



State of New York Mortgage Agency

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PRISCILLA ALMODOVAR
President and CEO

By E-mail

March 14, 2008

**RE: Response to Credit Market Changes
Seller's Guide Bulletin #2-2008**

Dear Participating Lender:

In January, the State of New York Mortgage Agency ("SONYMA") announced, in response to the subprime mortgage crisis, several underwriting changes to its homeownership mortgage programs in an effort to provide a safe and sustainable mortgage finance option for first-time homebuyers with less-than-perfect credit. Since that time the market has been flooded with changes from the GSEs, the mortgage insurance companies, and others designed to tighten the standards for conventional mortgages, particularly for higher risk mortgages.

This letter serves to reaffirm the policies announced in [Seller's Guide Bulletin #1-2008](#) and other announcements as well as clarify our position on properties in declining markets. Please be advised that SONYMA will continue to accept loan reservations and purchase loans that meet the below criteria. These criteria, effective for all loans, are as follows:

Loans with Standard Approval Automated Underwriting Recommendations

Loans receiving a standard approval recommendation (i.e., not EA or A-Minus) from either Fannie Mae's Desktop Underwriter® (DU) and Freddie Mac's Loan Prospector® (LP) (or collectively, AUS), qualify for SONYMA financing regardless of FICO score, subject to the below conditions:

1. Maximum Underwriting Ratios. For loans with loan-to-value ratios (LTVs) of 97 percent or less, the monthly housing expense-to-income ratio may not exceed 40 percent and the monthly debt payment-to-income ratio may not exceed 45 percent. For Construction Incentive Program loans with LTVs higher than 97 percent, the monthly housing expense-to-income ratio and the debt payment-to-income ratio may not exceed 33 and 38 percent, respectively.
2. Minimum Equity Requirement. In all cases, lenders must document that the applicant has a minimum of 1 percent (3 percent for 3- and 4-family properties and cooperatives) of their own funds in the transaction.
3. Submission of Recent Paystub. SONYMA will require that a recent paystub be included with all credit applications (except for self-employed applicants).

4. Project Requirements. If the applicant is purchasing a unit in a condominium, PUD, homeowners association, or cooperative project, lender must verify that the project meets SONYMA's requirements for these property types as described in Sections 3.108 or 3.109 of the Seller's Guide.

Upon review of the underwriting submission, SONYMA reserves the right not to accept a recommendation from DU or LP if the mortgage insurance underwriter determines there are risk factors associated with the application which are not acceptable even though a favorable recommendation has been rendered by the AUS. SONYMA anticipates this will be a rare but potential occurrence.

Loans with Expanded Approval Automated Underwriting Recommendations

Loans receiving EA-1 and A-Minus (Level 1) decisions from DU or LP will qualify for SONYMA financing for applicants with:

1. FICO score of 620 or higher; and
2. LTV of 95% or less.

Please be reminded that SONYMA will accept these decisions with no loan pricing adjustments. See [Seller's Guide Bulletin #1-2008](#) for more details.

Credit Scores and Minimum Lines of Credit

Credit scores are a major factor considered by both the DU and LP engines when rendering a loan recommendation. It is not uncommon that a few lines of credit (possibly only 1) can be open for a short period of time with no late payments and possibly never even utilized, and a high credit score appears on an applicant's credit report. SONYMA does not consider a credit profile as described above to be an indication that an applicant should receive a favorable AUS recommendation. If an applicant does not have at least 3 lines of credit established for a period of 18 months prior to the mortgage loan application date, that application must be manually underwritten. Alternative or non-traditional lines of credit which require regular periodic payments (rent, utilities, etc.) may be verified and included in the manual underwriting submission. Please be reminded that the payment-to-income and debt-to-income ratios for manually underwritten loans are 33% and 38%, respectively.

Also be reminded that SONYMA allows the use of a guarantor in circumstances where there is a lack of credit. Please note that a guarantor's income will *not* be used to qualify the mortgagor under the monthly housing expense-to-income or debt-to-income ratios. A guarantor must meet acceptable credit standards, may not be a spouse and must be a blood relative. Lenders must submit a full credit package on the guarantor.

Loans with Non-Traditional or Unscoreable Credit

The maximum LTV remains at 97% (100% for Construction Incentive Program loans) and must be manually underwritten.

Properties Located in Declining Markets

Unlike the GSEs and the mortgage insurance companies, SONYMA has not designated any particular area of the state as a declining market. Any such determination will be treated on a case-by-case basis based upon the property appraisal report submitted with the loan file. If the appraisal does show that the subject property is located in a declining market, SONYMA or its pool insurance underwriter,

Genworth Mortgage Insurance Corporation (Genworth), reserves the right to reduce the requested loan amount to an acceptable level.

If a lender receives a DU or LP decision that reduces the LTV due to the property being located in a Fannie or Freddie designated declining market, SONYMA or Genworth may decide that the reduction, or a portion thereof, may not be necessary, and may allow the loan amount to be adjusted upward.

Mortgage Insurance Approval and Submission of Loan Files

Recently, lenders have received notifications from the mortgage insurance companies restricting the types of loans that qualify for mortgage insurance. For loans meeting the above criteria and where mortgage insurance is not available from a private mortgage insurance company, SONYMA's Mortgage Insurance Fund (MIF) will provide the mortgage insurance. To view MIF's mortgage insurance premium charts, [click on this link](#). These premiums are to be used for all loans insured by the MIF.

Lenders will continue to submit loans to Genworth for pool insurance consideration. If the loan file does not contain a PMI certificate from another company or Genworth is unable to place their own PMI on the loan, Genworth will underwrite the loan for PMI on behalf of MIF using the above criteria.

If you should have any questions regarding this announcement, please feel free to contact your Relationship Manager, Gail Kresge (downstate) at extension 399 or gkresge@nyhomes.org, or Lynn Morris (upstate) at extension 398 or lmorris@nyhomes.org, or Anthony Mancusi, Operations Manager, at extension 616 or amancusi@nyhomes.org.

Sincerely,



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