



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 7/01/09

Effective Date As Noted

WPA 2009-026

Clarifications and Various Topics

Purpose

This communication announces:

- ✓ Clarification, Reminder regarding Independence Day Holiday.
- ✓ Clarification for MSI HVCC deadline date.
- ✓ Updated process, form for resolving HVCC appraisal stipulations.
- ✓ Elimination of Community Lending Products.
- ✓ Reminder regarding USDA requirement for Market Conditions Addendum.
- ✓ Clarification of documentation requirements versus 4506-T requirements.
- ✓ Revision regarding VA IRRRL appraisal requirements.
- ✓ Reminder – Fannie Mae 6/27/09 DU Release 7.1

Effective Date

As Noted.

Independence Day

Effective Friday, July 3, 2009:

- ✓ At noon, Central Time, on Friday, July 3, 2009 MSI will close to permit our employees to celebrate the Independence Day Holiday Weekend. We will be open for business as usual on Monday, July 6, 2009.

MSI-HVCC Timing Deadline - Clarification

MSI requires the following for all loans registered and/or locked on/after 6/01/09:

As previously stated, the deadline for compliance with HVCC is for conventional applications dated on/after 5/01/09; however, due to our regulatory concerns, MSI will apply the following **additional** deadline:

- ✓ Loans registered and/or locked with MSI on/after 6/01/09 must be in full compliance with HVCC, regardless of application date.
- ✓ **Reminder:** Effective for VA IRRRL loans registered and/or locked on/after 5/18/09 a conventional appraisal (minimum exterior 2055) is required.

Quick Additional Clarification: If a loan is registered prior to a guideline change, that loan must always meet the new guidelines required at time of lock.

Continued on next page

WPA-09-026

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Page 1 of 3





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Revised Form – HVCC Process – Disputes and Underwriting Stipulations

MSI has received a revised form from our Appraisal Vendor, LSI, which may be used to facilitate both appraisal valuation disputes **and** Underwriting Stipulations regarding appraisal issues.

- ✓ Both of the issues must be resolved through the LSI Client Service Team; however the revised form is more intuitive and provides the general contact information right on the form.
 - Requests for underwriting conditions/stipulations (only) may be emailed to the Client Services Team.
- ✓ See the Web Site for the LSI Client Services Team roster.

MSI will post an updated HVCC FAQ and the revised form on our Web Site under the HVCC Appraisal Forms; MSI will also post the LSI Client Team Roster on our Web Site.

Community Lending Products

MSI is no longer pricing or purchasing Community Lending Products. We will remove them from the Seller Guide.

Reminder: Regardless whether MSI makes a formal Announcement, if products are not priced on the daily Price Sheet, they are not eligible for purchase by MSI >

USDA Market Conditions Requirements

Effective for loans submitted to USDA on/after July 1, 2009:

- ✓ USDA announced on June 26, 2009 that they would require the completion of the Fannie/Freddie Mac Form 1004 MC (Market Conditions Addendum to the Appraisal Report).
- ✓ Lenders should **immediately** begin requesting the 1004MC with **all** USDA appraisals.

Excerpted from the USDA Origination News:

For loans already in process, the Agency will continue to accept appraisals without the Fannie Mae/Freddie Mac form 1004MC until **July 31, 2009**. The form is not required if an application package has already been submitted to the Agency, or if an appraisal has already been conducted that did not include the form. This applies to all guaranteed loan requests, including those manually underwritten or submitted through GUS.

Continued on next page

WPA-09-026

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Page 2 of 3





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Reminder – 4506-T Requirements

Reminder: MSI has the following requirements for 4506-T, which are required, **regardless** of any reduced income permitted by MSI and/or the AUS:

Tax Transcripts/Record of Change must cover:

- ✓ Salaried (W-2) Borrowers: The most current 2-years.
- ✓ Self-Employed (Passive Income) Borrowers: The most recent 2-years.

VA IRRRL Conventional Appraisals

MSI has recently received the following clarification from our secondary market investor:

Effective immediately, regardless of lock date: VA Conventional Appraisals (required for all VA IRRRL loans to document value of the subject property) are **not required to be in compliance with HVCC.**

- ✓ The minimum appraisal form accepted is a Fannie Mae 2055 exterior.

Reminder – Fannie Mae DU Release

Fannie Mae successfully implemented the Desktop Underwriter® (DU®) Version 7.1 June Update release during the weekend of June 27, 2009.

MSI requires that all DU loans be in full compliance with the more restrictive of MSI or the revised Fannie Mae Guidelines. See Fannie Mae for details and specifics regarding the DU release.

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.

WPA-09-026

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Page 3 of 3

