



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 2/13/09

Effective Date Varies

CPA 2009-005

## Changes, Reminders and Clarifications for Government and Conforming Loans

### Purpose

This communication announces the following:

- ✓ **Reminder** – MSI will be closed to observe President’s Day on Monday, 2/16/09.
- ✓ Government Loans:
  - **FHA Streamline Refinance:** Elimination of 3/1 ARMS for FHA Streamline Refinance.
  - **Clarification:** VA IRRRL – Clarification of MSI overlays for VA IRRRL.
- ✓ **Reminder:** MERS Mortgage Identification Number (MIN) Transfers.
- ✓ Clarifications:
  - **Underwriting**
    - Subordinate Financing
    - Chapter 13 Bankruptcy
  - **Pre-Purchase Delivery** - MSI Ineligible Settlement Agent List

### Effective Date

See the individual topics for details.

### Presidents Day

**MSI will be closed Monday, 2/16/09** to observe President’s Day. The overnight pricing policy will be in effect. See the [Seller Guide/Pricing](#) for details. Business will resume as usual on Tuesday, 2/17/09.

### FHA Streamline Refinance

**Effective for loans locked/re-locked on/after 2/16/09** MSI will no longer permit the FHA 3/1 ARM to be used for FHA Streamline Refinance loans.

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CPA-09-005

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Page 1 of 3





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### Clarification – MSI Overlays – VA IRRRL

MSI has re-formatted and clarified our guidelines (overlays) for VA-IRRRL. This does **not** represent a change in our working guidelines; we have more clearly stated what MSI requires **in addition to** VA guidelines. The newly clarified language is highlighted in yellow.

VA IRRRL MSI Overlays Matrix	
Topic	MSI Overlay
Application	<ul style="list-style-type: none"> <li>✓ MSI requires that the borrowers provide current employer information on the 1003.</li> <li>✓ MSI will not require income verification, but the name, address and phone number of the current employer must be stated on the 1003.</li> </ul>
Appraisal	A new appraisal is not required, however evidence that the loan is guaranteed is required.
Credit	The borrower(s) must have a clear CAIVR.
FICO	<ul style="list-style-type: none"> <li>✓ The borrower must have at least 1 FICO score and the minimum FICO for VA IRRRL is 600.</li> <li>✓ This condition can be fulfilled by a 1-repository credit report.</li> </ul>
Mortgage History (1/30/09)	<ul style="list-style-type: none"> <li>✓ Loan must be current at time of closing for the new loan.</li> <li>✓ No 30-day or greater mortgage lates in the most recent 12 months are permitted.</li> <li>✓ 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.</li> <li>✓ Mortgage trade-lines to show 12-month mortgage payment received history, the following additional guidelines apply:               <ul style="list-style-type: none"> <li>✓ If the current history is less than 4-months payments received, the loan is not acceptable for purchase by MSI.</li> <li>✓ If the current loan is “seasoned” greater than 4 months, but less than 12:                   <ul style="list-style-type: none"> <li>○ The current mortgage payment received history must evidence no 30-day lates since the inception of the loan and</li> <li>○ 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.</li> </ul> </li> </ul> </li> </ul>
Underwriting	All VA IRRRL loans must be manually underwritten.
<p><b>Important:</b> All VA IRRRL's must meet VA guidelines in addition to MSI Overlays. See the following Web Site for additional assistance. <a href="https://vip.vba.va.gov/portal/VBAH/Home">https://vip.vba.va.gov/portal/VBAH/Home</a></p>	

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CPA-09-005

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Page 2 of 3





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<b>MIN Transfers</b>	<p><b>Important Reminder:</b> It is the Seller's responsibility to ensure that the MIN is transferred to MSI <b>no later than 48 hours after loan funding/purchase</b>.</p> <ul style="list-style-type: none"><li>✓ Failure to transfer the MIN to MSI creates costly operation difficulties for MSI. Your full cooperation in this process is requested.</li><li>✓ See the <a href="#">Seller Guide/Pre-Purchase/Assignment of Mortgage</a> for full details. (<a href="http://www.msicorr.com">www.msicorr.com</a>)</li></ul>
<b>Underwriting</b>	<p>MSI has clarified the following and reposted the Underwriting Chapter to the Web Site (<a href="http://www.msicorr.com">www.msicorr.com</a>) on Tuesday, 2/10/09:</p> <ul style="list-style-type: none"><li>✓ <b>Subordinate Financing:</b><ul style="list-style-type: none"><li>• The guidelines for subordinate financing requirements are for new <b>and existing</b> second mortgages, not just new second mortgages as incorrectly stated prior to the clarification.</li><li>• We have also clarified the specific documentation requirements for underwriting.</li></ul></li><li>✓ <b>Chapter 13 Bankruptcy</b><ul style="list-style-type: none"><li>• We have clarified/defined <i>discharged</i> (successful completion, debts paid) versus <i>dismissed</i> (never completed, debts not satisfied) which better explains why there are two different guidelines depending whether the Chapter 13 was discharged or dismissed.</li></ul></li></ul> <p>Please see the updated Underwriting Chapter for full details.</p>
<b>Pre-Purchase Delivery - MSI Ineligible Settlement Agent List</b>	<p>MSI publishes on the Web Site (<a href="http://www.msicorr.com">www.msicorr.com</a>) a list of <i>Ineligible Settlement Agents</i> that is updated monthly.</p> <p>As a clarification, MSI does audit each loan delivered for purchase against this list. If an ineligible settlement agent is used, MSI will not purchase the loan.</p> <ul style="list-style-type: none"><li>✓ This audit point clarification will be added to the Pre-purchase chapter of the Seller Guide as a courtesy to our Sellers.</li></ul>
<b>Seller guide</b>	<p>The applicable updated Seller Guide chapters will be posted within 24-hours of the effective date.</p>
<b>Questions</b>	<p>Please contact your Correspondent Account Executive with any questions.</p>

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CPA-09-005

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Page 3 of 3

