



Mortgage Services III, LLC

*A Subsidiary of First State Bank Member FDIC*

# Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 2/04/10

Effective Date As Noted

WPA 2010-005

## Various Topics, Lock Desk Hours, Government Overlays

### Purpose

This communication:

- ✓ Announces a MSI policy update for Interested Party Contributions.
- ✓ Announces new Lock Desk Hours.
- ✓ Announces new MSI government overlays:
  - Loan minimum for FHA and VA loans.
  - MSI overlays for the FHA Temporary Waiver of certain Anti-Flipping requirements.
  - MSI Overlay for Conversion of a principal residence to an investment for FHA loans.
- ✓ Announces a Certification Form that can be used in lieu of FraudCheck reports.
- ✓ Makes one more clarification to the FHA Appraiser Independence guidelines.
- ✓ Clarifies the Itemization of Amount Financed requirement.
- ✓ Announces new Doc Prep Forms .

### Effective Date

**As Noted.**

### Realtor Commission - Limitations

**Effective for all loans closed on/after 2/08/10:**

MSI applies the following restriction in the HUD-1 Review:

- ✓ Real Estate Commissions include the commissions appearing in section 700 of the HUD-1 **as well as** any non-lien related disbursements such as marketing expenses, finder's fee, consulting fees or assignments of sales fees.
  - Any **combination** of these disbursements that exceed 8% of the sales price is considered a sales concession by MSI and must be deducted dollar-for-dollar from the sales price.
  - The LTV must then be recalculated and meet all applicable guidelines.

**Note:** The Sales Commission restriction is separate from the contribution limitations and must be applied regardless of any interested party contributions on the loan.

### New Lock Desk Hours

**Effective on/after Tuesday, February 16, 2010:**

**The MSI Lock Desk will close at 8:00 PM Central Time.**

- ✓ MSI is permanently changing its Lock Desk closing time from 9:00 PM CT to 8:00 PM CT; all locks must be submitted prior to 8:00 PM Central Time.

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### Government Changes

Effective as noted, MSI will impose the following Government Loan changes:

#### Government Product Suite, Matrix of Changes

##### FHA and VA

**Effective for all loans locked on/after 2/08/10** MSI will impose a loan amount minimum of \$40,000.

- ✓ Loans with a loan amount less than \$40,000 are not eligible.

##### FHA Only

Temporary Waiver of 90-day Anti-Flipping Requirements, see

[http://portal.hud.gov/portal/page/portal/HUD/press/press\\_releases\\_media\\_advisories/2010/HUDNo.10-011](http://portal.hud.gov/portal/page/portal/HUD/press/press_releases_media_advisories/2010/HUDNo.10-011) for details from HUD:

#### MSI Overlays – Temporary Waiver-90-Day Anti-Flipping:

MSI will accept these transactions beginning with FHA case assignments **on and after February 1, 2010**.

In compliance with the waiver instruction, MSI will allow for all sales of properties which have been owned less than 90 days provided they meet the following criteria:

- ✓ The sale must be an arms- length transaction and there can be no identity of interest between the buyers and the sellers or any other interested party to the transaction.
- ✓ The appraisal must reflect the current seller as owner and provide a 3 year transaction history for the subject property not reflecting a pattern of previous flipping for the subject property.
- ✓ The title must reflect the current seller as the owner and no pattern of previous flipping or any multiple transfers of title within the 12 month chain of title.
- ✓ Documentation of open and fair marketing of the subject property is required. FSBO's must be marketed and listed openly for sale or ineligible per MSI guideline restrictions.
- ✓ Verification of **each** seller's identity is required evidencing no identity of interest, including properties held in corporate ownership, LLCs and trusts.

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## Various Topics, Lock Desk Hours, Government Overlays, Continued

### Government Changes, Continued

#### Government Product Suite, Matrix of Changes

#### FHA Only

##### Temporary Waiver, Continued

For property sales that are a 20% or more increase over the Seller's documented acquisition cost, the following must be provided:

- ✓ The FHA Roster appraiser must indicate the seller's legitimate renovation and repair and detail the work performed on the subject property to substantiate the increase in value **OR**
- ✓ If no work was performed on the subject property, the FHA Roster appraiser must provide appropriate explanation and recently sold comps to support the increase in value since the last transfer. **AND**
- ✓ The originating lender must order an independent property inspection report from a licensed entity and provide a copy to the purchaser prior to the closing. The cost may be charged to the applicants.
- ✓ Property inspections must include/address the following:
  - Satisfactory structure, foundation, floor, ceiling, walls and roof. Exterior construction, siding, doors, windows, any attached building structures, walkways and driveways. Plumbing, electrical, heating and cooling systems; all interior living space; all insulation and ventilation systems; and fireplaces.
- ✓ Any safety or soundness issues or any inspection findings that affect habitability must be addressed by the FHA roster appraiser.
  - If FHA roster appraiser doesn't feel qualified to address any specific property issue, then a licensed professional can be hired to address the defect. The charge for this service will be incurred by the seller.

##### FHA Requirement for obtaining a new FHA loan when the former (unsold) property also has an FHA loan:

- ✓ The borrower must **always** document a minimum 25% equity in all FHA properties held at the time a new FHA loan is requested.

**When converting a current principal residence to an investment. Effective for all case files with an underwriting date on/after 2/08/10:**

**Background:** FHA is placing additional responsibility on the lender to ensure that loans do not default. Therefore, MSI is imposing the following guidelines to reduce risk:

- ✓ Both the current and the proposed mortgage payments (including all Taxes, Insurance, and HOA dues) must be used to qualify the borrower for the new transaction.

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### Government Changes, Continued

#### Government Product Suite, Matrix of Changes

#### FHA Only

When converting a current principal residence to an investment, Continued

#### Exceptions:

- ✓ Borrowers may use up to 75% of the rental income from the existing property to be used to offset the mortgage payment for qualification purposes if the following guidelines are met:
  - There is a documented minimum 25% equity in the existing property. The value of the current property must be documented by a Fannie Mae 2055-Exterior, see Important Notes.
  - The rental income is documented as follows:
    - Fannie Mae Form 1007, single Family Comparable Rent Schedule.
    - A copy of the fully executed lease agreement.
    - Documentation of the receipt of the security deposit from the tenant (deposited into the borrower's account).
- ✓ If the 25% equity in the existing property cannot be documented, rental income may not be used to offset the mortgage payment and the borrower must qualify with both payments

#### Important Notes:

- ✓ MSI will accept only a full Appraisal or as a minimum a Fannie Mae 2055-Exterior to document equity in the converting/departing residence. The appraisal form must be dated within 60-days of the Note date of the current transaction,
- ✓ A **former** principal residence is exempt from the "conversion of a principal residence to an investment property rule" per Mortgagee Letter 08-25. The property is exempt when it has been rented or claimed as a rental property for **at least 12-months**, as evidenced on tax returns.

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#### FHA Appraiser Independence

MSI would like to make the following additional clarification to our published policy based on the recent update (1/28/10) to the new RESPA rules:

##### **Exception for any MSI FHA Sponsored Seller that closes and funds loans in their own names:**

- ✓ Based on the latest update for RESPA FAQ; MSI will permit a sponsored Seller to use their own independent appraiser or appraiser firm ordering process **as long as the Seller closes the FHA loan in their own name using their own source of funding** (warehouse line or self-funded).
  - The Seller must meet all MSI requirements for FHA Appraiser Independence when using an independent ordering process.

##### **Notes:**

- ✓ **Reminder:** For those sponsored Sellers that do **not** fund their own loans (the Seller uses MSI funds to close), the guidelines have not changed. They may **not** use their own **independent** process to order appraisals.
- ✓ See the Seller Guide/Government Product Suite for full details.
- ✓ MSI anticipates that HUD will soon announce a change in their Loan Correspondent/Sponsored Seller requirements which may once again change our guidelines to meet the FHA Appraiser Independence requirements.

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#### Itemization of Amount Financed

MSI received some questions regarding this requirement announced in WPA-10-004. **To clarify:**

MSI requires that a separate Itemization of Amount Financed be attached to each HUD-1 for each loan funded/purchased by MSI.

- ✓ If MSI is drawing documents, the Itemization of Amount Financed will be ordered.
- ✓ If the Seller is drawing docs or ordering docs to be drawn, the Itemization of Amount Financed must be requested.

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#### Doc Prep Forms

##### **Effective Immediately**

MSI has developed new Doc Prep Forms. For your convenience we have attached the forms to this Announcement; they will also replace the current forms on the Web Site. **Due to the new RESPA rules, the new forms must be used.**

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#### 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.

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#### Questions

If you have questions, contact your Account Executive.

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**Seller Information:**

Broker/Correspondent: \_\_\_\_\_ MSI Loan #: \_\_\_\_\_

Contact: \_\_\_\_\_ Phone: \_\_\_\_\_

Email: \_\_\_\_\_ Fax: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Closing Date: \_\_\_\_\_ Time: \_\_\_\_\_

Docs Only:  Yes  No

Interest Credit: (Conventional Only)  Yes  No

**FAILURE TO FULLY COMPLETE THIS FORM WILL DELAY THE CLOSING.**

The Following Documents are required for Closing Docs:

- ✓ Insured Closing Protection Letter
- ✓ Wire Instructions
- ✓ Title Commitment
- ✓ Preliminary Settlement Statement
- ✓ Final 1003
- ✓ Homeowners Insurance
- ✓ Flood Cert

**Borrower Information:**

Borrower: \_\_\_\_\_ Co-Borrower: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

*(Must disburse by 5<sup>th</sup> of the month)*

**Property Information:**

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

County: \_\_\_\_\_ Deed of Trust State Trustee: \_\_\_\_\_

**Loan Information:**

Type (circle all that apply):  Fixed  ARM  FHA  VA  USDA  Conv.  Other: \_\_\_\_\_

Purpose (circle):  Purchase  Refi Occupancy (circle):  Primary  Second Home  Investment

Loan Amount: \$ \_\_\_\_\_ Locked Rate: \_\_\_\_\_ **Do not send requests if loan is not locked.**

**Escrow Information:**

Taxes:  Yes  No 1<sup>st</sup> install due date: \_\_\_\_\_ 2<sup>nd</sup> install due date: \_\_\_\_\_

Hazard Insurance:  Yes  No Policy Premium: \$ \_\_\_\_\_ Renewal date: \_\_\_\_\_

Flood Insurance:  Yes  No Policy Premium: \$ \_\_\_\_\_ Renewal date: \_\_\_\_\_

**Closing Information:** ➔Closing Package will be delivered to closing agent.

Closing Site: \_\_\_\_\_ Email: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ County of Closing: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_



Loan Information:	
Borrower Name: _____	MSI Loan #: _____

**Fee Section**

GFE 1	
Total Origination Charges:	_____
Origination Point:	_____
YSP:	_____
Admin Fee: <span style="background-color: yellow;">(FHA/USDA/VA fee is \$675.00)</span>	\$ 575.00
Processing Fee:	_____
Escrow Waiver:	_____
Overnight Fee:	_____
Misc Fee Name: _____ Amount:	_____
Misc Fee Name: _____ Amount:	_____
Misc Fee Name: _____ Amount:	_____
Misc Fee Name: _____ Amount:	_____

GFE 2	
YSP: _____	
Credit: _____	
Discount Point: _____	

GFE 3	
Appraisal: _____	Flood Cert: _____
Credit Report: _____	
MIP/VAFF/USDA: _____	

GFE 4	
Total Title Services:	_____
Closing/Settlement Fee:	_____
Title Insurance:	_____
Wire Fee:	_____
Courier Fee:	_____
Misc Fee Name: _____ Amount:	_____
Misc Fee Name: _____ Amount:	_____
Misc Fee Name: _____ Amount:	_____



**Seller Information:**

Broker/Correspondent: \_\_\_\_\_ MSI Loan #: \_\_\_\_\_  
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 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Closing Date: \_\_\_\_\_ Time: \_\_\_\_\_  
 Docs Only:  Yes  No  
 Interest Credit: (Conventional Only)  Yes  No

**FAILURE TO FULLY COMPLETE THIS FORM WILL DELAY THE CLOSING.**

The Following Documents are required for Closing Docs:

- Insured Closing Protection Letter
- Wire Instructions
- Title Commitment
- Preliminary Settlement Statement
- Final 1003
- Homeowners Insurance

► The closing time and date must be confirmed by phone only.

► Failure to confirm closing or complete this form will delay the closing.

**Borrower Information:**

**(Must disburse by 5<sup>th</sup> of the month)**

Borrower: \_\_\_\_\_ Co-Borrower: \_\_\_\_\_  
 Date of Birth: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

**Property Information:**

Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 County: \_\_\_\_\_ Deed of Trust State Trustee: \_\_\_\_\_

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Type (circle all that apply):  Fixed  ARM  FHA  VA  USDA  Conv.  Other: \_\_\_\_\_  
 Purpose (circle):  Purchase  Refi Occupancy (circle):  Primary  Second Home  Investment  
 Loan Amount: \$ \_\_\_\_\_ Locked Rate: \_\_\_\_\_ **Do not send requests if loan is not locked.**

**Escrow Information:**

Taxes:  Yes  No 1<sup>st</sup> install due date: \_\_\_\_\_ 2<sup>nd</sup> install due date: \_\_\_\_\_  
 Hazard Insurance:  Yes  No Policy Premium: \$ \_\_\_\_\_ Renewal date: \_\_\_\_\_  
 Flood Insurance:  Yes  No Policy Premium: \$ \_\_\_\_\_ Renewal date: \_\_\_\_\_

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 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ County of Closing: \_\_\_\_\_  
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Borrower Name:	MSI Loan #:

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Origination Point:	_____
YSP:	_____
Admin Fee:	<i>(FHA/USDA/VA fee is \$675.00)</i> \$ 575.00
Processing Fee:	_____
Escrow Waiver:	_____
Overnight Fee:	_____
Misc Fee Name: _____	Amount: _____
Misc Fee Name: _____	Amount: _____
Misc Fee Name: _____	Amount: _____
Misc Fee Name: _____	Amount: _____

GFE 2	
YSP:	_____
Credit:	_____
Discount Point:	_____

GFE 3	
Appraisal:	_____
Credit Report:	_____
MIP/VAFF/USDA:	_____
Flood Cert:	\$11.00

GFE 4	
Total Title Services:	_____
Closing/Settlement Fee:	_____
Title Insurance:	_____
Wire Fee:	_____
Courier Fee:	_____
Misc Fee Name: _____	Amount: _____
Misc Fee Name: _____	Amount: _____
Misc Fee Name: _____	Amount: _____