



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 2/18/09

Effective Date Varies

CPA 2009-006-Corrected

Multiple Changes and Clarifications

Purpose

- This communication announces the following:
- ✓ FICO and Maximum CLTV changes for Government Loans
 - ✓ **Reminder:** FHA Gifts.
 - ✓ FICO Changes for USDA Loans.
 - ✓ Conventional Conforming:
 - Changes and Clarification for Condo Requirements.
 - Clarifications for conversion or departure of primary residence.
 - Clarifications for construction-to-permanent financing.

Effective Date

See the individual topics for details.

Government Loans

- Effective for loans locked or re-locked on/after 3/02/09:**
Due to current market conditions, MSI is making the following revisions to MSI FICO and Maximum LTV/CLTV for Government Loans:
- ✓ Minimum FICO for **all** standard FHA or VA loans is 620.
 - ✓ Minimum FICO for **all** FHA High Balance loans is 620 unless a higher FICO is required in the Product Suite.
 - ✓ FHA Maximum Cash-out refinance is 85.00%. MSI will not permit LTV's greater than 85.00%, regardless of FHA guidelines.
 - ✓ MSI overlays have been applied to maximum CLTV's.
 - ✓ See the Product Change Matrix attached to this Announcement for full details.
Corrected.

FHA Gifts

- Reminder:**
- ✓ MSI requires that family gift donors be a documented immediate family member. (An immediate family member is any person related by blood, legal proceedings, marriage or adoption (e.g. parent or step-parent, sibling, aunt/uncle, child (adoptive or natural), etc.)
 - ✓ MSI reserves the right to request documentation that evidences the family relationship.
 - ✓ Gifts must meet also meet all FHA requirements and guidelines.
- Note: Effective Immediately,** MSI will add this requirement to our MSI FHA Overlays.

USDA Loans

- Effective for loan locked or re-locked on/after 2/20/09:**
- ✓ The USDA minimum FICO has been increased from 580 to 620.
 - ✓ Loans without a useable FICO are no longer eligible for purchase/funding by MSI.

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Multiple Changes and Clarifications, Continued

Conventional Loans

Clarifications are effective immediately, Revisions are effective for loans locked or relocked on/after 2/20/09.

- ✓ The Change Matrix summarizes the clarifications and/or changes to the Conforming loan guidelines.

Change Matrix	
Topic	Summary
General Condo Requirements	<p>Revised:</p> <ul style="list-style-type: none"> ✓ The "pre-sale" requirement is now 70.00% sold to bona fide purchasers. ✓ Commercial use may not exceed 20.00% of the total square footage of the project. ✓ If more than 15.00% of the units are delinquent over 30-days in their HOA dues, the project is ineligible for funding/purchase. ✓ Fidelity bond insurance is required on all projects with greater than 20-units (or per state requirements). ✓ Pooled Insurance is not acceptable to MSI. ✓ Illegal seller (sales) concessions make the project ineligible. (Include sales contributions that exceed the current limits for the applicable product.) <p>Clarified:</p> <ul style="list-style-type: none"> ✓ Fidelity bond insurance is required on all projects with greater than 20 units (or per state requirements) regardless of project type or the analysis required.
Florida Condos	<p>Reminder: MSI will purchase, under very strict limitations, only owner-occupied condos in Florida. Maximum 75.00% LTV. Additional restrictions apply; see the Conforming Product Suite for details.</p>
Construction- to-Permanent	<p>Clarified:</p> <ul style="list-style-type: none"> ✓ All construction-to-permanent financing loans must include documentation of the acquisition costs. See the Underwriting Chapter for full details on acceptable documentation. ✓ If the lot was acquired by inheritance or gift, the loan must be structured as a cash-out refinance (meet those LTV/CLTV guidelines) and the LTV/CLTV is based on the appraised value.
Conversion (or departure) of a Primary Residence	<p>Clarified:</p> <ul style="list-style-type: none"> ✓ Reserves for the transactions are determined by the AUS, unless MSI requirements are more restrictive. ✓ Guidelines for relocating borrowers with or without a buyout agreement. Please see the Underwriting Chapter/Conversion of Principal Residence for full details.
Condo Questionnaires	<p>Both the <i>Condo Project Questionnaire</i> and the <i>Limited Review Questionnaire</i> will be updated and posted to the Web Site on 2/20/09.</p>

Seller guide

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

Questions

Please contact your Correspondent Account Executive with any questions.

CPA-09-006

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Product Change Matrix Government Loans

Corrected
 Attachment to Announcement dated 2/18/09

FHA Loans

FHA – “Standard” Maximum Loan Amounts

REV (3/02/09)

Units	Owner Occupied			Second Home			Investment			Maximum DTI (*)
	Maximum		Minimum FICO	Maximum		Minimum FICO	Maximum		Minimum FICO	
	LTV	CLTV		LTV	CLTV		LTV	CLTV		
Purchase										
1 - 4	96.50	100.00	620	Not Permitted			Not Permitted			Per AUS
Rate/Term and Streamline Refinance (Streamline Refinance follow FHA/MSI guidelines. See FHA Refinance Matrix.)										
1 - 4	97.75	100.00	620	Not Permitted			Not Permitted			Per AUS
Cash-Out (C/O) Transactions (Follow FHA/MSI Guidelines. See FHA Refinance Matrix.)										
1 - 4	85.00	85.00	620	Not Permitted			Not Permitted			Per AUS
(*) For Refer loans, Maximum DTI is 43% (ratios 31/43%). Streamline Refinance – do not submit to AUS; non-credit qualifying. ✓ CLTV for purchase transactions with DAP follow FHA guidelines. ✓ 3-4 Units are permitted for cash out refinance at a maximum 85.00% LTV. All MSI and FHA Guidelines must be met and the all 3-4 Unit properties must meet the FHA debt service requirements.										

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MSI provides the Product Sheet as a quick reference for mortgage professionals only. Product guidelines are subject to change without notice. See the MSI Seller Guide for full details prior to selling any loans to MSI.





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Product Change Matrix Government Loans

FHA Loans, Continued

Loan Parameters – MSI FHA High Balance 30 Year – FRM & ARM REV (3/02/09)

Units	Owner Occupied			Second Home			Investment (1)			Maximum
	Maximum		Minimum FICO	Maximum		Minimum FICO (2)	Maximum		Minimum FICO (2)	Maximum DTI
	LTV	CLTV		LTV	CLTV		LTV	CLTV		
Purchase										
1 - 2	96.50	96.50	620	Not Permitted			Not Permitted			Per AUS
Rate/Term Refinance										
1 - 2	97.75	97.75	620	Not Permitted			Not Permitted			Per AUS
Cash-Out (C/O) Transactions										
1 - 2	85.00	85.00	640	Not Permitted			Not Permitted			Per AUS
Notes:										
<ul style="list-style-type: none"> ✓ FHA Streamline loans are not permitted for MSI FHA High Balance, all loans must be credit-qualifying. ✓ 30-year Term only. FRM and 3/1 or 5/1 FHA ARM. ✓ Loan must meet all current FHA guidelines with additional MSI FHA High Balance Overlays ✓ Down Payment Assistance Programs not permitted. ✓ Temporary buydowns are not permitted. ✓ Minimum 2 FICO scores for each borrower, middle of 3, lower of 2, lowest of borrower scores used to qualify the loan. ✓ FHA Total Scorecard through DU or LP required, loan must be approve or accept. ✓ Cash out transactions – Foreclosure or Bankruptcy not permitted within most recent 7 years, regardless of AUS. ✓ 3-4 Units not permitted. ✓ Follow current FHA guidelines for declining markets (ML-2008-09) and MSI where more restrictive. See Declining Markets Policy. 										

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VA Loans

Loan Parameters – VA

REV (3/02/09)

Maximum LTV/Loan Type	Maximum Loan Limit
Purchase 100% of reasonable value ¹ plus VA funding fee	\$417,000
90% Cash out Refinance	\$417,000
Interest Rate Reduction Refinance Loan	\$417,000 Principal balance of the existing loan Up to 45 days interest Any late charges and escrow shortages .50% Funding Fee (if applicable) Up to a 2% discount All forward closing costs and prepaid expenses. May not exceed VA statutory limits.
<p>Notes:</p> <p>¹ Based on the Veteran's available Entitlement as stated on the Certificate of Eligibility. For purchases, the maximum entitlement is \$104,250</p> <p>✓ Maximum CLTV for VA loans:</p> <ul style="list-style-type: none"> • Purchase Transactions = 100.00% • Cash-Out Refinance = 90.00% • Rate/Term, Fully qualifying and documented rate/term refinance = 90.00%. No new subordinate financing. • IRRRL to VA guidelines – No new subordinate financing. <p>Important: All VA loans must meet GNMA loan guarantee (no greater than 4X the entitlement and must include the VA Funding Fee in the limit, if it is financed.)</p>	

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