



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

## Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 4/23/09

Effective Date As Noted

WPA 2009-018

### HVCC; VA IRRRL Appraisals; USDA Income Limits

#### Purpose

This communication:

- ✓ Announces the new MSI requirement for a conventional appraisal for all VA IRRRL loans.
- ✓ Reminds and adds further requirements for the Home Valuation Code of Conduct
- ✓ Reminds that USDA new income limits were effective 4/20/09.

#### Effective Date

As Noted.

#### VA IRRRL- Conventional Appraisal

##### **Effective for VA IRRRL loans locked on/after 5/18/09:**

Directly from our secondary marketing investor, in an effort to reduce the risk of declining home values on VA IRRRL transactions, MSI will require the Seller to provide a conventional appraisal for each VA IRRRL loan sold to MSI.

- ✓ MSI will require that a conventional appraisal be obtained for each VA IRRRL loan delivered to MSI, the following guidelines apply:
  - The minimum appraisal form accepted will be a Fannie Mae 2055, exterior.
  - MSI conventional appraisal guidelines for completion and underwriting apply. See the Underwriting chapter for details.
  - **Important Note:** The conventional appraisal is for the use of MSI and subsequent investors only; the VA has advised that the conventional appraisal **should not** be submitted to the VA with the guaranty package.
  - The Seller must address any required repairs.
    - Repairs that impact safety, livability or habitability must be completed.
    - The property condition must be rated "average" or better; MSI will not purchase any loan with a property rated "fair" or less.
- ✓ MSI does not purchase VA "high balance" loans.
- ✓ MSI requires that the appraised value of the property be  $\geq$  the total loan amount (total loan amount = base loan amount plus VA funding fee).
  - MSI will not purchase a VA IRRRL loan where the total loan amount exceeds the current appraised value of the subject property.

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### HVCC; VA IRRRL Appraisals; USDA Income Limits, Continued

#### HVCC

**Reminder – effective for new loan applications dated on/after 5/01/09:**

For all loans (conforming conventional and VA IRRRL – see [VA IRRRL-  
Conventional Appraisal](#) ) MSI requires full compliance with the HVCC.

- ✓ MSI requires that all Brokers order appraisals from the MSI Web Site, appraisal link.
- ✓ **New:** MSI will add the HVCC warranty to our Reps and Warrants chapter of the Seller Guide.
- ✓ **New:** As required by some of MSI's investors, MSI will require that each borrower sign an acknowledgment that they either received a copy of their appraisal or waived the right to receive a copy of their appraisal within the requirements of the HVCC. MSI
  - See the attached sample acknowledgement form attached to this Announcement. MSI will provide this sample on our Web Site.

**Important Details:**

- ✓ A third party vendor (RealEC) manages the "appraisal ordering" Web Site/Link. MSI will add a link to the Wholesale Web Site as follows:  
[www.realec.com](http://www.realec.com).
- ✓ MSI will provide the link on our Web Site beginning Friday, 4/24/09. Sellers are encouraged to get signed up and familiarize themselves with the link prior to the 5/01/09 deadlines. Appraisals may be ordered as soon as the Seller is active on the Web Site.
- ✓ Users can log into the site as follows:
  - User ID = msi\_(Seller's MSI ID number)
  - Initial Password = password123
  - Once the user has entered the site the system will prompt for a new personal secure password. Please follow the prompts to create your own personal password.
- ✓ **Important Notes:**
  - MSI **does not** manage the RealEC Web Site; for any password resets etc, the user must contact RealEC/[Contact Us](#).
  - The Seller is entirely responsible for the security of the access to RealEC. **MSI is not responsible for any misuse of the appraisal ordering site.**

**HVCC FAQ**

MSI has created a separate HVCC FAQ document which is attached to this Announcement. We have added new questions to the list.

- ✓ Updated questions and answers are highlighted for the purpose of this Announcement.

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### HVCC; VA IRRRL Appraisals; USDA Income Limits, Continued

#### USDA New Income Limits

**Effective 4/20/09:**

- ✓ USDA Guaranteed Rural Housing has announced an increase in the income limits nationwide.
- ✓ Additionally they have restructured the household income limits to a "2 tier" format:
  - 1-4 person households are qualified using only the 4 person limit.
  - 5-8 person households are qualified using only the 8-person limit.
- ✓ You may use the following direct link to the 2009 GRH Income Limits:  
<http://www.rurdev.usda.gov/rhs/sfh/sfh%20guaranteed%20loan%20income%20limits.htm>
  - Once you select the State and the income limits display, use the moderate income limits that are shown as "RHS MOD.INC-GUAR.LOAN"

**Important Note:**

- ✓ The new income limits are not a function of the date of the loan application. The new income limits are effective on the date that the USDA Rural Development receives the loan file for review and approval, which must be on/after 4/20/09.

#### 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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# Borrower Acknowledgement

Pursuant to the Home Valuation Code of Conduct, I (we) hereby acknowledge:

- [     ]     Receipt of a copy of the property appraisal report at least three (3) days prior to the date of closing.
  
- [     ]     That I (we) hereby waive entitlement to a receipt of the property appraisal report in advance of closing.

Date: \_\_\_\_\_

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Coborrower



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Posted 4/23/09

## Frequently Asked Questions

**MSI HVCC FAQ** The following questions and answers are MSI interpretation only and are not to be construed as legal advice.

Q	When will the appraisal ordering link be available on MSI's Web Site?
A	<ul style="list-style-type: none"> <li>✓ The link for the third party vendor (RealEC) will be posted on the MSI Web Site no later than Close of Business 4/27/09.</li> <li>✓ Sellers may access the appraisal ordering site as soon as it is posted on our Web Site.</li> </ul>
Q	How do I get my ID and Password
A	<ul style="list-style-type: none"> <li>✓ Users can log into the site as follows: <ul style="list-style-type: none"> <li>• User ID = msi_(Seller's MSI ID number)</li> <li>• Initial Password = password123</li> <li>• Once the user has entered the site the system will prompt for a new personal secure password. Please follow the prompts to create your own personal password.</li> </ul> </li> </ul>
Q	What if I forget my password or have problems with the appraisal ordering site?
A	<p><b>Contact RealEC.</b> MSI does not manage the appraisal ordering Web Site; we cannot reset passwords or provide any assistance with this Web Site.</p>
Q	Do FHA, VA or USDA appraisals have to be ordered using the MSI appraisal link?
A	<p><b>Not in general.</b> There is no change to the current appraisal process for government or USDA loans. It is business as usual for those product types.</p> <p><b>5/18/09 Exception:</b> Effective for VA IRRRL loans locked with MSI on/after 5/18/09; a conventional appraisal (for 2055-exterior) is required to be completed and reviewed to MSI conventional appraisal guidelines. The appraisal must support the total VA loan amount. See the Seller Guide/Government Product Suite for full product details.</p>
Q	Can the broker simply order an appraisal from the appraisal ordering site to use with any Lender?
A	No. The appraisal must be completed in the purchasing/funding Lender's name. When you order an appraisal for a loan to be delivered to MSI, you must use the MSI link and have an MSI Loan Number to order the appraisal.
Q	What if the broker has to cancel the loan with MSI, can the appraisal be transferred to a new Lender?
A	<p>Yes.</p> <ul style="list-style-type: none"> <li>✓ The broker needs to follow MSI procedure to cancel the loan.</li> <li>✓ <b>Note:</b> if the broker or the new Lender contacts LSI directly to request a transfer, LSI will not transfer the appraisal due to confidentiality.</li> </ul>

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MSI provides the HVCC Frequently Asked Questions as a courtesy only. Answers apply only to MSI's interpretation of the HVCC and are not meant to be used as legal advice; Brokers warrant to MSI that they are in full compliance with HVCC.





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### Frequently Asked Questions, Continued

#### HVCC Simple FAQ. Continued

Q	What if a loan officer or other person orders an appraisal without the Seller's permission?
A	<ul style="list-style-type: none"><li>✓ MSI is not responsible for Seller's security of the appraisal ordering Web Site or any credit card information entered therein.</li><li>✓ Each user must provide a personal secure Password after the initial entry into the site.</li><li>✓ MSI will not maintain any password information. Sellers are encouraged to manage access to the site and ensure that when employees leave, their secure passwords are inactivated.</li></ul>
Q	How do I pay for the appraisal?
A	<p>LSI will accept payment via credit card. Either the borrower's or the broker's.</p> <ul style="list-style-type: none"><li>✓ When the broker orders the appraisal, credit card information can be entered into secure fields on the Web Site.<ul style="list-style-type: none"><li>○ If the broker does not have the information available, simply do not complete the information. LSI will contact the borrower directly for payment prior to ordering the appraisal.</li><li>○ Please do <b>not</b> enter any credit card information into any "comment" or "additional instructions" areas which are not secure for financial information.</li></ul></li><li>✓ <b>One important note:</b> The appraisal will not be performed until LSI has received payment.</li></ul>
Q	How does the broker get the appraisal from LSI?
A	<ul style="list-style-type: none"><li>✓ LSI will make the appraisal available to the broker and the borrower.</li><li>✓ Upon completion of the appraisal, an email notification will be sent to the broker. The appraisal will be available on the "appraisal" link on the MSI Web Site.</li><li>✓ A copy of the appraisal will be made available to the borrowers within the requirements of HVCC.</li></ul>
Q	What if the borrower and the broker feel the value is not correct on the appraisal, or there is some other dispute issue?
A	<ul style="list-style-type: none"><li>✓ LSI has a dispute process which is managed through the Client Service Team (this information will be available on the MSI appraisal Web Site; it is also included in the Welcome to LSI document attached to this Announcement.)</li><li>✓ The broker will complete the Appeal Request document and contact the LSI Client Service Team.</li></ul>
Q	Does the broker still have to deliver the appraisal to MSI for underwriting?
A	Yes, the underwriting submission process remains the same. Although the appraisal is completed in MSI's name, the appraisal is delivered to the broker, not MSI.
Q	How does an Appraiser get on LSI's "appraisers list"?
A	<ul style="list-style-type: none"><li>✓ The appraiser can send a "registration package request" to the LSI Supplier Management Department at <a href="mailto:sm@lsi-lps.com">sm@lsi-lps.com</a>.</li></ul>

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