



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 5/18/09

Effective Date As Noted

WPA 2009-021

UGI; Appraisal Age; TICOR Title; Government Streamlines; High Balance and DU Refi Plus™

Purpose

This communication announces:

- ✓ The removal of UGI as an approved Mortgage Insurer for MSI.
- ✓ New appraisal age requirements.
- ✓ Guidelines for acceptance of title insurance from TICOR.
- ✓ Government Streamlines – FHA Deleting Borrowers; 4506-T Requirements
- ✓ Elimination of Temporary Buydowns for ARM loans.
- ✓ Clarifications and revisions for High Balance.
- ✓ Clarifications and revisions for DU Refi Plus™.
- ✓ Clarification of Pull-Through Incentive/Charge language.
- ✓ VA IRRRL Appraisal Reminder
- ✓ HVCC Reminders
- ✓ Important Reminder: No Wholesale Authorized Agents for FHA Loans

Effective Date

As Noted.

UGI

Effective for loans with MI Certificates issued on/after June 1, 2009:

- ✓ MSI will no longer accept UGI as an approved mortgage insurer or contract underwriter.

Age of Appraisal

Effective Immediately, for loans locked on/after 5/18/09:

Unless otherwise more restrictive in the Product Suite product sub-set, conforming loans must follow these "Age or Appraisal" guidelines:

- ✓ At the Note Date, if the appraisal date is greater than 120 days, a new appraisal is required.
 - The new appraisal must be the same type as the expired appraisal (Full appraisal or Form 2055/exterior as permitted by the AUS).
 - Appraisal updates are no longer acceptable.
 - **Note:** Certain product types and/or MI companies may require more restrictive appraisal age guidelines. The more restrictive guidelines always apply.

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TICOR Title

Effective with loans locked on/after 5/18/09, MSI will accept TICOR titles **only** if TICOR is the **actual** title underwriter **and** settlement agent.

- ✓ TICOR titles issued by settlement agents or underwriters other than TICOR are not acceptable.
 - **Exception:** MSI will accept TICOR title insurance from TICOR affiliates if the affiliate has a valid, active E&O policy.
 - Documentation of the valid/active E&O policy must be included in each loan file delivered to MSI (A copy of the current declarations page showing that the policy is current and active will be accepted.)

Effective for loans with TICOR title commitments currently in the pipeline (loans currently locked, not yet disbursed):

- ✓ The loan must include evidence of the settlement and title agent's acceptable current/active E&O policy (copy of the current declarations page).
- ✓ If the agent cannot provide an acceptable current/active E&O Policy, the loan is **not** eligible for funding/purchase, regardless of the commitment.
 - A new Title Insurer/settlement agent will need to be chosen to make the loan eligible.

MSI will add tile insurance restrictions to the Seller Guide.

Government Streamlines

FHA – Deleting Borrowers

MSI would like to clarify our position regarding FHA Streamlines – Deleting Borrowers.

- ✓ Loans must meet current FHA guidelines; MSI has added some minor overlays. For the purpose of clarity, MSI is adding these guidelines to our Government Product Suite. **Effective immediately**, MSI expects these guidelines to be adhered to strictly.

FHA Streamlines – Deleting Borrowers

- ✓ Individuals may be deleted from the title on a streamline refinance only following an assumption of a mortgage in which:
 - ✓ The transferability restriction (due on sale clause) was **not** triggered, such as in a property transfer resulting from a divorce or by devise or descent
 - ✓ The assumption or recorded quit claim of interest occurred more than 6-months previously, and
- ✓ The remaining owner/occupant can demonstrate that he/she has made the mortgage payment timely during this time.

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Government Streamlines, Continued

4506-T Requirements

Effective Immediately (for loans locked on/after 5/18/09) MSI requires that a fully executed 4506-T be included in each Government Streamline (FHA and VA IRRRL) loan delivered for purchase.

Temporary Buydowns

Effective Immediately, for loans locked on/after 5/18/09:

✓ MSI will not permit Temporary Buydowns on conforming ARM loans.

High Balance

Effective Immediately for High Balance Loans:

- ✓ MSI is permitting the same LTV/CLTV limits for **Detached** PUDs (90.00%, FRM) that are permitted for Single Family Properties.
 - **Attached** PUD's are still limited to same maximum as Condos (85.00% for FRM). See the updated Product Suite for details.
- ✓ The minimum FICO for CLTV/TLTV > 75.00% is 700.
 - If the LTV and CLTV/TLTV requires different scores, apply the more restrictive.

DU Refi Plus™

Delivery Deadlines:

Due to the migration and investor issues surrounding the DU Refi Plus™ implementation in DU on 5/04/09, MSI must apply the following guidelines.

For DU Refi Plus™ eligible loans **originally** submitted to DU **prior** to April 4, 2009:

- ✓ Any standard rate/term refinance in the pipeline that was **initially decided** through DU **prior** to April 4, 2009, **then re-decided** on/after April 4, 2009, with a DU Refi Plus™ certificate must meet the following requirements:
 - Paystub(s) covering a 30-day period and year-to-date income
 - W-2(s) for the past one-year
 - Tax return for one-year (if self-employed or for income from other sources)
 - Bank statement covering the most recent month's transactions
 - Full appraisal with interior and exterior inspection
 - Copy of pre-April 4 DU certificate must be provided along with the final DU certificate.
 - Receive a **final** DU decision prior to May 31, 2009
 - **Be purchased/funded by MSI on or before Monday, June 01, 2009.**

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DU Refi Plus™, Continued

Clarification and Revision of MSI Overlays

- ✓ **Revision:** Effective for loans locked on/after 5/18/09 MSI requires the following:
 - Bank statement covering the most recent month's transactions.
- ✓ **Clarification:** Effective Immediately we have clarified the following Income Documentation requirements (clarification in yellow highlight)
 - One paystub covering a 30-day period and year-to-date income.
 - The most recent W-2 for the past year.
 - For self-employed/passive income sources, we have stated the following (it is an AUS requirement, but MSI wants to ensure the requirement is not overlooked.)
 - Tax return for most current 1-year.

All other guidelines remain the same.

Pull-Through Clarification

MSI has clarified the language in the **Pull-Through Program Fee/Incentive Example** [In the **Pricing and Commitments** Chapter of the **Seller Guide**].

- ✓ The **Quarter ID and Payment Period** column:
 - The listed months have been clarified to state: **For Quarter # performance pay/charge for 90 days.**
- ✓ See the revised **Pricing and Commitments** chapter for details.
- ✓ There is **no** material change to the Pull-Through program.

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VA IRRRL Appraisal – Important Reminder

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 (with color photos).
 - MSI conventional appraisal guidelines for completion and underwriting apply. See the Underwriting chapter for details.
 - The conventional loan must meet current HVCC requirements. See the [Seller Guide, Underwriting](#) 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 Reminder and Clarification

All Sellers are reminded:

- ✓ HVCC states that the borrower is entitled to a copy of the appraisal within 3-calendar days of closing.
 - To ensure compliance with this regulation, MSI requires that borrower(s) execute the "Borrower Acknowledgement" form that certifies that the borrower either received their appraisal copy or waived the receipt of the appraisal.
 - **Additional Note:** If the Seller uses the MSI AMC (currently LSI); the AMC will forward a copy of the final appraisal to the Borrower to insure compliance; however, **it is critical that the Seller provide the Borrower's email address when ordering the appraisal through the AMC.**

Clarification regarding MSI or Contract Underwritten Loans:

- ✓ We have recently clarified that as long as a Seller closes the loan in their own name with company or warehouse funds, the Seller is not required to use the AMC of the underwriting entity (even if the Seller sells that closed loan to the underwriting entity).
 - Brokers that use MSI funds to close loans **must** use the MSI AMC through our Appraisal Ordering process. See the MSI Web Site.
 - We will update the FAQ's on the MSI Web Site to include this clarification.

Authorized Agents

Reminder/Clarification:

- MSI recently announced that Wholesale Sellers **are not permitted** to draw their own documents for Government Loans (FHA or VA).
- ✓ To further clarify, MSI will not allow authorized agency relationships with our Wholesale Business Partners.
 - **Effective Immediately**, MSI is eliminating any authorized agent relationships with Wholesale Brokers. Contact your Account Executive with any questions.

Seller Guide

As Applicable: The Seller Guide and applicable Product Quick Reference Sheets 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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