



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 3/05/09

Effective Date Varies

CPA 2009-009

## FHA Cash Out Occupancy Requirement and 2009 Temporary Loan Limits; Appraisal Reminder

### Purpose

This communication:

- ✓ Clarifies and announces MSI’s occupancy requirements for FHA Cash Out loans.
- ✓ Announces MSI’s acceptance of the 2009 temporary FHA loan limits.
- ✓ Reminds sellers of the Appraisal Market Conditions Addendum requirement.

### Effective Date

Varies, see specific topics.

### FHA Cash Out Refinance Occupancy Requirements

**Effective Immediately** for all FHA Cash Out loan, MSI requires the following:

- ✓ The borrower must document that at least one borrower on the new loan has resided in the subject property as a primary residence for a minimum of 12 months.
  - IRS transcripts for the previous year may be used to document occupancy.
    - MSI reserves the right to request any other documentation (in lieu of or in addition to the IRS Transcripts) that validates the owner-occupancy of the subject property.
  - The last 12-months chain of title must not reflect any recording or any documentation that would indicate that the borrower(s) have not occupied the subject property as a primary residence.
- ✓ If the property was acquired within the last 12-calendar months, a cash out refinance for a primary residence may still be made, however:
  - The loan must clearly document that the subject is the borrower(s) primary residence and
  - The HUD-1 from the acquisition must be included in the loan file and per HUD guidelines, the acquisition cost will be used to calculate the LTV.
  - If the property was inherited, the borrowers must document that the subject property is the primary residence.
- ✓ An Occupancy Affidavit (see the MSI Web Site/Forms) must be signed by all borrowers at closing.
- ✓ Other occupants may be added to the new loan in keeping with FHA/MSI guidelines.

**Note:** FHA Cash Out loans not underwritten by MSI will be subject to over-selection for post-purchase audit. The loan files must contain acceptable documentation of owner-occupancy as a primary residence.

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### FHA Cash Out Occupancy Requirement and 2009 Temporary Loan Limits; Appraisal Reminder, Continued

#### FHA Temporary Loan Limits

Effective for loans locked on/after 3/06/09, MSI will accept the 2009 Temporary FHA loan limits as permitted by the American Recovery and Reinvestment Act of 2009. (See ML 09-07).

- ✓ MSI will permit the higher loan limits as accepted by FHA, however, our MSI High Balance requirement overlays remain in effect.
- ✓ FHA statutory loan limits continue to apply and cannot be exceeded. The limits are tied to the base loan amount, not the total loan amount. The FHA limit can only be exceeded by the financed upfront mortgage insurance premium.
- ✓ FHA streamline loans and 3-4 Unit properties are not eligible for the MSI FHA High Balance product.
- ✓ Sellers are reminded that for the MSI FHA High Balance product, evidence of the Mortgage Insurance Certificate (MIC) must be provided **prior** to loan funding/purchase.
  - MSI will accept the final MIC **or**
  - The MIC printed from FHA Connection.
- ✓ **Expiration:** The 2009 limits are effective for loans for which credit is approved during the 2009 calendar year. MSI will advise sellers of applicable "deadline dates" similar to the management of temporary products for year 2008.

See the Attached FHA Product Change matrix for loan amount ceilings affected by this revision.

#### Appraisal Addendum Reminder

Effective on/after 4/01/09

All Conventional Loan appraisals and Appraisal Update and/or Completion Reports, dated on and after April 1, 2009 must be accompanied by a completed Form 1004MC, **regardless of the date of the original appraisal.**

#### Seller guide

The applicable updated Seller Guide chapters will be posted within 24-hours of the effective date.  
The Government Overlays, Quick Reference Document will also be updated.

#### Questions

Please contact your Correspondent Account Executive with any questions.

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# Product Change Matrix Announcement Attachment FHA Loans

Attachment to FHA Announcement

## FHA Loans

### FHA – “Standard” Maximum Loan Amounts

Units	Owner Occupied			Second Home			Investment			Maximum DTI (*)
	Maximum		Minimum FICO	Maximum		Minimum FICO	Maximum		Minimum FICO	
	LTV	CLTV		LTV	CLTV		LTV	CLTV		
<b>Purchase</b>										
1 - 4	96.50	100.00	620	Not Permitted			Not Permitted			Per AUS
<b>Rate/Term and Streamline Refinance (Streamline Refinance follow FHA/MSI guidelines. See <a href="#">FHA Refinance Matrix</a>.)</b>										
1 - 4	97.75	100.00	620	Not Permitted			Not Permitted			Per AUS
<b>Cash-Out (C/O) Transactions (Follow FHA/MSI Guidelines. See <a href="#">FHA Refinance Matrix</a>.)</b>										
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 Unit Cash Out is permitted at Maximum 85.00%. All MSI/FHA guidelines must be met and FHA debt service ratios must be met.										

Units	Basic “Floor” Limits	MSI “Standard” FHA Limits	FHA High Cost “Ceiling”
1	\$271,050	\$417,000	\$729,750 (1)
2	\$347,000	\$533,850	\$934,200 (1)
3	\$419,000	\$645,300 (2, 3)	\$1,129,250 (3)
4	\$521,250	\$801,950 (2, 3)	\$1,403,400 (3)

**Notes:**

- (1) Loan amounts exceeding the MSI “Standard” FHA Limits are considered MSI “High Balance” and must follow those specific guidelines, see [MSI FHA High Balance](#) for details.
  - (2) **All 3-4 Unit properties must meet the FHA debt service requirements.**
  - (3) 3-4 Unit properties that exceed MSI Standard FHA Limits are considered FHA High Balance and are **not** eligible for purchase by MSI.
- ✓ “Basic Floor Limits” represent the lowest maximum county limit set nationally by FHA while the “High Cost Ceiling” represents the highest. **MSI considers** any FHA loan that exceeds the 2009 Fannie Mae statutory limit for the number of units to be a MSI FHA High Balance loan. See [MSI FHA High Balance](#) for details and MSI restrictions.
  - ✓ Check individual county limits for maximum loan amount. Current loans limits may be calculated at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.
  - ✓ All loans must be closed in whole dollar amounts (e.g. a loan amount of \$271,049.50 is not acceptable).
  - ✓ **Base Loan Amounts cannot exceed the limit set for the individual county.**
  - ✓ The LTV/CLTV limits for all FHA loans must meet the most current requirements for High and Low cost states outlined by FHA to ensure that the loan is insurable. The MSI lock system does **not** validate FHA loan amounts.
  - ✓ MSI reserves the right to amend pricing if the final 1008LT or Note differs from the originally committed loan.

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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 Announcement Attachment FHA Loans

## FHA Loans, Continued

### Loan Parameters – MSI FHA High Balance 30 Year – FRM & ARM

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

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