



**DECLINING MARKETS POLICY**

**AGENCY PRODUCTS (SERIES C & SERIES F CODES):**  
**CONFORMING FIXED RATE, FNMA FLEX FIXED RATE & FNMA EXPANDED APPROVAL:**

The following counties/MSAs are subject to a 5% decrease in maximum LTV/CLTV if any of the following is true:

- DU Findings return messaging that the property is in a declining market, or
- Appraiser marked home values as “Declining” in the neighborhood section of the appraisal, or
- The property is on the following declining market listing

**Appraisal guidelines:**

- Comparable sales provided by the appraiser for properties located in a declining market should be dated within the prior 3-6 months.

**CONFORMING LOW DOC SIVA:**

All appraisals must be obtained from one of our approved national appraisal vendors. 5% LTV reduction from guidelines applies.

National Appraisal Vendor	Phone	Fax	e-mail
LandAmerica <a href="http://www.landam.com">www.landam.com</a>	866-494-4338	888-416-1620	<a href="mailto:customersupport@landam.com">customersupport@landam.com</a>
ORTRIS (Old Republic Title) <a href="http://www.ortris.com">www.ortris.com</a>	888-406-5166	888-816-7626	<a href="mailto:cservice.rsg@oldrepublictitle.com">cservice.rsg@oldrepublictitle.com</a>
TSI (Title Source Inc.) <a href="http://www.titlesourceinc.com">www.titlesourceinc.com</a>	888-848-5355 ext 46046	800-652-7033	<a href="mailto:orders@tsi-appraisal.com">orders@tsi-appraisal.com</a> <a href="mailto:appraisalstatus@tsi-appraisal.com">appraisalstatus@tsi-appraisal.com</a>

**FLEX 97 CLARIFICATION**

If a loan qualifies as a FLEX 97 (i.e., property type, loan purpose etc) it is acceptable to run as a standard Conforming 95% LTV without further LTV reduction. If borrower does NOT have their own funds to proceed under the Agency 95, the loan will be underwritten as a FLEX 97 at a 95% LTV which would then allow for alternative sources of funds.

To further clarify, the transactions that meet the following characteristics will NOT have to take the 5% reduction if submitted as an Agency 95%.

- 680 MINIMUM FICO
- Property type is single family, owner occupied;



- Purchase or rate and term refinance transaction,
- Borrower must contribute 5% of their own funds toward the down payment;
- The loan receives an Approve Eligible response;
- Full Doc only.

Agency 95% LTV transactions that meet the above criteria are allowed to remain at 95% without the 5% reduction. These loans must meet the Fannie Mae underwriting standards. This type of loan would not have to be priced or run through DU as a FLEX loan.

The maximum LTV for a Flex 97 is 95% in a declining market. A Flex product would only be necessary if the expanded sources of down payment are needed.

**Not impacted by declining markets**

- Any FNMA loan that is confirmed to be owned by FNMA or in a FNMA security can be submitted as a full doc rate/term refinance with a new appraisal and there is NO 5% reduction from maximum financing. As a result, 90.01-97% owner occupied rate/term refinances are possible if the loan being paid off is a confirmed Fannie Mae owned loan.
- Conforming FULL DOC 80% LTV– this is not considered maximum financing based on the lack of MI. Loans without MI do NOT need to be reduced to 75% LTV

Note: MSAs are listed for informational purposes only. AAF only does business in the states that are listed here.

STATE	COUNTY	MSA
<b>Arizona</b>	<b>Coconino County</b>	<b>Flagstaff Az/UT</b>
	Maricopa County	Phoenix-Mesa-Scottsdale
	<b>Mohave County</b>	<b>Lake Havasu City-Kingman</b>
	<b>Pima County</b>	<b>Tucson</b>
	<b>Pinal County</b>	<b>Phoenix-Mesa-Scottsdale</b>
	<b>Yavapai County</b>	<b>Prescott</b>
	<b>Yuma County</b>	<b>Yuma</b>
	<b>California</b>	Alameda County
<b>Alpine County</b>		<b>Alpine County</b>
<b>Amador County</b>		<b>Amador County</b>
Butte County		Chico
<b>Calaveras County</b>		<b>Calaveras County</b>
Contra Costa County		Oakland-Fremont-Hayward



	<b>Del Norte County</b>	<b>Crescent City</b>
	El Dorado County	Sacramento-Arden-Arcade-Roseville
	Fresno County	Fresno
	Imperial County	El Centro
	<b>Inyo County</b>	<b>Bishop</b>
	Kern County	Bakersfield
	Kings County	Hanford-Corcoran
	Los Angeles County	Los Angeles-Long Beach-Glendale
	Madera County	Madera
	<b>Marin County</b>	<b>San Francisco-San Mateo-Redwood City</b>
	<b>Mariposa County</b>	<b>Mariposa County</b>
	Merced County	Merced
	<b>Mono County</b>	<b>Mono County</b>
	Monterey County	Salinas
	Napa County	Napa
	<b>Nevada County</b>	<b>Truckee-Grass Valley</b>
	Orange County	Santa Ana-Anaheim-Irvine
	Placer County	Sacramento-Arden-Arcade-Roseville
	Riverside County	Riverside-San Bernardino-Ontario
	Sacramento County	Sacramento-Arden-Arcade-Roseville
	<b>San Benito County</b>	<b>San Jose-Sunnyvale-Santa Clara</b>
	San Bernardino County	Riverside-San Bernardino-Ontario
	San Diego County	San Diego-Carlsbad-San Marcos
	<b>San Francisco County</b>	<b>San Francisco-San Mateo-Redwood City</b>
	San Joaquin County	Stockton
	San Luis Obispo County	San Luis Obispo-Paso Robles
	<b>San Mateo County</b>	<b>San Francisco-San Mateo-Redwood City</b>
	Santa Barbara County	Santa Barbara-Santa Maria-Goleta



	<b>Santa Clara County</b>	<b>San Jose-Sunnyvale-Santa Clara</b>
	Santa Cruz County	Santa Cruz-Watsonville
	<b>Shasta County</b>	<b>Redding</b>
	Solano County	Vallejo-Fairfield
	Sonoma County	Santa Rosa-Petaluma
	Stanislaus County	Modesto
	Sutter County	Yuba City
	Tulare County	Visalia-Porterville
	<b>Tulormne County</b>	<b>Tulormne County</b>
	Ventura County	Oxnard-Thousand Oaks-Ventura
	Yolo County	Sacramento-Arden-Arcade-Roseville
	Yuba County	Yuba City
<b>Nevada</b>	Carson City County	Carson City
	Clark County	Las Vegas-Paradise
	Storey County	Reno-Sparks
	Washoe County	Reno-Sparks
<b>Oregon</b>	<b>Deschutes County</b>	<b>Bend</b>
	<b>Jackson County</b>	<b>Medford</b>
<b>Washington</b>	<b>None on this listing</b>	

The following counties are on a “watch list” so may be subject to LTV/CLTV reduction pending u/w review:

<b>STATE</b>	<b>COUNTY</b>	<b>MSA</b>
<b>California</b>	<b>Humboldt County</b>	<b>Eureka-Arcata-Fortuna</b>
	<b>Lake County</b>	<b>Clearlake</b>
	<b>Tehama County</b>	<b>Red Bluff</b>



**AGENCY JUMBO PRODUCTS (SERIES AJ CODES):**  
**SPECIAL HIGH COST AREA LOAN LIMITATION INCREASES**  
**ONLY APPLY TO CERTAIN COUNTIES.**

The following counties/MSAs are subject to a 5% decrease in maximum financing if any of the following is true:

- Appraiser marked home values as “Declining” in the neighborhood section of the appraisal, or
- The property is on the following declining market listing

Appraisal guidelines:

- Comparable sales provided by the appraiser for properties located in a declining market should be dated within the prior 3-6 months.

**If the maximum financing is 80% LTV or less, the 5% LTV reduction still applies in declining markets**

Note: This listing only includes the counties that are eligible for the higher loan limits.

**APPRAISAL REQUIREMENTS:**

If the property county is on the declining markets listing below

OR

The appraiser marks “declining” in the Property Values section of the appraisal and/or makes comments referencing declining values;

OR

DU/LP returns a warning that the property is located in a declining market:

- A full appraisal is required regardless of the loan amount, specific county or DU/LP findings.
- The required appraisal must also contain at least 2 additional current listings or pending sales in addition to the 3 closed sales normally required and must be considered when establishing property value

**LTV/CLTV/HCLTV REDUCTION REQUIREMENTS**

If the county designation is marked in the “No LTV/CLTV reduction column, then no reduction is required, only the appraisal requirements listed above.



If the county designation is marked in the “Normal LTV/CLTV reductions” column, then the maximum LTV/CLTV/HCLTV permitted for the product, doc type and/or program must be reduced by 5%. The appraisal requirements listed above are also required.

If the county is not on the Declining Markets listing, but the appraiser or DU/LP response indicates declining markets, the maximum LTV/CLTV/HCLTV must be reduced by 5%, and the appraisal requirements above would also apply.

STATE	COUNTY	No LTV / CLTV reduction	5% LTV / CLTV Reduction
Arizona	Coconino	X	
	Maricopa		X
	Mohave		
	Pima	X	
	Pinal		X
	Yavapai	X	
	Yuma	X	
California	Alameda		X
	Butte		X
	Contra Costa		X
	El Dorado		X
	Fresno		X
	Humboldt	X	
	Imperial		X
	Kern		X
	Kings		X
	Los Angeles		X
	Madera	X	
	Marin	X	
	Merced		X
	Monterey		X
	Napa		X
	Orange		X
Placer		X	
Riverside		X	
Sacramento		X	
San Benito	X		



	<b>San Bernardino</b>		<b>X</b>
	<b>San Diego</b>		<b>X</b>
	<b>San Francisco</b>	<b>X</b>	
	<b>San Joaquin</b>		
	<b>San Luis Obispo</b>		<b>X</b>
	<b>San Mateo</b>	<b>X</b>	
	<b>Santa Barbara</b>		<b>X</b>
	<b>Santa Clara</b>	<b>X</b>	
	<b>Santa Cruz</b>	<b>X</b>	
	<b>Shasta</b>	<b>X</b>	
	<b>Solano</b>		<b>X</b>
	<b>Sonoma</b>		<b>X</b>
	<b>Stanislaus</b>		<b>X</b>
	<b>Sutter</b>		<b>X</b>
	<b>Tulare</b>		<b>X</b>
	<b>Ventura</b>		<b>X</b>
	<b>Yolo</b>		<b>X</b>
	<b>Yuba</b>		<b>X</b>
<b>Nevada</b>	<b>Carson City</b>	<b>X</b>	
	<b>Clark</b>		<b>X</b>
	<b>Storey</b>		<b>X</b>
	<b>Washoe</b>		<b>X</b>
<b>Oregon</b>	<b>Deschutes</b>	<b>X</b>	
	<b>Jackson</b>	<b>X</b>	
<b>Washington</b>	<b>Pierce</b>	<b>X</b>	



**CONFORMING ARMS, FNMA FLEX ARMS  
PREFERRED ALT-A ARMS (SERIES P) /  
JUMBO ARMS & FIXED (SERIES J) /  
ALT-B (SERIES B)**

**APPRAISAL REQUIREMENTS:**

If the property county is on the declining markets listing below  
OR

The appraiser marks “declining” in the Property Values section of the appraisal  
and/or makes comments referencing declining values;

OR

DU returns a warning that the property is located in a declining market:

- A full appraisal is required regardless of the loan amount, specific county or DU findings.
- The required appraisal must also contain at least 2 additional current listings or pending sales in addition to the 3 closed sales normally required and must be considered when establishing property value

Note – loan amounts > 1M require 2 appraisals and 2 additional current listings or pending sales for each appraisal

**LTV/CLTV/HCLTV REDUCTION REQUIREMENTS**

If the county designation is marked in the “No LTV/CLTV reduction column, then no reduction is required, only the appraisal requirements listed above.

If the county designation is marked in the “Normal LTV/CLTV reductions” column, then the maximum LTV/CLTV/HCLTV permitted for the product, doc type and/or program must be reduced by 5%. The appraisal requirements listed above are also required.

If the county designation is marked in the “Special Handling for LTV/CLTV” column AND loan type is Jumbo ARM, Jumbo Asset Based Stated Income, Preferred or Alt-B, then the LTV/CLTV/HCLTV will be limited to the lower of 80% LTV or the maximum allowed for the program OR 5% reduction in LTV/CLTV/HCLTV, plus the appraisal requirements above.

- Example: If maximum LTV for program is 90%, special handling maximum is 80%.



- **Example 2: If maximum LTV for parameters is 75%, special handling maximum is 70% (5% LTV reduction)**

**If the county designation is marked in the “Special Handling for LTV/CLTV” column and the loan type is Conforming ARM or Jumbo Fixed, then the normal 5% LTV/CLTV reduction would apply.**

**If the county is not on the Declining Markets listing, but the appraiser or DU response indicates declining markets, the maximum LTV/CLTV/HCLTV must be reduced by 5%, and the appraisal requirements above would also apply.**

STATE	COUNTY	No LTV / CLTV reduction	5% LTV / CLTV Reduction	Special Handling for LTV/CLTV
Arizona	Coconino	X		
	Maricopa		X	
	Mohave			
	Pima	X		
	Pinal		X	
	Yavapai	X		
	Yuma	X		
California	Alameda		X	
	Butte		X	
	Contra Costa		X	
	El Dorado		X	X
	Fresno		X	X
	Humboldt	X		
	Imperial		X	X
	Kern		X	X
	Kings		X	
	Los Angeles		X	
	Madera	X		
	Marin	X		
	Merced		X	X
	Monterey		X	X
Napa		X		
Orange		X		
Placer		X	X	



	<b>Riverside</b>		<b>X</b>	<b>X</b>
	<b>Sacramento</b>		<b>X</b>	<b>X</b>
	<b>San Benito</b>	<b>X</b>		
	<b>San Bernardino</b>		<b>X</b>	<b>X</b>
	<b>San Diego</b>		<b>X</b>	
	<b>San Francisco</b>	<b>X</b>		
	<b>San Joaquin</b>			<b>X</b>
	<b>San Luis Obispo</b>		<b>X</b>	
	<b>San Mateo</b>	<b>X</b>		
	<b>Santa Barbara</b>		<b>X</b>	<b>X</b>
	<b>Santa Clara</b>	<b>X</b>		
	<b>Santa Cruz</b>	<b>X</b>		
	<b>Shasta</b>	<b>X</b>		
	<b>Solano</b>		<b>X</b>	<b>X</b>
	<b>Sonoma</b>		<b>X</b>	
	<b>Stanislaus</b>		<b>X</b>	<b>X</b>
	<b>Sutter</b>		<b>X</b>	<b>X</b>
	<b>Tulare</b>		<b>X</b>	<b>X</b>
	<b>Ventura</b>		<b>X</b>	
	<b>Yolo</b>		<b>X</b>	<b>X</b>
	<b>Yuba</b>		<b>X</b>	<b>X</b>
<b>Nevada</b>	<b>Carson City</b>	<b>X</b>		
	<b>Clark</b>		<b>X</b>	
	<b>Storey</b>		<b>X</b>	
	<b>Washoe</b>		<b>X</b>	
<b>Oregon</b>	<b>Deschutes</b>	<b>X</b>		
	<b>Jackson</b>	<b>X</b>		
<b>Washington</b>	<b>Pierce</b>	<b>X</b>		



## **ADDITIONAL MORTGAGE INSURANCE RESTRICTIONS FOR DECLINING MARKETS**

MI companies have placed the following restrictions on declining markets. Declining market will be defined as:

- Property located in an identified county/MSA (see listing below)
- Appraisal has any negative comments, including but not limited to, adjustments or indications of being in a declining market (oversupply, over 6 mos marketing time, or declining markets check box noted)
- AUS response indicates that the subject property is in a declining market

The following restrictions will apply to properties in declining markets. Note that these restrictions would only apply for loans which require mortgage insurance (LTV > 80%) and do not apply to loans where the LTV is < = 80%, and do not apply to the Alt-B program.

**In all markets, loans with the following parameters will not be issued MI, therefore will be limited to 80% LTV.**

- Cash out refinances
- Expanded Approval loans, all levels
- Investment Properties
- Owner Occupied 3-4 unit properties
- Stated Income loans (SIVA, Asset Based Stated Income). Note that this does not include AUS loans that waive income or asset documentation.
- **Non-warrantable condos**
- Interest only loans with first rate adjustment less than 5 years (3/1 not permitted)

**Owner Occupied Purchase & Rate/Term MI limited as follows:**

- **1 unit 95% / 680 FICO / \$417,000 loan amount**
- **2 units 90% / 680 FICO / \$533,850 loan amount**
- **1 unit 90% / 680 FICO / \$417,000 loan amount**
- **1 unit 85% / 700 FICO / >\$417,000 to \$650,000**
- **Max LTV/CLTV for condos and attached housing is 90%**
- **For 95% loans, borrower must make 5% down payment contribution from their own funds**



**2<sup>nd</sup> Home Purchase & Rate/Term Refi**

- 1 unit 95% / 680 FICO / \$417,000 loan amount
- 1 unit 90% / 680 FICO / \$417,000 loan amount
- 1 unit 85% / 700 FICO / >\$417,000 to \$650,000 Max LTV/CLTV for condos and attached housing is 90%
- For 95% loans, borrower must make 5% down payment contribution from their own funds

STATE	COUNTY	MSA
Arizona	ENTIRE STATE	
California	ENTIRE STATE	
Nevada	ENTIRE STATE	
Oregon	Deschutes County	Bend MSA
	Jackson County	Medford MSA
	Clackamas County	Portland-Vancouver WA-Beaverton MSA
	Columbia County	
	Multnomah County	
Washington County		
	Yamhill County	
Washington	Clark County	Tacoma MSA
	Skamania County	
	Pierce County	Vancouver WA MSA