



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

# Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 7/31/09

Effective Date As Noted

WPA 2009-030

## Updated Condo Requirements; Clarification Tax Transcripts; MDIA Advance Review Process

### Purpose

This communication announces:

- ✓ Updated Condo Requirements. Updated Limited and 2-4 Unit Condo Questionnaires.
- ✓ Clarification: Amended Tax Returns – Reg Flags and Limitations.
- ✓ Implementation of a MDIA Advance Review Process.

### Effective Date

As Noted.

### Condo Requirements

**Effective Immediately**, MSI has updated the Limited Condo Questionnaire and the 2-4 Unit Condo Questionnaire; please begin using these revised forms for all loans locked on/after 7/31/09.

**Effective for loans locked on/after August 10, 2009.** (These guidelines are subject to further refinement and change):

- ✓ Condos must meet the full eligibility and warranty requirements for Fannie Mae DU. (DU is MSI's preferred AUS for loans in condo projects.) **See the Fannie Mae Seller Guide for full details.**
- ✓ MSI is eliminating the "full Lender Warranty" for condos. Our Condo Questionnaire will no longer be valid.
- ✓ MSI will accept **only** the following Fannie Mae Warranty Types:
  - **Q** – Limited Review – **established** project or **established** 2-4 Unit Project.
    - As applicable, a MSI Condo Questionnaire – Limited Review, or MSI Condo Questionnaire – 2-4 Unit Project must be completed.
  - ✓ **T** – Project with Fannie Mae unexpired Final or Conditional Final Project Acceptance Status (Form 1028).
  - ✓ **U** – FHA Approved Project – the loan must be documented with a print-out from the FHA Web Site showing a current FHA approval for the project.
  - ✓ The project must meet all insurance requirements published by Fannie Mae in their current Seller Guide.
  - ✓ The Fannie Mae 1008 must include proper identification of the project type.

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### Updated Condo Requirements; Clarification Tax Transcripts; MDIA Advance Review Process, Continued

#### Clarification – Tax Transcripts

**Amended Tax Returns:** Over the past few months several “red flags” have been identified in the review of Amended Tax Returns (and/or tax transcripts). To that end, MSI is providing the following further clarification:

- ✓ MSI **does not accept** tax returns that have been amended solely for the purpose of qualifying.
- ✓ Amended tax returns for self-employed borrowers will be accepted **only** if:
  - It is clearly evident that the tax returns **were not amended solely to qualify** for the loan. (E.g. application date 6/1, tax returns amended either 2 months before application or during the loan processing period.)
  - The increase in the income is minimal and is clearly due to an error at the time the tax returns were originally filed.
- ✓ MSI will continue to accept amended tax returns (and transcripts) for borrowers that are wage earners under our currently published guidelines.

**Note:** MSI reserves the right to refuse to fund/purchase any loan for which, in our sole opinion, an amended tax return does not appear to be valid. **Please review the current Underwriting Chapter for full details regarding amended tax returns.**

#### MDIA Advance Review Process for MSI Document Preparation

In an effort to reduce the possibility of last-minute issues and delays, **effective for all loans with a new application date on/after 7/31/09 OR for all loans with a lock date on/after 8/31/09** for which MSI is drawing documents, the following requirements apply:

- ✓ MSI will **require** a copy of the preliminary HUD-1 Settlement Statement with the itemization of actual charges to be included with the required documents for the Doc Prep Request Form.
- ✓ MSI will update our current Doc Prep Request Form to include a copy of the preliminary HUD-1 as a required document during the week of 8/03/09.

#### 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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Seller Name:	
Seller ID#:	
Borrower Name:	MSI Loan #
Project Name:	Phase:
Property Address:	

## MSI Condo Questionnaire – Limited Review

1. The units are:       Attached       Detached
2. Is the project subject a conversion of an existing building?       Yes       No
3. Is the project new construction? **IF YES**, the project is ineligible for Limited Review.       Yes       No
4. Is the project subject to additional Phasing or Annexation:       Yes       No  
**IF YES**, the project is ineligible for Limited Review.
5. Are all the Common Areas and facilities complete?       Yes       No  
**IF NO**, the project is ineligible for Limited Review.
6. **Occupancy:** Total # Units in Project: \_\_\_\_\_ Total # of Units Sold, Not Closed: \_\_\_\_\_  
**Total # Units Sold As** Owner-Occupied: \_\_\_\_\_ Second Homes: \_\_\_\_\_ Investment: \_\_\_\_\_
7. Does any single entity own more than 10% of the total units in the project?       Yes       No
8. Are owners permitted to hold title to more than one unit, with owner-ship evidenced by a single deed?       Yes       No
9. How is the HOA managed?       Self Managed       Management Company  
 Provide Entity Name: \_\_\_\_\_ Contact Person: \_\_\_\_\_  
 Address: \_\_\_\_\_ Phone: \_\_\_\_\_
10. Has control of the Home Owners Association been turned over to the residents?       Yes       No  
**IF NO**, the project is ineligible for Limited Review.  
**IF YES**, date of Transfer: \_\_\_\_\_
11. How many units are 30 days or more delinquent in their HOA dues?  
**IF MORE** than 15%, the project is not eligible. \_\_\_\_\_
12. Are all units owned fee simple and do the unit owners have sole ownership interest in, and rights to the use of the project's facilities, common elements and limited common elements?       Yes       No
13. Are the units subject to rental pooling agreements that require unit owners to rent their units or give a management firm control over occupancy?       Yes       No
14. Is the project an "ineligible project" in accordance with MSI and/or Fannie Mae Guidelines?       Yes       No  
**Note:** If the project is a condo operated as a cooperative or condotel, as identified by the presence of hotel-type services (i.e., registration desk and/or use of daily occupancy rates; the availability of food and telephone services; provisions for daily cleaning services) or a time-share type arrangement, the project is ineligible.
15. Are common elements/limited common elements insured to 100% replacement cost?       Yes       No  
 Coverage: \_\_\_\_\_ Deductible: \_\_\_\_\_ Expiration Date: \_\_\_\_\_
16. Is the owner's association (or the developer, if not turned over to the association) named as a party to current litigation relating to the project?       Yes       No

*The above information was obtained from the following representative of the project's Homeowners Association.*

Name:	Phone:
Position/Title:	Date:
Reviewer's Signature:	



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Seller Name:	
Seller ID#:	
Borrower Name:	MSI Loan #
Project Name:	Phase:
Property Address:	

## MSI Condo Questionnaire – 2-4 Unit Projects

1. Are all the Common Areas and facilities complete?  Yes  No
2. Does any single entity own more than one unit?  Yes  No
3. Has 75% of the units in the project been conveyed to an owner-occupant or second home purchaser?  Yes  No
4. Is the HOA or unit owners involved in any litigation, arbitration, mediation or other dispute resolution process?  Yes  No  
 IF YES, explain: \_\_\_\_\_
5. Are there any adverse environmental factors affecting the project as a whole or the individual units?  Yes  No
6. How many units are 30 days or more delinquent in their HOA dues? \_\_\_\_\_
7. Do the project legal documents include any restrictions on sale which would limit the free transferability of title? (i.e. Age Restrictions, First Right of Refusal, other deed/income restrictions)  Yes  No
8. Is any part of the project used for commercial purposes?  Yes  No  
 IF YES, what percentage of square footage? Percentage: \_\_\_\_\_  
 Describe the commercial space: \_\_\_\_\_
9. HOA is named insured on master insurance policy?  Yes  No
10. Are common elements/limited common elements insured to 100% replacement cost?  Yes  No  
 Coverage: \_\_\_\_\_ Deductible: \_\_\_\_\_ Expiration Date: \_\_\_\_\_
11. Are units or common improvements located in a flood zone?  Yes  No  
 IF YES, is flood insurance in force?  Yes  No Does this cover at least 80% replacement?  Yes  No  
 OR, is this the coverage maximum available per federal flood program?  Yes  No
12. Is the HOA insured for general liability?  Yes  No  
 IF YES, amount per occurrence \$ \_\_\_\_\_
13. Minimum number of days required for written notification to be given to HOA or insurance trustee before any substantial changes or cancellation of the project coverage? \_\_\_\_\_
14. Is the project an "ineligible project" in accordance with MSI and/or Fannie Mae Guidelines?  Yes  No  
**Note:** If the project is a condo operated as a cooperative or condotel, as identified by the presence of hotel-type services (i.e., registration desk and/or use of daily occupancy rates; the availability of food and telephone services; provisions for daily cleaning services) or a time-share type arrangement, the project is ineligible.

*Questions 8-12 can be answered with an insurance binder.*

Reviewer's Name:	Phone:
Position/Title:	Date:
Reviewer's Signature:	

# MSI Condo Questionnaire

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## Answer Key

1.	All common areas and any recreational facilities must be complete for the project to be acceptable.
2.	No single entity may own more than one condominium unit in the condominium project.
3.	Maximum 25% (of total number of units sold) rental.
4.	<p>If "yes", obtain details and consider impact on all units and marketability. (Note: a newer project generally has pending assessments.)</p> <p>If "yes", obtain details and consider risk.</p> <p><b>Examples:</b></p> <p>(1) HOA suing individual owners for unpaid dues is usually o.k.</p> <p>(2) HOA being sued for a "slip and fall" liability issue will usually be o.k., so long as suit will not be for more than general liability insurance coverage.</p> <p>(3) HOA suing developer for structural defects is usually not o.k. u</p> <p>(4) Unless all repairs are completed and costs paid (so that suit is only to recover paid repair costs.</p>
5.	If "yes", appraiser must address impact on value and marketability.
6.	If more than 15%, the project is not eligible.
7.	<p>See project eligibility requirements in <i>Seller Guide Underwriting</i></p> <ul style="list-style-type: none"> <li>✓ Age Restrictions</li> <li>✓ First Right of Refusal</li> <li>✓ Other deed or income restrictions.</li> </ul>
8.	<= 20%, if more than 20% a Full Project Approval is required
9.	HOA must be the named insured
10.	<p>Must be insured to 100%</p> <p>Deductible cannot exceed 5% of the policy face amount. The total coverage amount should make sense for the size project. Insurance must be in force at loan closing.</p>
11.	<p>If "yes", must carry flood</p> <p>Must be 80% current replacement or the max available. Deductible cannot exceed \$25,000.</p>
12.	Must be \$1 million per occurrence
13.	Minimum 10 days
14.	Seller must warrant that project is <b>not</b> an "ineligible" project.