



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

# Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 5/13/10

Effective Date As Noted

WPA 2010-014

## Various Topics

### Purpose

This communication announces:

- ✓ Further underwriting clarifications.
- ✓ Deadline for 2009 Tax Transcripts.
- ✓ Further reminders/tips regarding FHA valid AUS decisions.
- ✓ Increase in LTV for conventional cash out refinance.
- ✓ Requirements for new Federal Housing Finance Agency (FHFA) Regulations data capture requirements.
- ✓ MSI implementation of the Fannie Mae Loan Quality Initiative.

### Effective Date

**As Noted.**

### Underwriting Issues

Due to the tightening and re-interpretation of underwriting requirements, MSI is further clarifying the following topics. See the matrix to determine if the change is a clarification or a revision. Revisions are effective for loans locked/relocked on/after the effective date; clarifications are effective immediately.

Topic	Type	Brief Summary
Short Sales Deed-in-Lieu Pre- Foreclosure Issues	<b>REV-</b> 5/14/10	<ul style="list-style-type: none"> <li>✓ MSI will accept a 2-year re-establishment of credit <b>only</b> if there are documented extenuating circumstances (e.g. The death of a wage earner or a job loss for a wage earner due to the economic downturn). Financial mismanagement is never acceptable as an "extenuating circumstance".</li> <li>✓ Pre-foreclosure, Short Sales or Deed-In-Lieu issues due to financial mismanagement require a minimum 4-year "waiting period" with re-establishment of credit.</li> </ul>
Construction-to-Permanent	<b>CLAR</b>	MSI has clarified the " <u>seasoning</u> " requirements for LTV to mirror the current Fannie Mae guidelines (B5-3.1-02). This clarification is effective immediately.

See the Seller Guide/Underwriting chapter for full details. MSI will post the updated chapter within 2 business days of the issue date of this Announcement.

### Tax Transcripts

**Effective for all (credit qualifying) loans delivered (for loan funding/purchase or underwriting) to MSI on/after June 1, 2010:**

- ✓ Tax Transcripts for 2009 are required.
  - MSI guidelines require the most current year's tax transcripts.
  - If the borrower's have filed for a tax extension, MSI has specific documentation requirements. See the Seller Guide/Underwriting Chapter for full details.

#### Notes:

- ✓ MSI still requires a signed 4506-T even when tax transcripts are included in the loan file.
- ✓ As applicable, 2009 W-2s are required for all loans delivered to MSI on/after 1/30/10.

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## Various Topics, Continued

### FHA and VA AUS

#### Valid AUS:

All FHA/VA loans, with the exception of streamlines, are required to be submitted to an AUS using the applicable AUS and FHA or VA guidelines.

- ✓ MSI will fund/purchase only those loans that receive a **valid** AUS Approve or Accept decision.
  - The decision is valid **ONLY** if the borrower(s) has a minimum of 2 currently open reporting trades for which they have been making payments for a minimum of 12-months.
  - If the borrower(s) does not have the minimum reporting trades (with 12-month payment history) there is not enough information to provide a valid FICO and/or decision of credit. MSI will not accept any exceptions.

#### Definition of "Manual" Underwrite

MSI does **not** accept loans that have been manually underwritten (**Exception:** those FHA or VA "streamline" loans that are required to be manually underwritten).

- ✓ MSI defines "manually underwritten" as any loan that does not receive a valid AUS Approve/Accept decision (including Refer/Caution decisions) for which the Seller "downgrades" the decision and underwrites the loan rendering an approval to the loan.

**Note:** MSI, under specific conditions, may "downgrade" and manually underwrite an FHA or VA loan. See the Seller Guide/Government Product Suite for details.

### Conventional Cash Out

#### **Effective for loans locked/relocked on/after 5/14/10:**

- ✓ MSI will accept Cash Out Refinance loans on single unit Primary Residence to a maximum of 85.00% LTV/CLTV.
  - Minimum FICO is 720.
  - The maximum LTV when secondary financing is present is 80.00%.
  - All loans must receive a valid AUS Approve/Accept **and** an MI Certificate.

#### **Notes:**

- ✓ Maximum LTV/CLTV is subject to the acceptability (approval) of the Mortgage Insurance company **and** the AUS. (Only DU permits Cash Out to 85.00%).

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## Various Topics, Continued

### FHFA Regulations

Federal Housing Finance Agency (FHFA) regulations will soon require additional Loan Originator and Appraiser identifiers on all Agency loans.

In compliance with FHFA, the following data requirements will be required by the Agencies effective with loan applications dated on/after 7/01/10:

- ✓ Loan Originator ID
- ✓ Loan Originator Company ID
- ✓ Field Appraiser License Number
- ✓ Supervisory Appraiser License Number

#### MSI Implementation:

- ✓ In an announcement dated 1/15/10, MSI requested that the Loan Originator ID and the Loan Originator Company ID be completed on the Loan Application (1003).
  - We did delay full implementation in keeping with Fannie Mae Requirements.
- ✓ The Appraiser License Numbers on the Appraisal have always been a requirement for MSI.

#### Effective Date for all loans, all products:

- ✓ **Loan Originator ID** – Effective for all loans with an application date on/after 7/01/10.
  - MSI strongly recommends (as we did in January) that Sellers begin to provide those numbers on Page 4 of the 1003 immediately. After the effective date (7/01/10), funding/purchase will be delayed if the information is not provided.
- ✓ **Appraiser License Numbers** – **Effective Immediately** – this is a current MSI requirement. (Must be present on the appraisal forms.)

#### State Exceptions:

The following states have effective dates later than July 1, 2010 for Originator and Company Originator IDs.

- ✓ Please refer to Mortgage Nation Wide Licensing System Web site (<http://mortgage.nationwidelicingsystem.org/slr/Pages/default.aspx>) for state specific effective dates after July 1, 2010.

Arkansas	Idaho	Louisiana	Missouri	New Jersey	Washington DC
California	Illinois	Michigan	Nebraska	New Mexico	
Florida	Kansas	Minnesota	Nevada	Texas	

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## Various Topics, Continued

### Fannie Mae Loan Quality

As you may or may not be aware in February, 2010, Fannie Mae issued a Lender Letter (LL-2010-03)

<https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2010/II1003.pdf> )

outlining additional requirements/changes to improve the quality of loans sold to Fannie Mae. Fannie Mae has subsequently provided additional direction regarding this initiative ( See this Web Site, <https://www.efanniemae.com/sf/lqi/index.jsp> )

MSI will comply fully with the Quality Initiatives outlined by Fannie Mae. Fortunately, we currently have in place, and require from our Sellers, many of the requirements outlined by Fannie Mae.

However, we would like to specifically address a few of the issues and provide effective dates for MSI implementation of audit points:

Quality Topic	Effective Date	MSI Requirement/Audit Point
Validation of Social Security Number	4/17/10	<p>MSI accepts only those borrowers with valid Social Security Numbers.</p> <ul style="list-style-type: none"> <li>✓ On 4/17/10 the DU message became a verification request.</li> <li>✓ <b>Effective for all loans delivered to MSI on/after 6/01/10</b> (regardless of AUS), MSI will require that the SSN is validated. <ul style="list-style-type: none"> <li>• MSI uses a Fraudguard product for all loans underwritten by MSI.</li> <li>• For loans underwritten by delegated Sellers, MSI requires that this validation be a part of their Fraud product (reports).</li> </ul> </li> </ul>
Borrower Occupancy	4/17/10	<ul style="list-style-type: none"> <li>✓ On 4/17/10 the DU message became a verification request.</li> <li>✓ <b>Effective for all loans delivered to MSI on/after 6/01/10</b> (regardless of AUS), MSI will require that the borrower occupancy be validated. (MSI requires a Borrower Occupancy Certification on all loans.) <ul style="list-style-type: none"> <li>• MSI uses a Fraudguard product for all loans underwritten by MSI.</li> <li>• For loans underwritten by delegated Sellers, MSI requires that this validation be a part of their Fraud product (reports).</li> </ul> </li> </ul>

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## Various Topics, Continued

### Fannie Mae Loan Quality, Continued

Quality Topic	Effective Date	MSI Requirement/Audit Point
Validation of Qualified Parties to the Transaction	Applications dated on/after 6/01/10  <i>For loans underwritten by MSI, the Seller must include the Web Site Printouts in the submitted underwriting file.</i>	MSI requires that each loan contain documentation (copy of screen print-outs) that each party to the transaction has been checked/validated on the following Web Sites: <b>GSA List:</b> <a href="https://www.epls.gov/">https://www.epls.gov/</a> <b>DLP List:</b> <a href="https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp">https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp</a> <b>Qualified Parties to be checked:</b> <ul style="list-style-type: none"> <li>✓ Borrowers, Property Sellers, Title Company, Appraiser; Attorney; Loan Originator.</li> <li>✓ You must check full and partial names (as applicable to the site).</li> </ul>
Borrower Credit-Undisclosed Liabilities	Applications dated on/after 6/01/10	Each loan file delivered to MSI for funding/purchase must be submitted through an appropriate Fraud/Quality System (e.g. Core Logic, etc.) to ensure that all debts have been disclosed. <ul style="list-style-type: none"> <li>✓ A copy of the system findings/report for each qualifying borrower must be included in the loan file.</li> <li>✓ MSI will perform this "test" for each loan underwritten by MSI.</li> </ul> <b>Note:</b> <i>If an investor subsequently determines that any debts were not adequately disclosed on the application, nor included in the debt-to-income ratio such that the loan would not have met MSI's eligibility requirements, the mortgage loan will be subject to repurchase by the Seller.</i>
Property Unit Number	Applications dated on/after 6/01/10	Each loan is subject to a USPS review.  <b>Note:</b> For any property that is identified by a "unit" or "suite" number, that number must be included as part of the property address and be present on all applicable loan file documents.

#### 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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