

Changes and Clarifications for Conforming, Jumbo and Government Products

Purpose

This communication announces the following:

- ✓ Temporary Suspension of our Jumbo Product.
- ✓ Resubmission/Funding/Purchase deadline for loans submitted through DU 7.0.
- ✓ Revision to tax transcript at underwriting requirement.
- ✓ VA Minimum FICO Requirement.
- ✓ Changes and Clarifications for Government Streamline Refinances.
- ✓ Update of Conforming LTV/CLTV to be in compliance with Fannie Mae.
- ✓ Acceptance of Single Premium MI for Conforming loans.
- ✓ Additional Requirements for Single Close Construction Loans.

Effective Date

See the individual topics for details.

Jumbo Product

Effective immediately, until further notice, MSI will not price nor offer a Jumbo Product.

- ✓ Due to current issues in the secondary market, MSI will temporarily suspend our Jumbo Loans Product.
- ✓ Until further notice, the Jumbo Product will remain in the Seller Guide, but will be Temporarily Suspended. MSI will not offer pricing for our Jumbo Product during this suspension period.

DU 7.0

- ✓ **Effective on/after 12/14/08**, the version required by MSI for **new** submissions is DU 7.1.
 - **Resubmissions** to DU **on/after 1/26/09** must be to version DU 7.1. **No Exceptions.**
 - Loans must be in full compliance with the requirements/parameters for DU 7.1, regardless of commitment date.
- ✓ **Purchase Deadline:** Any loans submitted (or resubmitted) to DU 7.0 **must be purchased by MSI no later than 1/30/09** regardless of commitment date.

MSI Underwriting - Tax Transcript Revision

Effective immediately MSI will no longer require a copy of the tax transcripts at time of MSI underwriting.

- ✓ MSI will make receipt of acceptable tax transcripts and Record of Account a condition of loan purchase.
 - If the Correspondent does not include the tax transcripts and Record of Account in the loan delivery package, MSI will delay purchase of the loan pending receipt of the acceptable transcripts (which MSI will obtain).

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“Striving to be the **Best...not the biggest.**”

Issue Date 1/23/09

Effective Date Varies

CPA 2009-004

Changes and Clarifications for Conforming, Jumbo and Government Products, Continued

VA Minimum FICO

Effective for all VA loans locked or relocked on/after 1/30/09, MSI will require a minimum 600 FICO (loan score) for the loan to be eligible for funding/purchase.

Government Streamline Revisions

Effective for FHA and VA Streamline Refinance loans locked on/after 1/30/09, MSI will not accept any government streamline loan where the borrower has a 30-day or greater mortgage late in the most recent past 12 months.

Government Streamline Mortgage History Clarification

Effective 1/30/09 for FHA and VA streamline loans, the following mortgage history requirements apply:

Mortgage History Requirements:

- ✓ **No** 30-day or greater mortgage lates in the most recent 12 months are permitted.
- ✓ If the current mortgage is less than 12-months, a copy (or copies) of the HUD-1(s) must be included to substantiate history of ownership.
- ✓ Mortgage trade-lines to show 12-month mortgage payment received history, the following additional guidelines apply:
 - If the current history is less than 4-months payments received, the loan is not acceptable for purchase by MSI.
 - If the current loan is “seasoned” greater than 4 months, but less than 12:
 - The current mortgage payment received history must evidence no 30-day lates since the inception of the loan and
 - The “prior” mortgage payment history on the subject property must show no 30-day or greater lates for any other first mortgage loans associated with the property in the most recent 12 months.

Conforming LTV/CLTV Updates

- Effective immediately** MSI has updated our Conforming loan parameter matrices to be in line with current Fannie Mae DU loan parameters.
- ✓ MSI requires that conforming conventional loans meet the more restrictive guidelines of Fannie Mae/Freddie Mac/MSI and/or the MI Company (when applicable). In an effort to be more consistent, and for the benefit of our business partners, MSI is correcting our product matrices to reflect Fannie Mae DU 7.1 parameters.
 - ✓ Please see the attached *Product Change Matrix* for an illustration of the required revisions. Changes are identified in yellow highlight.

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Issue Date 1/23/09

Effective Date Varies

CPA 2009-004

Changes and Clarifications for Conforming, Jumbo and Government Products, Continued

Acceptance of Single Premium MI

Effective immediately, MSI will accept single premium (paid in full) mortgage insurance. See the following guidelines/restrictions:

- ✓ At time of loan delivery, indicate single premium MI in the comments section of the Fannie Mae 1008.
- ✓ Single premium may be either lender or borrower purchased. The premium may be paid by the property seller in full compliance with interested party (seller concession) requirements. See [Contributions](#) in the [Underwriting](#) Chapter.
- ✓ The loan delivery file must contain evidence that the proper MI Disclosure was provided to the borrower.
- ✓ If the premium is paid by the property seller, the underwriter must have fully considered and addressed in the loan file any impact to seller concessions and/or property LTV.
- ✓ **The MI premium may not be financed.**
- ✓ The single premium MI Certificate must have a single lump sum premium indicated.
- ✓ Proof of payment in full of the premium is required. Proof may be provided:
 - On the HUD-1 (paid at closing), **or**
 - By inclusion of a paid receipt if paid outside closing, **or**
 - By statement of "paid in full" on the MI Certificated included in the loan delivery file.

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Issue Date 1/23/09

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CPA 2009-004

Changes and Clarifications for Conforming, Jumbo and Government Products, Continued

Additional Restrictions for Single Close Construction to Permanent Financing

Effective immediately, MSI is adding the following additional guidelines/restrictions to our Single Close Construction-to-Permanent requirements:

Document aging requirements:

✓ Appraisal

- The appraisal must be dated within 120 days of the final modification Note Date. If the appraisal is dated more than 120 days but less than 360 days (*acknowledged as less than 12 months*) from the date of the Modification Note, the original appraiser must provide an update to the appraisal, completed on Fannie Mae Form 1004D/Freddie Mac Form 442 and must be dated within 120 days of the date of the Modification Note.

✓ Loan Documentation and Underwriting Approval

- The original loan documentation does not have to be updated and the loan does not need to be underwritten at the time of modification unless:
 - It is approved in a older version of DU or LP that is not longer accepted by MSI **OR**
 - The loan has a **feature** that is not longer accept by MSI. In those instances, the loan documentation must be updated and the loan re-submitted through the current version of DU or LP. (**Note:** A feature is considered, EA Level or reduced documentation level that is not longer available, etc.)

Loan Aging Requirements:

- ✓ MSI will **not** purchase a Single Close Construction Transaction where the date of the Construction Close is greater than 12 months from the date of the Loan Modification. (Regardless of commitment and/or valid active approval from DU or LP.)
- ✓ Single Close transactions must be purchased by MSI no later than 30 days after the “modification” date.

Seller guide

The updated Seller Guide chapters will be posted within 24-hours of the effective date.

Questions

Please contact your Correspondent Account Executive with any questions.

Posted 1/23/09

Conforming Fixed Rate Products

Loan Parameters – Agency FRM 10-40 Year

REV (1/23/09)

Units	Owner Occupied			Second Home			Investment (1)			Maximum DTI
	Maximum		Minimum FICO (2)	Maximum		Minimum FICO (2)	Maximum		Minimum FICO (2)	
	LTV	CLTV		LTV	CLTV		LTV	CLTV		
Purchase										
1	95.00	95.00	660 (3)	85.00	85.00	680 (3)	80.00	80.00	620	Per AUS
2	95.00	95.00	660 (3)	Not Permitted			80.00	80.00	620	Per AUS
3 - 4	75.00	75.00	620	Not Permitted			75.00	75.00	620	Per AUS
Rate/Term Refinance (R/T) Transactions										
1	95.00	95.00	660 (3)	85.00	85.00	680 (3)	75.00	75.00	620	Per AUS
2	95.00	95.00	660 (3)	Not Permitted			75.00	75.00	620	Per AUS
3 - 4	75.00	75.00	620	Not Permitted			75.00	75.00	620	Per AUS
Cash-Out (C/O) Transactions										
1	85.00	85.00	620	75.00	75.00	620	75.00	75.00	620	Per AUS
2	85.00	85.00	620	Not Permitted			75.00	75.00	620	Per AUS
3 - 4	75.00	75.00	620	Not Permitted			70.00	70.00	620	Per AUS

Notes:

- (1.) Condos are not permitted for Investment (non-owner occupied).
- (2.) The more restrictive MI or AUS FICO will supersede this minimum.
- (3.) LTV's ≤ 80.00% 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 for all condos is 90.00%
- ✓ Florida Restrictions: Condo Max LTV = 80.00%; See [State Restrictions](#) for details.
- ✓ Prepayment Penalty features are not permitted
- ✓ 40-year terms are permitted
- ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted
- ✓ LPMI permitted, see the Product Suite, [Mortgage Insurance – Lender Paid](#)

Conforming Adjustable Rate Mortgages

Loan Parameters – Agency ARM 30-Year

REV (1/23/09)

Units	Owner Occupied			Second Home			Investment (1)			Maximum DTI
	Maximum		Minimum FICO (2)	Maximum		Minimum FICO (2)	Maximum		Minimum FICO (2)	
	LTV	CLTV		LTV	CLTV		LTV	CLTV		
Purchase										
1	95.00	95.00	660 (3)	85.00	85.00	680 (3)	80.00	80.00	620	Per AUS
2	95.00	95.00	660 (3)	Not Permitted			80.00	80.00	620	Per AUS
3 - 4	75.00	75.00	620	Not Permitted			75.00	75.00	620	Per AUS
Rate/Term Refinance (R/T) Transactions										
1	95.00	95.00	660 (3)	85.00	85.00	680 (3)	75.00	75.00	620	Per AUS
2	95.00	95.00	660 (3)	Not Permitted			75.00	75.00	620	Per AUS
3 - 4	75.00	75.00	620	Not Permitted			75.00	75.00	620	Per AUS
Cash-Out (C/O) Transactions										
1	85.00	85.00	620	75.00	75.00	620	75.00	75.00	620	Per AUS
2	85.00	85.00	620	Not Permitted			75.00	75.00	620	Per AUS
3 - 4	75.00	75.00	620	Not Permitted			70.00	70.00	620	Per AUS

Notes:

- (1.) Condos are not permitted for Investment (non-owner occupied).
 - (2.) The more restrictive MI or AUS FICO will supersede this minimum.
 - (3.) LTV's < 80.00% 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 for all condos is 90.00%
 - ✓ Florida Restrictions: Condo Max LTV = 80.00%; See [State Restrictions](#) for details.
 - ✓ Prepayment Penalty features are not permitted
 - ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted