



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 4/02/09

Effective Date As Noted

WPA 2009-015

Multiple Topics, Clarifications and Revisions

Purpose

This communication:

- ✓ Reminds Sellers that VA issued Circular 26-09-04 requiring the Market Conditions Addendum (1004MC/&!) for all appraisals performed on/after 4/01/09.
- ✓ Clarifies that MSI requires a 90.00% maximum LTV for VA non-IRRRL (rate/term and cash out) refinances.
- ✓ Provides revised guidelines for LPMI and Split MI products.
- ✓ Clarifies that when MI is required, MI guidelines supersede MSI guidelines.
- ✓ Reminds Sellers of the Fannie Mae "5% Test" limitation on points and fees.
- ✓ Reminds Sellers of the upcoming Home Valuation Code of Conduct deadline.
- ✓ Reminds Sellers of the MSI policy regarding the Closing Protection Letter.
- ✓ Reminds Sellers of the MSI Verbal VOE policy.

Effective Date

As noted.

VA Requirement – Market Conditions Addendum

On March 27, 2009 VA issued Circular 26-09-04 requiring that the Market Conditions Addendum (1004MC/71) be included for all appraisals performed on/after 04/01/09. MSI expects all VA loans to comply with this VA requirement.

MSI Maximum VA LTV

Clarification

MSI has a maximum 90.00% LTV and CLTV limit for non-IRRRL refinance loans. We have been enforcing that guideline since 10/08, but are making a clarification in our Government Product Suite to ensure that the guides are clear to all readers.

LPMI and Split MI Guidelines

The MI Company dictates eligible loan parameters for our LPMI and Split MI products. These guidelines are subject to change without prior notice, and MSI's failure to publish MI parameters does not relieve the Seller of responsibility to be aware of MI Company standards.

Effective Immediately, regardless of confirmation date:

- ✓ The minimum DTI for LPMI and Split MI is 41%.
- ✓ The maximum LTV is 90.00%.
- ✓ Only purchase transactions are eligible.
- ✓ Only single family principal residences are eligible.

MSI will update the Conforming Product Suite.

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MI Guidelines Supersede

MSI has once again clarified maximum LTV requirements for our Conforming Product Suite to accommodate the MI Companies' restrictions for Second Homes and Cash Out refinance.

We have added a general statement that if MI is required on any product, the MI more restrictive guidelines apply. We do not make an attempt to reiterate the MI guidelines in their entirety, but have changed maximum LTV's in those cases where we are certain that none of the MI companies will provide coverage.

Fannie Mae "Test"

MSI would like to remind Sellers that each loan delivered for funding is tested by a third party vendor for State/Federal High Cost/Predatory Lending compliance and also against the following Fannie Mae guideline ("5% Test"). Please note that we have recently been advised that Fannie Mae considers in the testing calculation, the fees **charged** to the borrower, regardless who actually pays the fees.

MSI will not fund any loan that fails a compliance test.

From the Fannie Mae 2007 Guide:

VII, 104.11: Maximum Allowable Points and Fees (01/01/07)

We will not purchase or securitize a mortgage if the total points and fees charged to the borrower are greater than five percent of the mortgage amount, except when this limitation will result in an unprofitable origination for the lender (for example, because of the small size of the mortgage). Points and fees include origination fees, underwriting fees, broker fees, finder's fees, and charges that the lender imposes as a condition of making the loan—whether they are paid to the lender or a third party. Points and fees that do not have to be counted against this limitation include bona fide discount points, as well as fees paid for actual services rendered in connection with the origination of the mortgage, such as attorneys' fees, notary's fees, and fees paid for property appraisals, credit reports, surveys, title examinations and extracts, flood and tax certifications, and home inspections; the cost of mortgage insurance or credit-risk price adjustments; the costs of title, hazard, and flood insurance policies; state and local transfer taxes or fees; escrow deposits for the future payment of taxes and insurance premiums; and other miscellaneous fees and charges that, in total, do not exceed one-quarter percent of the loan amount.

Home Valuation Code of Conduct

Reminder:

All applicable loans with an appraisal date on/after 05/01/09 must comply fully with the Home Valuation Code of Conduct (HVCC).

MSI will provide instructions to our Business Partners via Announcement prior to the effective date of the requirements.

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**Closing
Protection
Letter**

Reminder:

For loans closed by the Seller, MSI **requires** that each loan include a copy of the transaction-specific Closing Protection Letter (CPL) (or Insured Closing Letter) in each loan delivered for funding.

**Verbal VOE
Requirement**

Reminder:

MSI performs a Verbal VOE for each applicable borrower prior to loan funding. If the borrower(s) is not longer employed and it appears that he/she (they) can no longer qualify for the loan, MSI will not fund.

Seller Guide

The Seller Guide will be updated within 2 business days of the effective date of the change.

Questions

If you have questions, contact your Account Executive.

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