



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 5/20/10

Effective Date Immediately

WPA 2010-017

Multiple Topics

Purpose

This communication:

- ✓ Announces the MSI policy for declined applicants.
- ✓ Provides clarification for the FHA Temporary Waiver of the Anti-Flipping rules.
- ✓ Announces policy regarding Disputed Accounts for all loans.
- ✓ Reminds/provides a tip: The HUD-1 must include an Itemization of Amount Financed.
- ✓ Announces additional information for the FHFA data capture policy.
- ✓ Reminds/Clarifies: The full 15-position FHA and VA case numbers must be printed on the Note and Security Instrument.

Effective Date

As Noted.

Declined Applicants

Effective Immediately, for all loans locked or relocked on/after 5/21/10:

- ✓ For all loans, all products.
 - If MSI declines to fund/purchase an applicant on a loan (or denies that applicant in Underwriting), that applicant is not eligible for any loan with MSI for a minimum of 6-months after the original declination date.

Temporary Waiver of FHA Anti-Flipping 90-Day Requirements - A Clarification

As a clarification and reminder for the FHA Temporary Waiver of the 90-Day Anti-Flipping Requirements:

Based on our knowledge from working with loans taking advantage of the FHA Temporary Waiver of the 90-Day Anti-Flipping Requirements, we would like to remind Sellers that while FHA temporarily permits properties purchased within the last 90-Days to be approved, their basic guidelines for properties with a 100% or more increase in the Sales Price have not been relaxed.

If the subject property sales price increases 100% or more, the following requirements do apply:

- ✓ Acceptable documentation to support the increased value including any rehabilitation or remodeling.
 - A second FHA appraisal is required. (See ML 09-048 for details.)
 - The borrower may not be charged for the appraisal.
 - The LTV must be based on the lower value of the 2 appraisals.

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Multiple Topics, Continued

Disputed Accounts

Effective Immediately as a Clarification:

Background: Over the last several months, “credit repair wizards” have suggested that borrowers “dispute” derogatory credit to enable that credit to be removed (set aside) from the credit scoring calculation. This does not eliminate the risk of derogatory credit for the lender. The agencies have addressed methods to ensure that this practice does not negatively impact mortgage credit decisions. MSI has developed the following policy based on those agency requirements:

MSI Policy:

For loans with an Approve/Accept AUS credit decision:

- ✓ If there is a disputed account on the Credit Report, the underwriter must determine/document whether or not the disputed account(s) belongs to the borrower or that the dispute has been resolved.
 - Obtain a new credit report that does not show any disputed accounts **and** resubmit the loan through the AUS.
 - If a new credit report cannot be obtained, the loan must be downgraded to a manual underwrite.
 - **For FHA/VA loans:** MSI must manually underwrite all invalid or down-graded loans. No other underwriter is acceptable for funding/purchase (regardless of DE or delegated authority). The underwriter must carefully evaluate the borrower’s credit and written explanation for the dispute to ensure the credit-worthiness of the borrower. If the loan is approved, the underwriter must provide a justification in writing in the loan file.
 - **For Conventional loans:** Manually underwritten loans (including Refer/Caution or Approve/Accept that are “downgraded”) are **not** acceptable to MSI for funding/purchase, regardless of the underwriter.
 - **For USDA loans:** Loans must follow the Disputed Credit policy; however, manual underwriting is acceptable based on current MSI guidelines in the USDA Product Suite.

Exception: If there is only one disputed account with **no** derogatory data reporting for the last 12-months (the dispute is simply with the creditor due to charges or payments calculation); MSI will not require a new credit report showing no disputed credit.

- ✓ However, the borrower must provide a detailed explanation of the disputed trade, **and** the Underwriter must provide a full explanation in writing.

Streamline refinance loans that are not submitted to an AUS: Disputed credit must be resolved according to policy, and if not resolved by a new credit report, borrower’s credit report and explanations for the dispute must be evaluated carefully to ensure credit worthiness. If approved, the underwriter must provide a justification in writing in the loan file.

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Reminder – Itemization of Fees from the Final HUD-1

As stated in our Seller Guide, Pre-Purchase Chapter, funding/purchase will be delayed if the loan does not include a separate written itemization of fees from the Final HUD-1. [From our Seller Guide:](#)

Effective for all closed loans delivered on/after 2/15/10.

MSI will require that a **separate** written itemization of fees from the Final HUD-1 Settlement Statement be included in each loan file.

- ✓ Sellers may choose their preferred format for providing the itemization of fees from the Final HUD-1 including, but not limited to one of the options below:
 - ✓ The Itemization of Amount Financed as outlined in Reg Z, Section 226.18(c)
 - ✓ Seller's system generation itemization of fees form.

Note: For a loan file received for purchase/funding on or after 2/15/10 without a separate Itemization of Amount Financed, MSI will delay, purchase/funding pending receipt.

FHFA Data Capture

Effective for loan applications taken on/after 7/01/10 for all loans and all products, MSI will require in addition to the Supervisory and Field Appraiser License Numbers, the Loan Originator Identifier Number and the Loan Originator Company Identifier.

- ✓ However, at this time, there is no action required of any mortgage loan originator who is an employee of a federally insured depository institution, or an owned and controlled subsidiary of a federally insured depository institution.
 - Requirements specific to federally regulated registered individuals and companies have not yet been released; Sellers must comply with federal requirements once requirements are published.

Government Case Numbers

Reminder – Clarification—Effective Immediately:

MSI requires that the **full 15-position** FHA (including the ADP Code) and VA case number be clearly printed on both the Note and the Security Instrument.

- ✓ This is not a new requirement as investors and GNMA require this identification on Government loans.
 - MSI will delay funding/purchase pending the placement of the **full 15 position** case number on the documents. (Case number must include leading zeros as well as the ADP code-last 3 digits-for FHA loans.)

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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