



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

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 4/30/10

Effective Date As Noted

WPA 2010-013

Underwriting Clarifications; Reminder; FHA Appraiser Independence

Purpose

This communication:

- ✓ Provides clarifications to MSI underwriting guidelines.
- ✓ Revises MSI FICO guidelines for FHA 5/1 ARM.
- ✓ Reminds Sellers that 4/30/10 is the last day for Borrowers to sign a purchase contract to be eligible for the First Time Homebuyer's Tax Credit.
- ✓ Revises MSI requirements for FHA Appraisal Ordering.

Effective Date

As Noted.

FHA Streamline 5/1 ARM

Effective for Streamline FHA loans locked (re-locked) on/after 5/03/10:

- ✓ The minimum acceptable FICO for FHA Streamline 5/1 ARMS will be 680.
 - Fully credit qualifying 5/1 ARMS may use the MSI published FICO scores.

Underwriting

In the matrix below, MSI is providing tips, clarifications and revisions to our conventional Underwriting Chapter.

Note: The matrix is a **brief** summary of the changes. Please see the updated Underwriting Chapter for full details. MSI identifies changes in the Guide with the "Type/ Effective Date" in the margin and yellow highlights of the changed language.

Topic	Type	Details
FHA	CLAR	For all streamline loans, the Seller must provide a copy of the Borrower's previous Note to validate the type of loan the borrower previously held. <ul style="list-style-type: none"> ✓ The Note may be the Borrower's un-signed copy; however, the Note details must match the payment details on the credit report and/or pay off.
FHA	CLAR	MSI would like to clarify, that for FHA High Balance loans we do not permit non-occupying co-borrowers.
Car Allowance	CLAR	<ul style="list-style-type: none"> ✓ For Conventional Loans, MSI follows the current Fannie Mae guidelines for automobile allowance. <ul style="list-style-type: none"> • See the Fannie Mae guide (on AllRegs) for current guidelines for using an Auto Allowance as income. ✓ For Government Loans <ul style="list-style-type: none"> • Follow current FHA, VA or USDA guidelines.

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Underwriting Clarifications; Reminder; FHA Appraiser Independence, Continued

Underwriting TIP-Reminder

As you are aware over the last several months Fannie and Freddie have been tightening their guidelines, adding verification and red flag messages to DU and LP.

When the AUS provides a "red flag" or a verification message, MSI requires that the underwriter comply with the intent and directions in those messages.

- ✓ It is the underwriter's responsibility to pursue issues in the messages and obtain additional information to address those issues, even if that means ordering a desk review or other documentation to support value issues.
- ✓ The underwriter should justify and address in writing AUS messages for which the underwriter has determined no further investigation or documentation is required.

Note: MSI retains the right to refuse to purchase/fund any loan for which the underwriter has not fully addressed the issues included in the AUS findings reports.

First Time Homebuyer Tax Credit

REMINDER:

- ✓ April 30, 2010 is the last day for First Time Homebuyers to take advantage of the tax credit.
 - Purchase Contracts must be fully executed no later than 4/30/10 to be eligible.

FHA Appraiser Independence /Ordering

Effective for all new FHA case numbers assigned on/after Monday, 5/03/10:

Due to some new interpretation information received from FHA, MSI is changing our requirements/guidelines for Sellers sponsored by MSI (Sellers without their own DE):

- ✓ Appraisals must be ordered through the MSI Web Site/Real EC.
- ✓ The appraisal must bear MSI's name and not that of our Seller.

Note: The exception for sponsored lenders that close and fund loans in their own names is still in effect until January 2011.

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.

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