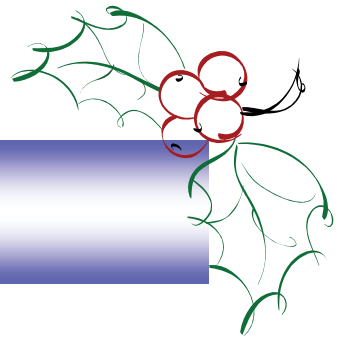


CUsource, LLC  
**FOUNDATIONS**

REAL ESTATE NEWSLETTER DECEMBER



## CONGRATULATIONS

CUsource announced the 'Employee of the Year' award with two names. This year's recipients, Audrey Arnold / Senior Real Estate Loan Processor and Leona Reese / Senior Application Service Representative were nominated by their peers receiving a tie score.

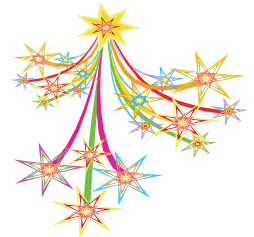
Scoring for the award is based on communication, motivation, innovation, advanced proficiency and respect. Both Audrey and Leona received accolades illustrating each of these qualities.

Audrey has been with CUsource for 4 ½ years and is



employed as a Senior Real Estate Processor. Audrey took innovation to the next generation of mortgage lending this last year. Researching, installing and

deploying an on-line mortgage program for credit unions and their members. Staff recognized Audrey's commitment to the organization is noted in her willingness to spearhead new projects. At CUsource, Audrey is responsible for processing loan applications, packaging loans for the secondary market and trains credit union staff.



## BORROWER MI TAX DEDUCTIBLE TIL 2010

Turbulence in the mortgage marketplace has been big news in 2007. Some good and some bad. On the good side, MI Tax Deductibility is back and this time for three more years.

This week, Congress has approved or renewed several tax relief measures to keep the dream of homeownership alive for both new homebuyers and existing homeowners. **The extension of MI tax deductibil-**

**ity is top among them.** The legislation itself is no different than what was passed last year.

MI premiums are still fully deductible for taxpayers earning up to \$100,000, and partially deductible for those with incomes between \$100,000 and \$109,000. The only difference is that the deduction now applies to policies written through the 2010 calendar year.

Extending MI tax deductibility is a crucial move for many reasons:

- Risky low down payment loans are no longer a viable option and are being replaced by more secure loans with mortgage insurance.
- Mortgage insurance is not only safe and predictable, but it's also cancelable and packed with features.

### Best business buzzwords of 2007

#### Subprime

*This buzzword isn't exactly new. But the sheer number of stories in the media about subprime mortgages has changed the word from adjective to verb status — loosely defined as the ability to completely dig one's self into a hole and then expect a bailout.*

*Used in a sentence: "I completely subprimed my Algebra test yesterday. Instead of studying, I drank beer and played Xbox, and just hoped the answers would come to me. Can I still have an 'A'?"*

*Chances we'll be using this buzzword in the year 2017: Slim to none. But you'll definitely be using it in 2008.*

## KUDOS

Great Falls Teachers FCU recently expanded their loan portfolio to include MBH with CUsource.

This was a great business move as they already have closed on their first Montana Board of Housing loan.

Rocky Mountain CU has signed a contract with CUsource to originate loans.

They will be launching online applications with Mortgagebot after the first on the year.

Avanta FCU has worked with CUsource to set up an Escrow Tracking Service for loans managed at the CU.

We track insurance and taxes for \$2.50 / loan while you spend more time with members.

## PHH UPDATES

### Eligibility Changes to High Risk Conventional Loans

Effective November 28, 2007, new registrations will no longer be allowed for the following loan scenarios:

- Conventional products with LTV greater than 95.00% and a representative credit score less than 620 regardless of DU/LP score
- Conventional products with LTV greater than 80.00% and a representative credit score less than 575 regardless of DU/LP score
- Loans with a DU recommendation of Expanded Approval Level I (EAI), Expanded Approval Level II (EAI) or a LP recommendation of Caution A- when the loan-to-value is greater than 95%.

All existing loans, including loans in Pre-Purchase Rate Protection status that meet the above criteria, must close or fund no later than January 31, 2008. No exceptions to these policies will be made.

### Impact to Systems and Pipeline

In order to comply with these policies and limit the exposure to pipeline, inflated warning differentials will be applied to all new registrations as well as any registered loan that requires a rate extension or is straight locking from floating status as of November 28, 2007.

You will need to contact the Pricing Department in order to obtain a new lock or extension quotes for any pipeline loan with the above parameters.

- If straight locking (from float) or extending a pipeline loan, contact the Pricing Department by using the Pricing Request Form and choose the Extension or Lock requests type as appropriate.
- Rates can not be extended beyond January 31, 2008.
- ◆ **Pipeline loans that are already locked and do not need extensions will not have the inflated warning differential applied to the loan, however the loan is**

**still required to close prior to January 31, 2008 if it meets the criteria described above.**

### EAIII Recommendations for Cash Out Transactions with 90% CLTVs

Effective December 14, 2007, for new registrations, Conventional Conforming Fixed products will permit Expanded Approval Level III (EAIII) / Eligible scores with 90% CLTV for 1-unit owner occupied cash out transactions. Currently, 90% CLTV is limited to Approve, EAI and EAI / Eligible scores through DU<sup>®</sup>. This enhancement will expand subordinate financing opportunities to additional customers.

This enhancement applies to the following Conventional Conforming products:

Product Description	Product Number
10-year Fixed	110
15-year Fixed	200
20-year Fixed	120
25-year Fixed	125
30-year Fixed	100
40-year Fixed	142

**New price adjustments will apply to MBS conforming mortgages with various combinations of risk characteristics**

Effective December 14, 2007 with new registrations, pipeline loans that are floating, or rate protected loans exercising the one-time floatdown to current market pricing, new pricing adjustments as published by Fannie Mae/Freddie Mac will be applied to MBS conforming loans with the following characteristics:

- Loan to value (LTV) ratios greater than 70% combined with certain “representative” credit scores
  - Does not apply to MyCommunityMortgage, Expanded Approval, Caution A- or loans with terms of 15 years or less
- Subordinate financing structures
  - Does not apply to MyCommunityMortgage
- Two-unit properties and manufactured homes

**Pipeline Impact**

Pipeline loans that are locked or rate protected and close by the original rate lock expiration date will not be impacted by these new adjustments. Any rate extensions will be subject to the new pricing adjustments.

Rate Sheet Updates will be available mid-January with the new pricing adjustments. Note: both Fannie Mae and Freddie Mac (GSE) are requiring the new loan level price adjustments. Based on PHH guidelines for subordinate financing (maximum LTV 80%), our LTV/CLTV ranges for the new pricing adjustments differ from the Agency’s announcements. However the actual pricing adjustments aligns with the GSE’s.

**Details of new adjustments** (Loan to value (LTV) ratios greater than 70% )

Credit Score	Add-on to Points
0-619 (includes no and missing credit scores)	2.000
620-639	1.750
640-659	1.250
660-679	0.750
=> 680	0.000

**Subordinate financing structures Fully Amortizing Products** (Reminder: Does not apply to MyCommunityMortgage)

LTV	CLTV	Representative Credit Score	New Adjustment: Points	Old Adjustment: Points
65.01-80	90.01-95	All	0.250	0.000-0.250
75.01-80	80.01-90	0-719	0.250	0.000
75.01-80	80.01-90	720-999	0.000	0.000

**Subordinate financing structures Interest Only Products**

LTV	CLTV	Representative Credit Score	New Adjustment: Points	Old Adjustment: Points
65.01-80	80.01-95	0-719	0.500	0.000-0.250
65.01-80	80.01-95	720-999	0.250	0.000-0.250

**Two-unit properties and manufactured homes:**

Property Type	LTV	New Adjustment: Points	Old Adjustment: Points
2-unit	75.01-95	0.500	0.000-0.500
Manufactured Homes	All	1.000	0.500

**System Impact** Pricing in SOAR will be updated effective 12/14 to reflect these adjustments.

**END OF YEAR, MARKET VOILITY AND OTHER MISC...**

It is hard to believe that here we are at end of the year and mortgage loans in Montana are still booming.

There is so much cross talk in the media that it is hard to determine what is reality and what is perception.

Over the dip in rates and a rush to acquire property by the end of the year has created a bit of a back log in underwriting. Normally CU-source works with a 48 hour turn around. This week, we are seeing a 4 day backlog. Please keep this in mind as we you are anticipating closings.

CUsource has also seen more denials (even with decent credit scores). This is a result of Fannie and Freddie tightening their parameters.

Credit Unions may see a small increase in their CUsource invoice this month as Chandra has gone in and cleaned up the pipeline for the end of the year. Denials and withdrawals will be invoiced appropriately.

In a recent online article posted December 19th, Mark DeBellis, President, PSB Financial Services Marketing reminds CU that **“Somebody Still Has to Originate Mortgages”**.

Perhaps this market instability is a

great time to increase awareness of your mortgage products.

With the mortgage brokerage industry and major lenders reeling in their programs, now is the time to remind your members and non-members alike of the attractiveness of a credit union mortgage. Increasing your visibility in your core market among members and non-members will improve your likelihood of success. Although the housing market has cooled, mortgages still need to be made and without all the competition, your odds of success have just gotten better!

**A SPECIAL THANK YOU TO STEVE KING**

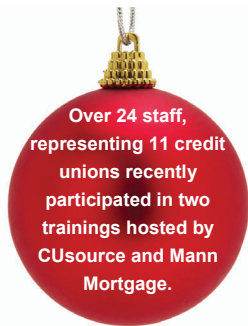
A little over 19 years ago, Jim Balzer, Ken Meske and Steve King sat down together at a meeting to discuss the options of a DP cuso provider.

Little did they know then, that their vision would grow into a successful organization that offered DP systems, *as well as, real estate originations and loan servicing.*

Needless to say, CUsource’s December Board of Directors meeting was bitter-sweet, with Steve King participating for the last time as the President of Community Federal Credit Union.

Steve was honored by his colleagues at a dinner hosted by CUsource where he also received a gift basket and certificate for a weekend of golf in Coeur D’Alene as well as a plaque recognizing his 19 years of service. CUsource will miss Steve’s vision, leadership and commitment.

During the December meeting CUsource elected Rhonda Diefenderfer (Avanta FCU) as Chairman, Tom Boos (Billings FCU) as Vice Chair and Wally Berry (Montana FCU) as Secretary / Treasurer for the upcoming year.



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