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EFFECTIVE 1/23/09 THIS PRODUCT IS TEMPORARILY SUSPENDED.

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NOTES

603 - Jumbo Products

Product Description and Product Codes

**This product is temporarily suspended until further notice.
Chapter posted as a courtesy only.**

Overview	<p>This product summary provides specific product-related criteria which are in addition to those guidelines provided in the Underwriting chapter of this Seller Guide.</p> <ul style="list-style-type: none">✓ 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 summary.✓ 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 guidelines, unless specifically addressed in this product suite or the Underwriting chapter.
Seller Responsibility	<p>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 summary are not eligible for purchase.</p>
FRM Product Description	<p><i>Jumbo Fixed Rate Mortgage</i></p> <ul style="list-style-type: none">✓ The Jumbo fixed rate mortgage (FRM) product has the option of a 10-, 15-, 20, 25, or 30-year amortization term.✓ Interest Only (IO) is not available.

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Product Description and Product Codes, Continued

FRM Product Codes

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

Product	Product Code	Loan Term
<i>Jumbo Fixed Rate Mortgage – Fully Amortizing</i>		
30-Year FRM	302200	30-Years
20-Year FRM	Use 302200 and 30-Year pricing	20-Years
25-Year FRM	Use 302200 and 30-Year pricing	25 Years
15-Year FRM	152200	15-Years
10-Year FRM	Use 152200 code and 15-Year pricing	10 Years
Notes:		
<ul style="list-style-type: none"> ✓ See the Wholesale Rate Sheet for pricing adjustments for loan terms. ✓ LTV/CLTV maximums are different for loans that are in Declining Markets, however, the product codes remain the same. See the rate sheet (www.msiloans.biz) for details. 		

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Product Description and Product Codes, Continued

ARM Product Codes

Jumbo Adjustable Rate Mortgage

- ✓ The Jumbo adjustable rate mortgage (ARM) product has only a 30-Year amortization but offers the following options:
 - 3/1, 5/1, and 7/1
- ✓ **Interest Only (IO)** is available for 5/1 and 7/1 products only.

ARM Product Codes

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

Product	Product Code	Loan Term
<i>Jumbo Adjustable Rate Mortgage (ARM)-Fully Amortizing</i>		
3/1 LIBOR	312206	30-Years
5/1 LIBOR	512206	
7/1 LIBOR	712206	
<i>Jumbo Interest Only Adjustable Rate Mortgage (Jumbo IO ARM)</i>		
5/1 LIBOR	512206	10 Years Interest Only
7/1 LIBOR	712206	20 Years Fully Amortizing
Notes:		
✓ See the Wholesale Rate Sheet for pricing adjustments.		
✓ LTV/CLTV maximums are different for loans that are in Declining Markets, however, the product codes remain the same. See the rate sheet (www.msiloans.biz) for details.		

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 **Jumbo FRM** – Not Assumable

Jumbo ARM – May be Assumable after the initial fixed rate period under certain conditions as described in the Security Instrument. See [ARM Summary](#).

Borrowers The following matrix outlines the applicable borrower types:

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 - Underwritten as U.S. Citizen 	<p>Possession by corporations or partnerships is not acceptable, including, but not limited to, the following:</p> <ul style="list-style-type: none"> ✓ Non-Permanent Resident Aliens ✓ Non-Resident Alien ✓ Inter Vivos Revocable Trust ✓ Borrowers with diplomatic immunity ✓ S Corporations ✓ Life Estates ✓ Real Estate Syndication ✓ General Partnerships ✓ Foreign Nationals ✓ Non-profit organizations ✓ Land Trusts, including 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

Escrow/ Impound Waiver	<p>MSI may permit escrow/impound waivers under the following guidelines:</p> <ul style="list-style-type: none"> ✓ LTV ≤ 80.00% are eligible for escrow/impound waivers to MSI guidelines. <ul style="list-style-type: none"> • Both taxes and insurance must be waived, no “split” waivers permitted. ✓ MI premiums must always be included in the escrow account, unless a single premium paid in full at closing. ✓ If an escrow account is established, any applicable flood insurance must always be escrowed. <p>Note:</p> <ul style="list-style-type: none"> ✓ Escrow waivers must be locked as “escrow waivers” and a price adjustment will apply.
Price Adjustments	<p>Price Adjustments may be applied against jumbo loans. All price adjustments are cumulative.</p> <p>See the Current Rates on www.msiloans.biz for details.</p>
Loan Limits	<p>Maximum = See specific product matrices for loan amount maximums. Minimum = One dollar (\$1.00) over the current Fannie Mae/Freddie Mac loan limits.</p>
Mortgage Credit Certificate (MCC)	<p>Mortgage Credit Certificates are not permitted.</p>
Negative Amortization	<p>Not Applicable.</p>
Occupancy	<p>Owner-occupied primary residence only for all products.</p> <ul style="list-style-type: none"> ✓ Second Vacation not permitted. ✓ Investment property not permitted. <p>See Non-Occupant Co-Borrower for additional guidelines.</p>

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Loan Details, Continued

Prepayment Penalty Not Permitted

Property Types 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"> ✓ 1-4 Unit Properties ✓ Condominiums (condo) to MSI Jumbo guidelines, regardless of AUS Findings (Low Rise and High Rise) ✓ Leasehold Estate properties must be common to the area. See Underwriting/Leasehold for full details. ✓ PUDs to applicable agency guidelines ✓ Rural Properties See 	<ul style="list-style-type: none"> ✓ Commercial operations ✓ Condotels ✓ Cooperative Projects ✓ Geodesic Domes ✓ Earth Homes ✓ Houseboats ✓ Mixed use properties ✓ Mobile (Manufactured) Homes, single- or double-wide ✓ Model Home Leaseback properties ✓ Modular/Factory Built Homes ✓ 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>Notes:</p> <ul style="list-style-type: none"> ✓ See Underwriting/Property Types for additional details. ✓ 1-4 Family Properties require a 1-4 Family Rider (Fannie 3170) ✓ Rent loss insurance required for 2-4 family properties if rental income is used to qualify. 	

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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.

✓ For a listing of geographic lending restrictions, see [State Restrictions](#).

Documentation Requirements

Full/Alt Doc

Full/Alt documentation requirements follow current DU/LP/MSI guidelines. MSI may require certain additional documentation regardless of the AUS findings. See [AUS Overlays](#) for details.

Verification of Employment (VOE)

- ✓ The most recent paystub, within 30 days of underwriting to show current and year-to-date.
- ✓ Two years W-2's and/or tax returns
- ✓ When a direct (VOE form) is used, MSI still requires a copies of the most recent pay stub, W-2's 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 is required on all loans.
 - The Verbal Verification must be completed at time of underwriting **and** no later than 5 business days prior to the loan closing date. See [Underwriting/Verbal Verification](#) of Employment for full details.

Verification of Deposit

- ✓ Three months bank statements, within 30-days of underwriting, must be copies of the original bank statement (See [Underwriting](#) for full details.)
- ✓ 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.

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Documentation Requirements, Continued

Full/Alt Doc, Continued

REV (1/01/09)

IRS 4506-T

- ✓ A 4506-T, signed by each borrower at closing is required, regardless whether tax transcripts are included in the closed loan delivered for purchase.
- ✓ Tax Transcripts/Record of Change must cover:
 - **Salaried (W-2) Borrowers:** The most current 1-year.
 - **Self-Employed Borrowers:** The most recent 2-years.
 - **Loan Amounts exceeding \$750,000:** The most recent 2-years.
- ✓ Loans submitted to MSI for underwriting **must include** tax transcripts/Record of Account. If not included, the loan will be suspended pending receipt.
- ✓ **Closed Loans Delivered for Funding/Purchase**
 - MSI will obtain and review tax transcripts and the *Record of Change* prior to loan purchase/funding (if not included in the closed loan file as the first documents in the credit section). Loan funding/purchase will be delayed.
 - To avoid delay and expedite loan funding, MSI strongly encourages the Seller to include the tax transcripts and *Record of Change* activated at time of underwriting in the closed loan file.

Note: MSI still requires the 4506-T signed 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.

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Documentation Requirements, Continued

Full/Alt Doc, Continued

Manual Underwrite

- ✓ Required for loans greater than \$750,000 and **all** Declining Markets Exempt Loans
 - ✓ All manually underwritten loans require Full/Alt Doc documentation for a full 2-year history, including Verbal Verifications of Employment and 4506-T to MSI requirements.
-

General Underwriting Guidelines

Overview

The Jumbo loans in this section require submission either through either Fannie Mae Desktop Underwriter® (DU), Freddie Mac Loan Prospector® (LP), or to MSI, based on loan amount. The underwriting guidelines (AUS findings) of each agency must be met, unless otherwise indicated in the [AUS Overlays](#) Matrix.

- ✓ **Exception:** For the Declining Market Exempt product sub-set, all loans must be underwritten by MSI and may **not** be submitted to an AUS. See [Declining Market Exempt – FRM & ARM](#).

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

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.
- ✓ Guidelines that are not provided in this product suite or in the Underwriting chapter default to the applicable Fannie Mae or Freddie Mac guidelines.

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General Underwriting Guidelines, Continued

Underwriting Method **Jumbo Conventional**
Jumbo conventional loans have very strict underwriting method requirements. See the Underwriting Method Matrix for full details.

<i>Underwriting Method Matrix</i>				
Loan Amount	AUS Submission Required (1)	Contract Underwriting Permitted	MSI Underwriting Required (2)	Who Warrants Condos?
Loans subject to Declining Markets Requirements				
≤ \$650,000	Yes	Yes	No	Seller
\$650,001 - \$749,999	Yes	No	Yes	MSI – Seller to provide all information-See Condo Requirements .
≥\$750,000	No (3)	No	Yes	
Loans subject to Declining Markets Exempt Requirements (4)				
≤ \$650,000	No	No	Yes	MSI does not permit condos for Declining Market Exempt loans.
\$650,001 - \$749,999	Yes	No	Yes	
≥\$750,000	No	No	Yes	
Important Notes:				
(1) 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. MSI Overlays apply to the AUS guidelines. Loans must be validated by an underwriter in accordance with the applicable agency and MSI Jumbo requirements. See Jumbo AUS Overlays .				
(2) MSI will not underwrite loans for which contract underwriting is permitted.				
(3) Loan amounts ≥\$750,000 may not be submitted to an AUS. If loans are submitted to an AUS prior to submission to MSI for underwriting, they are ineligible for purchase.				
(4) Declining Markets product must be submitted to MSI and may not be submitted to an AUS. If the loans are submitted to an AUS prior to MSI underwriting the loans are ineligible for sale to MSI. See Declining Market Exempt – FRM & ARM .				

Presentation The guidelines in this section are presented in alphabetical order.

Continued on next page

General Underwriting Guidelines, Continued

Acceptable AUS Decisions

MSI will accept Jumbo 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	No
DU Approve/Ineligible	Yes (1)
DU Refer/Eligible	No
DU Refer/Ineligible	No
DU Refer with Caution	No
DU EA 1/Eligible	No
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- Must be documented to Full/Alt Doc guidelines
Caution	No
Incomplete	No
500 FHLMC Eligible. LP A-minus offering	No

Notes:

- (1) The "ineligible" finding may only be for the applicable Jumbo product parameters outside agency guidelines, such as loan amount.
- ✓ Documentation must meet the requirements in [AUS Overlays](#).
- ✓ A copy of the applicable AUS findings report and completed and executed 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 Fannie Mae 1008 must reflect the terms of the closed loan.

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General Underwriting Guidelines, Continued

AUS

Loans may not be manually underwritten.

- ✓ All Jumbo loans ≤ \$750,000 must be submitted to either DU or LP.
- ✓ Jumbo loans > \$650,000 must be submitted to MSI for underwriting.
 - For loan amounts > \$650,000 but ≤ \$750,000 the Seller must submit the loan to an AUS prior to submission to MSI.

AUS Overlays

Loan amounts ≤ \$750,000 require submission to an AUS with an approve or accept recommendation.

In addition to the guidelines within this product summary, the following MSI overlays must be applied to the AUS decision for the loan to be eligible for purchase.

Topic	Additional Requirements, Regardless of AUS	
	FICO 660 - 679	FICO ≥ 680
Appraisal	A full URAR is required.	
Bankruptcy/Foreclosure	✓ None within the last 7 years.	
Buydown (Temporary)	✓ See Temporary Buydown for overlay.	
Credit History	<ul style="list-style-type: none"> ✓ Minimum FICO to the more restrictive of MSI or the mortgage insurer. ✓ No 30-day late housing payments within the past 12 months. ✓ See Charge-offs, Collections, Judgments for overlays. 	
Declining Markets Geographic Restrictions	Unless specifically excluded in the product subset, see Jumbo Declining Market List @ www.msiloans.biz ; maximum LTV/CLTV may be impacted.	
Documentation REV (1/01/09)	<ul style="list-style-type: none"> ✓ Asset and Income must be Full/Alt Doc ✓ If "Direct" VOE is used, must have copy of paystub and/or W-2 to support the VOE. ✓ Verbal Verification of Employment required, see Underwriting for details ✓ 4506-T signed at closing. See Full/Alt Doc for details. 	<ul style="list-style-type: none"> ✓ Asset and Income may be documented according to AUS ✓ Verbal Verification of Employment required, see Underwriting for details ✓ 4506-T signed at closing. See Full/Alt Doc for details.
Maximum Cash Back	Maximum as noted in specific product matrices.	
Non-Occupant Co-Borrower	See Non-Occupant Co-Borrower .	

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General Underwriting Guidelines, Continued

AUS Overlays, Continued

Topic	Additional Requirements, Regardless of AUS		
	FICO 660 - 679	FICO ≥ 680	
Qualifying Rates & Ratios	<ul style="list-style-type: none"> ✓ FRM – Qualify at the fully amortizing Note rate ✓ ARMs – Fully amortizing at the higher of the Note Rate or Fully Indexed Rate. ✓ All IO ARMs - Qualify at the fully amortizing fully indexed rate, or the fully amortizing Note rate, whichever is higher 		
Qualifying Ratios	Maximum 45%	Maximum 50%	
Reserves	Loan Amount	Reserve Required	Follow AUS findings.
	FRM		
	≤ \$500K	2 Months PITI	
	> \$500K - \$750K	6 Months PITI	
	ARM		
	> \$417K - \$500K	6 Months PITI	
	> \$500K - \$750K	12 Months PITI	
<p>Reminder: Declining Markets Exempt and loan amounts greater than \$750,000 may not be submitted to an AUS; they must be underwritten by MSI. See Manual Underwrite.</p>			

Chain of Title MSI requires a 12-month chain of title on all properties.

- ✓ The title commitment must document 12 months of property ownership.

Charge-offs, Collections, Judgments The borrower must pay off in full and clear any derogatory item.

- ✓ In such cases the borrower must have sufficient funds to pay any such amounts from cash/cash-like assets or loan proceeds, and the use of these funds must be considered in the reserve calculations.

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General Underwriting Guidelines, Continued

- Condominiums** Properties that meet the current Fannie Mae definition of a condo must be warranted as follows:
- ✓ Loans underwritten by Third Party Contract Underwriters must be warranted by the Seller.
 - ✓ Loans underwritten by MSI, must be warranted by MSI; however, all information required to warrant the condo must be provided by the Seller.

Condo Requirements The following matrix outlines the condo warranty requirements. Condos that cannot be warranted to these requirements are not eligible for purchase by MSI.

<i>Jumbo Established Project Limited Review Warranty</i>	
Topic	Requirement
Limitations	MSI will purchase only established condos that meet the warranty requirements. <ul style="list-style-type: none"> ✓ The only exception to this limitation is a new project with a valid, current Fannie Mae 1028, a copy of the 1028 Form must be included in the loan submission package. ✓ Condo conversions are not permitted regardless of completion.
Geographic Limitations	Condos in the state of Florida are not permitted under any circumstances.
Completion Status	All units, amenities and common areas within the project must be complete and not subject to additional phasing.
Commercial Use	Should not exceed 20% of the total square footage of the project.
Pre-Sale Requirements	90% sold and closed to bona fide purchasers.
Multiple Ownership	<ul style="list-style-type: none"> ✓ A maximum of 10% of the units can be sold to one party. ✓ No more than one unit in a less than 10-unit project can be owned by a single entity
Investor Owned	30% maximum investor concentration based upon units sold and closed.
HOA Control	The home owners association must be controlled by the unit owners.
Condos with 4 or less units	Must comply with all the requirements in the General Eligibility section of this matrix. See Condominium Projects with Four or Less Units .

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General Underwriting Guidelines, Continued

Condo Requirements, Continued

Jumbo Established Project Limited Review Warranty	
Topic	Requirement
Documentation Requirements	<ul style="list-style-type: none"> ✓ Unit Appraisal Form Fannie Mae 1073 <ul style="list-style-type: none"> • The common areas and amenities must be inspected by the appraiser and documented in the appraisal report. ✓ Insurance Declaration Page to document insurance requirements. ✓ Flood Determination (Life of Loan); flood insurance if applicable. ✓ Fully completed MSI Condo Questionnaire Limited Review. See www.msiloans.biz to obtain a copy.
General Eligibility Requirements	<ul style="list-style-type: none"> ✓ Ineligible Projects - As defined by MSI, Fannie Mae or Freddie Mac. See Underwriting/Property/MSI Ineligible Projects. ✓ Site Condo – (Detached single family, primary residence.) No project analysis is required ✓ Age-Related Deed Restrictions - Allowed only for Senior Citizens, age 55 or older. See Underwriting/Property/Deed Restrictions/Age Restrictions for additional requirements. ✓ Leasehold Amenities - Exception on a case-by-case basis can be made by MSI if deemed common and customary for market or they bring value to the homeowner. ✓ Litigation - Obtain details from HOA. Not acceptable if litigation impacts project's marketability and/or if the liability policy does not cover the potential loss.' ✓ Delinquent HOA Dues - If more than 15% of units are delinquent in paying HOA dues, the project is not eligible to MSI for purchase. ✓ Title Requirements – The borrowers' must have marketable title to condo unit and own the property in fee simple. Title must be for a single residential unit. Titles that include more than one unit are ineligible. <p>Insurance Requirements:</p> <ul style="list-style-type: none"> • Hazard: blanket all risk policy with 100% replacement, deductible not to exceed 5% of policy face amount, • Liability: coverage must be \$1 million per occurrence, • Flood Insurance: lesser of 100% of insurable value or maximum coverage allowed per NFIP ;coverage of each unit should be the lesser of \$250,000 or the amount of its replacement cost (i.e., the replacement cost of all units combined or the number of units x \$250,000);deductible not to exceed \$25,000 per building located in the flood zone , • Fidelity Bond: required for projects with over 20 units, coverage must be in amount sufficient to cover three months of HOA dues or meets requirements of state law.

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General Underwriting Guidelines, Continued

Condo Requirements, Continued

Jumbo Established Project Limited Review Warranty	
Topic	Requirement
General Eligibility Requirements, Continued	<p><i>Condominium Projects with Four or Less Units:</i></p> <ul style="list-style-type: none"> ✓ Project can not be subject to additional phasing or be a part of a larger project that consists of multiple 2- to 4-unit buildings ✓ All units, common areas, amenities, and recreation facilities must be 100% complete. ✓ Appraisal report must confirm this type project is typical for area. ✓ Units must be separately metered for electricity and gas. ✓ No Single Entity may own more than one unit. ✓ Only one (1) unit may be non-owner (investment) occupied ✓ MSI concentration is limited to one unit. ✓ Insurance requirements: <ul style="list-style-type: none"> • Master Building insurance (See General Eligibility / Insurance Requirements). NOTE: Individual insurance policies are acceptable in lieu of a master policy. • Master Liability insurance for common areas in the amount of \$500,000 per occurrence. If individual policy is less than \$500,000, it is acceptable to obtain copy(s) of individual policies from other unit(s), provided aggregate coverage equals \$500,000. • Master Flood insurance, if applicable(See General Eligibility / Insurance Requirements) • Flood Certification is required

Construction to Perm

- Construction to Perm loans are permitted.
- ✓ See [Underwriting/Construction to Permanent Financing](#) for details.
 - ✓ MSI, on Jumbo loans, permits only the “two closing” type of construction-to-perm.
 - ✓ Single close may be eligible, contact MSI Underwriting Help desk.

Deed Restrictions

Allowed only for Senior Citizens, age 55 or older. See [Underwriting/Property/Deed Restrictions/Age Restrictions](#) for additional requirements.

Continued on next page

General Underwriting Guidelines, Continued

- FICO Scores** MSI requires that each borrower must have a minimum of 2 FICO scores.
- ✓ Borrower's Useable Score:
 - If 3 FICO's, use the middle
 - If 2, use the lower
 - ✓ Loan Qualifying Score (use to qualify the loan)
 - Use the lowest of all the borrower's useable scores

Gifts Gifts are permitted.
For LTV's > 80.00%, the borrower must provide a minimum 5% from documented personal funds.

Interested Party Contributions May include seller paid prepaid items and other costs, may not exceed the allowed percentage.
See [Underwriting/Interested Party Contributions](#) for a discussion of seller contributions versus seller concessions.

LTV/CLTV	Maximum Contribution
> 75.00%	6%
≤ 75.00%	9%

Continued on next page

General Underwriting Guidelines, Continued

Jumbo Underwriting Requirements

For loan amounts greater than \$750,000, a manual underwrite by MSI is required and the following specific requirements apply, **in addition** to all other guidelines outlined in this product suite (except specific AUS overlays).

- ✓ Any topic not referenced in this product suite or the Underwriting chapter default to Fannie Mae guidelines.

Topic	Requirements for Loan Amounts Exceeding \$750,000	
	FICO 660 - 679	FICO ≥ 680
Appraisal	<ul style="list-style-type: none"> ✓ Jumbo loans require a full appraisal (URAR) regardless of the AUS finding. ✓ Loan amounts greater than \$2 Million require a second appraisal by an MSI-approved appraiser. Prior to ordering the second appraisal, contact MSI Underwriting Help Desk for guidelines. <ul style="list-style-type: none"> • Please contact MSIuw@msiloans.biz to request names of acceptable appraisers to perform 2nd appraisals. 	
Bankruptcy/Foreclosure	<p>A Letter of explanation is required.</p> <ul style="list-style-type: none"> ✓ Minimum 7 years since incidence completed (discharged/completed) <ul style="list-style-type: none"> • Copies of discharge papers in their entirety if not determinable on the credit report. ✓ A minimum of 4 trade lines are required, of which at least 1 must be a traditional source of credit and 1 must be housing related. ✓ No 30-day late payments on housing payments within the past 12-months. ✓ No new public records evidencing outstanding foreclosure, unpaid judgments, collections, liens, garnishments, etc. ✓ The underwriter must be able to document that the borrower is now credit worthy. 	

Continued on next page

General Underwriting Guidelines, Continued

Jumbo Underwriting Requirements, Continued

Topic	Requirements for Loan Amounts Exceeding \$750,000			
Credit History	<ul style="list-style-type: none"> ✓ Minimum 2-years established credit history required. ✓ Must be acceptable to standard Fannie Mae requirements for manually underwritten loans. ✓ Verification of mortgage or rental must be included in the loan file <ul style="list-style-type: none"> • History must evidence no 30-day-lates within the past 12-months. ✓ Minimum FICO must meet the more restrictive of loan matrices or applicable mortgage insurer. 			
Documentation REV (1/01/09)	<ul style="list-style-type: none"> ✓ Full/Alt doc to Fannie Mae manually underwritten loan requirements. A two year history is required. ✓ If "Direct" VOE is used, must have copy of paystub and/or W-2 to support the VOE. ✓ Verbal Verification of Employment required, see Underwriting for details. ✓ Tax Transcripts/Record of Account for most current 2-years period required in the underwriting submission package. A 4506-T must also be signed at closing. See Full/Alt Doc for additional details. 			
Declining Markets Geographic Restrictions	Unless specifically excluded in the product subset, see Jumbo Declining Market List @ www.msiloans.biz ; maximum LTV/CLTV may be impacted.			
Qualifying Ratios	LTV's > 80.00%		LTV's ≤ 80.00%	
	All Loan Amounts and FICO ≥ 660		Income Level	
	40%		≤\$75,000	40%
			75,001 - \$150,000	42%
		> \$150,000	44%	
Reserves	See the specific product subset for details.			

Continued on next page

General Underwriting Guidelines, Continued

Mortgage Insurance

Company

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

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
- ✓ The Seller is permitted to pay the single premium if within contribution limits.
 - Proof of payment on the MI Cert, or
 - A copy of the paid premium receipt.

Note: When applicable, the loan must include the MI Cert. To obtain coverage, additional MI underwriting restrictions may apply.

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

MI Standard Coverage

The following matrix provides the required mortgage insurance coverage:

LTV Ranges	10-20 Year Terms	25-30 Year Terms
80.01 – 85.00%	6%	12%

Continued on next page

General Underwriting Guidelines, Continued

Mortgage Insurance – Lender Paid

MSI does not permit LPMI on Jumbo products.

Multiple Mortgages to the Same Borrower

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

- ✓ **Owner Occupied** – Maximum of 4 financed properties including the subject property, joint ownership counts toward this total.

Non-Occupant Co-Borrower

Permitted as allowed below:

The following additional MSI guidelines apply:

- ✓ 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.
- ✓ **Signature Requirements:**
 - 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
- ✓ **LTV Restrictions:**
 - 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.

Topic	Arm Type	ARM	ARM IO	FRM
Max LTV/CLTV	3/1	> \$417K = 80.00%	All Amounts = 80.00%	All Amounts = 80.00%
	5/1 & 7/1	All Amounts = 80.00%		
Qualifying Rate	All	Note Rate	Fully amortizing Note Rate	Note Rate
Qualifying Ratios	All	<ul style="list-style-type: none"> ✓ Occupant Borrower must qualify at 35/43%, regardless of AUS findings. ✓ Sum of all borrowers Income & Debt must qualify within program parameters, regardless of AUS. 		

Continued on next page

General Underwriting Guidelines, Continued

Qualifying Rate

The following matrix outlines the required qualifying rate.

Product	Qualify at ...
FRM	Fully amortizing Note Rate
All ARM's	Fully amortizing at the higher of the Note Rate or Fully Indexed Rate.
ARM IO	

PUD Requirements

If a property meets the current Fannie Mae definition for a PUD project the following apply:

- ✓ The appraisal/appraiser must identify as a PUD.
 - The underwriter must review the appraisal carefully to confirm that the PUD demonstrates market acceptance.
- ✓ The PUD project must have adequate insurance to cover any common areas. (Significant common areas may require blanket coverage.)

Qualifying Payment

In all cases, the current housing payment used to qualify the borrower must be calculated using principal, interest, taxes, insurance(s) and any existing home owner's dues.

Continued on next page

General Underwriting Guidelines, Continued

Refinance Transactions

Follow current applicable more restrictive of MSI/Jumbo requirements for refinance loans.

Jumbo Loan Specific Guidelines:

Topic	Rate/Term (No Cash Out)	Cash Out
Appraisal	Must be new appraisal for the transaction, follow Jumbo requirements. See Underwriting/Property/Age of Appraisal .	
Eligibility Seasoning	There is no seasoning requirement for eligibility of a no cash out refinance.	The property must have been acquired a minimum of 6-months prior to application date. This "ownership" must be documented.
Value Seasoning	<ul style="list-style-type: none"> ✓ Property acquired < 6-months prior to application. <ul style="list-style-type: none"> • Base LTV on the lesser of the current appraisal or documented acquisition cost (purchase price plus documented improvements) ✓ Property acquired > 6-months prior to application <ul style="list-style-type: none"> • Base LTV on the current appraised value. 	The LTV for the loan may be based on the current "new" appraised value.

Continued on next page

General Underwriting Guidelines, Continued

Refinance Transactions, Continued

Topic	Rate/Term (No Cash Out)	Cash Out
Proceeds	<p>Loan proceeds are limited to the amount needed to pay:</p> <ul style="list-style-type: none"> ✓ The current outstanding unpaid principal balance. ✓ Any subordinate lien used to purchase the subject property. ✓ Any subordinate lien \geq 12 months prior to the earliest credit document in the loan file. ✓ A Home Equity Line of Credit (HELOC) that has not been “drawn down” for more than \$2,000 during the 12 months prior to loan application. ✓ Maximum 5% of the loan amount, no exceptions: <ul style="list-style-type: none"> • May first be used for reasonable and customary closing costs and prepaid items, then as • Incidental cash back to the borrower as long as it does not exceed the lesser of 1% of the loan amount or \$5,000. 	<p>Loan proceeds are limited to the amount needed to pay</p> <ul style="list-style-type: none"> ✓ The current outstanding unpaid principal balance ✓ Any junior liens ✓ Closing costs and prepaid items ✓ The maximum cash back limit outlined in the product parameter matrix
Continuity of Obligation	<p>If the borrower is in title but is not obligated on the current Note, the transaction must be underwritten as a purchase transaction.</p> <ul style="list-style-type: none"> ✓ Note: If the borrower shows his current residence on the 1003 as the subject property, the MSI requires a Right of Rescission. 	
<p>Notes:</p> <ul style="list-style-type: none"> ✓ For the purpose of determining “age” limits, “application” or “application date” is defined as the earliest credit in the loan file. ✓ If the property has been owned less than 12-months and the appraisal shows a substantial increase in value from the original purchase price, the Appraiser should ensure the increase in value is valid (e.g. appraisal indicates increasing values for the market, appraisal comparables support increasing values, documented home improvements). ✓ MSI will not refinance any property currently in foreclosure. ✓ MSI will not refinance a property that is currently listed for sale or listed for sale within the past 6-months. Calculate the timing using the verified date the subject was removed from the MLS to the actual date of loan application. ✓ Cash out refinances are not permitted on primary (homestead) residences in the state of Texas. 		

Continued on next page

General Underwriting Guidelines, Continued

Subordinate (Secondary) Financing

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/Jumbo guidelines.

See [Underwriting/Subordinate Financing](#) for details.

Temporary Buydown

Temporary Buydowns are permitted for to applicable Fannie Mae or Freddie Mac guidelines.

The additional following requirements must be met:

Parameters

- ✓ Purchase transactions only, Refinance transactions not permitted
- ✓ Owner-Occupied
- ✓ Buydown terms must be entered into the AUS, when applicable.
- ✓ Not permitted for:
 - Texas Equity Refinance Section 50 (a)(6)
 - Interest Only Loans
 - Secondary Financing
 - 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.

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

Qualifying Requirements

- ✓ **FRM:** Qualify at the buydown rate. Maximum ratios = 28/36% regardless of AUS.
- ✓ **ARM:** Qualify at the buydown rate. Maximum ratios = 28/36% regardless of AUS.

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.

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	<i>MSI State-Specific Guidelines</i>
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 are in full compliance with all regulatory, state or local guidelines and/or restrictions.
Texas	Cash Out Refinance loans for primary (homestead) properties are not acceptable for purchase.

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.

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 [Pre-Purchase Delivery](#) and [Post-Purchase Requirements](#) for details.

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

Product	Uniform Multi-State Document		Disclosure Required
	Note	Rider	
FRM	3200	N/A	N/A
3/1 LIBOR ARM	Fannie Mae 3526	Fannie Mae 3189	ARM Disclosure
5/1 LIBOR ARM 7/1 LIBOR ARM	Fannie Mae 3528	Fannie Mae 3187	ARM Disclosure
5/1 LIBOR IO ARM 7/1 LIBOR IO ARM	Fannie Mae 3535	Fannie Mae 3153	ARM Disclosure

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**

Jumbo Fixed Rate Mortgages (FRM)

Summary Fixed rate/fixed term mortgages for loan amounts that exceed the current Agency loan limits. Subject to Declining Market limits.

Loan Parameters – Jumbo FRM 10-30 Year – Purchase and Rate/Term Refinance (12/01/08)

Occupancy	Property	Maximum			Minimum
		Loan Limit	LTV (1)	CLTV (1)	FICO
Purchase Transactions					
Owner Occupied Primary	1 Unit Only	\$650,000	85.00	N/A	700
		\$650,000	80.00	85.00	660
	2 Unit Only	\$650,000	85.00	N/A	720
		\$650,000	85.00	N/A	700
		\$650,000	80.00	85.00	660
Rate/Term (No Cash Out Refinance)					
Owner Occupied Primary	1 Unit Only	\$650,000	85.00	N/A	720
		\$650,000	80.00	85.00	660
	2 Unit Only	\$650,000	80.00	85.00	660
Purchase & Rate/Term (No Cash Out Refinance)					
Owner Occupied Primary	1-2 Unit	\$1,100,000	80.00	85.00	700
		\$1,100,000	75.00	85.00	660
		\$1,500,000	75.00	85.00	700
		\$2,000,000	70.00	85.00	720
		\$2,000,000	65.00	75.00	700
		\$3,000,000	60.00	75.00	700
	3-4	\$1,100,000	70.00	85.00	660
		\$1,500,000	60.00	85.00	700

Notes:

- (1) Non-U.S. Citizens are limited to a maximum LTV/CLTV = 75.00%.
- ✓ 1-4 Unit/Condo and PUD permitted to MSI guidelines.
- ✓ **Florida Restrictions:** Wholesale does not fund/purchase loans in the state of Florida.
- ✓ Co-op properties not eligible.
- ✓ Must meet MSI Declining Markets requirements. See Jumbo Declining Markets List posted on the Web Site.
- ✓ LP/DU must be used to \$750,000 loan amount (AUS Overlays.)
- ✓ Loan amounts > \$650,000 must be submitted to MSI for underwriting.

Continued on next page

Jumbo Fixed Rate Mortgages (FRM), Continued

Loan Parameters – Jumbo FRM 10-30 Year – Cash Out Refinance (12/01/08)

Occupancy	Property	Maximum			Minimum
		Loan Limit	LTV (1)	CLTV (1)	FICO
Cash Out Refinance – Not permitted if property is located in MSI Declining Market area.					
Maximum Cash Back to Borrower:					
LTV > 80.00 % = \$150,000 LTV ≤ 80.00% = \$250,000					
Owner Occupied Primary	1 Unit Only (No Condos)	\$650,000	80.00	85.00	680
	1 Unit Condo	\$650,000	80.00	85.00	680
	2 Units Only	\$650,000	80.00	85.00	680
	1 – 2 Unit	\$1,100,000	75.00	85.00	660
		\$1,500,000	65.00	80.00	700
		\$2,000,000	60.00	75.00	720
	3- 4 Unit	\$1,100,000	70.00	85.00	660

Notes:

- (1) Non-U.S. Citizens are limited to a maximum LTV/CLTV = 75.00%.
- ✓ 1-4 Unit/Condo and PUD permitted to MSI guidelines.
- ✓ **Florida Restrictions: Florida Restrictions:** Wholesale does not fund/purchase loans in the state of Florida.
- ✓ Co-op properties not eligible.
- ✓ Must meet MSI Declining Markets requirements. See Jumbo Declining Markets List posted on the Web Site.
- ✓ LP/DU must be used to \$750,000 loan amount (AUS Overlays.)
- ✓ Loan amounts > \$650,000 must be submitted to MSI for underwriting.

Jumbo Adjustable Rate Mortgages (ARM)

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 Jumbo ARM Products							
Product	Margin	Adjustment Caps			Rate Fixed for (1)	Conversion To FRM?	Assumable
		1 st	Annual	Lifetime			
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	

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.

Conforming ARM Products – Interest Only							
Product	Margin	Adjustment Caps			Rate Fixed for (1)	Interest Only Period (2)	Assumable
		1 st	Annual	Lifetime			
5/1	2.25%	5	2	5	60 Months	10 Years	After the initial fixed rate period.
7/1	2.25%	5	2	5	84 Months	10 Years	

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.
 - ✓ **Convertible to Fixed Rate - No**
- (1.) Interest rate is fixed at close for the period noted, at the end of which time the rate changes annually thereafter.
- (2.) The first 10-Years of the loan, payments are for interest only. The interest rate changes as scheduled.

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Jumbo Adjustable Rate Mortgages (ARM), Continued

Presentation This product subset will provide the “common” product guidelines that apply to Jumbo ARM loans. Subject to Declining Market limits.

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

- ✓ Applicable DU/LP overlays as applicable, see [AUS Overlays](#).
- ✓ MSI Jumbo 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.
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Jumbo Adjustable Rate Mortgages (ARM), Continued

Loan Parameters – Jumbo ARM 30 Year Only – Purchase and Rate/Term Refinance
(12/01/08)

Occupancy	Property	Maximum			Minimum
		Loan Limit	LTV (1)	CLTV (1)	FICO
Purchase & Rate/Term (No Cash Out)					
Owner Occupied Primary	1 Unit Only	\$650,000	85.00	N/A	700
		\$650,000	80.00	85.00	660
		\$1,100,000	80.00	85.00	700
		\$1,100,000	75.00	85.00	660
		\$1,500,000	75.00	85.00	700
		\$2,000,000	70.00	85.00	720
		\$2,000,000	60.00	75.00	700
	2 – 4 Unit	\$650,000	75.00	85.00	660
		\$1,100,000	70.00	85.00	660
		\$2,000,000	60.00	80.00	720

Notes:

- (1) Non-U.S. Citizens are limited to a maximum LTV/CLTV = 75.00%.
- ✓ 1-4 Unit/Condo and PUD permitted to MSI guidelines; Co-op properties not eligible.
- ✓ **Florida Restrictions:** Wholesale does not fund/purchase loans in the state of Florida.
- ✓ Must meet MSI Declining Markets requirements. See Jumbo Declining Markets List posted on the Web Site.
- ✓ LP/DU must be used to \$750,000 loan amount (AUS Overlays.) MSI must underwrite loan amounts > \$650,000.

Jumbo Adjustable Rate Mortgages (ARM), Continued

Loan Parameters – Jumbo ARM 30 Year Only Cash Out Refinance (12/01/08)

Occupancy	Property	Maximum			Minimum
		Loan Limit	LTV (1)	CLTV (1)	FICO
Cash Out Refinance – Not permitted if property is located in MSI Declining Market area.					
Maximum Cash Back to Borrower for all Cash-Out ARMs:					
LTV > 80.00 % = \$150,000 LTV ≤ 80.00% = \$250,000					
Owner Occupied Primary	3/1, 5/1 & 7/1				
	1 Unit Only (No Condos)	\$650,000	80.00	85.00	680
	1 Unit Condo	\$650,000	80.00	85.00	680
	1 Unit Only	\$1,100,000	75.00	85.00	660
		\$1,500,000	65.00	85.00	700
		\$2,000,000	65.00	80.00	720
	2 – 4	\$650,000	75.00	85.00	660
		\$1,500,000	60.00	80.00	700
		\$2,000,000	60.00	80.00	720
	3/1 Only				
	2 - 4	\$1,100,000	70.00	80.00	660
	5/1 & 7/1				
	2 – 4	\$1,100,000	70.00	85.00	660

Notes:

- (1) Non-U.S. Citizens are limited to a maximum LTV/CLTV = 75.00%.
- ✓ 1-4 Unit/Condo and PUD permitted to MSI guidelines; Co-op properties not eligible.
- ✓ **Florida Restrictions:** Wholesale does not fund/purchase loans in the state of Florida
- ✓ Must meet MSI Declining Markets requirements. See Jumbo Declining Markets List posted on the Web Site.
- ✓ LP/DU must be used to \$750,000 loan amount (AUS Overlays.) MSI must underwrite loan amounts > \$650,000.

Jumbo Interest Only ARM

Summary

The MSI Jumbo Adjustable Rate Mortgage Interest Only (ARM-IO) is a 30-year ARM that offers an interest-only period during the first 10-years of the loan, followed by a fully amortizing period for the remaining term (20-Years) of the loan.

- ✓ Borrowers may build equity through principal curtailments without penalty.
- ✓ During the interest-only period, principal curtailments, regardless of the amount, are applied immediately to the loan's principal balance.
 - The loan balance is reduced and the payment recalculated resulting in reduced monthly payments.
- ✓ After the interest only period, principal curtailments can continue to be made, however, the payment will be recalculated on the reduced principal balance only at the interest rate change date.

Note: Prior to making principal curtailments, the borrower should confirm with the current Servicer their preferred method to ensure excess payment is applied to the principal balance.

Continued on next page

Jumbo Interest Only ARM, Continued

Loan Parameters – Jumbo Interest Only ARM 30 Term Only (Jumbo IO ARM) (11/13/08)

Occupancy	Property	Maximum			Minimum
		Loan Limit	LTV (1)	CLTV (1)	FICO
Purchase and No Cash Out Refinance – 5/1 & 7/1 ARM Only					
Owner Occupied Primary	1 Unit Only	\$650,000	85.00	N/A	720
		\$1,100,000	80.00	85.00	720
		\$1,500,000	75.00	85.00	720
		\$2,000,000	70.00	85.00	720
	2 – 4 Units	\$650,000	75.00	85.00	720
		\$1,100,000	70.00	85.00	720
\$2,000,000		60.00	80.00	720	
Cash Out Refinance – 5/1 & 7/1 ARM Only					
Not permitted if property is located in MSI Declining Market area.					
Maximum Cash Back to Borrower for all Cash-Out ARMs:					
LTV > 80.00 % = \$150,000 LTV ≤ 80.00% = \$250,000					
Owner Occupied Primary	1 Unit Only	\$650,000	85.00	N/A	720
		\$650,000	80.00	85.00	720
		\$1,100,000	70.00	85.00	720
		\$2,000,000	60.00	75.00	720
	2 Unit Only	\$1,100,000	60.00	85.00	720
	Notes:				
<ul style="list-style-type: none"> ✓ Non-Permanent Resident Aliens are not permitted. ✓ Not eligible for 3/1 ARM. ✓ 1-4 Unit/Condo and PUD permitted to MSI guidelines ✓ Co-op properties not eligible ✓ Must meet MSI Declining Markets requirements. See Jumbo Declining Markets List posted on the Web Site. ✓ Florida Restrictions: Wholesale does not fund/purchase loans in the state of Florida. ✓ LP/DU must be used to \$750,000 loan amount (AUS Overlays.) ✓ MSI must underwrite loan amounts > \$650,000. 					

Declining Market Exempt – FRM & ARM

Summary Loans that meet the applicable loan parameters and guidelines noted herein do not need to meet the more restrictive LTV/CLTV limits imposed in the Jumbo Declining Markets List.

Underwriting Method All Declining Market Exempt loans must be manually underwritten by MSI.
Do not submit to AUS.
✓ If loan is submitted to an AUS, MSI cannot accept.

DM-Exempt Overlays The following **additional** overlays to current guidelines apply.

Topic	Requirement
Appraisal	A second appraisal is required for all loan amounts >\$1,000,000
Assets	Three months bank statements required
Credit History	Borrower must have a 0 x 30 mortgage history for 24 months.
First Time Homebuyers	Not permitted.
Qualifying Ratio	DTI = Maximum 40%
Reserves	6 months documented reserves with history/seasoning documented on bank statements.

Continued on next page

Declining Market Exempt – FRM & ARM, Continued

Loan Parameters – Jumbo FRM 10-30 Year – Declining Market Exempt (11/13/08)

Occupancy	Property	Maximum			Minimum
		Loan Limit	LTV	CLTV (1)	FICO
Purchase Transaction Only					
Owner Occupied Primary	1 Unit Only	\$650,000	85.00	85.00	720
		\$1,000,000	80.00	85.00	720
		\$1,500,000	75.00	85.00	720
		\$2,000,000	70.00	85.00	720
Refinance Transactions					
Not permitted for this product.					
Notes:					
<ul style="list-style-type: none"> ✓ Non-Permanent Resident Aliens are not permitted. ✓ Exempt from MSI Declining Market Guidelines. ✓ Condos are not permitted. ✓ Florida Restrictions: Condos and 2-4 Unit Properties in Florida are not eligible for purchase. Attached properties are limited to 80.00% LTV/CLTV unless the product maximum LTV/CLTV is less. See State Restrictions. ✓ Co-op properties not eligible. ✓ MSI must underwrite all DM Exempt loans. 					

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Declining Market Exempt – FRM & ARM, Continued

Loan Parameters – Jumbo ARM 30 Year – Declining Market Exempt (11/13/08)

Occupancy	Property	Maximum			Minimum
		Loan Limit	LTV	CLTV	FICO
Purchase Transaction Only					
Owner Occupied Primary	1 Unit Only	\$650,000	85.00	85.00	720
		\$1,000,000	80.00	85.00	720
		\$1,500,000	75.00	85.00	720
		\$2,000,000	70.00	85.00	720
Refinance Transactions					
Not permitted for this product.					
Notes:					
<ul style="list-style-type: none"> ✓ Non-Permanent Resident Aliens are not permitted. ✓ 3/1, 5/1 and 7/1 ARM products only. ✓ Exempt from MSI Declining Market Guidelines. ✓ Condos are not permitted. ✓ Florida Restrictions: Condos and 2-4 Unit Properties in Florida are not eligible for purchase. Attached properties are limited to 80.00% LTV/CLTV unless the product maximum LTV/CLTV is less. See State Restrictions. ✓ Co-op properties not eligible. ✓ MSI must underwrite all DM Exempt loans. 					

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