



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

## Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 5/07/09

Effective Date As Noted

WPA 2009-020

### Fannie Mae DU Refi Plus™; Conforming High Balance Changes and New Appraisal Pricing

#### Purpose

This communication:

- ✓ Announces the implementation of the MSI Fannie Mae DU Refi Plus™ product offering.
- ✓ Announces new requirements for Conforming High Balance loans
- ✓ Introduces new appraisal pricing.

#### Effective Date

As Noted.

#### DU Refi Plus™

**Effective for loans locked on/after 5/08/09**, MSI will price and purchase loans subject to Fannie Mae's DU Refi Plus™ product.

MSI has placed restrictions on this product; please see the attached summary that will be placed into the Seller Guide/Conforming Product Suite for full details.

- ✓ High Balance loans are not permitted for DU Refi Plus™.
- ✓ Loans that require MI are not permitted for DU Refi Plus™.

**Important Pricing Note:** MSI's DU Refi Plus™ product has new pricing beginning on 5/08/09; if a loan must be switched to the DU Refi Plus™ product (306600-30), worse case pricing rules will apply.

- See the new DU Refi Plus™ pricing matrix on page 3 of our daily rate sheet (product code: 306600-30).

**Special Consideration for loans submitted to DU prior to April 4, 2009.**

- ✓ If the loan is subsequently resubmitted to DU after 4/04/09 and receives a DU Refi Plus™ finding, the loan must be "coded" and priced accordingly as a DU Refi Plus™ loan.
  - **Exception:** If the loan requires new MI, it is not eligible as a MSI DU Refi Plus™ loan.

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This communication is intended for use only by mortgage professionals and business partners of Mortgage Services III, LLC (MSI).

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### Fannie Mae DU Refi Plus™; Conforming High Balance Changes and New Appraisal Pricing, Continued

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#### Conforming High Balance

**Effective on/after 5/11/09**, all new Conforming High Balance loans must be locked using the new more restrictive guidelines under the American Recovery and Reinvestment Act (ARRA).

- ✓ Please note that while MSI is adopting the more restrictive LTV/CLTV and FICO requirements we will not be increasing our maximum loan limits to the new temporary maximums permitted by Fannie Mae.
- ✓ MSI has attached a product summary that will be placed into the revised Conforming Product Suite that highlights the changes to the parameters and the guidelines.
- ✓ Loans that were locked under the current Conforming High Balance guidelines must be funded/purchased by MSI no later than May 16, 2009; regardless of lock commitment.
  - Loans may not be extended under the current High Balance guidelines, if the loan cannot be closed/purchased, it will need to meet the new 5/11/09 guidelines.

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#### Appraisal Pricing

MSI will post the current pricing for Appraisals completed by the Appraisal Management Company (AMC) on our [www.misloans.biz /Appraisal Ordering](http://www.misloans.biz /Appraisal Ordering).

Prices reflected on the currently posted pricing list are effective for appraisals ordered through the AMC on/after April 1, 2009. Price sheets may be updated from time to time, please refer to the most current price sheet posted on the Web Site.

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#### Seller guide

As applicable for chapters published to the Web Site, MSI will update the Seller Guide within 24-hours of the effective date of any revisions.

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#### Questions

Please contact your Wholesale Account Executive with any questions.

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## DU Refi Plus™

### Summary

DU Refi Plus™ is a new refinance option offered by Fannie Mae to achieve the goals set out for the “Making Home Affordable” program announced by the US Department of Treasury on March 4, 2009.

#### **MSI offers this Fannie Mae program with MSI overlays.**

- ✓ MSI will purchase this product only if the loan meets our additional risk overlays. These overlays must be applied “manually” to the DU Approve/Eligible loan.

### Maximum Loan Limits

MSI will permit the DU Refi Plus™ only to current Fannie Mae “standard” conforming loan limits.

- ✓ Conforming High Balance limits are not acceptable to MSI.

### MSI Product Guidelines

The following matrix outlines to key topics for the DU Refi Plus™ product.

- ✓ Topics in bold are MSI overlays to the Fannie Mae product.
- ✓ Topics not addressed in this matrix must meet the more restrictive current MSI/Fannie Mae requirements.
  - If the topic is not addressed in this product sub-set or the MSI Underwriting Chapter, please follow current Fannie Mae guidelines. See Fannie Mae Announcement 09-04 and subsequent DU Release Notes for April and May.

Topic	Requirements or Guidelines
DU Findings	<p>For loans submitted to DU on/after April 4, 2009 identified as DU Refi Plus™ eligible, MSI will purchase only the following:</p> <ul style="list-style-type: none"> <li>✓ DU Approve/Eligible – No exceptions. No Freddie Mac LP permitted.</li> <li>✓ Identified as DU Refi Plus™ in the <b>latest</b> DU Findings Report (To validate the mortgage is currently held by Fannie Mae.)</li> </ul> <p><b>Loans submitted to DU prior to April 4, 2009 require special handling:</b></p> <ul style="list-style-type: none"> <li>✓ If the loan is re-submitted to DU (after 4/04/09) the new findings may state that the loan is eligible for DU Refi Plus™ which may result in changes to the product type and/or the pricing.           <ul style="list-style-type: none"> <li>• If the loan does not require MI (either by new LTV or by DU Findings) the loan must be coded and priced as a DU Refi Plus™ loan.</li> <li>• If the loan requires MI, the updated findings must state the loan is eligible to be coded as a “standard limited cash out refinance”. The loan may be sold to MSI as a “standard” limited cash out refinance.</li> <li>• Pricing is subject to change, see the Daily Rate Sheet.</li> </ul> </li> </ul>
LTV/CLTV	<p>MSI will purchase the maximum LTV/CLTV permitted by the DU Findings with the following exceptions:</p> <ul style="list-style-type: none"> <li>✓ LTV/CLTV may not exceed 100% regardless of AUS finding.           <ul style="list-style-type: none"> <li>• MSI will only purchase loans that exceed 80.00% LTV <b>IF</b> the DU Findings clearly state that MI is not required on this loan.</li> </ul> </li> </ul>

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## DU Refi Plus™, Continued

### MSI Product Guidelines, Continued

Topic	Requirements or Guidelines
Loan Types	<ul style="list-style-type: none"> <li>✓ The new loan may only be a 30-year Fixed Rate Mortgage.               <ul style="list-style-type: none"> <li>• MSI Product Code: 306600-30 Year Term only.</li> </ul> </li> </ul>
Borrower Benefits	<p>The underwriter must document in the file <b>and</b> validate on the 1008 that the following borrower benefits apply:</p> <ul style="list-style-type: none"> <li>✓ The refinance reduces the monthly mortgage principal and interest payment OR</li> <li>✓ The new mortgage is more stable (movement from an ARM to a FRM)</li> </ul>
Seasoning	<p>Standard MSI seasoning requirements apply.</p> <ul style="list-style-type: none"> <li>✓ See the <a href="#">Underwriting chapter, Refinance Requirements/Seasoning</a>.</li> </ul>
Mortgage Insurance	<p>The current loan must <b>not</b> have current/active mortgage insurance.</p> <ul style="list-style-type: none"> <li>✓ The message in the DU Findings <b>must</b> state: <a href="#">Mortgage insurance is not required for this DU Refi Plus loan casefile</a>, for the loan to be eligible as a DU Refi Plus™ loan.</li> <li>✓ New loans that require MI are not acceptable to MSI under the DU Refi Plus™ expanded criteria; they must be underwritten, closed and sold as "standard" refinance loans; which includes an AUS findings report that does <b>not</b> say, eligible for DU Refi Plus™.</li> </ul> <p><b>Note:</b> Loans requiring mortgage insurance are not eligible for MSI DU Refi Plus™; however, the loan may be eligible as a standard rate/term once submitted to LP.</p>
Appraisal	<p>MSI will not accept a PIW, regardless of AUS findings.</p> <ul style="list-style-type: none"> <li>✓ MSI requires a full Fannie Mae appraisal. Standard appraisal requirements apply.</li> </ul>
Application	<p>The application must provide a minimum 2 year history for residence and employment.</p> <ul style="list-style-type: none"> <li>✓ Employer name, address, phone and income must be provided.</li> </ul>
Assets	<p>Asset documentation in accordance with DU Findings with the following exception:</p> <ul style="list-style-type: none"> <li>✓ If the borrower must bring funds to closing, MSI requires asset documentation to support the ability to pay the funds from personal assets, regardless of any AUS findings.</li> </ul>
Mortgage History	<p>The mortgage history must document:</p> <ul style="list-style-type: none"> <li>✓ The existing mortgage must be current.</li> <li>✓ OX60 lates in the past 12 months.</li> </ul>
Eligible Borrowers	<ul style="list-style-type: none"> <li>✓ The borrowers on the new mortgage must be identical to the borrowers on the existing mortgage.               <ul style="list-style-type: none"> <li>• New borrowers may be added, as long as the existing borrower(s) is retained.</li> </ul> </li> </ul> <p><b>Note:</b> If an original borrower was removed due to death or divorce, Fannie will not permit the refinance to be completed as a Refi Plus™.</p>
FICO	Primary: minimum 620, regardless of AUS.
DTI	As permitted by DU
Cash Back	<p>The borrower may not receive any cash back (in pocket) from the refinance.</p> <ul style="list-style-type: none"> <li>✓ Due to differences between actual loan pay-off and/or closing costs versus estimated loan pay-off and/or closing costs a "tolerance" of no more than the lesser of 2% of the loan amount or \$2,000 is permitted</li> </ul>

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### DU Refi Plus <sup>TM</sup>, Continued

#### MSI Product Guidelines, Continued

Topic	Requirements or Guidelines
Income Documentation	<p>MSI requires the following <b>additional</b> income/employment documentation, regardless of AUS Findings:</p> <ul style="list-style-type: none"> <li>✓ Salaried Borrowers<sup>1</sup> – AUS requirements <b>plus</b>: <ul style="list-style-type: none"> <li>• One paystub.</li> <li>• The most recent W-2</li> <li>• IRS Transcripts and a signed IRS 4506-T for each applicable borrower.</li> <li>• MSI will perform a Verbal VOE prior to purchase. See <a href="#">Underwriting/Verbal Verification of Employment</a> for details.</li> <li>• Any differences between income documented and income entered into DU must be supported by documentation included in the loan file.</li> </ul> </li> <li>✓ Self-Employed<sup>1</sup> and Passive Income Sources<sup>1</sup> – AUS Requirements <b>plus</b>: <ul style="list-style-type: none"> <li>• IRS Transcripts and a signed IRS 4506-T for each applicable borrower.</li> <li>• MSI will perform a Verbal VOE prior to purchase. See <a href="#">Underwriting/Verbal Verification of Employment</a> for details.</li> <li>• Any differences between income documented and income entered into DU must be supported by documentation included in the loan file.</li> </ul> </li> </ul> <p>(1) As defined by Fannie Mae.</p>
Property Types	<ul style="list-style-type: none"> <li>✓ 1-4 Unit Primary Residence Only. <ul style="list-style-type: none"> <li>• No Second Home or Investment Properties permitted.</li> </ul> </li> <li>✓ Condos must meet current MSI condo guidelines. See the Product Matrix for maximum LTV/CLTV, and the Underwriting Chapter for condo guidelines. <ul style="list-style-type: none"> <li>• The project must be identified with the current Fannie Mae project codes on the 1008.</li> </ul> </li> </ul>
Subordinate Financing	<ul style="list-style-type: none"> <li>✓ New subordinate financing is <b>not</b> permitted under any circumstances.</li> <li>✓ Existing subordinate financing must be subordinated to the new mortgage. <ul style="list-style-type: none"> <li>• Current existing subordinate financing (including purchase money subordinate financing) may <b>not</b> be satisfied by proceeds of the new mortgage.</li> <li>• Maximum LTV/CLTV may not exceed 100.00%.</li> </ul> </li> </ul>
Multiple Mortgages	<p>Maximum 4 properties per borrower regardless of the occupancy of the subject property. (Primary, secondary or investment.)</p>

## Conforming High Balance

### MSI Loan Limits

The matrix below outlines the minimum and maximum loan amounts for the MSI Conventional High Balance product.

- ✓ All “Conventional High Balance” loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site  
<https://entp.hud.gov/idapp/html/hicostlook.cfm> .
  - **Note:** select “Fannie/Freddie” from the <Limit Type> field, then select “CY2009” from the <Limit Year> field.
- ✓ A copy of the screen print, validating the “high balance” loan amount must be included in the credit section of the loan file.

Number of Units	Minimum Loan Amount	Maximum Loan Amount
1	\$417,001	\$625,000
2	\$533,851	\$800,775
3	\$645,301	\$967,950
4	\$801,951	\$1,201,150

**Notes:**

- ✓ MSI does not lend in Alaska, Hawaii or any US Territories (Guam, Puerto Rico, etc).
- ✓ MSI has restricted the maximum loan amount to the current Fannie Mae “permanent High-Cost limits”. Loan amounts that exceed the limits posted are not eligible to MSI.

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### Conforming High Balance, Continued

#### Loan Parameters – MSI Conventional High Balance--FRM

(5/1109)

Units	Owner Occupied-Primary			Second Home (2)			Investment			Maximum DTI
	Maximum		Minimum FICO	Maximum		Minimum FICO	Maximum		Minimum FICO	
	LTV	CLTV <sup>(1)</sup>		LTV	CLTV		LTV	CLTV		
<b>Purchase and Rate/Term Refinance</b>										
1 <sup>(3)</sup>	90.00	90.00	<sup>(4)</sup>	65.00	65.00	740	NP (Not Permitted)			45%
1 <sup>(2)</sup>	85.00	90.00	<sup>(4)</sup>	N/P			NP (Not Permitted)			45%
2 - 4	75.00	75.00	740	NP (Not Permitted)			NP (Not Permitted)			45%
<b>Rate/Term Refinance (R/T) Transactions</b>										
1	90.00	90.00	<sup>(4)</sup>	65.00	65.00	740	NP (Not Permitted)			45%
1 <sup>(2)</sup>	85.00	90.00	<sup>(4)</sup>	N/P			NP (Not Permitted)			45%
2 - 4	75.00	75.00	740	NP (Not Permitted)			NP (Not Permitted)			45%
<b>Cash-Out (C/O) Transactions</b>										
1 <sup>(2)</sup>	60.00	60.00	740	NP (Not Permitted)			NP (Not Permitted)			45%

**Notes:**

- (1) Maximum LTV with Subordinate Financing: 1 Unit = 80.00%; 2-4 Units = 70.00%; Cash out = 60.00%
- (2) PUD and Condo LTV/CLTV Restrictions.
- (3) When LTV > 80.00%: The > of 2 months verified PITI or standard verified reserves required. Attached housing in Florida is not permitted.
- (4) Minimum FICO:
  - LTV > 80.00% = 720.
  - LTV 75.01% - 80.00% = 700
  - LTV ≤ 75.00% = 660
- ✓ Florida Restrictions: Condo Max LTV = 75.00%; See [State Restrictions](#) for details. Owner-Occupied only.
- ✓ Temporary Buydowns are not permitted.
- ✓ Prepayment Penalty features are not permitted
- ✓ 40-year terms are not permitted
- ✓ Texas Section 50a6 (Texas Cash Out) loans are not permitted
- ✓ LPMI is not permitted.
- ✓ Borrower paid single premium insurance is permitted.
- ✓ Subject to MI guidelines when MI is required.
- ✓ Subject to more restrictive Fannie Mae DU findings.
- ✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site <http://www.ofneo.gov/media/cll/HighCostLoanLimits2009.pdf>.

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### Conforming High Balance, Continued

#### Loan Parameters – MSI Conventional High Balance--ARM

(5/11/09)

Units	Owner Occupied-Primary			Second Home (2)			Investment			Maximum DTI
	Maximum		Minimum FICO	Maximum		Minimum FICO	Maximum		Minimum FICO	
	LTV	CLTV(1)		LTV	CLTV		LTV	CLTV		
<b>Purchase and Rate/Term Refinance</b>										
1 (2)	75.00	75.00	680	65.00	65.00	740	NP (Not Permitted)			45%
2 - 4	75.00	70.00	740	NP (Not Permitted)			NP (Not Permitted)			45%
<b>Rate/Term Refinance (R/T) Transactions</b>										
1 (2)	75.00	75.00	680	65.00	65.00	740	NP (Not Permitted)			45%
2 - 4	75.00	70.00	740	NP (Not Permitted)			NP (Not Permitted)			45%
<b>Cash-Out (C/O) Transactions</b>										
1 (2)	60.00	60.00	740	NP (Not Permitted)			NP (Not Permitted)			45%

**Notes:**

- (1) **Maximum LTV with Subordinate Financing: 1 Unit = 75.00%; 2-4 Units = 70.00%; Cash out = 60.00%**
- (2) PUD and Condo LTV/CLTV Restrictions.
  - ✓ Florida Restrictions: Condo Max LTV = 75.00%; See [State Restrictions](#) for details. Owner-Occupied only.
  - ✓ Temporary Buydowns are not permitted.
  - ✓ Prepayment Penalty features are not permitted
  - ✓ 40-year terms are not permitted
  - ✓ Texas Section 50a6 (Texas Cash Out) loans are not permitted
  - ✓ LPMI is not permitted.
  - ✓ Borrower paid single premium insurance is permitted.
  - ✓ Subject to MI guidelines when MI is required.
  - ✓ Subject to more restrictive Fannie Mae AUS findings.
  - ✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site <http://www.ofneo.gov/media/cfi/HighCostLoanLimits2009.pdf> .

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## Conforming High Balance, Continued

### High Balance Requirements

The following matrix outlines the requirements for Conventional High Balance Loans.

**Important:**

Any topic not addressed herein must follow the requirements outlined in the Seller Guide Conforming Product Suite or Underwriting Chapter.

- ✓ Topics not addressed in the MSI Seller Guide revert to the applicable agency AUS requirements.

<i>High Balance Requirements Matrix</i>	
Topic	Requirements
Age of Appraisal	<ul style="list-style-type: none"> <li>✓ MSI will accept only a full appraisal or 2055 exterior with color photos.               <ul style="list-style-type: none"> <li>• The appraiser performing the appraisal must be qualified to perform appraisals without oversight or supervision by a supervisory or review appraiser and must be experienced with the types of properties being appraised and with higher value properties.</li> <li>• When the subject property is an attached condo, the appraiser must provide at least 2 comparable sales from outside the subject project and outside the influence of the developer, builder or property owner.</li> </ul> </li> <li>✓ MSI requires the maximum age of appraisal to be 90-days from the Note Date. (Closing Date):               <ul style="list-style-type: none"> <li>• If the effective date of the appraisal exceeds 90-days at the Note Date (date of closing), a new appraisal is required.</li> </ul> </li> </ul>
Appraisal Review Requirements	<p>A field review is required when:</p> <ul style="list-style-type: none"> <li>✓ The loan amount is \$625,500 or greater and the LTV/CLTV/TLTV is greater than 80.00%; or</li> <li>✓ The appraised value is equal to or greater than \$1,000,000, and the LTV/CLTV/TLTV is greater than 75.00%.</li> <li>✓ When the Field Review Report results in a different value, the lower of the original appraised value, the field review value, or the sale price must be used to calculate the LTV/CLTV/TLTV.</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>✓ Full documentation to MSI/AUS guidelines. (If the AUS has reduced the documentation requirements, the MSI minimum documentation is required.)</li> <li>✓ See the Product Suite and the Underwriting chapter for details.               <ul style="list-style-type: none"> <li>• MSI Verbal Verification of Employment guidelines apply.</li> <li>• MSI 4506-T guidelines apply.</li> <li>• MSI Income documentation guidelines apply.</li> </ul> </li> </ul>

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## Conforming High Balance, Continued

### High Balance Requirements, Continued

Topic	Requirements
Credit (FICO) Score	<ul style="list-style-type: none"> <li>✓ Borrowers without a valid credit score (FICO) are not eligible for Conventional High Balance.</li> <li>✓ Minimum FICO as stated in the Product Matrix unless a higher score is required by the AUS or MI.</li> </ul>
DTI	DTI may not exceed 45%, regardless of AUS approval.
Ineligible	<ul style="list-style-type: none"> <li>✓ Condos that do not meet Fannie Mae warranty requirements.</li> <li>✓ DU Refi Plus™</li> </ul>
General Guidelines	<p>Unless referenced specifically in this product sub-set, the loan must meet the MSI guidelines in this Seller Guide (Product Suite and Underwriting Chapter).</p> <ul style="list-style-type: none"> <li>✓ Topics not specifically addressed herein revert to the applicable AUS agency.</li> </ul>
Mortgage Insurance	<ul style="list-style-type: none"> <li>✓ Standard MSI MI guidelines apply.</li> <li>✓ If MI requirements are more restrictive, they supersede MSI/Fannie guidelines..</li> <li>✓ LPMI is not permitted.</li> </ul>
Non-Occupant Borrowers	<ul style="list-style-type: none"> <li>✓ MSI does not permit.</li> </ul>
Occupancy	<p>Primary and Secondary Residences Only</p> <ul style="list-style-type: none"> <li>✓ MSI does not permit Investment properties</li> </ul>
Property Types	<ul style="list-style-type: none"> <li>✓ Single Family, attached and detached</li> <li>✓ 2-4 Units</li> <li>✓ PUD</li> <li>✓ Condo</li> </ul> <p>All properties to MSI Guidelines, See <a href="#">Property Types</a> and the Underwriting Chapter.</p>
Subordinate Financing	Permitted to Agency/MSI guidelines.
Temporary Buydown	<ul style="list-style-type: none"> <li>✓ Not Permitted</li> </ul>
Transaction Type	<p>Purchase, Rate/Term Refinance and Cash Out Refinance to current MSI guidelines.</p> <ul style="list-style-type: none"> <li>✓ Resale-Deed Restrictions are not permitted.</li> </ul>
Underwriting	<p>All loans must be submitted to either Fannie Mae DU® or Freddie Mac LP®</p> <ul style="list-style-type: none"> <li>✓ The loan must receive either an Approve or Accept recommendation.</li> <li>✓ The loan must meet the more restrictive of the AUS requirements or MSI requirements for conventional loans. See <a href="#">General Underwriting Guidelines</a> for additional details.</li> <li>✓ The loan documentation must be “manually” validated in full compliance with DU/LP guidelines.</li> </ul>