



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 2/26/10

Effective Date As Noted

WPA 2010-007

VA Fee Eliminated; Elimination of Cash Out Investment; Short Sales; FHA Spot Condos; HO-6 Reminder

Purpose

This communication:

- ✓ Eliminates the MSI VA Administration Fee.
- ✓ Eliminates cash out for investment properties.
- ✓ Announces additional restrictions for Short Sale Purchase transactions.
- ✓ Announces a "drop dead" date for FHA spot condo approvals.
- ✓ Provides an HO-6 Condo Insurance Reminder

Effective Date

As Noted.

**VA
Administration
Fee**

Effective for VA loans locked on/after 3/01/10:

In an effort to better accommodate our Wholesale Partners with RESPA compliance in connection with VA loans, MSI is pleased to announce that effective Monday, March 1, 2010, we will eliminate the "Administration Fee" in connection with all VA loans. Any/all VA loans locked (relocked) after the effective date, will not be charged the Administration Fee.

This measure will allow our Wholesale Partners to achieve the two-fold objective of minimizing "non-allowable" fees charged to our veterans while maximizing the loan-level earnings sufficient to cover attendant processing/settlement costs.

**Investment
Properties**

Effective Immediately for all loans locked and relocked on/after 2/26/10.

MSI will no longer purchase cash out refinance loans for investment properties.

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Short Sales

Effective Immediately – for all products:

Due to the increase in short-sale fraud happening in the market today, MSI is implementing the following requirements for all purchase transactions involving short sales.

- ✓ Only the current legal title holder of record may be reflected as seller on the HUD 1, purchase contract and appraisal for all transactions.
 - The **only** exception to this will be estate sales with a documented inheritance to the new seller.
- ✓ Any deed transfers to a Trust or LLC will also require complete consummation of the prior transaction including satisfaction of all of the seller's current liens and the appraisal must also denote all transfers and dollar amounts and address any legitimate increases.
- ✓ Relocation companies will be required to consummate their transaction and pay off the current liens of the seller and hold legal, free and clear title to be eligible as the seller.
 - Otherwise, the current seller of record must be reflected as the seller on the purchase contract, the HUD 1 Settlement Statement and the appraisal.
- ✓ Under no circumstances will any double escrows be allowed nor will we allow for an interim purchaser to step into the transaction without a complete, identified transfer.

Background, FYI:

Many short sale negotiators are representing themselves as relocation companies and attempting to circumvent the short sale lenders requirements, all the while they have a different buyer waiting in the wings to accomplish a higher purchase price.

- ✓ This will not be allowed and by requiring legitimate relocation companies that have the assets and ability to consummate the transactions to do so, we can sort out the actual true relocations from the short sale fraud transactions.
- ✓ Also, by requiring the sellers of record to be listed on the HUD 1, purchase contract and appraisal, the short sale negotiation will be complied with as directed with the current lender.

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FHA Spot Condos

Effective for loans submitted for underwriting on/after 4/15/10.

MSI will not perform or accept FHA Spot Condo approvals that are **submitted to the DE Underwriter on/after 4/15/10**, regardless of the date of the case assignment.

HO-6 Condo Insurance

Important Reminder:

If the HO-6 Condo ("walls-in") insurance is required:

- ✓ If the borrower has an escrow account, the HO-6 policy premium **must** be escrowed.

MSI will add this reminder to our Seller Guide.

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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