



Mortgage Services III, LLC
A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 4/09/09

Effective Date As Noted

WPA 2009-016

Home Valuation Code of Conduct; DTI Restrictions and DU Refi Plus®

Purpose

This communication:

- ✓ Advises Sellers of MSI requirements for conventional loans with loan applications dated on/after May 1, 2009.
- ✓ Makes a clarification in the FHA Non-Qualifying Streamline parameter matrix.
- ✓ Updates the link for validating Conforming High Balance maximum loan limits.
- ✓ Announces DTI limitations for DU loans.
- ✓ Clarifies MSI's current position regarding Fannie Mae Refi Plus® loans.

Effective Date

As Noted.

Background

In January, 2009 Fannie and Freddie announced that they had agreed with the Office of Housing Enterprise Oversight (OFHEO) and the New York Attorney General to adopt the amended Home Valuation Code of Conduct (HVCC) effective with loans with an application date on/after May 1, 2009.

In a **really simplified summary**, HVCC prohibits Brokers from direct contact with appraisers to ensure that the appraisal process is a fully independent assessment of property value without the undue influence of mortgage professionals that are compensated based on the ultimate loan amount determined by the appraisal.

A copy of the complete final HVCC and the Fannie Mae FAQ may be accessed on the Fannie Mae Web Site.

Brokers are also reminded of the following aspect of the HVCC (excerpted directly from the Fannie Mae printing of the Appraisal Code of Conduct):

II. Borrower Receipt of Appraisal

The lender shall ensure that the borrower is provided a copy of any appraisal report concerning the borrower's subject property promptly upon completion at no additional cost to the borrower, and in any event no less than three days prior to the closing of the loan. The borrower may waive this three-day requirement. The lender may require the borrower to reimburse the lender for the cost of the appraisal.

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MSI Interpretation and Requirements

Effective for all conventional loan applications dated on/after 5/01/09

MSI, based on research within the industry and requirements provided by our secondary market investors will implement the following:

For all conventional appraisals (single family as well as 2-4 unit, even though the HVCC expressly addresses single family residence only), **MSI will require:**

- ✓ That Brokers use the services of an Appraisal Management Company (AMC) to order **all** Appraisals.
 - Effective with loan applications dated on/after 5/01/09, brokers are no longer permitted to have direct contact or influence with appraisers). At this time, MSI will require that for loans funded by MSI, the Broker must use our AMC provider, LSI.
- ✓ To implement this requirement within the time-frames (by 5/01/09) MSI has worked with LSI as our first Business Partner to initiate compliance with the HVCC.
 - LSI is a national provider of property valuation services (among other services) and is nationally recognized as a leader with proven business experience. You may read more about LSI by visiting their Web Site at <http://www.lendersservice.com/default.aspx>
- ✓ MSI will provide an appraisal-ordering link on our Web Site which will provide access to LSI and the ability to easily pay for the appraisal.
- ✓ Once the appraisal is completed by the LSI-assigned appraiser and received by the Broker, the loan will be submitted as usual.
 - The biggest difference in this new process is that the Broker will no longer have any direct contact with the appraiser.

Note: MSI will continue to provide additional details via Announcement during the month of April, including notice when the link to LSI is provided on the Web Site.

DTI Limitations for DU Loans

Effective for loans locked on/after 4/10/09 MSI requires the following:

- ✓ The maximum DTI for any loan approved via Fannie Mae DU is 55.00%, regardless of the DU approval.
- ✓ MSI will continue to accept loans approved through LP with the maximum DTI approved by Freddie Mac LP.

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Clarification for FHA Non-Qualifying Streamline

Clarification:

Non-Qualifying Streamline Refinance must meet FHA guidelines for LTV/CLTV limits. All other MSI/FHA guidelines must be met.

Conforming High Balance

Clarification:

The maximum loan amounts permitted for the Conforming High Balance product is strictly dictated by Fannie Mae and Freddie Mac. Please use the following link to determine the maximum limits:

Maximum loan amount as defined by HERA High-Cost Area provisions
<http://www.ofheo.gov/media/cli/HighCostLoanLimits2009.pdf>

Fannie Mae Refi Plus®

Effective Immediately

MSI is currently not participating in the Fannie Mae Refi Plus® option.

We understand that the DU Findings will identify certain loans as eligible for Refi Plus® and MSI will purchase those loans **as long as the following requirements are met:**

- ✓ The loan is not underwritten and closed as a Refi Plus.
- ✓ The loan documentation meets MSI guidelines.
- ✓ **The Underwriter makes a note on the Fannie Mae 1008 that states the loan was not underwritten or validated as a Refi Plus® and must not be closed as a Refi Plus.**

Note: MSI is currently considering the Fannie Mae Refi Plus® option and we are hopeful that we will provide a restricted product at a later date.

Seller guide

As applicable for chapters published to the Web Site, MSI will update the Seller Guide within 2 business days of the effective date of any revisions.

Questions

Please contact your Wholesale Account Executive with any questions.

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