



Mortgage Services III, LLC

A Subsidiary of First State Bank Member FDIC

Correspondent Partner Announcement

"Striving to be the Best...not the biggest."

Issue Date 2/02/12

Effective Date As Noted

CPA 2012-004

Multiple Topics and Important Reminders and Tips

Purpose

This communication announces:

- ✓ MSI enhancement to DU Refi Plus™.
- ✓ New Fannie Condo/PUD insurance guidelines.
- ✓ New Lock Policies:
 - Addition of an "aggregate loan amount" limit for locking multiple properties.
 - NMLS requirements.
- ✓ Important Reminders:
 - Disputed Credit Guidelines.
 - Document Aging: Note Date and "escrow" states.
 - Submission Summary Reports (SSR)– Strict Compliance Required.

DU Refi Plus™

MSI is still assessing and has not yet adopted the Fannie Mae enhancements to the DU Refi Plus™ product. However, we will adopt the following enhancements **effective for loans locked on/after 2/01/12**. (Updated guidelines are noted in yellow highlight.)

Borrower Benefits: The underwriter must document in the file **and** validate on the 1008 that the following borrower benefits apply:

- ✓ The refinance reduces the monthly mortgage principal and interest payment **OR**
- ✓ The new mortgage is more stable (movement from an ARM to a FRM) **OR**
- ✓ **The refinance provides a reduction in interest rate OR**
- ✓ **The refinance provides a reduction in loan amortization term.**

Notes:

- ✓ The original application for the loan must be dated after 12/01/11 (as published by Fannie Mae for the expanded benefit to borrower requirements).
- ✓ Loan must meet all MSI overlays, currently published in the [Seller Guide/Conforming Product Suite](#).

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Fannie Mae Condo/PUD Insurance Requirements

Conforming Loans:

- Effective for conforming loans with application dates on/after 1/01/12,** as announced by Fannie Mae, (<https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2011/svc1123.pdf>)
- ✓ All condos and attached PUD's must meet current Fannie Mae Requirements.

FHA, VA and USDA Loans:

- Effective for FHA, VA and USDA loans with Note Dates on/after 3/01/12:**
- ✓ All condos and attached PUD's must meet current Fannie Mae insurance requirements. (As well as all applicable agency guidelines.)

Brief Summary of the changes to Fannie Mae requirements:

MSI will update the [Seller Guide/Underwriting](#) and [USDA and Government Product Suite](#) with applicable changes, however, in brief summary:

- ✓ The coverage amount for H06 (formerly identified as "walls-in" coverage) must be for the **full replacement cost**, including any improvements or betterments made to the units.
- ✓ In addition to the required condo/PUD project insurance, the unit must be covered by at least one of the following:
 - HOA Master/Blanket policy providing for individual unit "walls-in"/"all-in" or "all inclusive" coverage for the interior of all units (including improvements/betterments) **OR**
 - An individual unit coverage providing replacement for the interior including improvements/betterments **OR**
 - Individual owner's policy that covers both interior and exterior of the property (including betterments/improvements).

New Lock Policies

Effective for loans locked on/after 2/03/11:

Multiple Loans:

MSI will add the following **lock** restriction to all products:

- ✓ When making multiple loans to one borrower, MSI will not permit the aggregate amount of the loans to exceed \$2 Million.
 - Once the loans have closed and been sold to investors, MSI will consider making additional loans as long as the loans are in full compliance with applicable product multiple property limits.

NMLS Requirements—Effective for loans locked on/after 1/30/12:

- ✓ MSI requires the Loan Office Name and NMLS Number on **all** locks (regardless of product type).
 - The LO Name and NMLS number must match **exactly** the information in the NMLS system.

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Reminder – Disputed Credit Guidelines

Please see the [Underwriting Chapter/USDA Product Suite](#) for full details, however, MSI would like to remind Sellers that there are no exceptions to MSI's requirements for disputed credit:

- ✓ Disputed account **cannot be ignored** and **all AUS conditions** on the disputed account must be satisfied prior to loan funding/purchase.

Conventional, FHA and VA Loans

- ✓ If the trade line **does not belong** to the borrower, or a reported payment history is inaccurate you must obtain **written** documentation and include it in the loan file submitted for purchase.
 - You must ensure that all AUS conditions have been met.
 - The underwriter must carefully evaluate the borrower's credit and written explanation for the dispute to ensure the credit-worthiness of the borrower and include any accurate payment information.
 - The underwriter **must** provide a written explanation in the loan file.
- ✓ If the trade line **does belong** to the borrower and the reported payment history is accurate, the disputed trade line(s) must be considered in the credit risk assessment.
 - To ensure the disputed trade line is considered, you **must** obtain a **new** credit report **with the trade line no longer reported as disputed and resubmit the loan casefile to the AUS.**

Note: MSI will not accept an AUS loan that is "down-graded" and manually underwritten by anyone but MSI, regardless of delegated status. See the Government Product Suite for full details.

USDA loans

Loans must follow the current USDA Disputed Credit Policy.

Document Aging – Note Date

Reminder and Clarification:

- ✓ For the purpose of document aging (including appraisals), in Escrow Closing States (dry closing states), MSI will use the "date of signing" and not the date on the face of the Note as the "Note Date".

Clarification:

- ✓ For all other audit purposes, including "loan aging" (seasoning) MSI will use the Note Date on the face of the Note.

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Reminder- SSRs

Critical Reminder—Conforming Loans without Successful SSRs are ineligible for purchase. Please review and ensure you are in compliance with MSI requirements (excerpted from the [Underwriting Chapter](#)):

Uniform Collateral Data Point (UCDP)

- ✓ Correspondent Sellers are **responsible for ensuring** that the Appraisal is submitted to the UCDP (MSI understands that your AMC may submit the Appraisal to the UCDP):
 - The Submission Summary Report (SSR) from the Uniform Collateral Data Portal (UCDP) must state that the submission status was **Successful** for **each** of the Agencies **and must be included in the Loan File Delivery Package**.
 - For Sellers that use the services of MSI Underwriting, the **Successful** SSR from each agency will be a *prior to close underwriting condition*; MSI will accept the SSR's in the Underwriting Package if available.
 - The UAD Compliant Appraisal must be submitted to Fannie Mae **and** Freddie Mac **and** must be **Successful** for **each** agency, **and**
 - The Appraisal must clearly state on the **bottom of the appraisal** the following UAD "indicator", **UAD Version 9/2011**—Appraisals submitted to MSI without the indicator are not eligible for funding/purchase.

Effective Date **As Noted**

Seller Guide The Seller Guide and any other applicable posted documents will be updated within 2 business days of the effective date of each topic.

Questions If you have questions, contact your Account Executive.

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