



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

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 3/31/10

Effective Date As Noted

WPA 2010-010

Various Changes/Clarification to the Seller Guide

Purpose

This communication:

- ✓ Announces changes/clarifications to our Underwriting Chapter:
 - Corrects/clarifies the Construction-To-Permanent guidelines.
 - Clarifies MSI guidelines for investment properties.
 - Clarifies guidelines for re-establishing credit after a short sale.
 - Provides a reminder/tip that Sellers must obtain Verbal VOE's from a third-party source for all self-employed borrowers.
 - Clarifies/updates requirements for the Attorney Opinion Letter in Revocable Trust situations.
- ✓ Clarifies/reminds all Sellers that the FHA case number must be included on the Note and the Security Instrument.
- ✓ Corrects a typo in the Rural Development Product Suite.
- ✓ Provides a notice regarding the National Flood Insurance Program (NFIP).

Effective Date

As Noted.

Corrections

In many cases, our business partners have identified the errors in our Seller Guide, or requested clarifications which are addressed herein. We appreciate your support and feedback and thank you for your continued business.

Underwriting Chapter Updates

The following matrix outlines the changes to the Underwriting Chapter.

Topic	Type	Details
Construction-to-Permanent	CLAR	MSI has revised the matrix for construction-to-perm to clearly indicate that for refinance transactions; the LTV/CLTV is based on the lesser of either the appraised value of the property (lot and improvements) or the acquisition cost plus the lot. <ul style="list-style-type: none"> ✓ For lots acquired less than 12 months prior to the close of interim financing it is the sales price of the lot ✓ For lots acquired 12 or more months prior to the close of the interim financing, it is the appraised value of the lot. ✓ For lots acquired by inheritance or gifts, the loan must always be structured as a cash out refinance with the LTV/CLTV based on the "lot owned greater than 12 months".
Investment Properties	CLAR	When discussing investment properties (including owner-occupied 2-4 unit properties with the other units used as investment properties), when MSI refers to "full payment", the full payment figure must include (any) all operating expenses for the subject property.

Continued on next page

WPA-10-010

This communication is intended for use only by mortgage professionals and business partners of Mortgage Services III, LLC (MSI).





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

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 3/31/10

Effective Date As Noted

WPA 2010-010

Various Changes/Clarification to the Seller Guide, Continued

Underwriting Chapter Updates, Continued

Topic	Type	Details
Re-Establishing Credit after Short Sale	CLAR	MSI will consider a borrower that has previously had a short sale; however, there must be a minimum 48-month re-establishment of credit. ✓ The re-established credit must meet MSI current credit guidelines.
Verbal VOE	Reminder	We would like to remind Sellers that a Verbal VOE for self-employed borrowers must come from an independent third party. Please see the Seller Guide/Underwriting for full details.
Revocable Trust	REV	Effective for loans underwritten on/after 4/01/10: The Attorneys' Opinion of the Trust must include the following (in addition to all other published requirements): ✓ Name of the Trust ✓ Date Executed ✓ That the trust is Revocable ✓ Does the trust have multiple trustees; their names. ✓ How the trust requires the vesting to be held. ✓ The attorney needs to verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect. ✓ Verify that a Power of Attorney can execute closing documents on the trust.

FHA Case Number

The FHA Case Number is required to be included on the Note and the Security Instrument.
 ✓ MSI will audit for the case number and if not clearly shown, the documents are not acceptable for loan funding/purchase.

RD Product Suite

MSI would like to make the following correction to be in compliance with RD requirements:
 ✓ Part-time income must have been received for a minimum of **24**-months to be considered stable income for qualifying purposes.
 ✓ MSI will correct this error immediately.

Continued on next page

WPA-10-010

This communication is intended for use only by mortgage professionals and business partners of Mortgage Services III, LLC (MSI).

Page 2 of 3





Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 3/31/10

Effective Date As Noted

WPA 2010-010

Various Changes/Clarification to the Seller Guide, Continued

NFIP

As you are aware, the National Flood Insurance Program (NFIP) has expired and no longer has the authority to issue new policies. Although we expect that the program will be renewed, it is currently suspended until, at the earliest, 4/12/10.

That means that for any loans that require Flood Insurance that do not currently have an approved Flood Insurance Application/Certificate, the borrower will need to do one of the following:

- ✓ Postpone loan closing until NFIP insurance can be obtained in the required amount, or
- ✓ Purchase the insurance from a private insurer.

MSI will **not** announce when the program is renewed, however we will continue to ensure that there is adequate flood insurance on any property in a Special Flood Hazard Area **prior to funding/purchase**.

Seller guide

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

Questions

If you have questions, contact your Account Executive.

WPA-10-010

This communication is intended for use only by mortgage professionals and business partners of Mortgage Services III, LLC (MSI).

