



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 1/29/10

Effective Date As Noted

WPA 2010-004

Itemization of Amount Financed; FHA Appraiser Independence; Seller Credits

Purpose

This communication:

- ✓ Announces MSI's requirement for a separate Itemization of Amount Financed.
- ✓ Reminds and clarifies MSI's policy regarding FHA Appraiser Independence.
- ✓ Announces MSI policy regarding Seller Credits.
- ✓ Reminds Sellers that MSI requires the most current version of DU and LP.

Effective Date

As Noted.

Effective for all loans delivered on/after 2/15/10.

MSI will require that a separate written itemization of fees from the Final HUD-1 Settlement Statement be included in each loan file.

- ✓ Sellers may choose their preferred format for providing the itemization of fees from the Final HUD-1 including, but not limited to one of the options below:
 - The Itemization of Amount Financed as outlined in Reg Z, Section 226.18(c)
 - Seller's system generation itemization of fees form.

Note: For a loan file received for purchase/funding on or after 2/15/10 without a separate Itemization of Amount Financed, MSI will delay, purchase/funding pending receipt.

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FHA Appraiser Independence – Reminder and Clarification

Effective with case numbers issued on/after 2/15/10:

Pursuant to HUD Mortgagee Letter 09-28 regarding appraiser independence, and its subsequently announced extension, MSI will require the following, effective for all case numbers ordered on or after February 15, 2010:

FHA sponsored Sellers

- ✓ May obtain appraisals through one of MSI's authorized Appraisal Management Companies (AMC) (see MSI Web Site) **OR**
- ✓ May use an AMC of its choosing, **but may not participate in the appraisal ordering process directly through independent appraisers or appraisal firms.**
- ✓ In either instance, **all** FHA appraisals must be ordered/completed in a manner consistent with guidance provided in ML 09-28.
 - Accordingly, MSI will require **each** FHA Appraisals to include the AMC's **transaction-specific**, certification of adherence to ML 09-28.

Full Eagle Sellers:

- ✓ In addition to either of the preceding methods, FHA Mortgagee "full-eagle" lenders may administer their own independent appraisal ordering process, exclusively through non-commissioned staff.
 - In such instances, the Seller must email to MSI (khilton@msiloans.biz) an acceptable copy of the lender's appraisal independence policy. A hardcopy may be forwarded to the MSI Bloomington Office, **Attn: Karen Hilton.**
 - **Additionally**, MSI will require a fully executed copy of the MSI HVCC Appraisal Certification Form, (revised 2/15/10 to incorporate the FHA statement) or equivalent in **each** FHA loan file.

Reminder to FHA Appraisers:

- ✓ Additionally, MSI would like to remind all FHA Appraisers that the Uniform Standards of Professional Appraisal Practice (USPAP) apply to all appraisals performed for properties that are security for FHA insured financing including the Competency Rule. Per the Appraiser's Certifications contained in the property specific Fannie Mae/Freddie Mac appraisal reporting forms adopted by FHA, appraisers must certify that:
 - "I have knowledge and experience in appraising this type of property in this market area" (Appraiser's Certification # 11), and
 - "I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located." (Appraiser's Certification #12)
 - MSI **requires** that the FHA Appraiser make the following **additional** certification in the Appraisal: "This FHA appraisal was ordered in compliance with HUD Mortgagee Letter 2009-28."

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Seller Credits

Clarification of MSI position regarding Seller Credits. Effective Immediately.

MSI will review loans with Seller Credits according to the following methodology:

Typically, the sales contract and/or the HUD-1 do not specifically state which fees the seller will pay for the borrower.

- ✓ If either document did, MSI will offset that fee and include it or not include it in the APR calculation as applicable.
 - Therefore, if the contract and the HUD-1 state that the seller would pay \$2000 toward the borrower's origination fee then MSI would offset that same amount when calculating the APR.
- ✓ However, if the sales contract and HUD-1 are silent, MSI distributes the credit against the borrower paid fees, starting at the bottom of the HUD-1.
 - We do not start with the prepaid finance charges.

Reminder – DU Version

MSI would like to remind all Sellers of the following MSI policy regarding the required Fannie Mae DU version. From our Seller Guide:

- ✓ All loans submitted to AUS must be submitted to the most current DU/LP version as required by MSI:
 - **MSI requires the use of DU Version 8.0 effective for new loan submissions on/after 12/12/09.**
 - Loans originally submitted to Version 7.1 before 12/12/09 and resubmitted through Version 7.1 will be honored; **however, all loans submitted and/or resubmitted through Version 7.1 must be closed and delivered to MSI for purchase no later than 1/30/10.**
- ✓ MSI requires the final finding from DU; DO "preliminary" findings are not acceptable.
- ✓ You may access DU through AU Central; see the link on our Web Site.

Seller guide

The Seller Guide and any other applicable posted documents will be updated within 2 business days of the effective date of each topic.

Questions

If you have questions, contact your Account Executive.

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