

Posted 7/15/10

601 - Table of Contents

601 - CONFORMING PRODUCTS	601-1
PRODUCT DESCRIPTION AND PRODUCT CODES.....	601-1
<i>Overview</i>	601-1
<i>Rights of MSI</i>	601-1
<i>Seller Responsibility</i>	601-1
<i>FRM Product Description</i>	601-1
Conforming Fixed Rate Mortgage	601-1
Fannie Expanded Approval (EA-1) and Freddie A-Minus	601-1
Community Lending Products	601-1
<i>FRM Product Codes</i>	601-2
Conforming Fixed Rate Mortgage – Fully Amortizing	601-2
FRM Temporary Buydown Codes - MSI “funded” – Call MSI for pricing.....	601-2
FRM Interest Only (I/O)	601-2
MSI Lender Paid Mortgage Insurance Option (LPMI) – FRM	601-2
Split Mortgage Insurance (MI) Option – FRM – Eliminated 4/29/09	601-2
Expanded Guidelines FRM	601-2
Community Lending FRM	601-2
<i>Product Limitations – Investment and Second Home</i>	601-3
<i>ARM Product Description</i>	601-3
Conforming Adjustable Rate Mortgage.....	601-3
<i>ARM Product Codes</i>	601-3
Conforming Adjustable Rate Mortgage (ARM)	601-3
ARM Interest Only (IO) - Product is eliminated for loans locked on/after 3/02/09.....	601-3
LOAN DETAILS	601-4
<i>Overview</i>	601-4
<i>Assumable</i>	601-4
<i>Borrowers</i>	601-4
<i>Eligible States</i>	601-5
<i>Wholesale</i>	601-5
<i>Escrow/ Impound Waiver</i>	601-5
<i>Price Adjustments</i>	601-5
<i>Loan Limits</i>	601-5
<i>Mortgage Credit Certificate</i>	601-5
<i>Negative Amortization</i>	601-6
<i>Occupancy</i>	601-6
<i>Prepayment Penalty</i>	601-6
<i>Property Types</i>	601-7
DOCUMENTATION REQUIREMENTS	601-8
<i>Full/Alt Doc</i>	601-8

Continued on Next Page

Table of Contents, Continued

GENERAL UNDERWRITING GUIDELINES.....	601-10
<i>Overview</i>	601-10
<i>Underwriting Method</i>	601-10
<i>Presentation</i>	601-10
<i>Acceptable AUS Decisions</i>	601-11
<i>Alimony/ Child Support/ Separate Maintenance Income</i>	601-12
<i>Appraisal</i>	601-12
LP – Home Value Explorer® (HVE).....	601-12
<i>Investment Property</i>	601-12
<i>Home Valuation Code of Conduct</i>	601-13
<i>AUS</i>	601-14
<i>Chain of Title</i>	601-14
<i>Condos – Attached PUDs</i>	601-14
<i>Loan Parameters – Condos - FRM and ARM</i>	601-15
<i>Construction to Perm</i>	601-15
<i>Credit Score</i>	601-16
<i>Qualifying Ratios</i>	601-16
<i>Mortgage/ Rental History</i>	601-16
<i>Mortgage Insurance</i>	601-16
<i>MI Standard Coverage</i>	601-17
<i>Mortgage Insurance – Lender Paid</i>	601-17
<i>Multiple Mortgages to the Same Borrower</i>	601-17
<i>Non-Occupant Co-Borrower</i>	601-18
<i>Purchase Contracts – Re-Negotiated</i>	601-18
<i>Refinance Transactions</i>	601-18
<i>Reserve Requirements</i>	601-18
<i>Short Sales</i>	601-18
<i>Subordinate (Secondary) Financing</i>	601-19
<i>Temporary Buydown</i>	601-19
Qualifying Requirements.....	601-20
RESTRICTIONS.....	601-21
<i>Introduction</i>	601-21
<i>High Cost and Responsible Lending Restrictions</i>	601-21
<i>State Restrictions</i>	601-22
MSI State-Specific Guidelines.....	601-22
CLOSING DOCUMENTATION.....	601-23
<i>Description</i>	601-23
<i>State Specific Documents</i>	601-23
MERS.....	601-24
MSI MERS Org ID Number:.....	601-24
<i>Title Requirements</i>	601-24
MSI Title Restrictions.....	601-24
CONFORMING FRM.....	601-25
<i>Summary</i>	601-25
<i>Loan Parameters – Agency FRM 30 Year</i>	601-26
FRM INTEREST ONLY (FRM-IO) – PRODUCT ELIMINATED.....	601-28
<i>Summary</i>	601-28

Continued on Next Page



Table of Contents, Continued

DU REFI PLUS™	601-29
<i>Summary</i>	601-29
<i>Maximum Loan Limits</i>	601-29
<i>MSI Product Guidelines</i>	601-29
LP RELIEF REFINANCE MORTGAGE SM	601-33
<i>Summary</i>	601-33
<i>Maximum Loan Limits</i>	601-33
<i>MSI Product Guidelines</i>	601-33
MSI-LPMI – CONFORMING FRM	601-38
<i>Summary</i>	601-38
<i>Documentation Type</i>	601-38
<i>Interest Only</i>	601-38
<i>Mortgage Insurance</i>	601-38
<i>Restrictions</i>	601-39
<i>Subordinate Financing</i>	601-39
<i>Temporary Buydown</i>	601-39
<i>Loan Parameters – Conforming FRM MSI-LPMI 25-30 Year</i>	601-40
SPLIT MORTGAGE INSURANCE - PRODUCT ELIMINATED	601-41
<i>Summary</i>	601-41
EXPANDED APPROVAL FRM – PRODUCT ELIMINATED.....	601-41
<i>Summary</i>	601-41
COMMUNITY LENDING PRODUCTS - PRODUCT ELIMINATED	601-41
CONFORMING ADJUSTABLE RATE MORTGAGES	601-42
<i>ARM Summary</i>	601-42
<i>Presentation</i>	601-43
<i>Guidelines</i>	601-43
<i>Loan Parameters – Agency ARM 30-Year</i>	601-44
<i>Loan Parameters – Agency ARM I/O - 30-Year – Product Eliminated</i>	601-46
MSI CONVENTIONAL HIGH BALANCE	601-47
<i>Overview</i>	601-47
<i>Guidelines</i>	601-47
<i>MSI Loan Limits</i>	601-47
<i>Products Eligibility</i>	601-47
<i>Loan Parameters – MSI Conventional High Balance - FRM</i>	601-48
<i>Loan Parameters – MSI Conventional High Balance--ARM</i>	601-49
<i>High Balance Requirements</i>	601-50
High Balance Requirements Matrix	601-50

NOTES

601 - Conforming Products

Product Description and Product Codes

Overview

This product suite provides specific product-related criteria which are in addition to those guidelines provided in the Underwriting chapter of this Seller Guide.

- ✓ Should there be a conflict between the requirements contained in this product suite versus the guidelines contained in the Underwriting Chapter, the Seller should follow the criteria set forth in this product suite.
- ✓ Sellers should reference the Underwriting Chapter for guidelines not specifically addressed in this product suite.
- ✓ Additionally, Mortgage Services III, LLC (MSI) underwriting guidelines are based on Fannie Mae/Freddie Mac guidelines, **unless** specifically addressed in this product suite or the Underwriting chapter.

Rights of MSI

MSI reserves the right to change or eliminate any product without advance notice based on the current market conditions. If a product is not priced, it is not available, regardless of the Seller Guide or Product Quick Reference sheet.

Seller Responsibility

All loans sold to MSI must meet the product parameters in effect at the time the loan is locked. Loans that do not meet the specific product descriptions outlined in this product suite are not eligible for purchase.

FRM Product Description

(8/03/09)

Conforming Fixed Rate Mortgage

- ✓ The Conforming fixed rate mortgage (FRM) product has the option of a 10-, 15-, 20, 25, or 30-year amortization term.
- ✓ **MSI-Lender Paid Mortgage Insurance Product** –Product eliminated from pricing on 8/03/09.
- ✓ **Interest Only** product is not available for loans locked on/after 11/17/08.

(11/17/08)

Fannie Expanded Approval (EA-1) and Freddie A-Minus

- ✓ Product Eliminated effective for loans locked on/after 11/17/08.

(7/01/09)

Community Lending Products

- ✓ Discontinued 7/01/09. MSI discontinued pricing at an earlier date.

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Product Description and Product Codes, Continued

FRM Product Codes
REV (7/15/10)

The following matrix outlines the applicable product codes for the Conforming FRM product suite:

Product	Product Code	Loan Term
Conforming Fixed Rate Mortgage – Fully Amortizing		
30-Year FRM	300000	30-Years
(10/19/09) DU Refi Plus™	306600-30 156-600-15	30-Years 15-Years
(10/19/09) LP RRM	306700-30 156700-15	30-Years 15-Years
20-Year FRM	200000	20-Years
25-Year FRM	250000	25 Years
15-Year FRM	150000	15-Years
10-Year FRM	100000	10 Years
FRM Temporary Buydown Codes - MSI "funded" – Call MSI for pricing		
1/0 Temporary Buydown	305000	Maximum 30 Years
2/1/0 Temporary Buydown	305100	Maximum 30 Years
FRM Interest Only (I/O)		
30 Year IO FRM	Eliminated 11/17/08	
MSI Lender Paid Mortgage Insurance Option (LPMI) – FRM		
30-Year FRM – LPMI 95 LTV 90.01 – 95.00	300200	30-Years
25-Year FRM – LPMI 95	250100	25-Years
15-Year FRM – LPMI 95	Not Permitted	
30-Year FRM – LPMI 90 LTV 80.01 – 90.00%	300100	30-Years
25-Year FRM – LPMI 90	250100	20-Years
15-Year FRM – LPMI 90	Not Permitted	
Split Mortgage Insurance (MI) Option – FRM – Eliminated 4/29/09		
Expanded Guidelines FRM		
Fannie EA-1	Eliminated 11/17/08	
Freddie A-Minus	Eliminated 11/17/08	
Community Lending FRM		
Fannie My Community	Discontinued Pricing.	
Freddie Home Possible	Eliminated from Seller Guide 7/01/09	

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Product Description and Product Codes, Continued

Product Limitations – Investment and Second Home

(12/12/09)

When Borrowers are purchasing a Second Home or Investment Property:

- ✓ If the borrower(s) own more than one financed 1-4 unit investment property, the product is limited to 15-year, 20-year, 30-year FRM or 7/1 or 10/1 ARM only.

ARM Product Description

Conforming Adjustable Rate Mortgage

- ✓ The Conforming adjustable rate mortgage (ARM) product has only a 30-Year amortization but offers the following options:
- ✓ 1 Year, 3/1, 5/1, 7/1 and 10/1
- ✓ **Lender Paid Mortgage Insurance Options** –Not Available, effective 8/03/09.

ARM Product Codes

The following matrix outlines the applicable product codes for the Conforming ARM product suite:

Product	Product Code	Loan Term
Conforming Adjustable Rate Mortgage (ARM)		
1 Year LIBOR	110000	30-Years
3/1 LIBOR	310000	
5/1 LIBOR	510000	
7/1 LIBOR	710000	
10/01 LIBOR	910000	
ARM Interest Only (IO) - Product is eliminated for loans locked on/after 3/02/09		

Loan Details

Overview The following “loan details” are presented in alphabetical order. Unless otherwise noted in a specific product sub-section, the loan details noted herein apply to all loans in this product suite.

See the specific product sub-sections for full details regarding loan parameters.

Assumable Conforming FRM – Not Assumable

Conforming ARM – May be Assumable under specific conditions. See [ARM Summary](#).

Borrowers The following matrix outlines the applicable borrower types:
REV (5/21/10)

Eligible Borrowers	Ineligible Borrowers
<p>Loans are granted only to natural persons. Title must be held in individual names only.</p> <p>The following are permitted to the applicable MSI/agency underwriting guidelines:</p> <ul style="list-style-type: none"> ✓ U.S. Citizens ✓ Permanent Resident Aliens ✓ Non-Permanent Resident Aliens ✓ Inter Vivos Revocable Trust (See Underwriting/Trusts for requirements) ✓ Illinois Land Trust (See Underwriting/Trusts for requirements) 	<p>Possession by corporations or partnerships is not acceptable, including, but not limited to, the following:</p> <ul style="list-style-type: none"> ✓ Borrowers with diplomatic immunity ✓ Borrowers that have been declined in underwriting or for funding/purchase by MSI within the past 6-months of the new application date. ✓ S Corporations ✓ Life Estates ✓ Real Estate Syndication ✓ General Partnerships ✓ Foreign Nationals ✓ Non-profit organizations ✓ Land Trusts, except Illinois
<p>Notes:</p> <ul style="list-style-type: none"> ✓ Each borrower must have a valid U.S. Social Security Card; a tax I.D. number is not acceptable. 	

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Loan Details, Continued

Eligible States Wholesale

For a complete listing of eligible states in which MSI will purchase loans, see the “currently doing business” list on the Web Site, www.msiloans.biz.

Escrow/ Impound Waiver

Permitted per MSI guidelines for loans with an LTV less than 80.00%, unless higher limits are permitted by state law (e.g., California).

- ✓ The impound/escrow for hazard insurance and taxes may be waived.
- ✓ The impound/escrow for mortgage insurance may **not** be waived.
- ✓ The impound for hazard insurance only may be waived.

See specific product subsets for limitations. See the [Current Rates](#) for applicable price adjustments.

Price Adjustments

Price Adjustments may be applied against conventional conforming loans. All price adjustments are cumulative.

See the [Current Rates](#) on www.msiloans.biz for details.

Loan Limits

Maximum Loan Amount for Conforming Products

Property Type	48 Contiguous States & DC
1 Unit	\$417,000
2 Units	\$533,850
3 Units	\$645,300
4 Units	\$801,950

Minimum

MSI will not purchase loan amounts less than \$20,000.

Mortgage Credit Certificate

Mortgage Credit Certificates (MCC) are not permitted.

Continued on next page

Conforming Product Suite



Loan Details, Continued

Negative Amortization

Not Applicable for Conforming Products.

Occupancy

Within specific product parameters, the following occupancy types are available:

- ✓ Owner-Occupied
- ✓ Second Vacation Home
- ✓ Investment (Non-owner occupied)

See [Non-Occupant Co-Borrower](#) for additional guidelines.

Prepayment Penalty

Not Permitted

Continued on next page

Loan Details, Continued

Property Types

(12/23/09)

The following matrix outlines the applicable property types:

Eligible Property Types	Ineligible Property Types
<p>Unless otherwise specifically restricted or not permitted by the applicable loan parameters, the following property types are acceptable to MSI/agency Guidelines:</p> <ul style="list-style-type: none"> ✓ Auction – Properties purchased at auction. ✓ 1-4 Unit Properties ✓ Condominiums (condo) to MSI guidelines, regardless of AUS Findings (Low Rise and High Rise) See Underwriting/Condo Requirements for details. ✓ Land Contract for Sale ✓ Leasehold Estate properties must be common to the area. See Underwriting/Leasehold for full details. ✓ Modular/Factory Built homes to Fannie Mae guidelines. See Underwriting/Modular Homes for full details. ✓ PUDs to applicable agency guidelines ✓ Rural Properties ✓ Mixed use properties (See Link to Underwriting for details) 	<ul style="list-style-type: none"> ✓ Commercial operations ✓ Condotels ✓ Cooperative Projects ✓ Geodesic Domes ✓ Earth Homes ✓ Houseboats ✓ Mobile (Manufactured) Homes, single- or double-wide ✓ Model Home Leaseback properties ✓ Multi-dwelling or Multi-Unit condominiums ✓ Non-Warrantable Condos ✓ Non-conforming zoning projects ✓ "Own-your-Own", Timeshare/segmented ownership ✓ Projects with pending litigation ✓ Properties with deed restrictions that limit transferability of title, or contain a "first right of refusal" provision ✓ Properties located outside the United States or District of Columbia ✓ Properties with assignments of purchase (assigning the purchase contract to another party) ✓ Property located on an Indian Reservation ✓ Raw Land ✓ Unimproved (Raw) Land ✓ Working farms, ranches or orchards ✓ Any property type not permitted by Fannie Mae or Freddie Mac
<p>Note: See Underwriting/Property Types for additional details</p>	

Documentation Requirements

Full/Alt Doc

(11/17/08)

Full/Alt documentation requirements follow current DU/LP/MSI guidelines. MSI requires certain additional documentation regardless of the AUS findings:

Income Documentation

MSI, **regardless of the AUS findings**, requires the following **minimum** documentation on all loans:

- ✓ The VVOE (see below)
- ✓ A current YTD pay stub and
- ✓ 1-Year W-2 or 1 Year Tax Returns

Verification of Employment (VOE)

- ✓ When a direct (VOE form) is used, MSI requires a copy of the most recent pay stub, W-2 or tax return to validate income, regardless of the AUS finding or the fact that a VOE is included in the loan file. See the [Underwriting Chapter](#) for full details.
- ✓ A Verbal Verification of Employment (VVOE) is required on all loans.
 - The Verbal Verification must be completed to MSI guidelines and included in the loan file as follows:
 - At time of underwriting (MSI always performs a VVOE prior to underwriting the loan), **and**
 - A new VVOE completed no later than 5 business days prior to the loan closing date (MSI highly recommends the calls be made as late as 2 calendar days prior to closing). See [Underwriting/Verbal Verification](#) of Employment for full details.
 - MSI will perform a VVOE prior to funding, if the borrower(s) is no longer employed and can no longer qualify for the loan, MSI will refuse funding/purchase of the loan.

Verification of Deposit

- ✓ MSI requires a copy of the most recent bank statement to validate funds to close and/or reserves, regardless of the AUS finding or the fact that a VOD is included in the loan file.

Continued on next page

Documentation Requirements, Continued

Full/Alt Doc, Continued

(1/01/09) **IRS 4506-T**

- ✓ A 4506-T, signed/dated by each borrower at closing is required, regardless whether tax transcripts are included in the closed loan delivered for purchase.

(6/01/09)

- ✓ Tax Transcripts/Record of Change must cover:
 - Salaried (W-2) Borrowers: The most current 2-years.
 - Self-Employed (and passive income) Borrowers: The most recent 2-years.
 - Jumbo loans exceeding \$750,000: The most recent 2 years.

Underwriting Tip:

- ✓ See the [Tax Transcripts Review](#) section of the [Underwriting Chapter/Documentation Requirements](#) for additional assistance.

Closed Loans Delivered for Purchase

- ✓ MSI requires that the loan file contain 2-years of tax transcripts/Record of Change. MSI will review tax transcripts and the Record of Change prior to loan purchase/funding.

Note: MSI still requires the 4506-T signed/dated by each borrower at close to facilitate any post-purchase quality control audit.

(11/17/08)

Important Note: Amended Tax Returns

The IRS permits tax returns to be amended up to 3-years after the initial tax-filing year. If tax returns have been amended, the underwriter (and MSI) must be able to document the following, via the tax transcripts obtained using the 4506-T:

- ✓ The IRS has processed **and** accepted the amended tax returns; that information is contained in the transcripts.
- ✓ All outstanding liabilities and/or tax penalties have been paid; the transcripts show no outstanding money owed to the IRS.

Additionally, the underwriter must carefully review any increased income to insure its validity, and the loan file should contain:

- ✓ Documentation to support receipt of the income as well continuation of the income (reasonably for at least 2-years in the future).
 - ✓ The underwriter in these cases must make every effort to prudently document the added income and the reasonable expectation of continuation.
-

General Underwriting Guidelines

Overview

The conforming loans in this section require submission through either Fannie Mae Desktop Underwriter[®] (DU) or Freddie Mac Loan Prospector[®] (LP). The underwriting guidelines (AUS findings) of each agency must be met, unless otherwise indicated in the loan parameters.

All loans must meet the guidelines outlined in this General Underwriting Guidelines section unless otherwise noted in a specific product sub-set.

Notes:

- ✓ Throughout the product suite references to the Underwriting chapter are indicated in the following manner, [Underwriting/Credit](#) – this tells you to go to the Underwriting chapter, Credit section. References in blue with an underline indicate a link within this chapter, click on the link to go to that reference.
- ✓ Guidelines that are not provided in this product suite or in the Underwriting chapter default to the applicable Fannie Mae or Freddie Mac guidelines.

Underwriting Method

Conforming Conventional

- ✓ **AUS Required**
 - Loans must be submitted through either Fannie Mae DU or Freddie Mac LP and receive an approve or accept to be eligible for purchase to MSI.
 - If the loan is a conforming 30-year Fixed Rate Mortgage (FRM), it may be eligible for DU EA-1 or LP A-Minus up through Level 3. See [Expanded Approval FRM](#) for details.
- ✓ **Validation**
 - Loans must be validated by an underwriter in accordance with the applicable agency requirements.

Note: Loans may not be manually underwritten under any circumstances.

Presentation

The guidelines in this section are presented in alphabetical order.

Continued on next page

General Underwriting Guidelines, Continued

Acceptable AUS Decisions (11/17/08)

MSI will accept Agency Conforming loans only with the following credit recommendations.

Note: Manual Underwriting or "Overturning" loans is **not** permitted regardless of circumstances or compensating factors.

Credit Recommendation	Eligible for Purchase
DU Decision	
DU Approve/Eligible	Yes
DU Approve/Ineligible	No
DU Refer/Eligible	No
DU Refer/Ineligible	No
DU Refer with Caution	No
DU EA 1/Eligible	No-Product Eliminated 11/17/08
DU EA 1/Ineligible	No
DU EA 2/Eligible	No
DU EA 2/Ineligible	No
DU EA 3/ Eligible or Ineligible	No
Out of Scope	No
LP Decision	
Standard Accept	Yes
Streamline Accept	Yes
Accept Plus	Yes – Follow MSI guidelines for full/alt documentation.
Caution	No
Incomplete	No
500 FHLMC Eligible. LP A-minus offering	No-Product Eliminated 11/17/08
Notes:	
<ul style="list-style-type: none"> ✓ A copy of the applicable AUS findings report and completed Fannie Mae 1008 must be in the loan file at time of delivery for purchase by MSI. ✓ The report/findings must be the most current used to close the loan and may not be older than 90-days from the date of closing. ✓ The AUS Findings, summary and executed Fannie Mae 1008 must reflect the terms of the closed loan. 	

Continued on next page

General Underwriting Guidelines, Continued

**Alimony/
Child Support/
Separate
Maintenance
Income**
CLAR (3/19/10)

MSI, in accordance with agency guidelines, requires specific documentation and evidence of stability to use this type of income to qualify, regardless of the AUS Finding message.

See [Underwriting/Alimony ...](#) for full details.

Appraisal
(1/01/09)

MSI will **not** accept the limited appraisal forms noted in the AUS findings report, with the exception of the Fannie Mae 2055 or the Freddie Mac equivalent. See the Underwriting Chapter for full details.

- ✓ MSI will **not** accept the following “appraisal alternatives”:
 - Fannie Mae Property Inspection Waiver (PIW)
 - Freddie Mac Property Inspection Alternative (PIA)
 - **Notes:**
 - If the AUS finding permits either a DU PIW or an LP PIA, MSI will not accept them; however, in lieu of the PIW/PIA, MSI will accept a 2055-Exterior in lieu. (Unless the AUS or MI requires an interior/exterior.)
 - Condos always require a full condo appraisal to facilitate Limited Review warranties.

CLAR (7/15/10)

LP – Home Value Explorer® (HVE)

- ✓ If the final LP Feedback Certificate includes the Home Value Explorer® (HVE):
 - If the HVE indicates a variance greater than 20%, MSI requires (in addition to the applicable URAR) a Field Review in full compliance with Freddie Mac requirements.

Investment Property

In addition to the appraisal form applicable to the product and property, the following forms are required for each 1-4 unit investment property:

- ✓ FNMA 216/FHLMC 998 *One-to-Four-Unit Investment Property Operating Income Statement*.
- ✓ FNMA 1007/FHLMC 1000 Single Family Comparable Rent Schedule.

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General Underwriting Guidelines, Continued

Appraisal, Continued

(5/01/09) **Home Valuation Code of Conduct**

Effective for all conventional loans with an initial application date on/after 5/01/09, the appraisal must be performed in full compliance with the Home Valuation Code of Conduct (HVCC).

- ✓ See the Fannie Mae and Freddie Mac web sites for additional details.
- ✓ MSI requires that Brokers use the services of an Appraisal Management Company (AMC) to order **all** Appraisals.
 - Effective with loan applications dated on/after 5/01/09, Brokers are no longer permitted to have direct contact or influence with appraisers).
 - MSI requires that for loans requiring a conventional appraisal funded by MSI, the Broker must use our AMC provider. See the Web Site for details.
- ✓ **Additionally**, MSI requires that each loan with a conventional appraisal include the HVCC Borrower Acknowledgment Form (see the Web Site) fully executed by each borrower.

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General Underwriting Guidelines, Continued

AUS	<p>Loans may not be manually underwritten.</p> <ul style="list-style-type: none">✓ All conventional conforming loans must be submitted to either DU or LP.
Chain of Title	<p>MSI requires a 12-month chain of title on all properties.</p> <ul style="list-style-type: none">✓ The title commitment must document 12 months of property ownership.
Condos – Attached PUDs	<p>MSI will purchase loans where the subject property is a Condo.</p> <ul style="list-style-type: none">✓ The condo and/or attached PUD must meet all current MSI/Fannie Mae Guidelines. See the Seller Guide/Underwriting Chapter for full details.✓ MSI requires that Questionnaires be completed as required.✓ MSI has provided the Condo Loan Parameter Matrix to clarify loan parameters for condos.✓ Attached PUDs follow the same LTV/CLTV parameters outlined for single family residence properties. Attached PUDs must meet condo Limited Review Warranty guidelines (Established Projects), including the completion of the Limited Review Questionnaire.✓ MSI will purchase only those condos that:<ul style="list-style-type: none">• Are submitted to DU and receive an Approve/Eligible and the finding must state that the project is eligible for Limited Review. (Remember - Established Condos Only) OR• A condo that has a DU Approve/Eligible and a documented current Fannie Mae 1028 (condo approval). The Seller must provide documentation of the current Fannie Mae 1028.) OR✓ Additional Notes:<ul style="list-style-type: none">• Condo projects that consist of only 2-4 units must have a 2-4 Unit project questionnaire completed.✓ MSI no longer accepts condos that require a "full analysis.

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General Underwriting Guidelines, Continued

Loan Parameters – Condos - FRM and ARM

(12/12/09)

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV		
Owner Occupied - Primary						
Purchase and Limited Cash Out Refinance	1	90.00	90.00	90.00	660 (2)	45%
Cash Out Refinance	1	80.00	75.00	80.00	620	45%
Second Home						
Purchase	1	75.00	75.00	75.00	680	45%
Limited Cash Out Refinance	1	75.00	75.00	75.00	680	45%
Cash Out Refinance	1	75.00	70.00	75.00	620	45%
Investment Property						
Investment Properties are not permitted.						
<ul style="list-style-type: none"> ✓ Unless a more restrictive parameter is required by a product subset, the maximum LTV/CLTVs are valid for all condos, regardless of warranty type or conventional product.; ✓ Attached PUDs must meet the condo warranty requirements; however, LTV/CLTV are permitted to the same parameters as a single family detached property. Freddie Mac LP condos or attached PUDs are not acceptable to MSI. ✓ If the project is a 2-4 Unit project, MSI requires the completion of the 2-4 Unit Condo Questionnaire. <p>Notes:</p> <p>(1) The more restrictive MI or AUS will supersede this minimum. DTI: DU loans may not exceed 55% ; LP loans are acceptable at the DTI approved by LP.</p> <p>(2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 620.</p> <ul style="list-style-type: none"> ✓ See the Underwriting Chapter and Fannie Mae Seller Guide for full details regarding condos and attached PUDs. 						

Construction to Perm

(05/01/09)

Construction to Perm loans (as two separate transactions only) are permitted.

- ✓ **TIP:** MSI uses a property tax estimate of the **higher** of 1.5% of the appraised value of the subject property, or the appraiser or title insurer's estimate when calculating PITI for qualification purposes on new construction.
- ✓ See [Underwriting/Construction to Permanent Financing and New Construction in the Underwriting Chapter](#) for additional assistance.

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General Underwriting Guidelines, Continued

Credit Score

CLAR (5/21/10)

Minimum score required by MSI, regardless of DU/LP, see the specific loan parameter matrices for details.

Important Reminder: Regardless of the MSI minimum FICO, if the AUS or an MI company requires a lower FICO minimum, the loan must comply with that more restrictive guideline.

Disputed Credit – See Underwriting for the MSI Disputed Credit Policy.

Qualifying Ratios

(12/03/08)

As determined by DU/LP/MI restrictions or the specific product limitations.

- ✓ The more restrictive guidelines for any product prevail.

Mortgage/ Rental History

AUS approvals that do not require additional mortgage or rental history documentation may be accepted per finding.

Mortgage Insurance

(8/03/09)

Company

Mortgage Insurance (MI) must be obtained from a company that is acceptable to MSI: Genworth, MGIC, Radian, or RMIC.

Coverage

- ✓ Mortgage Insurance coverage must meet the conditions on the DU/LP findings report.
 - Reduced MI is **not** permitted, even if permitted in DU/LP.
 - Lower Cost or Custom MI is **not** permitted.
 - Lender Paid MI is not permitted.
- ✓ Financed MI is not permitted.

Notes:

- ✓ When applicable, the loan must include the MI Cert. To obtain coverage, additional MI underwriting restrictions may apply.
- ✓ In all cases, when MI is required, the more restrictive MI guidelines apply.

See [Underwriting, Mortgage Insurance Requirements](#) for details.

Continued on next page

General Underwriting Guidelines, Continued

MI Standard Coverage

The following matrix provides the required mortgage insurance coverage:

LTV Ranges	≤ 20 Year Terms	> 20 ≤30 Year Terms
90.01 – 95.00%	25%	30%
85.01 – 90.00%	12%	25%
80.01 – 85.00%	6%	12%

Mortgage Insurance – Lender Paid (8/03/09)

- ✓ LPMI is not permitted.

Multiple Mortgages to the Same Borrower (12/12/09)

MSI applies the following limitations to borrowers that hold multiple financed properties:

- ✓ **Owner Occupied** – No limitation on the number of financed properties owned (individual or joint ownership).
- ✓ **Investment or Second Home** – Borrowers are limited to a maximum of 4 financed properties, including the primary residence.
 - Joint ownership is considered against the maximum.
 - Any liability on the personal credit report will also be considered against the maximum.
 - See [Product Limitations – Investment and Second Home](#) for product limitations for borrowers owning more than one financed 1-4 investment property.
 - Additionally, follow the more restrictive of MSI or the applicable agency (DU or LP) requirements for guidelines regarding the use of rental income to qualify.

Continued on next page

General Underwriting Guidelines, Continued

Non-Occupant Co-Borrower	Permitted as allowed by DU/LP. The following additional MSI guidelines apply: <ul style="list-style-type: none">✓ DU/LP findings must identify that a non-occupant co-borrower was used to qualify.✓ Non-occupant co-borrower must be an immediate family member.✓ See the Underwriting Chapter for additional details.✓ Signature Requirements:<ul style="list-style-type: none">• The non-occupant co-borrower must sign the Note if their income is used to qualify.• If the non-occupant co-borrower holds an ownership interest in the property, the Deed of Trust (Mortgage) must be signed.• See Underwriting/Borrowers/Non-Purchasing Spouse if applicable.✓ LTV Restrictions:<ul style="list-style-type: none">• Maximum LTV: 90.00%• If the LTV is greater than 80.00% and the non-occupant co-borrower's income is used to qualify, the owner-occupant borrower must document 5% of the purchase price in their own funds.(3/22/10) ✓ Ratios:<ul style="list-style-type: none">• The Owner Occupant (occupying co-borrower) must qualify at a max 35%/43%, regardless of AUS findings.
Purchase Contracts – Re-Negotiated (1/18/10)	Please see the Underwriting Chapter, Property/Purchase Agreement (Contract)-Re-Negotiated for details regarding MSI's restrictions for re-negotiated purchase contracts.
Refinance Transactions	Follow current applicable more restrictive of agency/MSI requirements for refinance loans. <ul style="list-style-type: none">✓ See Underwriting/Refinance for full details. <p>Note: Cash out refinances are not permitted on primary (homestead) residences in the state of Texas.</p>
Reserve Requirements (12/12/09)	Must meet the more restrictive of the AUS or MSI. See Underwriting/Reserves for additional details. <ul style="list-style-type: none">✓ Second Home – MSI requires a minimum 2-months PITI reserves.✓ Investment Property – MSI requires a minimum 6-months PITI reserves for each investment property owned.
Short Sales (2/26/10)	See the Underwriting Chapter/Short Sales for specific restrictions/guidelines.

Continued on next page

General Underwriting Guidelines, Continued

**Subordinate
(Secondary)
Financing**
(10/08/09)

- Must meet the product-specific loan parameter requirements.
- ✓ As required by the product parameters, subordinate financing is permitted and must meet the more restrictive of MSI/agency (DU/LP) guidelines.
 - MSI will not accept New Employer or Community seconds.
 - ✓ Home Equity Lines of Credit (HELOC) must meet the applicable agency guidelines.
- See [Underwriting/Subordinate Financing](#) for details.

**Temporary
Buydown**

(8/03/09)

Temporary Buydowns are permitted for Conforming Loan products to applicable Fannie Mae or Freddie Mac guidelines.
 The **additional** following requirements must be met:

Parameters

- ✓ Purchase/Rate & Term Refinances only, Cash Out Refinances not permitted
 - **Note:** If the transaction is a R/T Refinance, DU must be used, LP is not permitted
- ✓ Owner-Occupied and Second Homes only, Investment property not permitted.
- ✓ Buydown terms must be entered into the AUS.
- ✓ Not permitted for:
 - ARM loans
 - Texas Equity Refinance Section 50 (a)(6)
 - Interest Only Loans (MSI does not offer.)
 - Secondary Financing
 - Lender Paid Mortgage Insurance (LPMI) (LPMI is ineligible for sale to MSI.)
 - Split Premium Mortgage Insurance - **Product Eliminated 4/29/09**
 - Reduced MI (even when permitted by the AUS)
- ✓ Initial payment may not be more than 2% below the Note Rate.
- ✓ The total buydown period may not exceed 2 years.
- ✓ Only "full" interest rate buydowns are permitted (e.g.; 2/1; 1/0)
- ✓ A Buydown Agreement and Schedule, acceptable in the jurisdiction where the subject property is located is required.
 - The Schedule should reflect the actual cost of the Buydown and not the loan level price adjustment (even if the MSI-paid buydown product is chosen).
- ✓ See [FRM Temporary Buydown Codes](#) in this Chapter for MSI-paid buydowns and see Current Rates at www.msiloans.biz for pricing details.

Note: See [Underwriting/Temporary Buydowns](#) for details.

Continued on next page

General Underwriting Guidelines, Continued

Temporary Buydown Requirements, Continued

Qualifying Requirements

The following are used to qualify loans subject to a Temporary Buydown:

Topic	Primary Residence	Second Home
Qualifying Rate	1% above bought down rate	Note Rate
Maximum DTI	38%, Regardless of AUS	
Reserve Requirements	As required by DU/LP	

Restrictions

Introduction

By sale of the loan to MSI, the Seller warrants that the loan meets these product guidelines and all other applicable requirements in this Seller Guide.

The following specific restrictions apply for all loans sold to MSI.

High Cost and Responsible Lending Restrictions

MSI high cost policy will conform to all Federal, State, County, City, and Agency requirements, including consumer laws.

No loan sold may violate high cost regulations as set forth by the above mentioned entities.

By sale of a mortgage loan to MSI, the Seller warrants the following:

No mortgage loan is subject to the provisions of the Home Ownership and Equity Protection Act of 1994 as amended or is considered a "high cost", "covered" or "predatory" loan under any applicable state, federal, or local laws or ordinances.

Continued on next page

Restrictions, Continued

State Restrictions

MSI purchases loans on properties located only in specifically approved states. See [Eligible States](#) for full details. The matrix below outlines additional geographic restrictions applied by MSI.

State	MSI State-Specific Guidelines
All	<ul style="list-style-type: none"> ✓ MSI product or underwriting guidelines and/or restrictions do not supersede any more-restrictive regulatory, state or local requirements. ✓ Sellers are responsible to ensure that each loan originated, underwritten and closed is in full compliance with all regulatory, state or local guidelines and/or restrictions. ✓ MSI's decision to interpret (for purposes of loan funding/purchase) certain state guidelines does not relieve the Seller of responsibility to be in full compliance with all applicable state regulatory requirements and/or high cost or predatory guidelines. ✓ Additionally, MSI's decision to reference (in our Seller Guide) one state and not another does not relieve the Seller of their sole responsibility to be in full compliance for the states in which they originate loans.
Florida	Ignore all references to Florida, MSI does not fund Wholesale loans in Florida.
Ohio	The Seller must warrant that each loan secured by property located in Ohio, irrespective of the originating lender's exempt status under the Ohio Consumer Sales Practices Act, relies on full verified documentation of the borrower's financial resources to determine the borrower's probability of repayment. MSI requires that all supporting documentation used by the originating lender to analyze the probability of repayment at time of origination be included in the delivered mortgage loan file.
Texas	Cash Out Refinance loans for primary (homestead) properties are not acceptable for purchase.

Closing Documentation

Description

All Fixed Rate Mortgages sold to MSI must use the most current Fannie Mae/Freddie Mac uniform instrument for the fixed rate Note and for the Security Instrument.

See the [Post-Purchase Requirements](#) for details.

State Specific Documents

The Seller must use the most current state-specific documents as required for the jurisdiction in which the subject property is located.

Product	AUS	Uniform Multi-State Document		Disclosure Required
		Note	Rider	
FRM	DU/LP	3200	N/A	N/A
1 Yr LIBOR ARM 3/1 LIBOR ARM	DU	3526	3189	ARM Disclosure
	LP	5530	5130	ARM Disclosure
5/1 LIBOR ARM 7/1 LIBOR ARM 10/1 LIBOR ARM	DU	3528	3187	ARM Disclosure
	LP	5531	5131	ARM Disclosure
Interest Only Products - Product is eliminated. MSI does not offer Interest Only Products.				

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Closing Documentation, Continued

MERS

MSI requires that all loans be assigned to the Mortgage Electronic Registration System, INC ® (MERS). MSI requires that MERS transfer must be completed within 48-hours of initial loan disbursement.

- ✓ MERS enabled Sellers – Prepare documents with MERS as nominee (MERS as Mortgagee – MOM documents)
- ✓ Non-MERS enabled Sellers – Assign all mortgages to MERS.
 - At time of loan registration you may request and receive a MSI MERS Identification Number (MIN) to use for the assignment.

Note: MSI charges a fee for all non-MOM documents (those documents require a paper intervening assignment to MERS).

MSI MERS Org ID Number:

- ✓ The MERS Org ID number for MSI is: **1005883**

Title Requirements

All loans funded by MSI must be covered by an acceptable form of Title Insurance issued by a company that meets the current applicable agency guidelines; unless otherwise specifically restricted by MSI.

(5/15/09) **MSI Title Restrictions**

- ✓ TICOR Title
 - Effective with loans locked on/after 5/18/09, MSI will accept TICOR titles **only** if TICOR is the actual title underwriter **and** settlement agent.
 - TICOR titles issued by settlement agents or underwriters other than TICOR are not acceptable.
 - **Exception:** MSI will accept TICOR title insurance from TICOR affiliates if the affiliate has a valid, active E&O policy.
 - Documentation of the valid/active E&O policy must be included in each loan file delivered to MSI (A copy of the current declarations page showing that the policy is current and active will be accepted.)

Conforming FRM

Summary

MSI's Conforming FRM products are the "standard" Fannie Mae/Freddie Mac products offered through the applicable Automated Underwriting System (AUS).

- ✓ The loans must be underwritten using either DU or LP.
- ✓ More restrictive parameters may apply. All loans must meet MSI loan parameters noted herein to be eligible for sale, regardless of the AUS finding.

Continued on next page

Conforming FRM, Continued

Loan Parameters – Agency FRM 30 Year

REV (5/14/10)

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV		
Owner Occupied - Primary						
Purchase and Limited Cash Out Refinance	1	95.00	90.00	95.00	660 (2)	45%
	2	80.00	75.00	80.00	660 (3)	45%
	3-4	75.00	70.00	75.00	620	45%
Cash Out Refinance	1 (4)	85.00	80.00	85.00	720	41%
	1	80.00	75.00	80.00	620	45%
	2	75.00	70.00	75.00	620	45%
	3-4	75.00	70.00	75.00	620	45%
Second Home						
Purchase	1	90.00	75.00	90.00	680	45%
Limited Cash Out Refinance	1	90.00	75.00	90.00	680	45%
Cash Out Refinance	1	75.00	70.00	75.00	620	45%
Notes:						
(1) The more restrictive MI or AUS will supersede this minimum. Loans must meet the maximum DTI and receive an "eligible" Approve or Accept to be purchased by MSI.						
(2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 620.						
(3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 620.						
(4) Condo projects are ineligible for Cash Out >80.00%.						
✓ Minimum FICO's as stated for loans exceeding 80.00% LTV are based on Stable Markets. Declining Markets will require a higher minimum FICO. Please contact your local MI Partner.						
✓ Condo –Attached PUD Restrictions: Maximum LTV/CLTV for all condos is the lower of published or 90.00%. See Condos – Attached PUDs .						
✓ Florida properties are not eligible for MSI.						
✓ Prepayment Penalty features are not permitted						
✓ 40-year terms are not permitted						
✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted						
✓ LPMI is not permitted.						
✓ Subject to MI guidelines when MI is required.						
✓ Subject to the more restrictive of MSI/applicable AUS guidelines and limits. Cash Out to 85.00% permitted only by DU.						

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Conforming FRM, Continued

Loan Parameters – Agency FRM 30 Year, Continued

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV		
Investment Properties – No Condos Permitted						
Purchase	1	80.00	75.00	80.00	620	45%
	2	75.00	70.00	75.00	620	45%
	3-4	75.00	70.00	75.00	620	45%
Limited Cash Out Refinance	1	75.00	70.00	75.00	620	45%
	2	75.00	70.00	75.00	620	45%
	3-4	75.00	70.00	75.00	620	45%
Cash Out Refinance	NP (Not Permitted)					

Notes:

- (1) The **more restrictive** MI or AUS will supersede this minimum. DTI: Loans must meet the maximum DTI **and** receive an "eligible" Approve or Accept to be purchased by MSI.
- (2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 620.
- (3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 620.
- ✓ Minimum FICO's as stated for loans exceeding 80.00% LTV are based on Stable Markets. Declining Markets will require a higher minimum FICO. Please contact your local MI Partner.
- ✓ **Condo Restrictions:** Maximum LTV/CLTV for all condos is the **lower** of published or 90.00%.
- ✓ Prepayment Penalty features are not permitted
- ✓ 40-year terms are not permitted
- ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted
- ✓ LPMI is not permitted.
- ✓ Subject to MI guidelines when MI is required.
- ✓ Subject to the **more restrictive** of MSI/applicable AUS guidelines and limits.

FRM Interest Only (FRM-IO) – **Product Eliminated**

Summary

See the Announcement Archive (www.msiloans.biz) for pre 11/17/08 guidelines for this product subset.

DU Refi Plus™

(5/08/09) – New section added, no highlight used, to facilitate reading.

Summary

CLAR (7/15/10)

DU Refi Plus™ is a new refinance option offered by Fannie Mae to achieve the goals set out for the “Making Home Affordable” program announced by the US Department of Treasury on March 4, 2009. **Loans must have been delivered to Fannie Mae prior to March 1, 2009 to be eligible.**

MSI offers this Fannie Mae program with MSI overlays.

- ✓ MSI will purchase this product only if the loan meets our additional risk overlays. These overlays must be applied “manually” to the DU Approve/Eligible loan.

Maximum Loan Limits

MSI will permit the DU Refi Plus™ only to current Fannie Mae “standard” conforming loan limits.

- ✓ Conforming High Balance limits are not acceptable to MSI.

MSI Product Guidelines

The following matrix outlines to key topics for the DU Refi Plus™ product.

- ✓ Topics in bold are MSI overlays to the Fannie Mae product.
- ✓ Topics not addressed in this matrix must meet the more restrictive current MSI/Fannie Mae requirements.
 - If the topic is not addressed in this product sub-set or the MSI Underwriting Chapter, please follow current Fannie Mae guidelines. See Fannie Mae Announcement 09-04 and subsequent DU Release Notes for April and June.

Topic	DU Refi Plus Requirements or Guidelines
DU Findings	<p>For loans submitted to DU on/after April 4, 2009 identified as DU Refi Plus™ eligible, MSI will purchase only the following:</p> <ul style="list-style-type: none"> ✓ DU Approve/Eligible – No exceptions. No Freddie Mac LP permitted. ✓ Identified as DU Refi Plus™ in the latest DU Findings Report (To validate the mortgage is currently held by Fannie Mae.) <p>Loans submitted to DU prior to April 4, 2009 require special handling:</p> <ul style="list-style-type: none"> ✓ If the loan is re-submitted to DU (after 4/04/09) the new findings may state that the loan is eligible for DU Refi Plus™ which may result in changes to the product type and/or the pricing. <ul style="list-style-type: none"> • If the loan does not require MI (either by new LTV or by DU Findings) the loan must be coded and priced as a DU Refi Plus™ loan. • If the loan requires MI, the updated findings must state the loan is eligible to be coded as a “standard limited cash out refinance”. The loan may be sold to MSI as a “standard” limited cash out refinance. • Pricing is subject to change, see the Daily Rate Sheet.

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DU Refi Plus™, Continued

MSI Product Guidelines, Continued

Topic	DU Refi Plus Requirements or Guidelines
LTV/CLTV	MSI will purchase the maximum LTV/CLTV permitted by the DU Findings with the following exceptions: <ul style="list-style-type: none"> ✓ LTV/CLTV may not exceed 100% regardless of AUS finding. <ul style="list-style-type: none"> • MSI will only purchase loans that exceed 80.00% LTV IF the DU Findings clearly state that MI is not required on this loan.
Loan Types (10/19/09)	<ul style="list-style-type: none"> ✓ The new loan may only be a 15 or 30-year Fixed Rate Mortgage. <ul style="list-style-type: none"> • MSI Product Code: 306600-30 Year Term only. • MSI Product Code: 156600-15 Year Term only.
Borrower Benefits	The underwriter must document in the file and validate on the 1008 that the following borrower benefits apply: <ul style="list-style-type: none"> ✓ The refinance reduces the monthly mortgage principal and interest payment OR ✓ The new mortgage is more stable (movement from an ARM to a FRM)
Seasoning	Standard MSI seasoning requirements apply. <ul style="list-style-type: none"> ✓ See the Underwriting chapter, Refinance Requirements/Seasoning. ✓ MSI will not fund/purchase any DU Refi Plus™ loan where the subject property was listed for sale within the past 6-months. ✓ If the property was subject to a cash-out refinance within the past 6 months (from Current Note Date to Application Date), the loan is not eligible to MSI as a DU Refi Plus™ loan.
Mortgage Insurance	<p>The current loan must not have current/active mortgage insurance.</p> <ul style="list-style-type: none"> ✓ The message in the DU Findings must state: Mortgage insurance is not required for this DU Refi Plus loan casefile, for the loan to be eligible as a DU Refi Plus™ loan. ✓ New loans that require MI are not acceptable to MSI under the DU Refi Plus™ expanded criteria; they must be underwritten, closed and sold as "standard" refinance loans; which includes an AUS findings report that does not say, eligible for DU Refi Plus™. <p>Note: Loans requiring mortgage insurance are not eligible for MSI DU Refi Plus™; however, the loan may be eligible as a standard rate/term and may be submitted to DU as a "standard" Limited Cash Out Refinance. See <i>Standard LCOR</i> later in this matrix.</p>
Appraisal	MSI will not accept a PIW, regardless of AUS findings. <ul style="list-style-type: none"> ✓ MSI requires a full Fannie Mae appraisal. Standard appraisal requirements apply.
Application	The application must provide a minimum 2 year history for residence and employment. <ul style="list-style-type: none"> ✓ Employer name, address, phone and income must be provided.
Assets	Asset documentation in accordance with DU Findings with the following exception: <ul style="list-style-type: none"> ✓ If the borrower must bring funds to closing, MSI requires asset documentation to support the ability to pay the funds from personal assets, regardless of any AUS findings.
Assets (5/18/09)	<ul style="list-style-type: none"> ✓ Bank Statement covering the most recent month's transactions. ✓ If the borrower must bring funds to closing, MSI requires asset documentation to support the ability to pay the funds from personal assets, regardless of any AUS findings.
Mortgage History	The mortgage history must document: <ul style="list-style-type: none"> ✓ The existing mortgage must be current. ✓ OX60 lates in the past 12 months.

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DU Refi Plus™, Continued

MSI Product Guidelines, Continued

Topic	DU Refi Plus Requirements or Guidelines
Eligible Borrowers REV (7/15/10)	<ul style="list-style-type: none"> ✓ The borrowers on the new mortgage must be identical to the borrowers on the existing mortgage. <ul style="list-style-type: none"> • New borrowers may be added, as long as the existing borrower(s) is retained. Removing a Borrower: ✓ MSI will permit the removal of a borrower to current Fannie Mae guidelines with the following MSI limitations: <ul style="list-style-type: none"> • Death of a Borrower – Evidence of the death must be provided in the loan file. • Divorce – Evidence of the divorce plus evidence that the remaining borrower has made acceptable payments on the property for a minimum of 12-months prior to the refinance date.
FICO	Primary: minimum 620, regardless of AUS.
DTI	As permitted by DU, including Condo Properties.
Cash Back (7/01/09)	<p>The borrower may not receive any cash back (in pocket) from the refinance.</p> <ul style="list-style-type: none"> ✓ Due to differences between actual loan pay-off and/or closing costs versus estimated loan pay-off and/or closing costs a “tolerance” of no more than \$250.00 is permitted. ✓ If at closing, (for reasons unknown beyond the control of the Seller at the time of loan submission to DU) the cash back is more than \$250.00, any excess must be applied to principal and the HUD-1 must clearly show that the Borrowers did not receive more than \$250.00 cash back in the transaction. <p>Payoff Letter Required</p> <ul style="list-style-type: none"> ✓ To ensure that the loan amount is calculated properly, the underwriter must review a current, valid pay-off letter and condition the loan carefully to ensure that the borrowers meet the allowable maximum mortgage amount and do not receive more than \$250.00 in pocket at closing.
Income Documentation	<p>MSI requires the following additional income/employment documentation, regardless of AUS Findings:</p> <ul style="list-style-type: none"> ✓ Salaried Borrowers¹ – AUS requirements plus: <ul style="list-style-type: none"> • One paystub covering a 30-day period and year-to-date income. • The most recent W-2 for the past year. • IRS Transcripts and a signed IRS 4506-T for each applicable borrower. • MSI will perform a Verbal VOE prior to purchase. See Underwriting/Verbal Verification of Employment for details. • Any differences between income documented and income entered into DU must be supported by documentation included in the loan file. ✓ Self-Employed¹ and Passive Income Sources¹ – AUS Requirements plus: <ul style="list-style-type: none"> • Tax return for most current 1-year. • IRS Transcripts and a signed IRS 4506-T for each applicable borrower. • MSI will perform a Verbal VOE prior to purchase. See Underwriting/Verbal Verification of Employment for details. • Any differences between income documented and income entered into DU must be supported by documentation included in the loan file. <p>(1) As defined by Fannie Mae.</p>

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DU Refi Plus™, Continued

MSI Product Guidelines, Continued

Topic	DU Refi Plus Requirements or Guidelines
Property Types (10/19/09)	<ul style="list-style-type: none"> ✓ 1-2 Unit Primary Residence Only. <ul style="list-style-type: none"> • No 3-4 Units, Second Home or Investment Properties permitted. ✓ Condos must meet current MSI condo guidelines. See the Product Matrix for maximum LTV/CLTV, and the Underwriting Chapter for condo guidelines. The DU Finding must state the condo is eligible for " Limited Review". <ul style="list-style-type: none"> • The project must be identified with the current Fannie Mae project codes on the 1008. • DTI maximum is per the AUS approval.
Subordinate Financing	<ul style="list-style-type: none"> ✓ New subordinate financing is not permitted under any circumstances. ✓ Existing subordinate financing must be subordinated to the new mortgage. <ul style="list-style-type: none"> • Current existing subordinate financing (including purchase money subordinate financing) may not be satisfied by proceeds of the new mortgage. • Maximum LTV/CLTV may not exceed 100.00%.
Temporary Buydowns (5/21/09)	<ul style="list-style-type: none"> ✓ MSI does not permit Temporary Buydowns for DU Refi Plus™ loans.
Multiple Mortgages	Maximum 4 properties per borrower regardless of the occupancy of the subject property. (Primary, secondary or investment.)
Standard LCOR	<p>Lenders are able to instruct DU to underwrite a DU Refi Plus loan casefile as a standard limited cash out refinance by entering the phrase, "Standard LCOR" in the applicable field in DU:</p> <ul style="list-style-type: none"> ✓ This enables MSI to accept loans for which our overlays prevent the loan from being purchased by MSI as a DU Refi Plus™. <p>To be eligible for funding/purchase by MSI, the loan must include the proper DU Message, <i>The borrower's existing loan has been identified as a Fannie Mae loan. The loan casefile was not underwritten according to the DU Refi Plus expanded eligibility guidelines because DU was instructed to underwrite the loan casefile as a standard limited cash-out refinance. This was indicated by "Standard LCOR" being entered in the Product Description field.</i></p>

LP Relief Refinance Mortgage SM

10/19/09) – New section added, no highlight used, to facilitate reading.

Summary

CLAR (7/15/10)

LP Relief Refinance Mortgage (LP RRM) is a new refinance option offered by Freddie Mac to achieve the goals set out for the “Making Home Affordable” program announced by the US Department of Treasury on March 4, 2009. Loans must have been delivered to Freddie Mac prior to May 31, 2009 to be eligible.

MSI offers this Freddie Mac program with MSI overlays.

- ✓ MSI will purchase this product only if the loan meets our **additional** risk overlays. These overlays must be applied “manually” to the LP Accept loans.

Maximum Loan Limits

MSI will permit the LP Relief Refinance Mortgages (LP RRM) only to current Freddie Mac “standard” conforming loan limits.

- ✓ Super Conforming (Conforming High Balance) limits are not acceptable to MSI.

MSI Product Guidelines

The following matrix outlines to key topics for the LP RRM product.

- ✓ Topics in bold are MSI overlays to the Freddie Mac product.
- ✓ Topics not addressed in this matrix must meet the more restrictive current MSI/Freddie Mac requirements.
 - If the topic is not addressed in this product sub-set or the MSI Underwriting Chapter, please follow current Freddie Mac guidelines. See Freddie Mac Bulletins 09-020, 09-021 and the Freddie Mac Seller Guide, available from the Freddie Mac Web Site.

Topic	LP RRM Requirements or Guidelines
LP Findings	<ul style="list-style-type: none"> ✓ Only LP Accept, no other LP Decision is acceptable. ✓ The loan must meet Freddie Mac LP requirements unless otherwise restricted by MSI.
LTV/CLTV	<p>MSI will purchase the maximum LTV/CLTV permitted by the LP Findings with the following exceptions:</p> <ul style="list-style-type: none"> ✓ LTV/CLTV may not exceed 100% regardless of AUS finding. <ul style="list-style-type: none"> • MSI will only purchase loans that exceed 80.00% LTV IF the LP Findings clearly state that MI is not required on this loan.
Loan Types	<ul style="list-style-type: none"> ✓ The new loan may be a 15 or 30-year Fixed Rate Mortgage. <ul style="list-style-type: none"> • 30-Year Term: MSI Product Code: 306700 • 15-Year Term: MSI Product Code: 156700

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LP Relief Refinance Mortgage SM, Continued

MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
Borrower Benefits	<p>The underwriter must document in the file and validate on the 1008 that the following borrower benefits apply:</p> <ul style="list-style-type: none"> ✓ The refinance reduces the monthly mortgage principal and interest payment OR ✓ The new mortgage is more stable (movement from an ARM to a FRM; from an Interest Only to a FRM, or from a Balloon Reset to a FRM, etc.) ✓ The refinance reduces the amortization term of the mortgage. (Note: It is permitted for the new LP RRM to have a term greater than the current mortgage.)
Restrictions	<ul style="list-style-type: none"> ✓ LP RRM loans are not eligible in the state of Texas. ✓ LP RRM loans that fail the HPML test are not eligible for purchase by MSI.
Seasoning	<p>Standard MSI seasoning requirements apply.</p> <ul style="list-style-type: none"> ✓ See the Underwriting chapter, Refinance Requirements/Seasoning. ✓ The existing first lien must be seasoned (payments received by the lender) at least 3 months from the Note Date to be eligible for this product. <ul style="list-style-type: none"> • The LP finding must indicate the loan is eligible for a Relief Refinance. ✓ MSI will not fund/purchase any LP RRM loan where the subject property was listed for sale within the past 6-months. ✓ If the property was subject to a cash-out refinance within the past 6 months (from Current Note Date to Application Date), the loan is not eligible to MSI as a LP RRM.
Mortgage Insurance	<p>The current loan must not have current/active mortgage insurance.</p> <p>Required Documentation:</p> <ul style="list-style-type: none"> ✓ The LP Feedback does not provide an “MI Waiver”; therefore, a letter from the current servicer must indicate whether or not the loan has current active Mortgage Insurance. <ul style="list-style-type: none"> • If the original loan did not require MI, the loan should not have current/active MI. • If the original loan did require MI, but the MI has since been dropped, the current servicer must provide documentation that evidences the removal of the MI.
	<p>Note: Loans requiring mortgage insurance are not eligible for MSI LP RRM, regardless of the LP Finding.</p> <ul style="list-style-type: none"> ✓ If the mortgage being refinanced does not have current/active MI, then no MI is required on the Relief Refinance, even if the LTV is >80.00%. ✓ MSI will not purchase a DU Refi Plus or an LP RRM mortgage where the new mortgage requires mortgage insurance; therefore it is critical to validate that no new MI is required.
Appraisal	<ul style="list-style-type: none"> ✓ MSI requires a full Freddie Mac/Fannie Mae appraisal (URAR). Standard Freddie/MSI appraisal requirements apply. Home Value Explorer or Automated Valuation Models are not permitted. ✓ In addition to a full URAR, a field review is required if the LTV/CLTV/TLTV/HTLTV is > 75.00% and the home value is > \$1 Million.

Continued on next page

LP Relief Refinance Mortgage SM, Continued

MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
Application	<p>The application must provide a minimum 2 year history for residence and employment.</p> <ul style="list-style-type: none"> ✓ Employer name, address, phone and income must be provided. ✓ The fully completed application must be signed by each borrower.
Assets	<ul style="list-style-type: none"> ✓ Bank Statement covering the most recent month's transactions. ✓ If the borrower must bring funds to closing, MSI requires asset documentation to support the ability to pay the funds from personal assets, regardless of any AUS findings. ✓ Reserves are not required; however they should be considered in the underwriting review. If reserves are submitted to LP, they must be verified. ✓ Gift funds are permitted to Freddie Mac LP guidelines.
Mortgage History	<p>The mortgage history must document:</p> <ul style="list-style-type: none"> ✓ Must be a first lien, conventional mortgage currently owned by Freddie Mac. (LP must identify the loan as eligible for LP RRM; the loan must be seasoned a minimum of 3 months from the Note Date.) ✓ The existing mortgage must be current. ✓ 0X30 lates in the past 12 months or for the life of the loan if less than 12 months.
Eligible Borrowers	<ul style="list-style-type: none"> ✓ The borrowers on the new mortgage must be identical to the borrowers on the existing mortgage. <ul style="list-style-type: none"> • No new borrowers may be added for the purpose of qualification. • Note: If an original borrower was removed due to death or divorce, Freddie requires acceptable documentation of the death or divorce of the other borrower(s) plus evidence that the current remaining borrower(s) has been making the current house payment for the most recent 12-months (or less if the mortgage is seasoned less than 12 months –only as permitted by MSI seasoning requirements.)
FICO	<ul style="list-style-type: none"> ✓ Each borrower must have a FICO score of a minimum 620.
DTI	As permitted by LP.

Continued on next page

LP Relief Refinance Mortgage SM, Continued

MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
<p>Cash Back</p> <p>New Mortgage Limits</p>	<p>The borrower may receive no more than \$250.00 in pocket from the refinance.</p> <ul style="list-style-type: none"> ✓ A payoff statement is required to accurately calculate the new loan amount based on the unpaid principal balance of the current loan. ✓ If at closing, (for reasons unknown beyond the control of the Seller at the time of loan submission to lp) the cash back is more than \$250.00, any excess must be applied to principal and the HUD-1 must clearly show that the Borrowers did not receive more than \$250.00 cash back in the transaction. <p>The LP RRM new mortgage amount is limited to the following:</p> <ul style="list-style-type: none"> ✓ Payoff of the first mortgage lien unpaid principal balance plus accrued interest. ✓ The lesser of 4% of the unpaid principal balance of the mortgage being refinanced or \$5,000 can be added to the unpaid principal balance of the new first mortgage to pay for Closing Costs, Pre-Paid, Financing Costs and Escrows. ✓ Proceeds cannot be used to pay off or pay down any subordinate financing. <p>Payoff Letter Required</p> <ul style="list-style-type: none"> ✓ To ensure that the loan amount is calculated properly, the underwriter must review a current, valid pay-off letter and condition the loan carefully to ensure that the borrowers meet the allowable maximum mortgage amount and do not receive more than \$250.00 in pocket at closing.
<p>Income Documentation</p>	<p>MSI requires the following additional income/employment documentation, regardless of AUS Findings:</p> <ul style="list-style-type: none"> ✓ Salaried Borrowers¹ – AUS requirements plus: <ul style="list-style-type: none"> • One paystub covering a 30-day period and year-to-date income. • The most recent W-2 for the past year. • IRS Transcripts and a signed IRS 4506-T for each applicable borrower. • MSI will perform a Verbal VOE prior to purchase. See Underwriting/Verbal Verification of Employment for details. • Any differences between income documented and income entered into LP must be supported by documentation included in the loan file. ✓ Self-Employed¹ and Passive Income Sources¹ – AUS Requirements plus: <ul style="list-style-type: none"> • Tax return for most current 1-year. • IRS Transcripts and a signed IRS 4506-T for each applicable borrower. • MSI will perform a Verbal VOE prior to purchase. See Underwriting/Verbal Verification of Employment for details. • Any differences between income documented and income entered into LP must be supported by documentation included in the loan file. <p>(1.) As defined by Freddie Mac.</p>

Continued on next page

LP Relief Refinance Mortgage SM, Continued

MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
Property Types	<ul style="list-style-type: none"> ✓ 1-2 Unit Primary Residence Only. MSI does not permit the following: <ul style="list-style-type: none"> • 3-4Units • Second Homes • Investment Properties • Condos for LP loans are not eligible. ✓ Detached PUDs are considered "single family properties" and do not require any project warranties. ✓ Attached PUD's in established projects are eligible for purchase by MSI. <ul style="list-style-type: none"> • The MSI Condo/Attached PUD Questionnaire must be completed and the Attached PUD must meet the guidelines outline on the form, to validate the Limited Warranty (Established Project) requirement.
Subordinate Financing	<ul style="list-style-type: none"> ✓ New subordinate financing is not permitted under any circumstances. ✓ Existing subordinate financing must be subordinated to the new mortgage. <ul style="list-style-type: none"> • Current existing subordinate financing (including purchase money subordinate financing) may not be satisfied by proceeds of the new mortgage. • Maximum LTV/CLTV may not exceed 100.00%. • Subordinate Financing must meet current Freddie Mac guidelines.
Temporary Buydowns	<ul style="list-style-type: none"> ✓ MSI does not permit Temporary Buydowns for LP RRM loans.
Multiple Mortgages	Maximum 4 properties per borrower regardless of the occupancy of the subject property. (Primary, secondary or investment.)

MSI-LPMI – Conforming FRM

REV (7/15/10) - New section added, no yellow highlight to facilitate reading.

Summary

Loans with a fixed interest rate and payment for the life of the loan are eligible for the MSI Lender Paid Mortgage Insurance (LPMI).

MSI-LPMI provides pricing that enables Lender Paid MI to be added to the loan by MSI.

- ✓ The borrower “pays” for the mortgage insurance in the loan interest rate.
- ✓ The MSI-LPMI loan **must** be submitted to MSI for underwriting.
 - See [Full/Alt Doc](#) or [Underwriting/4506-T](#) for details.
 - MSI will condition that a copy of the tax transcripts and Record of Change (W-2 Borrowers, most recent 1-year; Self-Employed Borrowers, most recent 2-years) be included in each file prior to loan funding/purchase by MSI. If not included in the loan delivery file, MSI will obtain prior to loan funding purchase, a funding delay may occur.
- ✓ The Correspondent **does not order** the Mortgage Insurance.
 - MSI will order the MI.
 - If MI approval is not obtained, the mortgage will be declined.
- ✓ MSI [Loan Limits](#) apply.
- ✓ See the Current Rates on www.msiloans.biz for pricing details.

Documentation Type

Full/Alt doc only

Interest Only

Not Permitted.

Mortgage Insurance

MI requirements:

- ✓ Standard coverage applies.
- ✓ The Correspondent does not order MI.
- ✓ The cost of the MI cert is included in the loan pricing.

Continued on next page

MSI-LPMI – Conforming FRM, Continued

Restrictions

Appraisal:

A full appraisal (URAR) is required, regardless of AUS findings.

Underwriting:

- ✓ MSI must underwrite all loans, follow standard submission requirements.
- ✓ DU/LP approve or accept are required.
- ✓ Co-signers are not permitted.
- ✓ Non-occupant co-borrowers:
 - Permitted only if the LTV \leq 90.00% (or the more restrictive MI guidelines.)

Subordinate Financing

Not Permitted.

Temporary Buydown

Not permitted.

Continued on next page

MSI-LPMI – Conforming FRM, Continued

Loan Parameters – Conforming FRM MSI-LPMI 25-30 Year

Units	Owner Occupied			Second Home			Investment			Maximum
	Maximum		Minimum	Maximum		Minimum	Maximum		Minimum	
	LTV	CLTV	FICO	LTV	CLTV	FICO	LTV	CLTV	FICO	
Purchase and Rate/Term Transactions Only										
1	95.00	N/A	700	Not Permitted						41%
1	90.00	N/A	700							41%
2 – 4	Not Permitted									N/A
Cash-Out (C/O) Transactions										
Not Permitted										
Notes:										
<ul style="list-style-type: none"> ✓ Condos are not permitted. ✓ Attached PUD's are not permitted. ✓ Amortization Terms greater than 30-years are not permitted for LPMI. ✓ I/O is not permitted. ✓ This MSI product must be underwritten by MSI and the MI Certificate is ordered by MSI. ✓ Please Note: All loan parameters and requirements are governed by the applicable MI company and are subject to change without notice. If the MI company will not issue a Certificate, the loan is not eligible. 										

Split Mortgage Insurance - **Product Eliminated**

Summary ✓ Product eliminated from the Product Suite 4/29/09

Expanded Approval FRM – **Product Eliminated**

Summary See the Announcement Archive (www.msiloans.biz) for pre 11/17/08 guidelines for this product subset.

Community Lending Products - **Product Eliminated**

Conforming Adjustable Rate Mortgages

ARM Summary The following products are adjustable rate mortgages (ARM) that allow for a changing rate/payment over the life of the mortgage.

Products included herein are:

Fully Amortizing Conforming ARM Products							
Product	Margin	Adjustment Caps			Rate Fixed for (1)	Conversion To FRM?	Assumable
		1st	Annual	Lifetime			
1 Year	2.25%	2	2	6	12 Months	No	Anytime
3/1	2.25%	2	2	6	36 Months	No	Anytime
5/1	2.25%	5	2	5	60 Months	No	After the initial fixed rate period.
7/1	2.25%	5	2	5	84 Months	No	
10/1	2.25%	5	2	5	120 Months	No	

Notes:

- ✓ **Index - 1 Year LIBOR:** The one-year London Interbank Offered Rate ("LIBOR") which is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market, as published in *The Wall Street Journal*. The most recent Index figure available as of the date 45 days before each Interest Change Date is the current rate.
 - ✓ **Assumable:** Subject to credit approval.
- (1.) Interest rate is fixed at close for the period noted, at the end of which time the rate changes annually thereafter.

Continued on next page

Conforming Adjustable Rate Mortgages, Continued

Presentation This product subset will provide the “common” product guidelines that apply to Conforming ARM loans.

Guidelines Unless otherwise **specifically** noted in this product subset, the Conforming ARM products are subject to the following:

- ✓ See [Loan Limits](#) for product minimum and maximum loan amounts.
- ✓ Applicable DU/LP guidelines and requirements.
- ✓ MSI Conforming product guidelines.
- ✓ See the [Underwriting Chapter](#) for topics not addressed in this product suite.

Product Disclosures

- ✓ ARM Disclosures are required in accordance with any federal, state, jurisdictional or regulatory requirements.
 - See www.msiloans.biz or your approved document provider for samples.

REV (6/20/10) Qualifying Rate

ARM Products Including I/O	Qualify at ...
1/1 3/1 5/1	Greater of: ✓ The fully indexed rate or ✓ The Note Rate + 2.0. (Fully indexed rate is defined as the index plus the margin as entered into DU or LP. MSI qualifying rates apply regardless of AUS used.)
7/1, 10/1	Note Rate

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Conforming Adjustable Rate Mortgages, Continued

Loan Parameters – Agency ARM 30-Year

REV (5/14/10)

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV		
Owner Occupied - Primary						
Purchase and Limited Cash Out Refinance	1	95.00	90.00	95.00	660 (2)	45%
	2	80.00	75.00	80.00	660 (3)	45%
	3-4	75.00	70.00	75.00	620	45%
Cash Out Refinance	1 (4)	85.00	80.00	85.00	720	41%
	1	80.00	75.00	80.00	620	45%
	2	75.00	70.00	75.00	620	45%
	3-4	75.00	70.00	75.00	620	45%
Second Home						
Purchase	1	90.00	75.00	90.00	680	45%
Limited Cash Out Refinance	1	90.00	75.00	90.00	680	45%
Cash Out Refinance	1	75.00	70.00	75.00	620	45%

Notes:

- (1) The **more restrictive** MI or AUS will supersede this minimum. Loans must meet the maximum DTI **and** receive an "eligible" Approve or Accept to be purchased by MSI.
- (2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 620.
- (3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 620.
- (4) **Condo projects are ineligible for Cash Out >80.00%.**
- ✓ Minimum FICO's as stated for loans exceeding 80.00% LTV are based on Stable Markets. Declining Markets will require a higher minimum FICO. Please contact your local MI Partner.
- ✓ **Condo –Attached PUD Restrictions:** Maximum LTV/CLTV for all condos is the **lower** of published or 90.00%. See [Condos – Attached PUDs](#).
- ✓ Florida properties are not eligible for MSI.
- ✓ Prepayment Penalty features are not permitted
- ✓ 40-year terms are not permitted
- ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted
- ✓ LPMI is not permitted.
- ✓ Subject to MI guidelines when MI is required.
- ✓ Subject to the **more restrictive** of MSI/applicable AUS guidelines and limits. **Cash Out to 85.00% permitted only by DU.**

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Conforming Adjustable Rate Mortgages, Continued

Loan Parameters – Agency FRM 30 Year, Continued

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV		
Investment Properties – No Condos Permitted						
Purchase	1	80.00	75.00	80.00	620	45%
	2	75.00	70.00	75.00	620	45%
	3-4	75.00	70.00	75.00	620	45%
Limited Cash Out Refinance	1	75.00	70.00	75.00	620	45%
	2	75.00	70.00	75.00	620	45%
	3-4	75.00	70.00	75.00	620	45%
Cash Out Refinance	NP (Not Permitted)					
<p>Notes:</p> <ul style="list-style-type: none"> (1) The more restrictive MI or AUS will supersede this minimum. Loans must meet the maximum DTI and receive an “eligible” Approve or Accept to be purchased by MSI. (2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 620. (3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 620. ✓ Minimum FICO's as stated for loans exceeding 80.00% LTV are based on Stable Markets. Declining Markets will require a higher minimum FICO. Please contact your local MI Partner. ✓ Condo Restrictions: Maximum LTV/CLTV for all condos is the lower of published or 90.00%. ✓ Prepayment Penalty features are not permitted ✓ 40-year terms are not permitted ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted ✓ LPMI is not permitted. ✓ Subject to MI guidelines when MI is required. ✓ Subject to the more restrictive of MSI/applicable AUS guidelines and limits. 						

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Conforming Adjustable Rate Mortgages, Continued

Loan Parameters – Agency ARM I/O - 30-Year – Product Eliminated
(3/02/09)

Effective for loans locked on/after 3/02/09, the Adjustable Interest Only Product is Eliminated.

MSI Conventional High Balance

(5/11/09)

Overview

12/12/09)

MSI's Conventional High Balance product is based on the Fannie Mae/Freddie Mac high balance/super conforming products. The product is extended until December 31, 2010.

The MSI Conventional High Balance product is eligible only for those borrowers in HUD designated "high cost" areas.

Guidelines

- ✓ Each loan submitted for funding/purchase must meet the more restrictive of DU (Fannie)/LP (Freddie) and MSI, as outlined in this product subset.

MSI Loan Limits

CLAR (12/12/09)

- ✓ The matrix below outlines the **minimum loan amounts** for the MSI Conventional High Balance product.
- ✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site
<https://entp.hud.gov/idapp/html/hicostlook.cfm> .
 - **Note:** select "Fannie/Freddie" from the <Limit Type> field, then select "CY2010" from the <Limit Year> field.
- ✓ A copy of the screen print, validating the "high balance" loan amount must be included in the credit section of the loan file.

Number of Units	Minimum Loan Amount
1	\$417,001
2	\$533,851
3	\$645,301
4	\$801,951

Notes:

- ✓ MSI does not lend in Alaska, Hawaii or any US Territories (Guam, Puerto Rico, etc).
- ✓ MSI has restricted the maximum loan amount to the current Fannie Mae "permanent High-Cost limits". Loan amounts that exceed the limits posted are not eligible to MSI.

Products Eligibility

Products eligible for Conventional High Balance are:

- ✓ FRM – fully amortizing, 15-, and 30-year terms
- ✓ ARMs – fully amortizing, 30-year term, 5/1,7/1 and 10/1

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MSI Conventional High Balance, Continued

Loan Parameters – MSI Conventional High Balance - FRM

(12/12/09)

Units	Owner Occupied-Primary			Second Home (2)			Investment			Maximum DTI
	Maximum		Minimum FICO	Maximum		Minimum FICO	Maximum		Minimum FICO	
	LTV	CLTV(1)		LTV	CLTV		LTV	CLTV		
Purchase and Rate/Term Refinance										
1 (3)	90.00	90.00	(4)	65.00	65.00	740	NP (Not Permitted)			45%
1 (2)	85.00	90.00	(4)	N/P						45%
2 - 4	75.00	75.00	740	NP (Not Permitted)						45%
Rate/Term Refinance (R/T) Transactions										
1	90.00	90.00	(4)	65.00	65.00	740	NP (Not Permitted)			45%
1 (2)	85.00	90.00	(4)	N/P						45%
2 - 4	75.00	75.00	740	NP (Not Permitted)						45%
Cash-Out (C/O) Transactions										
1 (2)	60.00	60.00	740	NP (Not Permitted)			NP (Not Permitted)		45%	

Notes:

- (1) **Maximum LTV with Subordinate Financing:** 1 Unit = 80.00%; 2-4 Units = 70.00%; Cash out = 60.00%
 - (2) Maximum LTV/CLTV for **Attached** PUD and all Condo properties, unless otherwise restricted by MSI.
 - (3) **When LTV > 80.00%:** The > of 2 months verified PITI or standard verified reserves required.
 - (4) **Minimum FICO:**
 - LTV > 80.00% = 720.
 - LTV 75.01% - 80.00% = 700
 - LTV ≤ 75.00% = 660
 - CLTV/TLTV > 75.00% = 700 (If the LTV or CLTV/TLTV require different scores, apply the more restrictive.)
 - ✓ LTV/CLTV for single family property includes detached PUDs.
 - ✓ Temporary Buydowns are not permitted.
 - ✓ 40-year terms are **not** permitted
 - ✓ Texas Section 50a6 (Texas Cash Out) loans are not permitted
 - ✓ LPMI is not permitted.
 - ✓ Borrower paid single premium insurance is permitted.
 - ✓ Subject to MI guidelines when MI is required.
 - ✓ Subject to more restrictive Fannie Mae DU findings.
 - ✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site <https://entp.hud.gov/idapp/html/hicostlook.cfm>.
- Note:** select "Fannie/Freddie" from the <Limit Type> field, then select "CY2010" from the <Limit Year> field. .

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Mortgage Services III, LLC
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Conforming Product Suite

MSI Conventional High Balance, Continued

Loan Parameters – MSI Conventional High Balance--ARM

(12/12/09)

Units	Owner Occupied-Primary			Second Home (2)			Investment			Maximum DTI
	Maximum		Minimum FICO	Maximum		Minimum FICO	Maximum		Minimum FICO	
	LTV	CLTV(1)		LTV	CLTV		LTV	CLTV		
Purchase and Rate/Term Refinance										
1 (2)	75.00	75.00	680	65.00	65.00	740	NP (Not Permitted)			45%
2 - 4	75.00	70.00	740	NP (Not Permitted)			NP (Not Permitted)			45%
Rate/Term Refinance (R/T) Transactions										
1 (2)	75.00	75.00	680	65.00	65.00	740	NP (Not Permitted)			45%
2 - 4	75.00	70.00	740	NP (Not Permitted)			NP (Not Permitted)			45%
Cash-Out (C/O) Transactions										
1 (2)	60.00	60.00	740	NP (Not Permitted)			NP (Not Permitted)			45%

Notes:

- (1) **Maximum LTV with Subordinate Financing: 1 Unit = 75.00%; 2-4 Units = 70.00%; Cash out = 60.00%**
 - (2) Maximum LTV/CLTV for PUD and Condo properties, unless otherwise restricted by MSI.
 - ✓ Temporary Buydowns are not permitted.
 - ✓ Prepayment Penalty features are not permitted
 - ✓ 40-year terms are **not** permitted
 - ✓ Texas Section 50a6 (Texas Cash Out) loans are not permitted
 - ✓ LPMI is not permitted.
 - ✓ Borrower paid single premium insurance is permitted.
 - ✓ Subject to MI guidelines when MI is required.
 - ✓ Subject to more restrictive Fannie Mae AUS findings.
 - ✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site <https://entp.hud.gov/idapp/html/hicostlook.cfm> .
- Note:** select "Fannie/Freddie" from the <Limit Type> field, then select "CY2010" from the <Limit Year> field. .

MSI Conventional High Balance, Continued

High Balance Requirements

The following matrix outlines the requirements for Conventional High Balance Loans.

Important:

Any topic not addressed herein must follow the requirements outlined in the Seller Guide Conforming Product Suite or Underwriting Chapter.

- ✓ Topics not addressed in the MSI Seller Guide revert to the applicable agency AUS requirements.

High Balance Requirements Matrix	
Topic	Requirements
Age of Appraisal	<ul style="list-style-type: none"> ✓ MSI will accept only a full appraisal or 2055 exterior with color photos. <ul style="list-style-type: none"> • The appraiser performing the appraisal must be qualified to perform appraisals without oversight or supervision by a supervisory or review appraiser and must be experienced with the types of properties being appraised and with higher value properties. • When the subject property is an attached condo, the appraiser must provide at least 2 comparable sales from outside the subject project and outside the influence of the developer, builder or property owner. ✓ MSI requires the maximum age of appraisal to be 90-days from the Note Date. (Closing Date): <ul style="list-style-type: none"> • If the effective date of the appraisal exceeds 90-days at the Note Date (date of closing), a new appraisal is required.
Appraisal Review Requirements (12/12/09)	<p>A field review is required when:</p> <ul style="list-style-type: none"> ✓ The loan amount is greater than \$625,500 and the LTV/CLTV/TLTV is greater than 80.00%; or ✓ The appraised value is equal to or greater than \$1,000,000, and the LTV/CLTV/TLTV is greater than 75.00%. ✓ When the Field Review Report results in a different value, the lower of the original appraised value, the field review value, or the sale price must be used to calculate the LTV/CLTV/TLTV.
Documentation	<ul style="list-style-type: none"> ✓ Full documentation to MSI/AUS guidelines. (If the AUS has reduced the documentation requirements, the MSI minimum documentation is required.) ✓ See the Product Suite and the Underwriting chapter for details. <ul style="list-style-type: none"> • MSI Verbal Verification of Employment guidelines apply. • MSI 4506-T guidelines apply. • MSI Income documentation guidelines apply.

Continued on next page

MSI Conventional High Balance, Continued

High Balance Requirements, Continued

Topic	Requirements
Credit (FICO) Score	<ul style="list-style-type: none"> ✓ Borrowers without a valid credit score (FICO) are not eligible for Conventional High Balance. ✓ Minimum FICO as stated in the Product Matrix unless a higher score is required by the AUS or MI.
DTI	DTI may not exceed 45%, regardless of AUS approval.
Ineligible	<ul style="list-style-type: none"> ✓ Condos that do not meet Fannie Mae warranty requirements. ✓ DU Refi Plus™
General Guidelines	<p>Unless referenced specifically in this product sub-set, the loan must meet the MSI guidelines in this Seller Guide (Product Suite and Underwriting Chapter).</p> <ul style="list-style-type: none"> ✓ Topics not specifically addressed herein revert to the applicable AUS agency.
Mortgage Insurance	<ul style="list-style-type: none"> ✓ Standard MSI MI guidelines apply. ✓ If MI requirements are more restrictive, they supersede MSI/Fannie guidelines.. ✓ LPMI is not permitted.
Non-Occupant Borrowers	<ul style="list-style-type: none"> ✓ MSI does not permit.
Occupancy	<p>Primary and Secondary Residences Only</p> <ul style="list-style-type: none"> ✓ MSI does not permit Investment properties
Property Types	<ul style="list-style-type: none"> ✓ Single Family, attached and detached ✓ 2-4 Units ✓ PUD ✓ Condo <p>All properties to MSI Guidelines, See Property Types and the Underwriting Chapter.</p>
Subordinate Financing	Permitted to Agency/MSI guidelines.
Temporary Buydown	<ul style="list-style-type: none"> ✓ Not Permitted
Transaction Type	<p>Purchase, Rate/Term Refinance and Cash Out Refinance to current MSI guidelines.</p> <ul style="list-style-type: none"> ✓ Resale-Deed Restrictions are not permitted.
Underwriting	<p>All loans must be submitted to either Fannie Mae DU® or Freddie Mac LP®</p> <ul style="list-style-type: none"> ✓ The loan must receive either an Approve or Accept recommendation. ✓ The loan must meet the more restrictive of the AUS requirements or MSI requirements for conventional loans. See General Underwriting Guidelines for additional details. ✓ The loan documentation must be “manually” validated in full compliance with DU/LP guidelines.

Conforming Product Suite



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