

Posted 8/12/11

## 2 - Table of Contents

<b>2 - ELIGIBILITY .....</b>	<b>2-1</b>
OVERVIEW .....	2-1
Description .....	2-1
General Information .....	2-1
APPROVAL PROCESS .....	2-2
Process .....	2-2
APPLICATION SUBMISSION DOCUMENTS .....	2-3
Overview .....	2-3
Seller Application .....	2-3
Agreement .....	2-3
Financial Requirements .....	2-4
Mortgage Lending License .....	2-5
Articles of Incorporation .....	2-5
Corporate Resolution .....	2-5
Proof of Fidelity Bond .....	2-5
Resumes .....	2-5
Branch Approvals .....	2-5
ELIGIBILITY STANDARDS .....	2-6
Organization Standards .....	2-6
Net Worth Requirements .....	2-7
Insurance Standards .....	2-8
Controlled Business Arrangement .....	2-9
FHA SPONSORED ORIGINATOR .....	2-10
Overview .....	2-10
FHA Sponsorship Criteria .....	2-10
Exception – SO with FHA Lender ID # .....	2-11
FHA AUTHORIZED AGENTS .....	2-12
Overview .....	2-12
FHA Principal and Authorized Agent Agreement .....	2-12
MAINTAINING ELIGIBILITY .....	2-13
Good Standing .....	2-13
Good Standing Standards .....	2-13
Determination of Good Standing .....	2-14
Material Changes .....	2-15
Fraud .....	2-16
Annual Recertification .....	2-17
CONSEQUENCES OF NOT MAINTAINING ELIGIBILITY .....	2-18
Breach of Agreement .....	2-18
Consequences of a Breach of Agreement .....	2-18
PRIVACY OF BORROWER INFORMATION .....	2-19
Privacy Policy .....	2-19
CANSPAM AND TELEPHONE CONSUMER PROTECTION ACT .....	2-20
Overview .....	2-20
Exclusions .....	2-20

# NOTES

## 2 - Eligibility

### Overview

---

**Description**

The Eligibility section outlines the requirements for becoming a Mortgage Services III, LLC (MSI) approved Seller and for maintaining that eligibility in Good Standing.

---

**General Information**

To become an approved seller to MSI, the applicant must:

- ✓ Satisfy all MSI Eligibility Requirements
  - ✓ Complete all required applications and provide all necessary documentation requested by MSI.
  - ✓ Execute the applicable Wholesale Lender – Mortgage Broker Agreement, as well as any other Agreements that may be applicable to the type of approval requested
-

## Approval Process

**Process** The following matrix outlines the approval process for becoming an approved Seller.

Step	Responsible Party	Action
1	Applicant	Contacts MSI Wholesale Account Executive
2	MSI AE	Answers any questions the Applicant may have, provides submission information
3	Applicant	Completes the MSI Application Package (obtain from <a href="http://www.msiloans.biz">www.msiloans.biz</a> )
4	MSI	Reviews Application Package
5	MSI AE	a. Obtains any missing documentation or information from the Applicant
6	MSI	a. Run MARI (Mortgage Information Data Exchange) MIDEX reports <ul style="list-style-type: none"> <li>• <b>Note:</b> If MSI determines there are issues with the MIDEX reports, MSI will request a letter of explanation due within 15-days. Acceptability of the explanation is at MSI's sole determination.</li> </ul> b. Completes review c. Issues notice of approval or declination to the Applicant and AE Activates the Seller on <a href="http://www.msiloans.biz">www.msiloans.biz</a>
7	MSI AE	Notifies the Seller and schedules New Seller Welcome Call
8	Approved Seller	a. Begins committing and delivering loans for purchase b. Maintains Good Standing with MSI

---

## Application Submission Documents

---

### Overview

MSI will accept applications for Wholesale Approval from qualified applicants.

See the [Eligibility Standards](#) for approval in this chapter for details.

The Wholesale Application and all required documentation must be complete, duly executed by an officer or principal of the applicant as required, and submitted to the Account Executive (AE) responsible for the location in which the company's main office is located.

See the Web site ([www.msiloans.biz](http://www.msiloans.biz)) for details to contact your AE.

---

### Seller Application

Applicants for approval as a MSI approved Wholesale Seller (Seller) must complete and submit a MSI Wholesale Lender Application and any required addenda executed by a duly authorized executive officer of the company.

The supporting documentation, outlined in the Application Package Instructions must be submitted with the application

---

### Agreement

The applicant must fully execute the Wholesale Lender-Mortgage Broker Agreement (Agreement).

**Notes:**

- ✓ MSI will **not** accept or approve changes to the Agreement.
  - ✓ MSI will provide a copy of the fully executed Agreement to the new approved Seller upon request.
- 

*Continued on next page*

---

## Application Submission Documents, Continued

---

### Financial Requirements

To ensure that the applicant meets the MSI net worth requirements for approval, the following are required at time of application:

- ✓ Corporate Financial Statements for the most recent two (2) years
  - If, at the time of application, more than 90-days have passed since the completion of the Financial Statements, updated financials for that period are also required.
  - If the Applicant is FHA-approved, they must provide Audited Financials to MSI.
- ✓ The financial statements must include, but are not limited to, the balance sheet, income statement, statement of retained earnings, statement of additional paid-in capital, and statement of changes in financial position. These statements must be comparative with the previous year
- ✓ The reports must be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and must include the unqualified opinion of an independent Certified Public Accountant (CPA) who is a member of the American Institute of Certified Public Accountants

### Notes:

- ✓ If the applicant has been in business less than two (2) years, MSI requires additional information to substantiate the capacity to participate in the program
- ✓ If the applicant is a subsidiary corporation, audited financial statements for its parent must also be submitted
- ✓ In the event the applicant has completed a merger since the date of the last financial, audited financial statements for the merger company are also required
- ✓ In lieu of audited statements, the following are acceptable for the specific entity:
  - Banks - Form FFIEC034
  - Savings & Loans – FHLBB1313
  - Credit Unions - NCUA5300

---

*Continued on next page*

## Application Submission Documents, Continued

**Mortgage Lending License**

MSI requires that each applicant be duly licensed and approved to do business in each state for which it will sell loans.

MSI requires a copy of each license held; or, if applicable a copy of any exemption letters.

- ✓ If your state requires it, you must forward a copy of the annually updated license upon receipt each year to maintain Good Standing with MSI.

**Articles of Incorporation**

For Applicants that are not Banks or Credit Unions, a copy of the company Articles of Incorporation, Articles of Organization (LLC) and/or the Partnership Agreement must be included in the Application Package.

**Corporate Resolution**

A fully executed Resolution of the Board of Directors (MSI sample resolution is included in the Application Package) that identifies the authorized officers for the company.

**Proof of Fidelity Bond**

The Applicant must provide proof of current Fidelity Bond and Errors & Omissions Insurance (and/or Surety Bond) in compliance with the current regulations of the state in which the company does business.

- ✓ See [Fidelity and Errors and Omissions Coverage](#).

**Resumes**

The most current resume for each principal officer that addresses his/her mortgage experience.

- ✓ Additional resumes may be required dependent upon requests for additional authority levels, e.g., for Delegated Underwriting approval, MSI will require the resume of the Underwriting Manager, Underwriting Personnel, Supervisors and Quality Control Manager.

**Branch Approvals**

MSI approves the corporate (main) office of the Seller.

- ✓ MSI will assign individual company ID's to Branch locations upon request by the company.

## Eligibility Standards

---

### Organization Standards

- To be eligible to sell loans to MSI, the applicant and/or Seller must:
- ✓ Be an organization which is accustomed to making Conventional and/or FHA/VA one-four (1-4) family residential mortgages following acceptable practices and prudent lending guidelines.
    - Be a duly organized entity in Good Standing under the laws of the state of its organization.
  - ✓ Not be listed on any exclusionary lists provided by the agencies.
  - ✓ Not be listed on any public or non-public commercial watch list or database (such as MIDEX) which reports cases of misrepresentation or failure to honor contractual obligations
  - ✓ Retain qualified personnel
  - ✓ Act as an independent contractor, and not as a representative or agent of MSI
  - ✓ Maintain satisfactory facilities in which to originate real estate mortgages
  - ✓ Be
    - An independent mortgage broker, or credit union acceptable to MSI, or
    - A savings and loan association, savings bank, commercial bank, credit union, insurance company or a similar institution which is supervised or examined by a federal or state authority, that was, at the time of origination of the loans, either approved by the Secretary of Housing and Urban Development (HUD) pursuant to Sections 203 and 211 of the National Housing Act, or an approved Fannie Mae or Freddie Mac Seller/Servicer
  - ✓ Hold all applicable federal, state and other licenses (including, without limitation, any required real estate broker license), authorizations and approvals, including, without limitation, the authorizations and approvals of FHA, VA, Fannie Mae, Freddie Mac and GNMA, as are reasonably necessary to perform its obligations under the Seller Agreement in compliance with applicable law and secondary market requirements, and is not in violation of any of the requirements of any such licenses, authorizations and approvals

---

*Continued on next page*

---

## Eligibility Standards, Continued

---

### Organization Standards, Continued

- ✓ Have and maintain acceptable written and operations quality control procedures that are acceptable to MSI and have the ability to provide reports on the loans purchased by MSI at MSI's request
  - ✓ Maintain a financial position that is acceptable to MSI
  - ✓ Maintain policies in full force for Errors and Omissions and Fidelity Bond
- 

### Net Worth Requirements

To be considered for standard approval by MSI an applicant must have:

- ✓ A **minimum** Tangible (GAAP) Net Worth of \$100,000 exclusive of related party receivables, as evidenced by the most recent financial statements.
    - An authorized officer of the company must certify the most recent financial statements as true and correct. (MSI provides a certification form in the Application Package, see the Web Site.)
    - MSI will carefully review and consider the applicant's overall financial condition less any outstanding obligations, and additional sources of capital.
- 

*Continued on next page*

## Eligibility Standards, Continued

---

### Insurance Standards

Applicants are required to have, and Sellers are required to maintain, a blanket fidelity and errors and omissions insurance coverage at all times that meets the current regulations in the state(s) in which the Broker is licensed

- ✓ The applicant must certify that it has the required fidelity bond and errors and omissions coverage and that none of its principal officers has been removed from coverage. If an officer has been removed from coverage, that a direct surety bond has been obtained to cover him/her
- ✓ In general, these policies must insure the lender against losses resulting from dishonest or fraudulent acts committed by the lender's personnel, any employees of outside firms that provide data processing services for the lender, and temporary contract employees or student interns. The fidelity bond should also protect against dishonest or fraudulent acts by the lender's principal owner, if the lender's insurance underwriter provides that type of coverage
- ✓ The applicant/Seller must report the amount and type of coverage, the names and addresses of the insurance carriers, the policy numbers, and the effective dates and expiration dates of the coverage.

The errors and omissions policy must, at least, protect the lender against negligence, errors, and omissions in

- ✓ Maintaining hazard and flood insurance that meets our requirements
- ✓ Maintaining any required mortgage insurance or loan guaranty
- ✓ Determining whether properties are located in Special Flood Hazard Areas
- ✓ Paying real estate taxes and any special assessments, and
- ✓ Complying with reporting requirements of the mortgage insurer or guarantor

---

*Continued on next page*

## Eligibility Standards, Continued

### Insurance Standards, Continued

Fidelity and Errors and Omissions Coverage
<b>Minimum Coverage Amount</b> \$300,000 or state requirement if greater
<b>Deductible</b> may not exceed the greater of \$100,000 or 5.00% of the coverage amount per occurrence, or state requirement if greater
<b>Carrier</b> must be rated B/III, A/II or better in the current Best's Key Rating Guide or state requirement

**Controlled Business Arrangement**

MSI requires that applicants that participate in Controlled Business Arrangements (CBA) with affiliate companies (e.g., title or escrow companies, etc.) owned by the mortgage company or the parent, must provide full disclosure of the name and type of business.

## FHA Sponsored Originator

### Overview

FHA no longer offers the “Loan Correspondent” approval. MSI does offer an FHA Sponsored Originator (SO) program that permits Sellers without a “full” DE to originate FHA loans and submit them to MSI for underwriting and insuring.

- ✓ These loans must be closed in the name of MSI and are subject to MSI Wholesale pricing and fees. See the [Government Product Suite](#) for additional details.

### FHA Sponsorship Criteria

The matrix below outlines the MSI criteria for SO approval:

Partner	Criteria	Summary
Currently Approved Sellers	Net Worth	<ul style="list-style-type: none"> <li>✓ MSI will “grandfather” all of our currently approved Sponsored (former FHA Loan Correspondents) FHA lenders into our Sponsored Originator (SO) program.</li> <li>✓ These lenders will need to meet all MSI Good Standing Criteria to maintain that approval.</li> <li>✓ MSI retains the right to withdrawn FHA SO status if the Seller fails to maintain Good Standing.</li> </ul>
Prospective Partners	Net Worth	<ul style="list-style-type: none"> <li>✓ A <b>minimum</b> Tangible (GAAP) Net Worth of \$100,000 exclusive of related party receivables, as evidenced by the most recent financial statements.                             <ul style="list-style-type: none"> <li>○ An authorized officer of the company must certify the most recent financial statements as true and correct. (MSI provides a certification form in the Application Package, see the Web Site.)</li> </ul> </li> <li>✓ MSI will carefully review and consider the applicant’s overall financial condition less any outstanding obligations, and additional sources of capital.</li> </ul>
	Additional Requirements	<ul style="list-style-type: none"> <li>✓ Seller must be an approved Wholesale Lender and meet all eligibility standards outlined in the Wholesale Seller Guide, in <b>addition</b> to the following to be approved as an SO lender:                             <ul style="list-style-type: none"> <li>○ Compare Ratio of less than 200% (i.e. available within HUD’s Neighborhood Watch Site—to the extent that MSI can obtain the information.). <b>Note:</b> if the information is not available to MSI, the remaining eligibility requirements will be more carefully considered.</li> <li>○ Copy of the Seller’s QC plan, most current QC Reports and Management Response.</li> <li>○ Non-sanctions letter. A letter from a senior officer, certifying that no officer or employee has ever been debarred or sanctioned by a federal, state or agency regulator. MSI provides a sample letter on our Web Site.</li> <li>○ Two (2) years’ minimal experience in FHA originations <b>OR</b> an FHA training certificate as provided by MSI or other acceptable industry training program.</li> <li>○ MSI requires that “SO” has a primary place of business (bricks and mortar office) in a commercial location with ample/visible signage, even if “SO” also has “satellite” origination offices.</li> </ul> </li> </ul>

*Continued on next page*

## FHA Sponsored Originator, Continued

### FHA Sponsorship Criteria, Continued

Partner	Criteria	Summary
All Lenders approved for FHA Sponsored Originator status	Good Standing	<ul style="list-style-type: none"> <li>✓ In <b>addition</b> to the standard Good Standing Requirements, to maintain FHA SO status with MSI, the Seller must continue to meet the requirements for approval.</li> <li>✓ The lender must be knowledgeable of current FHA guidelines and must submit quality loans for underwriting.               <ul style="list-style-type: none"> <li>○ If the lender fails to meet this guideline (in MSI's sole discretion), MSI retains the right to withdrawn its approval for FHA Sponsored Originator.</li> </ul> </li> </ul>

**Exception – SO with FHA Lender ID #**  
REV (7/01/11)

**Effective 7/01/11:**

If a Sponsored Originator has an FHA Lender ID #, the following exceptions apply:

- ✓ The Sponsored Originator with an FHA Lender ID# may originate and close the loan in their own name; MSI must underwrite the loan. MSI will not purchase loans that are "FHA Test Cases".
  - These lenders may order the appraisal through their own AMC process and complete the GFE/TIL.
  - If the Seller funds in their own name, they are responsible for the UpFront MIP payment.
  - MSI is responsible for insuring loans that we underwrite.

**Notes:**

- ✓ If the SO obtains their Unconditional DE, please see - [FHA Authorized Agents](#); the Seller is no longer a Sponsored Originator.
- ✓ Failure to obtain your unconditional DE results in the Seller becoming a Sponsored Originator without exceptions.

---

## FHA Authorized Agents

---

### Overview REV (7/01/11)

Sellers that have an **Unconditional** Direct Endorsement (DE) approval may engage with MSI as an Authorized Agent.

- ✓ The Seller is the “Principal” (originator) while MSI acts as the “Agent” or the underwriting entity.
  - MSI then requires the Seller to close the loan in their own name.
  - The Seller is responsible for obtaining the FHA Case Number, all RESPA Disclosures, ordering the appraisal and the UpFront MIP payment.
  - MSI as underwriter is responsible for insuring the loan.

### FHA Principal and Authorized Agent Agreement REV (7/01/11)

To participate in the Authorized Agent program, the Seller and MSI must execute the FHA Principal and Authorized Agent Agreement.

- ✓ MSI must have the fully executed Agreement from the Seller prior to the submission of loans under the Authorized Agent process.
- ✓ The form is posted on the MSI Web Site.

---

## Maintaining Eligibility

---

**Good Standing** All approved Sellers must remain in “Good Standing” with MSI to maintain eligibility to sell loans.  
Failure to remain in Good Standing could result in MSI’s termination of the Agreement with cause.

---

**Good Standing Standards** To remain an approved Seller in Good Standing, the Seller must:

- ✓ Actively participate in the Loan Programs and Products described in this Seller Guide
- ✓ Be in full compliance with all the terms of the Agreements and this Seller Guide, which is a contractual document by reference in the agreements
- ✓ Complete and submit (within required timeframes) all requested documents in the Annual Recertification Package issued by MSI. Failure to provide the updated information is cause for termination. Updated information requirements include, but are not limited to:
  - Most current, updated financial statements
  - Copies of renewed, updated fidelity bond and/or E&O Insurance
  - Completion of the state licensing list with copies of the applicable current/updated state licenses. See [Annual Recertification](#).

**Note:** When reviewing performance for determination of Good Standing MSI considers the Seller’s over-all track record and history with MSI.

---

*Continued on next page*

---

## Maintaining Eligibility, Continued

---

### Determination of Good Standing

Determination of Good Standing is made entirely at MSI's discretion.

MSI's determination of Good Standing includes but is not limited to the following:

- ✓ Pull Through, the lender's percentage with MSI
- ✓ Outstanding fees, based on incidence with MSI
- ✓ Outstanding final documentation, according to MSI's records of receipt and standards that are published in the Seller Guide
- ✓ MSI's quality assurance reviews and the Seller's record of timely response
- ✓ MSI's receipt and review of current financial statements
- ✓ Adherence to MSI guidelines and loan parameters as published in the Seller Guide
- ✓ Compliance with MSI's Wholesale Lender-Mortgage Broker Agreement

**Note:**

MSI reserves the right to require certification of certain information from the Seller to maintain Good Standing.

---

*Continued on next page*

## Maintaining Eligibility, Continued

### Material Changes

#### **Notification of Business Changes**

To maintain eligibility and remain in Good Standing, the Seller is responsible to inform MSI of any material company changes that may affect the business partnership with MSI.

- ✓ Notification to MSI must be made in writing no later than seven calendar days after the legal finalization of any material change.

MSI reserves the right to request that an approved Seller provide additional documentation and/or execute a new Agreement when there are significant legal changes in the Seller's business.

- ✓ **Important:** The Seller must obtain written approval from MSI to continue doing business after any material change.
- ✓ "Material Changes" include, but are not limited to the following:

If there is a change in the company name ...	Then ...
With no change in assets (no merger or acquisition)	<p>The Seller is required to provide, notification, on new company letterhead, of the new business name as well as:</p> <ul style="list-style-type: none"> <li>✓ Provide a new/updated Corporate Resolution, and</li> <li>✓ Execute a new Agreement under the new business name.</li> </ul>
Due to a merger and/or acquisition	<p>The Seller is required to provide the following documentation:</p> <ul style="list-style-type: none"> <li>✓ Notification, on company letterhead, of any new business name.</li> <li>✓ If the currently approved Seller is not the surviving entity, a new Agreement, executed in the new business name is required.</li> <li>✓ New audited financial statements.</li> <li>✓ New Resolution for the Board of Directors.</li> <li>✓ Other documents as deemed necessary by MSI.</li> </ul>

*Continued on next page*

## Maintaining Eligibility, Continued

### Material Changes (continued)

If there is a material change in ...	Then the Seller must advise their Account Executive and ...
The financial condition	Upon request, provide the most current audited financial reports.
The management team or principals for the company	Upon request, provide new resumes of the management team or the principals. ✓ <b>Note:</b> At MSI's sole determination, a new corporate resolution and new Agreement may be requested.
Fiscal Year End date	Forward the updated financials within 90-days of the new fiscal year end.

**Note:** If there is a change in the Contact name, phone, or email address originally provided, notify your Account Executive to update your records.

### Fraud

It is the Seller's responsibility to inform MSI:

- ✓ If fraud or misrepresentation is discovered in a loan sold to MSI
- ✓ If the Seller is involved in any investigation resulting from fraud or misrepresentation

*Continued on next page*

---

## Maintaining Eligibility, Continued

---

### Annual Recertification

Annually MSI requires that the Seller provide updated documentation for the following:

- ✓ Financials – The Seller must forward updated Financials upon request by MSI.
- ✓ Errors and Omissions and Fidelity Bond – evidence of the current active policy
- ✓ Updated/current active state business license – MSI will accept these from the Seller upon their separate renewals, we do not require that you wait until receipt of the Annual Recertification Package.
- ✓ Any other additional certifications or information requested by MSI

#### Notes:

- ✓ MSI generally sends the Annual Recertification Package to Sellers around May 1 each year; the completed packages are due back to MSI no later than 30-calendar days after receipt.
  - ✓ Failure to provide updated documents is cause for suspension of selling rights. See [Good Standing Standards](#).
-

---

## Consequences of Not Maintaining Eligibility

---

### Breach of Agreement

MSI considers the following to be a breach of our Agreement:

- ✓ Failure to provide all acceptable financials on an annual basis within 90-days after the end of the Seller's fiscal year
- ✓ Failure to remit payment for fees due MSI within the requested time limits
- ✓ Failure to maintain Good Standing, as defined in the Seller Guide

**Note:** The listing above is not intended to be all-inclusive and is provided as courtesy information for Sellers. Other instances, not listed herein may be considered a breach of agreement at the sole discretion of MSI.

---

### Consequences of a Breach of Agreement

If MSI determines that a Seller has failed to maintain Good Standing, or otherwise breached the agreement, we reserve the right to:

- ✓ Cease accepting registration or commitment of loans
- ✓ Determine that registered loans are not eligible for commitment based on suspension or termination of the eligibility to sell loans

**Note:** MSI's sole determination of the negative impact or a breach of agreement provides the right to immediately terminate eligibility and to not honor the existing pipeline.

---

## Privacy of Borrower Information

---

**Privacy Policy** MSI's privacy policy prohibits the release of loan level information to non-MSI affiliates, unless specifically requested by the borrower.  
See the Privacy Policy published on [www.msiloans.biz](http://www.msiloans.biz)

---

---

## CANSpam and Telephone Consumer Protection Act

---

**Overview** The CAN-SPAM Act of 2003 and the Telephone Consumer Protection Act of 1991 imposes limitations and penalties on the transmission of unsolicited commercial electronic mail via the Internet or the telephone lines by calling or sending faxes.

---

**Exclusions** The following information issued by MSI shall **not** be considered an “advertisement”, “unsolicited advertisement”, “commercial advertisement”, “commercial electronic mail message”, or “solicitation” under any applicable laws, rules and regulations, including the CAN-SPAM Act of 2003:

- ✓ Seller Guide Communications, legal and informational
- ✓ Price Sheets or notifications of changes to Price Sheets

---