's guidelines, including the changes noted in the Standard Industry "A" guideline change section in this document.

Loans submitted for Radian's A Minus or Alternative A programs must meet Radian's applicable A Minus or Alternative A guidelines, regardless of any AUS decision. For loans with certain higher-risk attributes, in addition to meeting Radian's guidelines, certain favorable AUS responses are required.

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Radian mortgage insurance underwriters retain the right to exercise prudent risk underwriting and modify or decline to insure a mortgage insurance request based on the overall risk profile.

General guideline revisions (across all applicable programs) include the following:

- All adjustable rate mortgages (ARMs) with an initial rate adjustment period of less than 60 months must be qualified at the higher of the Note Rate or the fully indexed accrual rate (margin plus index value).
- Interest Only mortgages (where permitted) must be qualified with a fully amortizing principal and interest payment, not just the interest portion.
- Property Inspection Waivers (PIWs) and Property Inspection Assessments (PIAs), which are valuation waivers based on DU or LP or other AUS responses, are not permitted.
- The maximum allowable LTV per the applicable program guidelines must be reduced by 5% when the appraisal reflects comments indicating the subject property is located in a declining market.
- Interest Only requires a minimum 10-yr IO term in all states except NY, according to the table below.

All states other than NY Minimum / Maximum I/O Term	NY I/O Terms (Must be exact Interest Only term based on loan term). Loan term – I/O term
10 yrs / 15yrs	15 yrs / 5 yrs 20 yrs / 7 yrs 25 yrs / 8 yrs 30 yrs / 10 yrs 40 yrs / 11 yrs

Please refer to the following reference guide for highlights of changes to our guidelines.

If you have any questions regarding these changes, please contact your Radian Sales Representative or Risk Manager.

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Summary of Guideline Changes Effective September 17, 2007

Radian 103% LTV Guidelines

This program is no longer available.

Radian Standard Industry A Guideline Changes

<p><i>Loans with the following characteristics are eligible for Radian Standard Industry "A" mortgage insurance:</i></p> <ul style="list-style-type: none"> ❑ <i>Must have DU Approve/ Eligible or LP Accept/ Eligible response</i> ❑ <i>Must be Primary Residence, 1-2 Units</i> ❑ <i>Must be a Purchase or Rate/Term Refinance transaction</i> ❑ <i>Must have a minimum 620 FICO score</i> <p><i>All other Standard Industry "A" loans not meeting the above criteria must meet Radian's guidelines, including the changes noted below.</i></p>	
Minimum FICO	Minimum 620 FICO of the primary borrower (highest income borrower).
LTV 97.01-100%	Minimum 680 FICO is required.
Cash-out refinance	Maximum 90% LTV and minimum 660 FICO (primary borrower), regardless of AUS response.
Cash-out proceeds	The borrower(s) cash-out refinance proceeds are limited to a maximum of \$150,000, regardless of AUS response.
Second Home	Maximum 90% LTV and minimum 660 FICO, regardless of AUS response.
Investment properties	Maximum 90% LTV and minimum 660 FICO, regardless of AUS response.
3 & 4 unit properties	Regardless of occupancy or AUS response, maximum 90% LTV and minimum 660 FICO.
DTI Ratio	41% Maximum DTI, <i>except as noted below</i>
	38% <ul style="list-style-type: none"> • 97.01 – 100% LTV • Temporary buydowns
	33% <ul style="list-style-type: none"> • 3-4 units and Investment properties. • Loans with potential negative amortization, including Payment Option ARMs
Condo properties	Maximum 90% LTV and must be agency warrantable property.
Cooperative properties	Maximum 90% LTV
Manufactured	Maximum 90% LTV

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Housing	
Streamline Refinance	Streamline refinance is available only if Radian is the insurer of the current mortgage.

Radian A Minus Guideline Changes

AUS Response	Regardless of AUS response, loans must meet Radian's A Minus Guidelines.
Minimum FICO	Minimum 575 FICO of the primary borrower (highest income borrower).
97.01-100% LTV	Ineligible. Maximum 97% LTV
95.01-97% LTV	Loans with FICO scores 575-599 must have DU Approve/Eligible, EA I/Eligible, LP Accept/Eligible, or LP Caution 500/Eligible response. Any other AUS response is ineligible. Loans with FICO scores ≥ 600 may be manually underwritten, or may have DU Approve/Eligible, EA I, II, III /Eligible, LP Accept/Eligible, or LP Caution 500/Eligible response.
Cash-out refinance	1 unit property only Primary residence only DU Approve/Eligible, or EA I/Eligible, or LP Accept/Eligible, or LP Caution 500 response is required.
Cash-out proceeds	The borrower(s) cash-out refinance proceeds are limited to a maximum of \$50,000
Manufactured Housing	Ineligible
ARMs	Minimum initial interest rate adjustment period of 3 years (e.g. 3/1 ARM). Maximum Caps 3/2/6.

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Radian's Alternative "A" Guideline Changes

AUS response	Regardless of AUS response, loans must meet Radian's Alternative A Guidelines.
Minimum FICO	Minimum 680 FICO
Doc Type	Stated Income Stated Asset (SISA) or Stated Income Verified Asset (SIVA) only are eligible. NINA, No Ratio, and No Doc are ineligible. Lender specific doc types (such as Lite Doc or Reduced Doc) require prior approval by Radian.
DTI ratio	Maximum 45%
Cash-out refinance	Ineligible
Property	Maximum one unit
Condominiums	Maximum 90% LTV and must be agency warrantable.
ARM loans	Minimum initial interest rate adjustment period of 3 years (e.g. 3/1 ARM). Maximum Caps 3/2/6.
LTV <= 85%	Maximum \$650,000.

For more information on Radian's products and services, please contact our Customer Service team at 877 723.4261, your Radian Sales Representative, or visit our website at www.radian.biz.