



Mortgage Services III, LLC

*A Subsidiary of First State Bank Member FDIC*

# Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 6/02/10

Effective Date As Noted

WPA 2010-018

## MSI USDA; Multiple Topics

### Purpose

This communication:

- ✓ Provides a USDA update and revisions.
- ✓ Clarifies and expands requirements to circumvent fraud in short sale purchase transactions.
- ✓ Revises MSI Disaster Policy-appraiser requirements.
- ✓ Announces additional FHA requirements including Case Numbers and Appraisal Assignment reminders.
- ✓ Provides TIPS for 4506-T and obtaining Tax Transcripts.
- ✓ Reminders:
  - Final HUD-1 Itemization of Amount Financed
  - Tax Transcripts
  - Flood Insurance Temporary Extension Lapsed—Effective 5/31/10
- ✓ Clarification: Borrower Decline Restriction

### Effective Date

**As Noted.**

### USDA Update

#### **USDA Pricing – Effective Immediately – Limited Conditions**

- ✓ You may have noticed that MSI is once again pricing USDA loans; **however**, this pricing is **ONLY** for those USDA loans that have a Standard Conditional Commitment (RD 1980-18) without conditions or stipulations or for Refinance loans (for which the USDA still has funding).
- ✓ MSI is **not** accepting new registrations, locks, relocks or extensions for USDA loans that do not already have a Standard (no conditional statements about funding) RD 1980-18.
  - MSI will not issue a “Clear to Close” for loans we underwrite until USDA funding has been congressionally appropriated.
- ✓ MSI will not fund (Issue a Clear to Close) or purchase a loan that does not have a Standard RD 1980-18 from USDA.

#### **Important Notes:**

- ✓ The Guaranteed Underwriting System (GUS) is unable to be used at this time; therefore, all loans must be manually underwritten.
- ✓ **Maximum ratios** for manually underwritten loans are **29/41**.
  - Limited ratio waivers may be issued **by MSI** up to a maximum of 31/43. Should ratios exceed 31/43, the loan is subject to GUS approval once GUS is operational from the USDA offices.
  - All loans must meet the more restrictive of MSI/USDA or FHA requirements.

*Continued on next page*

**WPA-10-018**

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

Page 1 of 5





Mortgage Services III, LLC

*A Subsidiary of First State Bank Member FDIC*

# Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 6/02/10

Effective Date As Noted

WPA 2010-018

## MSI USDA; Multiple Topics, Continued

### USDA Revisions

**Effective Immediately, for all loans underwritten on/after 6/02/10:**

- ✓ **Ineligible Properties:** Property that can be legally subdivided, regardless of size or site value restrictions, are not eligible for funding/purchase.
- ✓ **Minimum Trade Line Requirement:** To render a valid FICO, the credit report **must** contain a minimum of 1 trade line with a minimum of a 12-month payment history.

### Short Sales

**Effective Immediately for all loans, regardless of lock or registration date:**

- ✓ For transactions that include the purchase of a property involved in a Short Sale situation, MSI will require evidence of the authorization of the short sale from the current servicer (lender).
- ✓ Please see the Underwriting Chapter in the Seller Guide for additional guidelines.

**Important:** MSI requires that the underwriter document the loan file so that it **clearly** indicates that no fraud or property flipping has occurred in the course of the short sale purchase transaction.

### Disaster Policy

**Effective Immediately for all loans affected by the Disaster Policy, regardless of lock date.**

- ✓ MSI will no longer accept an appraisal update (1004D/442) signed by anyone other than the original appraiser; the original appraiser must sign the 1004D/442.

*Continued on next page*

WPA-10-018

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

Page 2 of 5





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

# Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

**Issue Date** 6/02/10

**Effective Date** As Noted

**WPA** 2010-018

## MSI USDA; Multiple Topics, Continued

**FHA Guidelines**

The following matrix outlines additional changes/clarification for FHA loans.

Topic	Type of Change	Summary
Valid AUS - NSF	<b>REV</b> Loans locked on/after 5/28/10	In a continuing effort to ensure that Sellers understand what makes an AUS a valid indicator of underwriting risk, MSI is adding the following requirement:  <ul style="list-style-type: none"> <li>✓ For FHAVA loans that are submitted to an AUS, if <u>Bank Statements</u> show non-sufficient funds (NSF) charges or indications, the AUS decision must be downgraded to a Manual Underwrite (the AUS Accept/Approve is not considered valid). <ul style="list-style-type: none"> <li>• The loan may only be underwritten by an MSI underwriter.</li> </ul> </li> </ul>
Business Funds		<ul style="list-style-type: none"> <li>✓ MSI will not permit the use of business funds to close.</li> <li>✓ Business funds may be used as a down payment only under the following guidelines: <ul style="list-style-type: none"> <li>• The borrower must be the sole (100% owner of the business.)</li> <li>• The business must transfer the funds to the Borrower's personal account.</li> <li>• The accountant must confirm that the removal of the funds from the business will not negatively affect the earning potential of the business. (Since the borrower was qualified using that income.)</li> </ul> </li> </ul>
FHA Case Numbers and Appraisers	<b>REV</b> Case numbers assigned on/after 2/15/10.	MSI requires compliance with Mortgagee Letter 2010-15: <a href="http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-15ml.pdf">http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-15ml.pdf</a> . See the ML for full details.  In general, the Mortgagee Letter provides guidance as follows: <ul style="list-style-type: none"> <li>✓ Informs mortgagees of changes to data entry requirements in FHA Connection;</li> <li>✓ Permits mortgagees to obtain a case number in FHA Connection without first having to select an appraiser from the FHA Appraiser Roster and input the appraiser's information in the Case Number Assignment screen; and,</li> <li>✓ Requires that the effective date of the appraisal be after the case number assignment date except in certain limited circumstances.</li> </ul>

*Continued on next page*

**WPA-10-018**

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

Page 3 of 5





Mortgage Services III, LLC

*A Subsidiary of First State Bank Member FDIC*

## Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 6/02/10

Effective Date As Noted

WPA 2010-018

### MSI USDA; Multiple Topics, Continued

#### TIPS

MSI would like to pass on the following TIPS we received to minimize errors in 4506-T and Tax Transcripts.

- ✓ The IRS is strictly enforcing their policy to reject any IRS Form 4506-T that is incomplete, illegible or has any information completed after the form is signed by the applicant/taxpayer.
- ✓ We have recently observed an increase in errors specific to Line 3 and Line 4 of the IRS Form 4506-T.
  - Sellers are reminded to provide both the current address for the borrower (Line 3), and the previous address used on the last return filed (Line 4) if the two addresses are different.
  - Forms submitted without the address where the last return was filed will be rejected by the IRS.
- ✓ MSI reserves the right to request an updated form prior to purchase.
  - To avoid delays, make certain all IRS 4506-T forms you submit are accurate, complete and legible.
- ✓ MSI has published 4506-T Completion Requirements in our Pre-Purchase Chapter.

**Note:** As a reminder, beginning with loan files **delivered** on or after June 1, 2010, Sellers must provide the 2009 Tax Return Transcripts as outlined above.

- ✓ If a borrower has filed an extension, we require:
  - Evidence in the file that the extension was filed, and
  - A 2009 Tax Transcript showing "No record of return filed" , **and**
  - **For salaried borrowers:** A 2008 transcript, a current paystub and 2009 W-2, or
  - **For self-employed borrowers:** A 2008 transcript and a P & L for 2009.

#### Reminder – Itemization of Amount Financed

MSI requires an Itemization of Amount Financed as an attachment to the Final HUD-1. This Itemization must not be confused with any type of itemization included with the Truth-in-Lending.

*Continued on next page*

WPA-10-018

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

Page 4 of 5





Mortgage Services III, LLC

*A Subsidiary of First State Bank Member FDIC*

## Wholesale Partner Announcement

At MSI...Your Interest Is Our Priority!

Issue Date 6/02/10

Effective Date As Noted

WPA 2010-018

### MSI USDA; Multiple Topics, Continued

---

#### Reminder – 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.

---

#### Reminder – Flood Insurance

The temporary extension of the National Flood Insurance Program (NFIP) expired at midnight on 5/31/10. Please be reminded of the MSI requirements, repeated here from our 10-010 Announcement:

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**.

---

#### Declined Borrower Restriction

**Clarification – Effective Immediately**

MSI would like to clarify our declined borrower restriction policy:

- ✓ If a Borrower is declined by MSI for underwriting and/or purchase, that **same borrower, same property** is ineligible for resubmission for a minimum of 6 months from the date of declination.

---

#### 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.

WPA-10-018

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

Page 5 of 5

