

Posted 5/11/12

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# NOTES

# 601 - Conforming Products

## Product Description and Product Codes

### Overview

This product suite provides specific product-related criteria which are in addition to those guidelines provided in the Underwriting chapter of this Seller Guide.

- ✓ Should there be a conflict between the requirements contained in this product suite versus the guidelines contained in the Underwriting Chapter, the Correspondent should follow the criteria set forth in this product suite.
- ✓ Sellers should reference the Underwriting Chapter for guidelines not specifically addressed in this product suite.
- ✓ Additionally, Mortgage Services III, LLC (MSI) underwriting guidelines are based on Fannie Mae/Freddie Mac guidelines, **unless** specifically addressed in this product suite or the Underwriting chapter.

### Rights of MSI

MSI reserves the right to change or eliminate any product without advance notice based on the current market conditions. If a product is not priced, it is not available, regardless of the Seller Guide or Product Quick Reference sheet.

### Seller Responsibility

All loans sold to MSI must meet the product parameters in effect at the time the loan is locked. Loans that do not meet the specific product descriptions outlined in this product suite are not eligible for purchase.

### FRM Product Description

(8/03/09)

#### **Conforming Fixed Rate Mortgage**

- ✓ The Conforming fixed rate mortgage (FRM) product has the option of a 10-, 15-, 20, 25, or 30-year amortization term.
- ✓ MSI-Lender Paid Mortgage Insurance Product –Product eliminated 8/03/09. See the [Underwriting Chapter](#) for details for lender paid Single Premium.
- ✓ **Interest Only** product is not available for loans locked on/after 11/17/08.

(11/17/08)

#### **Fannie Expanded Approval (EA-1) and Freddie A-Minus**

- ✓ Product Eliminated effective for loans locked on/after 11/17/08.

(7/01/09)

#### **Community Lending Products**

- ✓ Discontinued 7/01/09. MSI discontinued pricing at an earlier date.

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# Conforming Product Suite



## Product Description and Product Codes, Continued

### FRM Product Codes

The following matrix outlines the applicable product codes for the Conforming FRM product suite:

Product	Product Code	Loan Term
<b>Conforming Fixed Rate Mortgage – Fully Amortizing</b>		
30-Year FRM	300000	30-Years
30-Year FRM – High Balance	306300	30-Years
(10/19/09) "Standard" DU Refi Plus™	306600-30 156-600-15	30-Years 15-Years
(5/20/11) High Balance DU Refi Plus™	308400	30-Years
(10/19/09) LP RRM	306700-30 156700-15	30-Years 15-Years
20-Year FRM	200000	20-Years
25-Year FRM	250000	25 Years
15-Year FRM	150000	15-Years
15-Year FRM-High Balance	156300	15-Years
10-Year FRM	100000	10 Years
<b>HomePath® Conforming Fixed Rate Mortgage – Fully Amortizing</b>		
30-Year FRM Standard Conforming	308900	30-Years
30-Year FRM High Balance Conforming	309000	30-Years
<b>FRM Temporary Buydown Codes—MSI "funded" –Not Permitted-(1/31/11)</b>		
1/0 Temporary Buydown		
2/1/0 Temporary Buydown		
<b>FRM Interest Only (I/O) – Eliminated 11/17/08</b>		
<b>MSI Lender Paid Mortgage Insurance Option (LPMI) – FRM—Product Eliminated for Correspondents (2009)</b>		
<b>Split Mortgage Insurance (MI) Option – FRM – Product Eliminated for Correspondents (2009)</b>		

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## Product Description and Product Codes, Continued

### Product Limitations – Investment and Second Home

(12/12/09)

When Borrowers are purchasing a Second Home or Investment Property:

- ✓ If the borrower(s) own more than one financed 1-4 unit investment property, the product is limited to 15-year, 20-year, 30-year FRM or 7/1 or 10/1 ARM only.

### ARM Product Description

#### **Conforming Adjustable Rate Mortgage**

- ✓ The Conforming adjustable rate mortgage (ARM) product has only a 30-Year amortization but offers the following options:
- ✓ 1 Year, 3/1, 5/1, 7/1 and 10/1
- ✓ **Lender Paid Mortgage Insurance Options** Effective with pricing 8/03/09, LPMI (MSI Product) is not available for Correspondents.

### ARM Product Codes

The following matrix outlines the applicable product codes for the Conforming ARM product suite:

Product	DU Product Code	LP Product Code	Loan Term
<b>Conforming Adjustable Rate Mortgage (ARM)</b>			
1 Year LIBOR	110000		30-Years
3/1 LIBOR	319100	319200	
5/1 LIBOR	519100	519200	
5/1 LIBOR-High Balance- N/A	516306		
7/1 LIBOR	719100	719200	
10/01 LIBOR	910000		
<b>ARM Interest Only (IO) – Product is eliminated for loans locked on/after 3/02/09</b>			

## Loan Details

**Overview** The following “loan details” are presented in alphabetical order. Unless otherwise noted in a specific product sub-section, the loan details noted herein apply to all loans in this product suite.

See the specific product sub-sections for full details regarding loan parameters.

**Assumable**

- ✓ Conforming FRM – Not Assumable
- ✓ Conforming ARM – May be Assumable under specific conditions. See [ARM Summary](#).

**Borrowers** (6/03/11) The following matrix outlines the applicable borrower types:

Eligible Borrowers	Ineligible Borrowers
Loans are granted only to natural persons. Title must be held in individual names only. The following are permitted to the applicable MSI/agency underwriting guidelines: <ul style="list-style-type: none"> <li>✓ U.S. Citizens</li> <li>✓ Permanent Resident Aliens</li> <li>✓ Non-Permanent Resident Aliens</li> <li>✓ Inter Vivos Revocable Trust (See <a href="#">Underwriting/Trusts</a> for requirements)</li> <li>✓ Illinois Land Trust (See <a href="#">Underwriting/Trusts</a> for requirements)</li> </ul>	Possession by corporations or partnerships is not acceptable, including, but not limited to, the following: <ul style="list-style-type: none"> <li>✓ Conservatorships</li> <li>✓ Borrowers with diplomatic immunity</li> <li>✓ Co-Signers and Guarantors</li> <li>✓ Guardianships</li> <li>✓ S Corporations</li> <li>✓ Life Estates</li> <li>✓ Real Estate Syndication</li> <li>✓ Partnerships</li> <li>✓ Foreign Nationals</li> <li>✓ Non-profit organizations</li> <li>✓ Trusts, except those specifically permitted</li> </ul>
<p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>✓ Each borrower must have a valid U.S. Social Security Card; a tax I.D. number is not acceptable.</li> </ul>	

**CLTV/TLTV** When MSI states maximum “CLTV” in a Product Matrix, CLTV includes **all** subordinate financing including HELOC’s to their **full** line of credit (not just the amount used/outstanding).

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## Loan Details, Continued

### Eligible States Correspondent

For a complete listing of eligible states in which MSI will purchase loans, see the “currently doing business” list on the Web Site, [www.msicorr.com](http://www.msicorr.com).

### Escrow/ Impound Waiver

(11/19/10)

Permitted per MSI guidelines for **conventional** loans with an LTV **less than 80.00%**, unless higher limits are permitted by state law (e.g., CA **where waiver is permitted to 89.99%; LTV's ≥ 90.00 require escrows.**).

- ✓ The impound/escrow for hazard insurance and taxes may be waived.
- ✓ The impound/escrow for mortgage insurance may **not** be waived.
- ✓ The impound for hazard insurance only may be waived. The impound for taxes only may **not** be waived.
- ✓ Effective for loans locked on/after 11/19/10: In addition to the above:
  - If the borrowers had a previous default/foreclosure or if the credit history is blemished or if the borrower’s cash reserves are limited, the lender may not grant an escrow waiver, regardless of LTV.
- ✓ See [Underwriting](#) and [Pre-Purchase](#) for additional details. See the [Current Rates](#) for applicable price adjustments.

### Energy Efficient Mortgages

MSI does not fund/purchase mortgages which are subject to any type of “special” “EEM mortgage” programs or guidelines.

### Price Adjustments

Price Adjustments may be applied against conventional conforming loans. All price adjustments are cumulative.

See the [Current Rates](#) on [www.msicorr.com](http://www.msicorr.com) for details.

### Loan Limits

#### Maximum Loan Amount for Conforming Products

Property Type	48 Contiguous States & DC
1 Unit	\$417,000
2 Units	\$533,850
3 Units	\$645,300
4 Units	\$801,950

#### Minimum

- ✓ MSI will not purchase loan amounts less than \$20,000.

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# Conforming Product Suite



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## Loan Details, Continued

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**Mortgage  
Credit  
Certificate**

Mortgage Credit Certificates (MCC) are not permitted.

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**Negative  
Amortization**

Not Applicable for Conforming Products.

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**Occupancy**

Within specific product parameters, the following occupancy types are available:

- ✓ Owner-Occupied
- ✓ Second Vacation Home
- ✓ Investment (Non-owner occupied)
- ✓ See [Non-Occupant Co-Borrower](#) for additional guidelines.

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**Prepayment  
Penalty**

Not Permitted

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## Loan Details, Continued

### Property Types

(12/23/09)

The following matrix outlines the applicable property types:

Eligible Property Types	Ineligible Property Types
<p>Unless otherwise specifically restricted or not permitted by the applicable loan parameters, the following property types are acceptable to MSI/agency Guidelines:</p> <ul style="list-style-type: none"> <li>✓ 1-4 Unit Properties</li> <li>✓ Condominiums (condo) to MSI guidelines, regardless of DU Findings (Low Rise and High Rise) See <a href="#">Condos – Attached PUDs</a> and <a href="#">Underwriting/Condo Requirements</a> for details.</li> <li>✓ Land Contract for Sale</li> <li>✓ Leasehold Estate properties must be common to the area. See <a href="#">Underwriting/Leasehold</a> for full details.</li> <li>✓ Modular/Factory Built homes to Fannie Mae guidelines. See <a href="#">Underwriting/Modular Homes</a> for full details.</li> <li>✓ PUDs to applicable agency guidelines</li> <li>✓ Rural Properties</li> <li>✓ Mixed use properties (See <a href="#">Link to Underwriting</a> for details)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Auction- Properties purchased at auction – See <a href="#">Underwriting/Property Types</a> for the exception.</li> <li>✓ Commercial operations</li> <li>✓ Condotels</li> <li>✓ Cooperative Projects</li> <li>✓ Geodesic Domes</li> <li>✓ Earth Homes</li> <li>✓ Houseboats</li> <li>✓ Mobile (Manufactured) Homes, single- or double-wide</li> <li>✓ Model Home Leaseback properties</li> <li>✓ Multi-dwelling or Multi-Unit condominiums</li> <li>✓ Non-Warrantable Condos</li> <li>✓ Non-conforming zoning projects</li> <li>✓ "Own-your-Own", Timeshare/segmented ownership</li> <li>✓ Projects with pending litigation</li> <li>✓ Properties with deed restrictions that limit transferability of title, or contain a "first right of refusal" provision</li> <li>✓ Properties located outside the United States or District of Columbia</li> <li>✓ Properties with assignments of purchase (assigning the purchase contract to another party)</li> <li>✓ Property located on an Indian Reservation</li> <li>✓ Raw Land</li> <li>✓ Unimproved (Raw) Land</li> <li>✓ Working farms, ranches or orchards</li> <li>✓ Any property type not permitted by Fannie Mae or Freddie Mac</li> </ul>
<p><b>Note:</b> See <a href="#">Underwriting/Property Types</a> for additional details</p>	

## Documentation Requirements

### Full/Alt Doc

Full/Alt documentation requirements follow current DU/LP/MSI guidelines. MSI requires certain additional documentation regardless of the AUS findings:

#### **Income Documentation**

- ✓ MSI, **regardless of the AUS findings**, requires the following **minimum** documentation on all loans:
  - The VVOE (see below)
  - A current YTD pay stub and
  - 1-Year W-2 or 1 Year Tax Returns

(8/20/10)

#### **Verification of Employment (VOE)**

- ✓ When a direct (VOE form) is used, MSI requires a copy of the most recent pay stub, W-2 or tax return to validate income, regardless of the AUS finding or the fact that a VOE is included in the loan file. See the [Underwriting Chapter](#) for full details.

#### **Verbal VOE:**

- ✓ MSI **requires** that the **Seller** perform a Verbal VOE to MSI requirements (see the [Underwriting Chapter](#)) no earlier than 5 days prior to the Note date. The Verbal VOE must be included in the Delivery File.
- ✓ If the borrower is no longer employed:
  - **If the loan was underwritten by MSI**, the loan must be returned to the underwriter with a revised 1003, 1008, AUS finding and employment verification so that the underwriter can re-underwrite the borrower with the new/reduced income.
  - **If the loan was underwritten by a delegated underwriter**, the delegated underwriter is required to completely re-review the loan using the new/reduced income.
    - If the loan still qualifies, it may be delivered to MSI with all applicable documentation corrected accordingly.

#### **Additionally:**

- ✓ MSI will perform, as a part of the pre-purchase/funding audit, a new Verbal VOE prior to funding/purchase.
  - If the borrower is not longer employed the applicable underwriter will need to confirm that the borrower can still qualify for the loan; if not, the loan is not eligible for funding/purchase.

#### **Verification of Deposit**

- ✓ MSI requires a copy of the most recent bank statement to validate funds to close and/or reserves, regardless of the AUS finding or the fact that a VOD is included in the loan file.

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### Documentation Requirements, Continued

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#### Full/Alt Doc, Continued

(1/01/09) **IRS 4506-T**

- ✓ A 4506-T, signed/dated by each borrower at closing is required, regardless whether tax transcripts are included in the closed loan delivered for purchase.

(6/01/09)

- ✓ Tax Transcripts/Record of Change must cover:
  - Salaried (W-2) Borrowers: The most current 2-years.
  - Self-Employed (and passive income) Borrowers: The most recent 2-years.
  - Jumbo loans exceeding \$750,000: The most recent 2 years.

**Underwriting Tip:**

- ✓ See the Tax Transcripts Review section of the Underwriting Chapter/ Documentation Requirements for additional assistance.

**Closed Loans Delivered for Purchase**

- ✓ MSI requires that the loan file contain 2-years of tax transcripts/ Record of Change. MSI will review tax transcripts and the Record of Change prior to loan purchase/funding.
- ✓ **Note:** MSI still requires the 4506-T signed/dated by each borrower at close to facilitate any post-purchase quality control audit.

(11/17/08)

**Important Note: Amended Tax Returns**

The IRS permits tax returns to be amended up to 3-years after the initial tax-filing year. If tax returns have been amended, the underwriter (and MSI) must be able to document the following, via the tax transcripts obtained using the 4506-T:

- ✓ The IRS has processed **and** accepted the amended tax returns; that information is contained in the transcripts.
  - ✓ All outstanding liabilities and/or tax penalties have been paid; the transcripts show no outstanding money owed to the IRS.
  - ✓ **Additionally**, the underwriter must carefully review any increased income to insure its validity, and the loan file should contain:
    - Documentation to support receipt of the income as well continuation of the income (reasonably for at least 2-years in the future).
    - The underwriter in these cases must make every effort to prudently document the added income and the reasonable expectation of continuation.
-

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## General Underwriting Guidelines

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### Overview

The conforming loans in this section require submission through either Fannie Mae Desktop Underwriter<sup>®</sup> (DU) or Freddie Mac Loan Prospector<sup>®</sup> (LP). The underwriting guidelines (AUS findings) of each agency must be met, unless otherwise indicated in the loan parameters.

All loans must meet the guidelines outlined in this General Underwriting Guidelines section unless otherwise noted in a specific product sub-set.

**Notes:**

- ✓ Throughout the product suite references to the Underwriting chapter are indicated in the following manner, [Underwriting/Credit](#) – this tells you to go to the Underwriting chapter, Credit section. References in blue with an underline indicate a link within this chapter, click on the link to go to that reference.
- ✓ Guidelines that are not provided in this product suite or in the Underwriting chapter default to the applicable Fannie Mae or Freddie Mac guidelines.

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### Underwriting Method

#### Conforming Conventional

- ✓ AUS Required
  - Loans must be submitted through either Fannie Mae DU or Freddie Mac LP and receive an approve or accept to be eligible for purchase to MSI.
- ✓ Validation
  - Loans must be validated by an underwriter in accordance with the applicable agency requirements.

**Note:** Loans may not be manually underwritten under any circumstances.

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### Presentation

The guidelines in this section are presented in alphabetical order.

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## General Underwriting Guidelines, Continued

### Acceptable AUS Decisions (11/17/08)

MSI will accept Agency Conforming loans only with the following credit recommendations.

**Note:** Manual Underwriting or "Overturning" loans is **not** permitted regardless of circumstances or compensating factors.

Credit Recommendation	Eligible for Purchase
<b>DU Decision</b>	
DU Approve/Eligible	Yes
DU Approve/Ineligible	No
DU Refer/Eligible	No
DU Refer/Ineligible	No
DU Refer with Caution	No
DU EA 1/Eligible	No-Product Eliminated 11/17/08
DU EA 1/Ineligible	No
DU EA 2/Eligible	No
DU EA 2/Ineligible	No
DU EA 3/ Eligible or Ineligible	No
Out of Scope	No
<b>LP Decision</b>	
Standard Accept	Yes
Streamline Accept	Yes
Accept Plus	Yes – Follow MSI guidelines for full/alt documentation.
Caution	No
Incomplete	No
500 FHLMC Eligible. LP A-minus offering	No-Product Eliminated 11/17/08
<b>Notes:</b>	
<ul style="list-style-type: none"> <li>✓ A copy of the applicable AUS findings report and completed Fannie Mae 1008 must be in the loan file at time of delivery for purchase by MSI.</li> <li>✓ The report/findings must be the most current used to close the loan and may not be older than 90-days from the date of closing.</li> <li>✓ The AUS Findings, summary and executed Fannie Mae 1008 must reflect the terms of the closed loan.</li> </ul>	

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## General Underwriting Guidelines, Continued

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### Alimony/ Child Support/ Separate Maintenance Income

MSI, in accordance with agency guidelines, requires specific documentation and evidence of stability to use this type of income to qualify, regardless of the AUS Finding message.

See [Underwriting/Alimony ...](#) for full details.

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### Appraisal (1/07/09)

MSI will **not** accept the limited appraisal forms noted in the AUS findings report, with the exception of the Fannie Mae 2055 or the Freddie Mac equivalent. See the [Underwriting Chapter](#) for full details.

- ✓ MSI will **not** accept the following “appraisal alternatives”:
  - Fannie Mae Property Inspection Waiver (PIW)
  - Freddie Mac Property Inspection Alternative (PIA)

**Notes:**

- ✓ If the AUS finding permits either a DU PIW or an LP PIA, MSI will not accept them; however, in lieu of the PIW/PIA, MSI will accept a 2055-Exterior in lieu. (Unless the AUS or MI requires an interior/exterior.)
- ✓ Condos always require a full condo appraisal to facilitate Limited Review or CPM warranties.

### (3/12/12) **Fannie Mae 2075**

- ✓ MSI will accept the Appraisal Form 2075 under the following strict guidelines:

**Locking the Loan:**

- ✓ **The use of the Form 2075 must be indicated at time of initial lock.**
  - Click [Yes](#) in the [2075 Appraisal Field](#) to indicate at time of initial lock.
  - There may or may not be a price adjustment for the use of the 2075; you must refer to the pricing engine to see if a pricing adjustment has been added.
  - To determine: (1) Run the loan search; (2) Click the [Yes](#) selection in the [2075 Appraisal Field](#).
  - **Note:** The adjustment can and will vary by product and can be different day-to-day.

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### General Underwriting Guidelines, Continued

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#### Appraisal, Continued

**CLAR** (5/10/12) **2075**, Continued

**Product Parameters and Restrictions:**

- ✓ Conforming FRM only-standard loan limits only, no high balance.
- ✓ 30-25-20-15-10 Year Terms acceptable.
- ✓ LTV 80% or less. **The AUS Finding must state that a PIW or 2075 is acceptable.**
- ✓ **DU Refi Plus** – we will accept any LTV to the maximum currently published LTV in the DU Refi Plus sub-section as long as the DU findings states “2075 or PIW is permitted”.
  - **We will accept a 2075; a PIW is never acceptable.** (For DU Refi Plus please identify the use of the 2075 at time of lock.)
- ✓ **LP Relief Refinance** – If “**OPTION TWO**” is used.
- ✓ The following are not acceptable for the 2075 under any circumstances:
  - New Construction
  - Properties located in a Disaster Area
  - **REO Properties.**

**CLAR** (5/10/12) **Additional Note:**

- ✓ If a 2075 is not requested at initial lock, it may still be possible for MSI to accept with a **specific written approval exception** from MSI Marketing (**Exception-not required for DU Refi Plus/LP Relief Refinance**):
  - Please request a 2075 Exception from Marketing via email ([msipricing@msiloans.biz](mailto:msipricing@msiloans.biz)). If granted, Marketing will reply via email. MSI retains the right to charge a price adjustment.
  - If **Marketing** does not approve the exception (in writing), the 2075 is not acceptable to MSI.

**CLAR** (8/18/11) **AUS High Value Messages**

- ✓ Whenever the AUS delivers a High Value or Rapid Appreciation Message, the Underwriter must always document the loan file with the steps taken to ensure additional due diligence in the review of the property in accordance with the type of message provided by the AUS.
- ✓ See Underwriting/Appraisal Forms/ AUS High Value Messages for full details.

**Investment Property**

In addition to the appraisal form applicable to the product and property, the following forms are required for each 1-4 unit investment property:

- ✓ FNMA 216/FHLMC 998 One-to-Four-Unit Investment Property Operating Income Statement.
- ✓ FNMA 1007/FHLMC 1000 Single Family Comparable Rent Schedule.

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## General Underwriting Guidelines, Continued

### Appraisal, Continued

(1/27/11) **Appraiser Independence Requirements (AIR)**

Each conventional appraisal must be performed in full compliance with the Fannie Mae/Freddie Mac Appraiser Independence Requirements (effective 10/15/10)

- ✓ See the Fannie Mae and Freddie Mac web sites for additional details.
- ✓ MSI requires that each conforming loan sold include a Certification of AIR compliance. The Certification can be from **either** the Correspondent or an Appraisal Management Company (AMC), if used by the Correspondent.
  - On our Web Site, MSI provides a sample certification from the Seller and a sample certification from the AMC.
    - MSI does not require that our form be used, however, the Certification provided must be at least equivalent to the samples provided.
    - **Note:** MSI does not provide an “approval service” for the Certification forms submitted by the Seller. By sale of the loan to MSI, the Seller warrants that the Certification provided meets or exceeds our guidelines (outlined in the sample Certification).
- ✓ **Additionally**, MSI requires that each conforming loan include the AIR Borrower Acknowledgment Form (see the Web Site) fully executed by each borrower.

### **Uniform Appraisal Dataset (UAD)**

- ✓ Conventional Appraisals with a **completion date on/after 9/01/11** must comply with UAD requirements.

### **MSI Ratings Overlays**

- ✓ **Condition Ratings** – Regardless of AUS or current Fannie/Freddie guidelines.
  - C1 to C-4- MSI will accept as eligible in “as is” condition.
  - C5 & C6 - MSI will not accept.
- ✓ **Quality Ratings** – Regardless of AUS or current Fannie/Freddie guidelines.
  - Q1 to Q5- MSI will accept as eligible in “as is” condition.
  - Q6 - MSI will not accept.

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### General Underwriting Guidelines, Continued

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**AUS****Loans may not be manually underwritten.**

- ✓ All conventional conforming loans must be submitted to either DU or LP.

(8/20/11)

**Excessive Submissions**

- ✓ MSI will not purchase/fund loans with an “Excessive Submission” message in the DU or LP Findings.
- ✓ When you send loans to MSI for underwriting, ensure that you do not “manipulate” the data with multiple submissions; if the “Excessive Submissions” warning/message appears when MSI submits for final approval, the loan is not eligible for funding/purchase by MSI.

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**Chain of Title**

MSI requires a 12-month chain of title on all properties.

- ✓ The title commitment must document 12 months of property ownership.

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**Clergy Income**  
(9/29/10)

See the [Seller Guide/Underwriting Chapter/Income and Employment/Clergy Income](#) for details.

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## General Underwriting Guidelines, Continued

### Condos – Attached PUDs (6/13/11)

- MSI will purchase loans where the subject property is a Condo.
- ✓ The condo and/or attached PUD must meet all current MSI/Fannie Mae Guidelines. **See the Seller Guide/Underwriting Chapter for full details.**
  - ✓ MSI requires that Questionnaires be completed as required.
  - ✓ **Attached PUDs** follow the same LTV/CLTV parameters outlined for single family residence properties. Attached PUDs must be reviewed by the lender and certified to meet Fannie Mae guidelines. The MSI Attached PUD Certification must be completed.
  - ✓ MSI will purchase **only** those condos that:
    - Are submitted to DU **and** receive an Approve/Eligible **and** the finding must state that the project is eligible for Limited Review. (Remember - Established Condos Only) **OR**
    - A condo that has a DU Approve/Eligible **and** a documented current Fannie Mae CPM Approval (See [Underwriting](#) for CPM guidelines.)
      - **Reminders:** MSI does not do CPM “pre-qualifications”, the loan must be submitted to MSI for underwriting; the CPM submission package must be complete and if the appraisal shows more than 49% rented units (investor concentration) the project is not eligible.
  - ✓ **Additional Notes:**
    - Condo projects that consist of only 2-4 units must have a 2-4 Unit project questionnaire completed.
    - MSI no longer accepts condos that require a “full analysis.”

### REV (4/26/12)

#### **Ineligible Project List**

- ✓ For **ALL** Conforming Condo loans, regardless of AUS Findings (including DU Refi Plus).
  - **MSI** must validate that the condo is not included on our Ineligible Project List.
- ✓ **Loans Underwritten by MSI:** MSI will validate the project at time of underwriting; a condo in a project on the Ineligible Project List is not eligible for sale to MSI.
- ✓ **Delegated Sellers:** Contact your Customer Care Representative **prior to submission** for purchase. Your Customer Care Representative will validate the project against our Ineligible Project List.
- ✓ **For closed loan purchase:** At delivery, the MSI funder will validate the condo; if the project is on the Ineligible Project List, the loan will be ineligible for purchase.

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### General Underwriting Guidelines, Continued

#### Construction to Perm (05/01/09)

- ✓ Construction to Perm loans (as two separate transactions only) are permitted.
- ✓ **TIP:** MSI uses a property tax estimate of the **higher** of 1.5% of the appraised value of the subject property, or the appraiser or title insurer's estimate when calculating PITI for qualification purposes on new construction.
- ✓ See [Underwriting/Construction to Permanent Financing and New Construction](#) in the [Underwriting Chapter](#) for additional assistance.

#### Credit Score

Minimum score required by MSI, regardless of DU/LP, see the specific loan parameter matrices for details.  
**Important Reminder:** Regardless of the MSI minimum FICO, if the AUS or an MI company requires a lower FICO minimum, the loan must comply with the more restrictive guideline.

**Disputed Credit** – See [Underwriting](#) for the MSI Disputed Credit Policy.

#### Credit-Authorized Users

- The Underwriter must review the borrower's credit to ensure that the borrower is the "owner" of the trade line and resulting credit history.
- ✓ If the borrower is only an "authorized user" on the credit, the AUS was unable to correctly validate the borrower's credit history and the underwriter must review.
  - ✓ Evaluate the credit history without the benefit of those trade lines and use prudent underwriting judgment when making a final underwriting decision.
  - ✓ Documentation may be required from the borrower to establish use and/or payment of the account for the past most recent 12 months. (Include documentation and explanation in the loan file.)
  - ✓ If the underwriter cannot document an acceptable credit/payment history for the borrower, the loan is not eligible for funding/purchase.

**Notes:**

- ✓ If the authorized user trade line belongs to another borrower on the mortgage loan, no further investigation is required.
- ✓ **Reminder** – the loan must always meet the more restrictive of MSI or DU/LP guidelines.
  - See the applicable AUS guidelines for further assistance.

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## General Underwriting Guidelines, Continued

**Investment  
(NOO) Cash  
Out**  
**REV** (12/09/11)

The following guidelines and restrictions are applied for Investment Cash Out Transactions:

- ✓ **MSI must underwrite the loans. No delegated authority permitted.**
- ✓ **The loan must be submitted to DU and receive an Approve/Eligible.**
  - MSI Internal Operations Note: Loans must be locked (and underwritten) **only** under the MSI Series C code.
- ✓ Legal 1-4 unit investment properties only.
- ✓ Standard loan limits only.
- ✓ FRM, 5/1 and 7/1 ARMS only.
- ✓ Condos with CPM approval are eligible to a maximum 75.00% LTV.
- ✓ Property must be owned for a minimum of the past 6 months with evidence of acceptable payment history.
- ✓ Operating Income Statement (Form 216) required, regardless whether rental income is used to qualify or not.
- ✓ The borrower may have no more than 4 **financed** properties that are individually, jointly or LLC-owned.
- ✓ **All other MSI/Fannie Mae guidelines apply; see this Product Suite and the Underwriting Chapter for details.**
- ✓ Ineligible Transactions include:
  - Temporary Buydowns (MSI does not accept for **any** loan product).
  - Properties where the existing mortgage is a “re-structured” mortgage (see Fannie Mae Seller Guide B2-1 for details.)
  - Transactions in which any portion of the proceeds are used to pay off an installment land contract, regardless of the date of the contract execution.
  - The transfer of ownership from a Corporation or LLC does not meet MSI guidelines for continuity of obligation.
  - The subject property has been listed for sale in the previous 6 months.

**Qualifying  
Ratios**  
(12/03/08)

- ✓ As determined by DU/LP/MI restrictions or the specific product limitations.
- ✓ The more restrictive guidelines for any product prevail.

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### General Underwriting Guidelines, Continued

**Mortgage/  
Rental History**  
(6/03/11)

- ✓ **Unless otherwise noted in a specific product sub-set** (e.g. DU Refi Plus), MSI will not fund/purchase any conventional loan for which the mortgage history shows mortgage lates greater than 1X30 in the past 12-months.
  - MSI always requires a mortgage payment history for the past 12-months, regardless of AUS documentation requirements. If the current mortgage has been held for less than 12 months the following applies:
    - **If the borrower's are previous home owners**, the previous mortgage history is required to provide a 12-month mortgage history.
    - **If the borrower's did not previously own a home**, the current mortgage history is acceptable. MSI accepts the previous rental history as noted below.
- ✓ MSI accepts AUS documentation requirements for rental history.

**Mortgage  
Insurance**

REV (2/27/12)

**Company**

Mortgage Insurance (MI) must be obtained from a company that is acceptable to MSI: See the Underwriting Chapter for a current listing.

**Coverage**

- ✓ Mortgage Insurance coverage must meet the conditions on the DU/LP findings report.
  - Reduced MI is **not** permitted, even if permitted in DU/LP.
  - Lower Cost or Custom MI is **not** permitted.
  - Seller funded (Lender Paid MI) is permitted, see the [Underwriting Chapter](#) for details.
    - Single Premium, paid in Full premiums only.
    - MSI does not offer a Correspondent LPMI product.
  - Single Premium Mortgage Insurance from an approved Mortgage Insurance company is permitted, regardless who pays the single premium. See [Underwriting/Mortgage Insurance](#) for **full** details and MSI requirements.
  - **Split MI from Radian accepted. See [Split Mortgage Insurance](#) for details.**
- ✓ Financed MI is not permitted.

**Notes:**

- ✓ When applicable, the loan must include the MI Cert. To obtain coverage, additional MI underwriting restrictions may apply.
- ✓ In all cases, when MI is required, the more restrictive MI guidelines apply. MSI does not provide MI guidelines, the Seller is solely responsible.
- ✓ **See [Underwriting, Mortgage Insurance Requirements](#)** for details.

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## General Underwriting Guidelines, Continued

### MI Standard Coverage

The following matrix provides the required mortgage insurance coverage:

LTV Ranges	≤ 20 Year Terms	> 20 ≤30 Year Terms
90.01 – 95.00%	25%	30%
85.01 – 90.00%	12%	25%
80.01 – 85.00%	6%	12%

### Mortgage Insurance – Lender Paid (8/03/09)

- ✓ MSI does not accept loans with Lender Paid Mortgage Insurance (LPMI).
  - LPMI is defined herein as the monthly MI premium product offered by MSI.
- ✓ MSI will accept single premium (paid in full) MI **paid by the lender**, see [Underwriting/Mortgage Insurance](#) for details.

### Multiple Mortgages to the Same Borrower

REV (2/27/12)

MSI applies the following limitations to borrowers that hold multiple financed properties:

- ✓ MSI permits a **maximum of 4 financed residential properties** (total) to one (all) borrower(s), **regardless of occupancy**.
    - Each borrower individually and all borrowers collectively may not have ownership in/or be obligated financially on more than four 1-4 unit financed properties **including the subject**.
    - See the [Underwriting Chapter/Borrowers/Multiple Mortgages to the Same Borrower](#) for **full details**. See [Pricing/Aggregate Loan Limits](#) for loan amount limits.
  - ✓ See [Product Limitations – Investment](#) for product limitations for borrowers owning more than one financed 1-4 investment property.
  - ✓ Additionally, follow the more restrictive of MSI or the applicable agency (DU or LP) requirements for guidelines regarding the use of rental income to qualify.
- Note: Limits for Contiguous Areas**
- ✓ MSI limits the number of financed rental properties a borrower may own in one contiguous area, generally defined as within a 2-block radius, to no more that 2 properties.

### Multi-Unit Properties

(4/14/11)

- MSI will not fund or purchase any Conforming 2-4 Unit purchase transactions that have not been listed with the Multiple Listing Service (MLS).
- ✓ 2-4 Unit Properties sold using For Sale by Owner (FSBO) are **not** eligible for funding/purchase.

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## General Underwriting Guidelines, Continued

### Non-Occupant Co-Borrower

- Permitted as allowed by DU/LP.
- ✓ The following additional MSI guidelines apply:
    - DU/LP findings must identify that a non-occupant co-borrower was used to qualify.
    - Non-occupant co-borrower must be an immediate family member.
    - See the [Underwriting Chapter](#) for additional details.
  - ✓ **Signature Requirements:**
    - The non-occupant co-borrower must sign the Note if their income is used to qualify.
    - If the non-occupant co-borrower holds an ownership interest in the property, the Deed of Trust (Mortgage) must be signed.
    - See [Underwriting/Borrowers/Non-Purchasing Spouse](#) if applicable.
  - ✓ **LTV Restrictions:**
    - **Maximum LTV:** 90.00%
    - If the LTV is greater than 80.00% and the non-occupant co-borrower's income is used to qualify, the owner-occupant borrower must document 5% of the purchase price in their own funds.
  - (6/03/11) ✓ **Ratios:**
    - The Owner Occupant (occupying co-borrower) must qualify as required by AUS Findings.

### Purchase Contracts – Re-Negotiated (1/18/10)

Please see the [Underwriting Chapter, Property/Purchase Agreement \(Contract\)-Re-Negotiated](#) for details regarding MSI's restrictions for re-negotiated purchase contracts.

### Refinance Transactions (7/28/11)

Follow current applicable more restrictive of agency/MSI requirements for refinance loans.

- ✓ See [Underwriting/Refinance](#) for full details.

**Notes:**

- ✓ Cash out refinances are not permitted on primary (homestead) residences in the state of Texas.
- ✓ For all Refinance Loans where the Seller is the Mortgagee on the loan being refinanced, the following restrictions/guidelines apply:
  - If the lender being paid off on the HUD-1 is the Seller, and the Seller is not a bank or depository, the loan must be underwritten by MSI, the Seller may not use their delegated authority to underwrite the loan.

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## General Underwriting Guidelines, Continued

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**Reserve Requirements**  
(2/25/11)

- ✓ MSI requires that all conventional loans receive an Accept or Approve decision from either DU or LP.
  - MSI requires **specific reserve requirements**, regardless of the AUS findings, please see [Underwriting/Assets and Liquidity/Reserves](#) and [Underwriting/Conversion of a Principle Residence](#) for details.

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**Short Sales**  
(2/26/10)

See the [Underwriting Chapter/Short Sales](#) for specific restrictions/guidelines.

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**Subordinate (Secondary) Financing**  
(10/8/09)

- Must meet the product-specific loan parameter requirements.
- ✓ As required by the product parameters, subordinate financing is permitted and must meet the more restrictive of MSI/agency (DU/LP) guidelines.
    - MSI will not accept New Employer or Community seconds.
  - ✓ Home Equity Lines of Credit (HELOC) must meet the applicable agency guidelines.
- See [Underwriting/Subordinate Financing](#) for details.

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Mortgage Services III, LLC  
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## Conforming Product Suite

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### General Underwriting Guidelines, Continued

**Temporary  
Buydown**  
(1/31/11)

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Temporary Buydowns are currently **not** permitted due to regulatory issues.

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## Restrictions

### Introduction

By sale of the loan to MSI, the Correspondent warrants that the loan meets these product guidelines and all other applicable requirements in this Seller Guide.

The following specific restrictions apply for all loans sold to MSI.

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### High Cost and Responsible Lending Restrictions

MSI high cost policy will conform to all Federal, State, County, City, and Agency requirements, including consumer laws.

- ✓ No loan sold may violate high cost regulations as set forth by the above mentioned entities.
- ✓ By sale of a mortgage loan to MSI, the Correspondent warrants the following:
  - No mortgage loan is subject to the provisions of the Home Ownership and Equity Protection Act of 1994 as amended or is considered a "high cost", "covered" or "predatory" loan under any applicable state, federal, or local laws or ordinances.

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### Restrictions, Continued

**State Restrictions**

MSI purchases loans on properties located only in specifically approved states. See [Eligible States](#) for full details. The matrix below outlines additional geographic restrictions applied by MSI.

State	MSI State-Specific Guidelines
All	<ul style="list-style-type: none"> <li>✓ MSI product or underwriting guidelines and/or restrictions do not supersede any more-restrictive regulatory, state or local requirements.</li> <li>✓ Sellers are responsible to ensure that each loan originated, underwritten and closed is in full compliance with all regulatory, state or local guidelines and/or restrictions.</li> <li>✓ MSI's decision to interpret (for purposes of loan funding/purchase) certain state guidelines does not relieve the Seller of responsibility to be in full compliance with all applicable state regulatory requirements and/or high cost or predatory guidelines.</li> <li>✓ Additionally, MSI's decision to reference (in our Seller Guide) one state and not another does not relieve the Seller of their sole responsibility to be in full compliance for the states in which they originate loans.</li> </ul>
Florida (4/09/10)	<p><b>Effective for loans locked on/after 4/09/10</b></p> <ul style="list-style-type: none"> <li>✓ MSI will no longer purchase loans on properties located in the state of Florida.</li> </ul>
Nevada (11/17/11)	<p><b>Effective for all loans locked on/after 11/17/11</b></p> <ul style="list-style-type: none"> <li>✓ MSI will no longer purchase/fund loans on properties located in Clark County Nevada.</li> </ul>
Ohio	The Seller must warrant that each loan secured by property located in Ohio, irrespective of the originating lender's exempt status under the Ohio Consumer Sales Practices Act, relies on full verified documentation of the borrower's financial resources to determine the borrower's probability of repayment. MSI requires that all supporting documentation used by the originating lender to analyze the probability of repayment at time of origination be included in the delivered mortgage loan file.
Texas	Cash Out Refinance loans for primary (homestead) properties are not acceptable for purchase.

## Closing Documentation

**Description** All Fixed Rate Mortgages sold to MSI must use the most current Fannie Mae/Freddie Mac uniform instrument for the fixed rate Note and for the Security Instrument.  
**See the [Pre-Purchase Delivery](#) and [Post-Purchase Requirements](#) for details.**

**State Specific Documents** The Correspondent must use the most current state-specific documents as required for the jurisdiction in which the subject property is located.

Product	AUS	Uniform Multi-State Document		Disclosure Required
		Note	Rider	
FRM	DU/LP	3200	N/A	N/A
1 Yr LIBOR ARM 3/1 LIBOR ARM	DU	3526	3189	ARM Disclosure
	LP	5530	5130	ARM Disclosure
5/1 LIBOR ARM 7/1 LIBOR ARM 10/1 LIBOR ARM	DU	3528	3187	ARM Disclosure
	LP	5531	5131	ARM Disclosure
✓ Interest Only Products – Product is eliminated. MSI does not offer Interest Only Products.				

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### Closing Documentation, Continued

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#### MERS

REV (2/01/12)

MSI requires that all loans be assigned to the Mortgage Electronic Registration System, INC ® (MERS). MSI requires that MERS transfer must be completed within 48-hours of initial loan disbursement.

- ✓ MERS enabled Correspondents – Prepare documents with MERS as nominee (MERS as Mortgagee – MOM documents)
  - The **Seller** must be named as the servicer and investor at the time of registration (loans may no longer be registered in the name of Mortgage Services III, LLC at time of registration).
  - A MERS Transfer of Beneficial Rights (TOB) and Transfer of Servicing Rights (TOS) must be initiated by the Seller to Mortgage Services III, LLC (MSI-ORG ID 1005883), **within 48 hours (2 business days) of purchase by MSI.**
  - Fees may apply if the Beneficial and Servicing rights are not transferred within 48 hours (2 business days) of purchase by MSI, those fees are the responsibility of the **Seller** (MSI will invoice the Seller if necessary).
- ✓ Non-MERS enabled Correspondents – MSI will no longer issue MERS Identification Numbers (MIN) to Sellers.
  - You must assign the loan to MSI; MSI will assign the loan to MERS. MSI will charge a fee for each paper assignment and the Seller is responsible for all recording fees.

#### **MSI MERS Org ID Number:**

- ✓ The MERS Org ID number for MSI is: **1005883**
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## Conforming FRM

### Summary

MSI's Conforming FRM products are the "standard" Fannie Mae/Freddie Mac products offered through the applicable Automated Underwriting System (AUS).

- ✓ The loans must be underwritten using either DU or LP.
- ✓ More restrictive parameters may apply. All loans must meet MSI loan parameters noted herein to be eligible for sale, regardless of the AUS finding.

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Mortgage Services III, LLC  
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## Conforming Product Suite

### Conforming FRM, Continued

#### Loan Parameters – Agency FRM 30 Year

REV (12/09/11)

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Owner Occupied - Primary</b>						
Purchase and Limited Cash Out Refinance	1	95.00	90.00	95.00	680 (2) (4)	41%
	2	80.00	75.00	80.00	660 (3)	45%
	3-4	80.00	75.00	80.00	640	45%
Cash Out Refinance	1 (5)	85.00	85.00	85.00	720	41%
	1	80.00	80.00	85.00	640	45%
	2 4	75.00	70.00	75.00	640	45%
<b>Second Home</b>						
Purchase	1	90.00	90.00	90.00	720 (2)	45%
Limited Cash Out Refinance	1	90.00	90.00	90.00	720 (2)	45%
Cash Out Refinance	1	75.00	75.00	75.00	640	45%

**Notes:**

- (1) The **more restrictive** MI or AUS will supersede this minimum. Loans must meet the maximum DTI **and** receive an "eligible" Approve or Accept to be purchased by MSI. **For Primary Residence**, MSI Prior Approval Underwriting, Max DTI may be increased to 50% if permitted by the AUS and MI (if required). Delegated Lenders may not exceed 45%.
  - (2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 640; DTI may be 45% (See #1).
  - (3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 640.
  - (4) FICO ≥ 720, DTI may be 45%. (See #1)
  - (5) Condo projects are ineligible for Cash Out >80.00%.
- ✓ 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 –Attached PUD Restrictions:** AZ and NV are restricted to a maximum 90.00% LTV, unless further restricted by the AUS or MI. All other states may use the published single family LTV/CLTV. See the [Underwriting Chapter](#) for condo/attached PUD details/requirements.
  - ✓ Florida properties are not eligible for MSI.
  - ✓ Prepayment Penalty features are not permitted
  - ✓ 40-year terms are not permitted
  - ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted
  - ✓ Lender Paid Single Premium is permitted for Primary, Purchase/Rate-Term Refinance. See the [Conforming Product Suite](#) and [Underwriting Chapter](#) for full restrictions and details.
  - ✓ Subject to MI guidelines/limitations when MI is required.
  - ✓ **All LTV/CLTV** subject to the **more restrictive** of MSI/applicable AUS guidelines and limits. Cash Out to 85.00% permitted only by DU. DU has additional restrictions for 3-4 Unit Properties, use LP.

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## Conforming FRM, Continued

### Loan Parameters – Agency FRM 30 Year, Continued

CLAR (4/06/12)

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Investment Properties – Condos Permitted-Maximum 75.00% LTV</b>						
Purchase	1	80.00	80.00	85.00	640	45%
	2-4	75.00	70.00	75.00	640	45%
Limited Cash Out Refinance	1	75.00	75.00	75.00	640	45%
	2-4	75.00	70.00	75.00	640	45%
Cash Out Refinance (4)	1	75.00	75.00	75.00	700	45%
	2-4	70.00	70.00	70.00	700	45%

**Notes:**

- (1) The **more restrictive** MI or AUS will supersede this minimum. Loans must meet the maximum DTI **and** receive an “eligible” Approve or Accept to be purchased by MSI.
- (2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 640.
- (3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 640.
- (4) DU Approve/Eligible Only; See [Investment \(NOO\) Cash Out](#) for additional guidelines/restrictions.
- ✓ 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:** See the [Underwriting Chapter](#) for condo requirements regarding CPM.
- ✓ **Geographic Restrictions:** Florida properties are not eligible for MSI.
- ✓ Prepayment Penalty features are not permitted
- ✓ 40-year terms are not permitted
- ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted
- ✓ Lender Paid MI is not permitted for Investment Properties.
- ✓ Subject to MI guidelines/limitations when MI is required.
- ✓ **All LTV/CLTV** subject to the **more restrictive** of MSI/applicable AUS guidelines and limits.

### FRM Interest Only (FRM-IO) – **Product Eliminated**

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#### Summary

- ✓ See the Announcement Archive ([www.msicorr.com](http://www.msicorr.com)) for pre 11/17/08 guidelines for this product subset.
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## DU Refi Plus™

(5/08/09)

### Summary

DU Refi Plus™ is a new refinance option offered by Fannie Mae to achieve the goals set out for the “Making Home Affordable” program announced by the US Department of Treasury on March 4, 2009. Loans must have been delivered to Fannie Mae prior to March 1, 2009 to be eligible.

#### MSI offers this Fannie Mae program with MSI overlays.

- ✓ MSI will purchase this product only if the loan meets our additional risk overlays. These overlays must be applied “manually” to the DU Approve/Eligible loan.

### Maximum Loan Limits

- ✓ MSI will permit the DU Refi Plus™ to current Fannie Mae conforming loan limits, standard and High Balance.
  - **Temporary** High Balance Loan Limits must have a Note Date **no later than 9/30/11**-Loans must be purchased/funded by MSI no later than 10/15/11. Permanent High Balance limits, to Temporary High Balance guidelines remain eligible.

### MSI Product Guidelines

The following matrix outlines to key topics for the DU Refi Plus™ product.

- ✓ Topics in bold are MSI overlays to the Fannie Mae product.
- ✓ Topics not addressed in this matrix must meet the more restrictive current MSI/Fannie Mae requirements.
  - If the topic is not addressed in this product sub-set or the MSI Underwriting Chapter, please follow current Fannie Mae guidelines. See Fannie Mae Announcement 09-04 and subsequent DU Release Notes for April, May and June.

Topic	DU Refi Plus Requirements or Guidelines
DU Findings	For loans submitted to DU on/after April 4, 2009 identified as DU Refi Plus™ eligible, MSI will purchase only the following: <ul style="list-style-type: none"> <li>✓ DU Approve/Eligible – No exceptions. No Freddie Mac LP permitted.</li> <li>✓ Identified as DU Refi Plus™ in the latest DU Findings Report (To validate the mortgage is currently held by Fannie Mae.)</li> </ul>
Restrictions	<ul style="list-style-type: none"> <li>✓ DU Refi Plus™ loans that fail the HPML test are not eligible for purchase by MSI.</li> </ul>
LTV/CLTV REV (4/23/12)	MSI will purchase the maximum LTV/CLTV permitted by the DU Findings with the following exceptions: <ul style="list-style-type: none"> <li>✓ <b>LTV may not exceed 105% regardless of AUS finding.</b> Condo may not exceed 95%.                             <ul style="list-style-type: none"> <li>• MSI will only purchase loans that exceed 80.00% LTV IF the DU Findings clearly state that MI is not required on this loan.</li> </ul> </li> <li>✓ <b>CLTV may not exceed 110%, regardless of AUS finding. Condo CLTV may not exceed 95%.</b></li> </ul>

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## DU Refi Plus™, Continued

### MSI Product Guidelines, Continued

Topic	DU Refi Plus Requirements or Guidelines
<b>Loan Types</b> (5/20/11)	<ul style="list-style-type: none"> <li>✓ "Standard loan limits only: The new loan may be a 15, 20, or 30-year Fixed Rate Mortgage.             <ul style="list-style-type: none"> <li>• MSI Product Code: 306600-30 Year Term only.</li> <li>• MSI Product Code: 206600-20-Year Term only.</li> <li>• MSI Product Code: 156600-15 Year Term only.</li> </ul> </li> <li>✓ Permanent High Balance loan limits are restricted to 30-year FRM only (Product Code 308400).</li> </ul>
<b>Borrower Benefits</b> (2/01/12)	<p>The underwriter must document in the file <b>and</b> validate on the 1008 that the following borrower benefits apply:</p> <ul style="list-style-type: none"> <li>✓ The refinance reduces the monthly mortgage principal and interest payment <b>OR</b></li> <li>✓ The new mortgage is more stable (movement from an ARM to a FRM) <b>OR</b></li> <li>✓ The refinance provides a reduction in interest rate <b>OR</b></li> <li>✓ The refinance provides a reduction in loan amortization term.</li> </ul>
<b>Seasoning</b>	<p>Standard MSI seasoning requirements apply.</p> <ul style="list-style-type: none"> <li>✓ See the Underwriting chapter, Refinance Requirements/Seasoning.</li> <li>✓ MSI will not fund/purchase any DU Refi Plus™ loan where the subject property was listed for sale within the past 6-months.</li> <li>✓ If the property was subject to a cash-out refinance within the past 6 months (from Current Note Date to Application Date), the loan is <b>not</b> eligible to MSI as a DU Refi Plus™ loan.</li> </ul>
<b>Mortgage Insurance</b>	<p>The current loan must <b>not</b> have current/active mortgage insurance.</p> <ul style="list-style-type: none"> <li>✓ The message in the DU Findings <b>must</b> state: Mortgage insurance is not required for this DU Refi Plus loan casefile, for the loan to be eligible as a DU Refi Plus™ loan.</li> <li>✓ New loans that require MI are not acceptable to MSI under the DU Refi Plus™ expanded criteria; they must be underwritten, closed and sold as "standard" refinance loans; which includes an AUS findings report that does <b>not</b> say, eligible for DU Refi Plus™.</li> </ul> <p><b>Note:</b> Loans requiring <b>new</b> mortgage insurance are not eligible for MSI DU Refi Plus™; however, the loan may be eligible as a standard rate/term and may be submitted to DU as a "standard" Limited Cash Out Refinance. See <i>Standard LCOR</i> later in this matrix.</p>
<b>Application</b>	<p>The application must provide a minimum 2 year history for residence and employment.</p> <ul style="list-style-type: none"> <li>✓ Employer name, address, phone and income must be provided.</li> </ul>
<b>Assets</b> (5/18/09)	<ul style="list-style-type: none"> <li>✓ Asset documentation in accordance with DU Findings with the following exception:</li> <li>✓ Bank Statement covering the most recent month's transactions.</li> <li>✓ If the borrower must bring funds to closing, MSI requires asset documentation to support the ability to pay the funds from personal assets, regardless of any AUS findings.</li> </ul>
<b>Mortgage History</b>	<p>The mortgage history must document:</p> <ul style="list-style-type: none"> <li>✓ The existing mortgage must be current.</li> <li>✓ 0X30 day lates in the past 12 months.</li> </ul>
<b>Appraisal</b> (6/03/11)	<ul style="list-style-type: none"> <li>✓ MSI will accept the appraisal requirement stated in the DU Finding (except PIW). Agency appraisal requirements apply.             <ul style="list-style-type: none"> <li>• <b>Exception:</b> MSI will <b>not</b> accept a PIW, regardless of AUS findings (MSI will accept a 2075 in lieu; please notify us at time of lock that a 2075 is being used.)</li> </ul> </li> </ul>

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## DU Refi Plus <sup>TM</sup>, Continued

### MSI Product Guidelines, Continued

Topic	DU Refi Plus Requirements or Guidelines
Eligible Borrowers (7/15/10)	<ul style="list-style-type: none"> <li>✓ The borrowers on the new mortgage must be identical to the borrowers on the existing mortgage.                             <ul style="list-style-type: none"> <li>• New borrowers may be added, as long as the existing borrower(s) is retained.</li> </ul> </li> </ul> <p><b>Removing a Borrower:</b></p> <ul style="list-style-type: none"> <li>✓ MSI will permit the removal of a borrower to current Fannie Mae guidelines with the following MSI limitations:                             <ul style="list-style-type: none"> <li>• Death of a Borrower – Evidence of the death must be provided in the loan file.</li> <li>• Divorce – Evidence of the divorce <b>plus</b> evidence that the remaining borrower has made acceptable payments on the property for a minimum of 12-months prior to the refinance date.</li> </ul> </li> </ul>
Cash Back (8/31/10)	<p>The borrower may not receive any cash back (in pocket) from the refinance.</p> <ul style="list-style-type: none"> <li>✓ Due to differences between actual loan pay-off and/or closing costs versus estimated loan pay-off and/or closing costs a “tolerance” of no more than \$250.00 is permitted.</li> <li>✓ If at closing, the cash back is more than \$250.00, the loan amount must be corrected and re-submitted to underwriting (DU) if applicable; the excess may not be applied to principal and the borrowers are not permitted under any circumstances to receive more than \$250.00 cash back.</li> <li>✓ MSI is unable to fund/purchase any loan where the funds at closing in excess of \$250.00 have been applied to principal.</li> </ul> <p><b>Payoff Letter Required</b></p> <ul style="list-style-type: none"> <li>✓ To ensure that the new loan amount is calculated properly, the underwriter must review a current, valid (non-expired) pay-off letter and condition the loan carefully to ensure that the borrowers meet the allowable maximum mortgage amount and do not receive more than \$250.00 in pocket at closing.</li> </ul>
Income Documentation	<p>MSI requires the following <b>additional</b> income/employment documentation, regardless of AUS Findings:</p> <ul style="list-style-type: none"> <li>✓ Salaried Borrowers<sup>1</sup> – AUS requirements <b>plus</b>:                             <ul style="list-style-type: none"> <li>• One paystub covering a 30-day period and year-to-date income.</li> <li>• The most recent W-2 for the past year.</li> <li>• IRS Transcripts and a signed IRS 4506-T for each applicable borrower.</li> <li>• MSI will perform a Verbal VOE prior to purchase. See <a href="#">Underwriting/Verbal Verification of Employment</a> for details.</li> <li>• Any differences between income documented and income entered into DU must be supported by documentation included in the loan file.</li> </ul> </li> <li>✓ Self-Employed<sup>1</sup> and Passive Income Sources<sup>1</sup> – AUS Requirements <b>plus</b>:                             <ul style="list-style-type: none"> <li>• Tax return for most current 1-year.</li> <li>• IRS Transcripts and a signed IRS 4506-T for each applicable borrower.</li> <li>• MSI will perform a Verbal VOE prior to purchase. See <a href="#">Underwriting/Verbal Verification of Employment</a> for details.</li> <li>• Any differences between income documented and income entered into DU must be supported by documentation included in the loan file.</li> </ul> </li> </ul> <p>(1) As defined by Fannie Mae.</p>

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## DU Refi Plus™, Continued

### MSI Product Guidelines, Continued

Topic	DU Refi Plus Requirements or Guidelines
FICO REV (4/23/12)	<ul style="list-style-type: none"> <li>✓ Primary: minimum 640, regardless of AUS.</li> <li>✓ <b>Second Home: minimum 680, regardless of AUS.</b></li> </ul>
DTI	<ul style="list-style-type: none"> <li>✓ As permitted by DU, including Condo Properties.</li> </ul>
Property Types REV (4/23/12)	<ul style="list-style-type: none"> <li>✓ 1-2 Unit Primary Residence. <b>Single unit Second Homes.</b> <ul style="list-style-type: none"> <li>• <b>No 1-4 Units Investment Properties permitted.</b></li> <li>• Max LTV/CLTV for condos is 95%; Fannie Mae does not require that the Seller warrant the project. However, MSI does require that appraisal does not include any negative statements regarding marketing for the condo project. If negative comments regarding marketability are included in the appraisal, MSI does not consider the loan to be eligible.</li> </ul> </li> <li>✓ All <a href="#">State Restrictions</a> apply.           <ul style="list-style-type: none"> <li>• The project must be identified with the current Fannie Mae project codes on the 1008.</li> <li>• DTI maximum is per the AUS approval.</li> </ul> </li> </ul>
Subordinate Financing REV (4/23/12)	<ul style="list-style-type: none"> <li>✓ New subordinate financing is <b>not</b> permitted under any circumstances.</li> <li>✓ Existing subordinate financing must be subordinated to the new mortgage.           <ul style="list-style-type: none"> <li>• Current existing subordinate financing (including purchase money subordinate financing) may <b>not</b> be satisfied by proceeds of the new mortgage.</li> <li>• <b>Maximum LTV/CLTV may not exceed 110.00%.</b></li> </ul> </li> </ul>
Temporary Buydowns (5/21/09)	<ul style="list-style-type: none"> <li>✓ MSI does not permit Temporary Buydowns for DU Refi Plus™ loans.</li> </ul>
Multiple Mortgages	Maximum 4 properties per borrower regardless of the occupancy of the subject property. (Primary, secondary or investment.)
Required DU Message REV (4/23/12)	<b>To qualify for DU Refi Plus®, the loan must receive the following message from DU:</b> <i>"This loan casefile was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan casefiles where the borrower's existing loan is identified by DU as a Fannie Mae loan. This loan casefile must be delivered with Special Feature Code 147."</i>
Standard LCOR	<p>Lenders are able to instruct DU to underwrite a DU Refi Plus loan casefile as a standard limited cash out refinance by entering the phrase, "Standard LCOR" in the applicable field in DU:</p> <ul style="list-style-type: none"> <li>✓ This enables MSI to accept loans for which our overlays prevent the loan from being purchased by MSI as a DU Refi Plus™.</li> </ul> <p>To be eligible for funding/purchase by MSI, the loan must include the proper DU Message, <i>The borrower's existing loan has been identified as a Fannie Mae loan. The loan casefile was not underwritten according to the DU Refi Plus expanded eligibility guidelines because DU was instructed to underwrite the loan casefile as a standard limited cash-out refinance. This was indicated by "Standard LCOR" being entered in the Product Description field.</i></p>

## HomePath®

(5/12/11)

### Summary

HomePath® is a special financing product provided by Fannie Mae and offered by MSI for the purchase of Fannie Mae-held Real Estate Owned (REO).

- ✓ MSI limits the product to FRM only.
- ✓ MSI does not participate in the HomePath® Renovation Program.

### Maximum Loan Limits

- ✓ MSI will permit the standard conforming Fannie Mae loan limits as well as the temporary High Balance limits. See [Loan Limits](#) and [MSI Loan Limits](#) for details.

### Loan Parameters – Standard HomePath® FRM 30 Year

(6/03/11)

Transaction Type	Units	Maximum			Minimum FICO	Maximum DTI
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Owner Occupied – Primary (3)</b>						
Purchase	1	97.00 (2)	95.00	97.00 (1)	660 (2)	45%
	2	80.00	75.00	80.00	660	45%
	3-4	75.00	70.00	75.00	660	45%
<b>Second Home</b>						
Purchase	1	90.00	85.00	90.00	660	45%
<b>Investment Properties</b>						
Purchase	1	90.00	85.00	90.00	660	45%
	2	80.00	75.00	80.00	660	45%
	3-4	75.00	70.00	75.00	660	45%

#### Notes:

1. 97% permitted only if: Borrower has personal funds for down payment (no gifts or other sources) OR FICO is 720 (with 720 FICO gifts or other sources are permitted.)
  2. If the LTV/CLTV is ≤ 80.00%, the minimum FICO is 640.
  3. **Effective 6/03/11:** For Primary Residence, MSI Prior Approval Underwriting, Max DTI may be increased to 50% if permitted by the AUS and MI (if required). Delegated Lenders may not exceed 45%.
- ✓ Arizona, Florida and Nevada properties are not eligible for MSI.
  - ✓ Prepayment Penalty features are not permitted
  - ✓ 40-year terms are not permitted

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Mortgage Services III, LLC  
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## Conforming Product Suite

### HomePath®, Continued

#### Loan Parameters –High Balance HomePath® FRM 30 Year

Transaction Type	Units	Maximum			Minimum FICO	Maximum DTI
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Owner Occupied - Primary</b>						
Purchase	1	90.00	85.00	90.00	700 (1)	45%
	2	75.00	70.00	75.00	740	45%
	3-4	75.00	70.00	75.00	740	45%
<b>Second Home</b>						
Purchase	1	65.00	60.00	65.00	740	45%
<b>Investment Properties</b>						
Purchase	1	65.00	60.00	65.00	740	45%
	2	65.00	60.00	65.00	740	45%
	3-4	65.00	60.00	65.00	740	45%
<b>Notes:</b>						
1. If the LTV/CLTV/TLTV is ≤ 75.00%, minimum 660 FICO is permitted. ✓ Arizona, Florida and Nevada properties are <b>not</b> eligible for MSI. ✓ Prepayment Penalty features are not permitted ✓ 40-year terms are not permitted ✓ The Temporary High Balance loan limits are valid until 9/30/11 ( <b>the Note date may be no later than 9/30/11-Loans must be purchased/funded by MSI no later than 10/15/11</b> ). Permanent High Balance loan limits continue to be eligible to High Balance guidelines.						

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## HomePath®, Continued

### MSI Product Guidelines

MSI provides the Fannie Mae guidelines as well as the MSI overlays in the following matrix.

- ✓ HomePath® loans must meet MSI/Fannie Mae guidelines with the following exceptions.

Topic	HomePath® Guidelines
Appraisal	<ul style="list-style-type: none"> <li>✓ No appraisal is required. An appraisal <u>must not</u> be submitted in the underwriting or delivery file.</li> <li>✓ <b>Important Note:</b> If a borrower, at their option, chooses to obtain an appraisal, then:                             <ul style="list-style-type: none"> <li>• The borrower must order the appraisal from an appraiser selected by the borrower (and not one recommended by the Seller and/or the originating lender) and the appraisal must be paid for by the borrower outside the loan transaction.</li> <li>• Seller/Lender may not request a copy of the appraisal. If one is provided, the loan is no longer eligible for the HomePath® product.</li> </ul> </li> </ul> <p>Determination of Property Value</p> <ul style="list-style-type: none"> <li>✓ Property value, for the purposes of loan delivery and for determining LTV/CLTV/TLTV is the sales price of the property as evidenced by the sales contract between Fannie Mae and the buyer/borrower. (Contract Sales Price.)</li> </ul>
Condos	<ul style="list-style-type: none"> <li>✓ Condo projects do not need to be reviewed for project eligibility. Project insurance requirements do apply.</li> <li>✓ Validate (and document) that the project has the Fannie Mae required hazard, flood and liability coverage in place.</li> <li>✓ Document and validate fidelity insurance coverage to Fannie Guidelines.</li> </ul>
Co-operative Projects	<ul style="list-style-type: none"> <li>✓ MSI does not permit co-operative projects. (No Co-Ops)</li> </ul>
Credit	<ul style="list-style-type: none"> <li>✓ Non-Traditional Credit is not permitted.</li> </ul>
Deed Restrictions	<ul style="list-style-type: none"> <li>✓ Deed Restrictions (Resale Deed Restrictions not permitted.)</li> </ul>
Disaster Policy	<ul style="list-style-type: none"> <li>✓ HomePath® transactions (properties) are exempt from the MSI disaster policies that require validation of value and condition.                             <ul style="list-style-type: none"> <li>• Note that any additional requirements for current or continuing employment are not exempt.</li> </ul> </li> </ul>
Documentation	<ul style="list-style-type: none"> <li>✓ Full documentation per MSI guidelines is required (full 2-years). See the <a href="#">Underwriting Chapter</a> for details.</li> </ul>

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## HomePath®, Continued

### MSI Product Guidelines, Continued

Topic	HomePath® Guidelines
Down Payment	<ul style="list-style-type: none"> <li>✓ Must meet standard MSI/Fannie Mae down payment requirements with the following limitations:               <ul style="list-style-type: none"> <li>• For loans with LTV/CLTV 80.01 -97.00%, the occupant borrower must provide the down payment from documented personal funds.</li> <li>• <b>Note:</b> for LTV/CLTV greater than 95.00, if the loan FICO is 720 or greater, Eligible Down Payment Sources are permitted for the down payment.</li> </ul> </li> </ul> <p><b>Eligible Down Payment Sources for Loans over 95.00% and FICO ≥ 720:</b></p> <ul style="list-style-type: none"> <li>✓ Gift funds from acceptable donors (to Fannie Mae guidelines)</li> <li>✓ Grants from a borrower's employer, public agency, or non-profit organization, provided no repayment is required or expected.</li> <li>✓ Unsecured loan from an employer, public agency, or nonprofit, not including credit unions.               <ul style="list-style-type: none"> <li>• Must be documented with an award letter or legal agreement from the Note holder and must disclose the terms and conditions of the loan.</li> </ul> </li> <li>✓ In all circumstances described above, evidence of the transfer of funds to the borrower is required.</li> </ul>
DU Findings	<ul style="list-style-type: none"> <li>✓ DU Findings must have an Approve/Eligible recommendation with the following exception.</li> <li>✓ DU Findings with an Ineligible recommendation are acceptable <b>only</b> if the ineligible is for:               <ul style="list-style-type: none"> <li>• LTV greater than 85% for 1-unit investment property.</li> <li>• LTV greater than 75% for 2-Unit investment property.</li> </ul> </li> </ul>
HomePath® Documentation	<ul style="list-style-type: none"> <li>✓ Sellers must include this documentation in the Underwriting Submission File.</li> <li>✓ Loans must be secured by properties that are designated by Fannie Mae on <a href="http://www.homepath.com">www.homepath.com</a>.</li> <li>✓ The loan file must be documented with the appropriate pages printed from <a href="http://www.homepath.com">www.homepath.com</a> showing that the property is eligible for HomePath® financing:               <ul style="list-style-type: none"> <li>• The property Address</li> <li>• REO ID</li> <li>• Property Value</li> <li>• Bedroom Count, and</li> <li>• The HomePath® mortgage logo.</li> </ul> </li> <li>✓ A copy of the fully executed "Notice to HomePath Property Buyers Regarding Appraisal" (Form 10) <b>must be in the loan file and dated prior to loan closing.</b> <ul style="list-style-type: none"> <li>• This notice informs borrowers that the purpose of the borrower-ordered appraisal and its contents are for the use and information of the borrower only, and will not be considered for purposes of the loan transaction.</li> </ul> </li> </ul> <p><b>Important Note:</b></p> <ul style="list-style-type: none"> <li>✓ The page from the Web Site showing the property is eligible for HomePath® financing <b>must be printed prior to loan closing</b> (and included in the underwriting submission); Fannie Mae removes the property from the Web Site immediately upon closing.</li> </ul>

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## HomePath®, Continued

### MSI Product Guidelines, Continued

Topic	HomePath® Guidelines
Interested Party Contributions	<ul style="list-style-type: none"> <li>✓ Contribution Limits are based on the contract sales price.</li> <li>✓ <b>Primary Residence and Second Home</b> <ul style="list-style-type: none"> <li>• CLTV &gt; 75.00% - Max limit is 6%</li> <li>• CLTV ≤ 75.00% - Max limit is 9%</li> </ul> </li> <li>✓ <b>Investment Property</b> <ul style="list-style-type: none"> <li>• All CLTVs – Max limit is 2%</li> </ul> </li> </ul>
Leasehold	✓ Leasehold properties not permitted under any circumstances.
Mortgage Insurance	✓ MI is not required, regardless of LTV or DU Recommendation.
Non-Occupant Borrowers	✓ MSI does not permit non-occupant borrowers for HomePath®
Rental Income	<p><b>Subject Property</b></p> <ul style="list-style-type: none"> <li>✓ Since no appraisal is obtained on HomePath® loans, a fully executed lease agreement is required to document rental income.                             <ul style="list-style-type: none"> <li>• The rental income will be used to provide a compensating off-set for the mortgage payment, but will not be considered as “income” for qualification purposes.</li> <li>• If no lease is available, borrowers must qualify without rental income, however, an estimated rental income must be provided on the 1008 for loan delivery purposes.</li> </ul> </li> </ul>
Restrictions	✓ HomePath® loans that fail the HPML test are not eligible for purchase by MSI.
Secondary Financing	✓ Permitted to Fannie Mae Guidelines.
Underwriting Method	<ul style="list-style-type: none"> <li>✓ All HomePath® loans must be submitted to MSI for underwriting.                             <ul style="list-style-type: none"> <li>• No delegated underwriting and no MI Contract Underwriting.</li> </ul> </li> </ul>

## LP Relief Refinance Mortgage <sup>SM</sup>

(10/19/09)

### Summary

LP Relief Refinance Mortgage (LP RRM) is a new refinance option offered by Freddie Mac to achieve the goals set out for the "Making Home Affordable" program announced by the US Department of Treasury on March 4, 2009. Loans must have been delivered to Freddie Mac prior to May 31, 2009 to be eligible.

#### **MSI offers this Freddie Mac program with MSI overlays.**

- ✓ MSI will purchase this product only if the loan meets our **additional** risk overlays. These overlays must be applied "manually" to the LP Accept loans.

### Maximum Loan Limits

- ✓ MSI will permit the LP Relief Refinance Mortgages (LP RRM) only to current Freddie Mac "standard" conforming loan limits.
- ✓ Super Conforming (Conforming High Balance) limits are not acceptable to MSI.

### MSI Product Guidelines

- The following matrix outlines to key topics for the LP RRM product.
- ✓ Topics in bold are MSI overlays to the Freddie Mac product.
  - ✓ Topics not addressed in this matrix must meet the more restrictive current MSI/Freddie Mac requirements.
    - If the topic is not addressed in this product sub-set or the MSI Underwriting Chapter, please follow current Freddie Mac guidelines. See Freddie Mac Bulletins 09-020, 09-021 and the Freddie Mac Seller Guide, available from the Freddie Mac Web Site.

Topic	LP RRM Requirements or Guidelines
LP Findings	<ul style="list-style-type: none"> <li>✓ Only LP Accept, no other LP Decision is acceptable.</li> <li>✓ The loan must meet Freddie Mac LP requirements unless otherwise restricted by MSI.</li> </ul>
Freddie Mac Loan Number	<p>To be eligible for funding/purchase as a Freddie Mac Relief Refinance Loan, the final LP Feedback Certificate must include the following:</p> <ul style="list-style-type: none"> <li>✓ In the Loan Processing Information Section           <ul style="list-style-type: none"> <li>• The Freddie Mac Loan Number <b>must</b> be included. If the Freddie Mac Loan Number is not provided in the Feedback Cert, the loan is not eligible for our investors (or Freddie Mac).</li> </ul> </li> </ul>
LTV/CLTV <b>REV</b> (5/07/12)	<p>MSI will purchase the maximum LTV/CLTV permitted by the LP Findings with the following exceptions:</p> <ul style="list-style-type: none"> <li>✓ <b>LTV may not exceed 105% regardless of AUS findings.</b></li> <li>✓ <b>CLTV may not exceed 110%, regardless of AUS findings.</b></li> <li>✓ Condos not permitted.</li> <li>✓ MSI will only purchase loans that exceed 80.00% LTV <b>IF</b> the LP Findings clearly state that MI is not required on this loan. See Mortgage Insurance in this LP Matrix for further details.</li> </ul>

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## LP Relief Refinance Mortgage SM, Continued

### MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
Loan Types	<ul style="list-style-type: none"> <li>✓ The new loan may be a 15 or 30-year Fixed Rate Mortgage.                             <ul style="list-style-type: none"> <li>• 30-Year Term: MSI Product Code: 306700</li> <li>• 15-Year Term: MSI Product Code: 156700</li> </ul> </li> </ul>
Property Types REV (5/07/12)	<ul style="list-style-type: none"> <li>✓ 1-2 Unit Primary Residence <b>and Second Home</b> Only.</li> <li>✓ MSI does not permit the following:                             <ul style="list-style-type: none"> <li>• 3-4Units Primary</li> <li>• 1-4 Unit Investment Properties</li> <li>• Condos for LP loans are not eligible.</li> </ul> </li> <li>✓ <b>Detached</b> PUDs are considered “single family properties” and do not require any project warranties.</li> <li>✓ <b>Attached</b> PUD’s are eligible for purchase by MSI.                             <ul style="list-style-type: none"> <li>• The MSI Attached PUD Certification must be completed and the Attached PUD must meet the guidelines outlined on the form (warranted to current Fannie Mae Guidelines for Type E or Type F PUDs.)</li> </ul> </li> </ul>
Borrower Benefits CLAR (5/07/12)	The underwriter must document in the file <b>and</b> validate on the 1008 that the following borrower benefits apply: <ul style="list-style-type: none"> <li>✓ <b>The refinance reduces the interest rate or the monthly mortgage principal and interest payment</b></li> <li><b>OR</b></li> <li>✓ The new mortgage is more stable (movement from an ARM to a FRM; from an Interest Only to a FRM, or from a Balloon Reset to a FRM, etc.) <b>OR</b></li> <li>✓ The refinance reduces the amortization term of the mortgage.</li> <li>✓ <b>The new mortgage can have a term exceeding the original term of the Mortgage being refinanced as long as <u>one</u> of the above benefits apply.</b></li> </ul>
Restrictions	<ul style="list-style-type: none"> <li>✓ LP RRM loans are not eligible in the state of Texas.</li> <li>✓ LP RRM loans that fail the HPML test are not eligible for purchase by MSI.</li> </ul>
Seasoning CLAR (5/07/12)	Standard MSI seasoning requirements apply. <ul style="list-style-type: none"> <li>✓ See the Underwriting chapter, <a href="#">Refinance Requirements/Seasoning</a>.</li> <li>✓ The existing first lien must be seasoned (payments received by the lender) at least 3 months from the Note Date <b>and purchased by Freddie Mac on/before 5/31/09</b> to be eligible for this product.                             <ul style="list-style-type: none"> <li>• The LP finding must indicate the loan is eligible for a Relief Refinance.</li> </ul> </li> <li>✓ MSI will not fund/purchase any LP RRM loan where the subject property was listed for sale within the past 6-months.</li> <li>✓ If the property was subject to a cash-out refinance within the past 6 months (from Current Note Date to Application Date), the loan is <b>not</b> eligible to MSI as a LP RRM.</li> </ul>

*Continued on next page*

## LP Relief Refinance Mortgage SM, Continued

### MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
<b>Mortgage Insurance</b> CLAR (5/07/12)	<p>If the original LTV on the existing Freddie Mac Mortgage was &gt; 80.00% and currently has MI, the loan is not eligible for sale to MSI, regardless of the LP response.</p> <p><b>Note:</b> Loans requiring mortgage insurance are not eligible for MSI LP RRM, regardless of the LP Finding.</p> <ul style="list-style-type: none"> <li>✓ If the mortgage being refinanced does not have current/active MI, then no MI is required on the Relief Refinance, even if the new LTV is &gt;80.00%.             <ul style="list-style-type: none"> <li>• The LP Findings must clearly state that no new MI is required. If the findings does not state that, the loan is not eligible.</li> </ul> </li> <li>✓ MSI will not purchase an LP RRM mortgage where the new mortgage requires mortgage insurance; therefore it is critical to validate that no new MI is required.</li> </ul>
<b>Appraisal</b> REV (5/07/12)	<p>Sellers may choose one of two options to validate value:</p> <p><b>OPTION ONE</b></p> <ul style="list-style-type: none"> <li>✓ Provide a full Freddie Mac/Fannie Mae appraisal (URAR). Standard Freddie/MSI appraisal requirements apply.             <ul style="list-style-type: none"> <li>• In addition to a full URAR, a field review is required if the LTV/CLTV/TLTV/HTLTV is &gt; 75.00% and the home value is &gt; \$1 Million.</li> </ul> </li> </ul> <p><b>OPTION TWO</b></p> <ul style="list-style-type: none"> <li>✓ If offered, an HVE may be used on a 1-unit and 2-unit attached or detached dwellings if the HVE point value has a Forecast Standard Deviation that is less than or equal to 0.20 as reported by the HVE report. A HVE value from any source other than the most current LP Response is not valid.</li> <li>✓ The HVE value may change over time. If a loan is resubmitted to LP at a later date for any reason and the HVE value changes, the new HVE value must be used.</li> <li>✓ The HVE cannot exceed 120 days old as of the Note date.</li> <li>✓ MSI requires a 2075 to support the existence of the property.</li> </ul>
<b>Application</b>	<p>The application must provide a minimum 2 year history for residence and employment.</p> <ul style="list-style-type: none"> <li>✓ Employer name, address, phone and income must be provided.</li> <li>✓ The fully completed application must be signed by each borrower.</li> </ul>
<b>Documentation Requirements</b> CLAR (5/07/12)	<ul style="list-style-type: none"> <li>✓ MSI requires a copy of the payoff statement for accurate calculation of the loan amount based on unpaid principal balance.</li> <li>✓ All documentation requirements must meet the more restrictive of MSI as noted in this matrix or the LP Feedback Certificate.</li> </ul>

Continued on next page

## LP Relief Refinance Mortgage SM, Continued

### MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
Assets/ Reserves REV (5/07/12)	<ul style="list-style-type: none"> <li>✓ Bank Statement covering the most recent month's transactions.</li> <li>✓ If the borrower must bring funds to closing, MSI requires asset documentation to support the ability to pay the funds from personal assets, regardless of any AUS findings.</li> <li>✓ <b>Primary Single Units: Reserves are not</b> required; however they should be considered in the underwriting review. If reserves are submitted to LP, they must be verified.</li> <li>✓ <b>Primary 2 Units: Borrower must have 6 months PITI in verified reserves regardless whether or not rental income is used to qualify the borrower.</b></li> <li>✓ <b>Second Home-single unit: Borrower must have 2 months PITI in verified reserves for subject property, and an additional 2 months PITI in reserve for each other financed second home or 1-4 investment property for which the borrower is obligated.</b></li> <li>✓ Gift funds are permitted to Freddie Mac LP guidelines.</li> <li>✓ <b>Current primary residence being converted must follow current Freddie Mac guidelines.</b></li> </ul>
Mortgage History REV (5/07/12)	The mortgage history must document: <ul style="list-style-type: none"> <li>✓ Must be a first lien, conventional mortgage currently owned by Freddie Mac. (LP must identify the loan as eligible for LP RRM; the loan must be seasoned a minimum of 3 months from the Note Date.)</li> <li>✓ The existing mortgage must be current.</li> <li>✓ 0X30 lates in the past 12 months or for the life of the loan if less than 12 months <b>provided the delinquency did not occur within the previous 6 months.</b> (The loan must receive an LP Accept.)</li> </ul>
Eligible Borrowers (2/09/11)	Borrowers on the new loan must be the same as borrowers on the existing loan, except... <p><b>Adding Borrowers:</b></p> <ul style="list-style-type: none"> <li>✓ MSI will permit a borrower(s) to be added to the Note provided that at least one borrower from the original loan (Note) is retained in the new refinance.                             <ul style="list-style-type: none"> <li>• Non-occupant borrowers may not be added.</li> </ul> </li> </ul> <p><b>Deleting Borrowers – ONLY through death or divorce:</b></p> <ul style="list-style-type: none"> <li>✓ <b>Note:</b> If an original borrower was removed due to death or divorce, Freddie requires acceptable documentation of the death or divorce of the other borrower(s) plus evidence that the current remaining borrower(s) has been making the current house payment for the most recent 12-months (or less if the mortgage is seasoned less than 12 months –only as permitted by MSI seasoning requirements.) Additionally, the omitted borrower must be removed from the Deed and have no ownership interest in the subject property.</li> </ul>
FICO (1/14/11)	<ul style="list-style-type: none"> <li>✓ Each borrower must have a FICO score of a minimum 640.</li> </ul>
DTI	<ul style="list-style-type: none"> <li>✓ As permitted by LP.</li> </ul>

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## LP Relief Refinance Mortgage SM, Continued

### MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
<p>Cash Back</p> <p><b>REV</b> (5/07/12)</p> <p>New Mortgage Limits</p>	<p><b>New Mortgage LTV &gt; 80.00%</b></p> <ul style="list-style-type: none"> <li>✓ Payoff of the first mortgage lien unpaid principal balance plus accrued interest.</li> <li>✓ The lessor of 4% of the unpaid principal balance of the Mortgage being refinanced or \$5,000 can be added to the unpaid principal balance of the first mortgage to pay for Closing Costs, Pre-Paid, Financing Costs and Escrows.</li> <li>✓ Maximum of \$250 cash back to borrower is allowed.               <ul style="list-style-type: none"> <li>• Any funds in excess of the allowable cash back must be applied to the new refinance as a principal curtailment.</li> </ul> </li> <li>✓ Proceeds cannot be used to pay off or pay down any subordinate financing.</li> </ul> <p><b>New Mortgage LTV ≤ 80.00%</b></p> <ul style="list-style-type: none"> <li>✓ Payoff of the first mortgage lien unpaid principal balance plus accrued interest.</li> <li>✓ Pay related Closing Costs, Financing Costs and Prepays/Escrows.</li> <li>✓ Maximum cash back to the borrower not to exceed 2% of the HASP refinance or \$2,000 whichever is less.</li> <li>✓ Under no circumstances may the cash back to the Borrower (or any payee) exceed the maximum permitted.</li> </ul> <p><b>Payoff Letter Required</b></p> <ul style="list-style-type: none"> <li>✓ To ensure that the loan amount is calculated properly, the underwriter must review a current, valid pay-off (non-expired) letter and condition the loan carefully to ensure that the borrowers meet the allowable maximum mortgage amount and do not receive more than the permitted cash in pocket at closing.</li> </ul>
<p>Income Documentation</p>	<p>MSI requires the following <b>additional</b> income/employment documentation, regardless of AUS Findings:</p> <ul style="list-style-type: none"> <li>✓ Salaried Borrowers<sup>1</sup> – AUS requirements <b>plus</b>:           <ul style="list-style-type: none"> <li>• One paystub covering a 30-day period and year-to-date income.</li> <li>• The most recent W-2 for the past year.</li> <li>• IRS Transcripts and a signed IRS 4506-T for each applicable borrower.</li> <li>• MSI will perform a Verbal VOE prior to purchase. See <a href="#">Underwriting/Verbal Verification of Employment</a> for details.</li> <li>• Any differences between income documented and income entered into LP must be supported by documentation included in the loan file.</li> </ul> </li> <li>✓ Self-Employed<sup>1</sup> and Passive Income Sources<sup>1</sup> – AUS Requirements <b>plus</b>:           <ul style="list-style-type: none"> <li>• Tax return for most current 1-year.</li> <li>• IRS Transcripts and a signed IRS 4506-T for each applicable borrower.</li> <li>• MSI will perform a Verbal VOE prior to purchase. See <a href="#">Underwriting/Verbal Verification of Employment</a> for details.</li> <li>• Any differences between income documented and income entered into LP must be supported by documentation included in the loan file.</li> </ul> </li> </ul> <p>(1) As defined by Freddie Mac.</p>

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## LP Relief Refinance Mortgage SM, Continued

### MSI Product Guidelines, Continued

Topic	LP RRM Requirements or Guidelines
<b>Subordinate Financing</b> REV (5/07/12)	<ul style="list-style-type: none"> <li>✓ New subordinate financing is <b>not</b> permitted under any circumstances.</li> <li>✓ Existing subordinate financing must be subordinated to the new mortgage.                             <ul style="list-style-type: none"> <li>• Current existing subordinate financing (including purchase money subordinate financing) may <b>not</b> be satisfied by proceeds of the new mortgage.</li> <li>• <b>Maximum CLTV/HCLTV may not exceed 110.00%.</b></li> <li>• Subordinate Financing must meet current Freddie Mac guidelines.</li> </ul> </li> </ul>
Temporary Buydowns	<ul style="list-style-type: none"> <li>✓ MSI does not permit Temporary Buydowns for LP RRM loans.</li> </ul>
<b>Multiple Mortgages</b>	Maximum 4 properties per borrower regardless of the occupancy of the subject property. (Primary, secondary or investment.)

### Split Mortgage Insurance

REV (2/27/12)-Entire section revised, no yellow highlight to facilitate reading.

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#### Summary

REV (2/27/12)

Loans with a fixed interest rate and payment for the life of the loan are eligible for Split Mortgage Insurance (MI).

- ✓ Split MI provides an MI premium alternative that reduces the monthly cost of the MI premium for the borrower.
- ✓ The premium is split into an upfront fee, paid at closing by the borrower or the property seller (within allowable Seller Contributions), with a reduced monthly premium paid by the borrower beginning with the first payment due.
- ✓ MSI [Loan Limits](#) apply.

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#### Guidelines/ Restrictions

MSI Product is not available; however, MSI will purchase conforming loans with Split MI within in limited requirements.

- ✓ Seller must include the Mortgage Insurance in the closed loan package.
- ✓ The loan must be insured by Radian, and the loan must meet all MSI loan parameters, overlays of MSI.
- ✓ Fixed Rate Mortgages Only.
- ✓ Full/Alt doc only.
- ✓ Standard MI Coverage Only.
- ✓ Proper MI disclosures required.
- ✓ UpFront Premium must be paid by the Borrower or property seller (Monthly premiums must be paid by the borrower).
  - Upfront Premium may be paid by the property seller as long as the Seller Contributions are within acceptable limits.
  - The underwriter must address and validate property seller contributions.
- ✓ Minimum FICO 720.
- ✓ DU/LP Accept or Approve eligible required.
- ✓ Full Appraisal – regardless of AUS.
- ✓ See [Loan Parameters – Conforming Split MI 10-30 Year](#) for additional MSI restrictions.

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## Split Mortgage Insurance, Continued

### Split Mortgage Insurance, Continued

#### Loan Parameters – Conforming Split MI 10-30 Year

CLAR (4/04/12)

Units	Owner Occupied			Second Home			Investment			Maximum DTI
	Maximum		Minimum	Maximum		Minimum	Maximum		Minimum	
	LTV	CLTV	FICO	LTV	CLTV	FICO	LTV	CLTV	FICO	
<b>Purchase and Refinance Transactions (R/T Only – Cash Out NOT Permitted)</b>										
1	95.00	N/A	720	Not Permitted						50%
2 – 4	Not Permitted									N/A
<b>Notes:</b>										
✓ <b>Please Note:</b> All loan parameters and requirements are governed by the applicable MI company and are subject to change without notice. If the MI company will not issue a Certificate, the loan is not eligible.										

**MSI -LPMI – Conforming FRM- Product Eliminated**

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**Expanded Approval FRM – Product Eliminated**

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**Community Lending Products - Product Eliminated**

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## Conforming Adjustable Rate Mortgages

**ARM Summary** The following products are adjustable rate mortgages (ARM) that allow for a changing rate/payment over the life of the mortgage.

Products included herein are:

Fully Amortizing Conforming ARM Products							
Product	Margin	Adjustment Caps			Rate Fixed for (1)	Conversion To FRM?	Assumable
		1 <sup>st</sup>	Annual	Lifetime			
1 Year	2.25%	2	2	6	12 Months	No	Anytime
3/1	2.25%	2	2	6	36 Months	No	Anytime
5/1	2.25%	5	2	5	60 Months	No	After the initial fixed rate period.
7/1	2.25%	5	2	5	84 Months	No	
10/1	2.25%	5	2	5	120 Months	No	

**Notes:**

- ✓ **Index – 1 Year LIBOR:** The one-year London Interbank Offered Rate (“LIBOR”) which is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market, as published in *The Wall Street Journal*. The most recent Index figure available as of the date 45 days before each Interest Change Date is the current rate.
- ✓ **Assumable:** Subject to credit approval.
- ✓ Interest rate is fixed at close for the period noted, at the end of which time the rate changes annually thereafter.

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## Conforming Adjustable Rate Mortgages, Continued

**Presentation** This product subset will provide the “common” product guidelines that apply to Conforming ARM loans.

**Guidelines** Unless otherwise **specifically** noted in this product subset, the Conforming ARM products are subject to the following:

- ✓ See [Loan Limits](#) for product minimum and maximum loan amounts.
- ✓ Applicable DU/LP guidelines and requirements.
- ✓ MSI Conforming product guidelines.
- ✓ See the [Underwriting Chapter](#) for topics not addressed in this product suite.

**HPML** ✓ 3/1 and 5/1 ARM loans that fail the HPML test are not eligible for purchase/funding by MSI. See the [Seller Guide/Pre-Purchase/Pre-Funding Delivery Chapter/General Standards and Policies/HPML](#) for full details regarding HPML.

### Product Disclosures

- ✓ ARM Disclosures are required in accordance with any federal, state, jurisdictional or regulatory requirements.
  - See [www.msicorr.com](http://www.msicorr.com) or your approved document provider for samples.

(6/20/10) **Qualifying Rate**

ARM Products	Qualify at ...
1/1 3/1 5/1	<ul style="list-style-type: none"> <li>✓ Greater of:</li> <li>✓ The fully indexed rate or</li> <li>✓ The Note Rate + 2.0.</li> </ul> <p>(Fully indexed rate is defined as the index plus the margin as entered into DU or LP. MSI qualifying rates apply regardless of AUS used.)</p>
7/1, 10/1	Note Rate

*Continued on next page*

## Conforming Adjustable Rate Mortgages, Continued

### Loan Parameters – Agency ARM 30-Year

REV (12/09/11)

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Owner Occupied - Primary</b>						
Purchase and Limited Cash Out Refinance	1	95.00	90.00	95.00	680 (2) (4)	41%
	2	80.00	75.00	80.00	660 (3)	45%
	3-4	80.00	75.00	80.00	640	45%
Cash Out Refinance	1 (5)	85.00	85.00	85.00	720	41%
	1	80.00	80.00	85.00	640	45%
	2 4	75.00	70.00	75.00	640	45%
<b>Second Home</b>						
Purchase	1	90.00	90.00	90.00	720 (2)	45%
Limited Cash Out Refinance	1	90.00	90.00	90.00	720 (2)	45%
Cash Out Refinance	1	75.00	75.00	75.00	640	45%

**Notes:**

- (1) The **more restrictive** MI or AUS will supersede this minimum. Loans must meet the maximum DTI **and** receive an “eligible” Approve or Accept to be purchased by MSI. **Effective 6/03/11:** For Primary Residence, MSI Prior Approval Underwriting, Max DTI may be increased to 50% if permitted by the AUS and MI (if required). Delegated Lenders may not exceed 45%.
  - (2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 640; DTI may be 45% (See #1).
  - (3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 640.
  - (4) FICO ≥ 720, DTI may be 45% (See #1)
  - (5) Condo projects are ineligible for Cash Out >80.00%.
- ✓ 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 –Attached PUD Restrictions:** AZ and NV are restricted to a maximum 90.00% LTV, unless further restricted by the AUS or MI. All other states may use the published single family LTV/CLTV. See the [Underwriting Chapter](#) for condo/attached PUD details/requirements.
  - ✓ **Geographic Restrictions:** Florida properties are not eligible for MSI.
  - ✓ Prepayment Penalty features are not permitted
  - ✓ 40-year terms are not permitted
  - ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted
  - ✓ Single Premium paid by the lender is permitted for Primary, Purchase/Rate-Term Refinance. See the [Conforming Product Suite](#) and [Underwriting Chapter](#) for full restrictions and details.
  - ✓ Subject to MI guidelines/limitations when MI is required.
  - ✓ **All LTV/CLTV** subject to the **more restrictive** of MSI/applicable AUS guidelines and limits. Cash Out to 85.00% permitted only by DU. DU has additional restrictions for 3-4 Unit Properties, use LP.

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## Conforming Adjustable Rate Mortgages, Continued

### Loan Parameters – Agency ARM 30 Year, Continued

CLAR (4/06/12)

Transaction Type	Units	Maximum			Minimum FICO (1)	Maximum DTI (1)
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Investment Properties – Condos Permitted-Maximum 75.00% LTV</b>						
Purchase	1	80.00	80.00	85.00	640	45%
	2-4	75.00	70.00	75.00	640	45%
Limited Cash Out Refinance	1	75.00	75.00	75.00	640	45%
	2-4	75.00	70.00	75.00	640	45%
Cash Out Refinance	1	75.00	75.00	75.00	700	45%
	2-4	70.00	70.00	70.00	700	45%

**Notes:**

- (1) The **more restrictive** MI or AUS will supersede this minimum. Loans must meet the maximum DTI **and** receive an “eligible” Approve or Accept to be purchased by MSI.
- (2) LTV's ≤ 80.00% are acceptable with a Minimum FICO of 640.
- (3) LTV's ≤ 75.00% are acceptable with a Minimum FICO of 640.
- (4) DU Approve/Eligible Only; See [Investment \(NOO\) Cash Out](#) for additional guidelines/restrictions. 5/1 and 7/1 ARMS only.
- ✓ 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:** See the [Underwriting Chapter](#) for condo requirements regarding CPM.
- ✓ Florida properties are not eligible for MSI.
- ✓ Prepayment Penalty features are not permitted
- ✓ 40-year terms are not permitted
- ✓ Texas Section 50a6 (True Texas Cash Out) loans are not permitted
- ✓ LPMI is not permitted for Investment Properties.
- ✓ Subject to MI guidelines/limitations when MI is required.
- ✓ **All LTV/CLTV subject to the more restrictive of MSI/applicable AUS guidelines and limits.**

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## Conforming Adjustable Rate Mortgages, Continued

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**Loan Parameters – Agency ARM I/O - 30-Year – Product Eliminated**  
(3/02/09)

**Effective for loans locked on/after 3/02/09, the Adjustable Interest Only Product is Eliminated.**

## MSI Conventional High Balance

(5/11/09)

### Overview

- ✓ MSI's Conventional High Balance product is based on the Fannie Mae/Freddie Mac high balance/super conforming products using Temporary High Balance loan limits. **The Note date may be no later than 9/30/11-Loans must be purchased/funded by MSI no later than 10/15/11).** Permanent High Balance Loan Limits continue to be eligible under High Balance guidelines.
- ✓ The MSI Conventional High Balance product is eligible only for those borrowers in HUD designated "high cost" areas.
- ✓ MSI will extend Delegated Underwriting Authority to include Conforming High Balance loans which are considered conforming loan limits and not Jumbo.
  - Sellers may underwrite a **1-Unit Conventional** property subject to **permanent** high balance loan limits. The loan must include a print-out from the HUD site validating the loan amount as a permanent high balance loan amount. The loan must meet all MSI High Balance loan requirements.

### Guidelines

Each loan submitted for funding/purchase must meet the more restrictive of DU (Fannie)/LP (Freddie) and MSI, as outlined in this product subset.

### MSI Loan Limits

The matrix below outlines the minimum loan amounts for the MSI Conventional High Balance product.

- ✓ All "Conventional High Balance-Permanent Limits" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site
- ✓ <https://entp.hud.gov/idapp/html/hicostlook.cfm> .
  - **Note:** select "Fannie/Freddie" from the <Limit Type> field, then select "CY 2012" from the <Limit Year> field.
- ✓ A copy of the screen print, validating the "high balance" loan amount must be included in the credit section of the loan file.

Number of Units	Minimum Loan Amount
1	\$417,001
2	\$533,851
3	\$645,301
4	\$801,951

**Notes:**

- ✓ MSI does not lend in Alaska, Hawaii or any US Territories (Guam, Puerto Rico, etc).
- ✓ MSI has restricted the maximum loan amount to the current Fannie Mae "permanent High-Cost limits". Loan amounts that exceed the limits posted are not eligible to MSI.

### Products Eligibility

Products eligible for Conventional High Balance are:

- ✓ FRM – fully amortizing, 15-, and 30-year terms
- ✓ ARMs – fully amortizing, 30-year term, 5/1 ARM only.

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## MSI Conventional High Balance, Continued

### Loan Parameters – MSI Conventional High Balance – FRM- Primary Residence (10/19/10)

Property	Units	Maximum			Minimum FICO	Maximum DTI
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Owner Occupied – Primary - Purchase</b>						
Single Family Detached PUD	1	90.00 (2, 3)	80.00	90.00	720 (1)	45%
	1	80.00	80.00	90.00	700 (1)	45%
Attached PUD & Condo	1	85.00 (2, 3)	80.00	90.00	720	45%
	1	80.00	80.00	90.00	700 (1)	45%
2-4 Unit	2-4	75.00	70.00	75.00	740	45%
<b>Owner Occupied – Primary - Cash Out Refinance</b>						
SF;PUD & Condo	1	60.00	60.00	60.00	740	45%
2-4 Unit	2-4	Not Permitted				
<b>Owner Occupied – Primary - Rate/Term Refinance</b>						
Property	Loan Amount	Maximum			Minimum FICO	Maximum DTI
		LTV No Second	LTV w/ Second	CLTV/TLTV		
Single Family Detached PUD	≤ \$625,500	90.00 (2)	80.00	90.00	720 (1)	45%
	> \$625,500	80.00	75.00	80.00	700 (1)	45%
Attached PUD Condo	≤ \$625,500	85.00 (2)	80.00	90.00	720 (1)	45%
	> \$625,500	80.00	75.00	80.00	700 (1)	45%
2-4 Units	All	75.00	70.00	75.00	740	45%

**Notes:**

- (1) **700** when LTV > 75%, but ≤ 80% or when CLTV/TLTV > 75%. **660** when LTV/CLTV/TLTV ≤ 75.00%
- (2) When LTV > 80.00% the greater of 2-months verified PITI or standard verified reserves required.
- (3) When the Loan Amount is > \$625,500, the Maximum LTV = 80.00%
- ✓ Temporary Buydowns are not permitted.
- ✓ Prepayment Penalty features are not permitted
- ✓ 40-year terms are not permitted
- ✓ Texas Section 50a6 (Texas Cash Out) loans are not permitted;
- ✓ **Florida Restrictions:** Properties in Florida are not eligible for purchase.
- ✓ Single Premium MI paid by the lender is permitted.
- ✓ Subject to MI guidelines when MI is required **and** Subject to more restrictive Fannie Mae AUS findings.
- ✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site <https://entp.hud.gov/idapp/html/hicostlook.cfm> .
- ✓ **Note:** select "Fannie/Freddie" from the <Limit Type> field, then select "CY2012" from the <Limit Year> field. .

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Mortgage Services III, LLC  
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## Conforming Product Suite

### MSI Conventional High Balance, Continued

#### Loan Parameters – MSI Conventional High Balance – FRM- Second Home and Investment

(6/10/11)

Property	Units	Maximum			Minimum FICO	Maximum DTI
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Second Home – Purchase and Rate/Term Refinance</b>						
Single Family PUD & Condo	1	65.00	65.00	65.00	740	45%
<b>Second Home – Cash Out Refinance</b>						
Not Permitted						
<b>Investment Property – Purchase and Rate/Term Refinance</b>						
Single Family PUD & Condo	1	65.00	65.00	65.00	740	45%
<b>Investment Property – Cash Out Refinance</b>						
Not Permitted						
<b>Notes:</b>						
<ul style="list-style-type: none"> <li>✓ Temporary Buydowns are not permitted.</li> <li>✓ Prepayment Penalty features are not permitted</li> <li>✓ 40-year terms are not permitted</li> <li>✓ Texas Section 50a6 (Texas Cash Out) loans are not permitted</li> <li>✓ <b>Florida Restrictions:</b> Properties in Florida are not eligible for purchase.</li> <li>✓ LPMI is not permitted.</li> <li>✓ Borrower paid single premium insurance is permitted.</li> <li>✓ Subject to MI guidelines when MI is required.</li> <li>✓ Subject to more restrictive Fannie Mae AUS findings.</li> <li>✓ <b>Investment Property – Fixed Rate Only:</b> All loans must be underwritten by MSI, no exceptions.</li> <li>✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a> .</li> <li>✓ <b>Note:</b> select "Fannie/Freddie" from the &lt;Limit Type&gt; field, then select "CY2012" from the &lt;Limit Year&gt; field. .</li> </ul>						

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## MSI Conventional High Balance, Continued

### Loan Parameters – MSI Conventional High Balance – ARM

(10/19/10)

Property	Units	Maximum			Minimum FICO	Maximum DTI
		LTV No Second	LTV with Second	CLTV/TLTV		
<b>Owner Occupied – Primary - Purchase and Rate/Term Refinance</b>						
Single Family PUD and Condo	1	75.00	75.00	75.00	680	45%
2-4 Unit	2-4	75.00	70.00	75.00	740	45%
<b>Owner Occupied – Primary - Cash Out Refinance</b>						
SF;PUD & Condo	1	60.00	60.00	60.00	740	45%
2-4 Unit	2-4	Not Permitted				
<b>Second Home – Purchase and Rate/Term Refinance</b>						
Single Family PUD & Condo	1	65.00	65.00	65.00	740	45%
<b>Second Home – Cash Out Refinance</b>						
Not Permitted						
<b>Investment Property</b>						
Not Permitted						

**Notes:**

- ✓ Temporary Buydowns are not permitted.
  - ✓ Prepayment Penalty features are not permitted
  - ✓ 40-year terms are not permitted
  - ✓ Texas Section 50a6 (Texas Cash Out) loans are not permitted
  - ✓ **Florida Restrictions:** Properties in Florida are not eligible for purchase.
  - ✓ LPMI is not permitted.
  - ✓ Borrower paid single premium insurance is permitted.
  - ✓ Subject to MI guidelines when MI is required.
  - ✓ Subject to more restrictive Fannie Mae AUS findings.
  - ✓ All "Conventional High Balance" loan amounts are eligible only in specific geographic areas and must be confirmed/validated for the area using the following Web Site <https://entp.hud.gov/idapp/html/hicostlook.cfm> .
- Note: select "Fannie/Freddie" from the <Limit Type> field, then select "CY2012" from the <Limit Year> field. .

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## MSI Conventional High Balance, Continued

### High Balance Requirements

The following matrix outlines the requirements for Conventional High Balance Loans.

**Important:**

Any topic not addressed herein must follow the requirements outlined in the Seller Guide Conforming Product Suite or Underwriting Chapter.

- ✓ Topics not addressed in the MSI Seller Guide revert to the applicable agency AUS requirements.

High Balance Requirements Matrix	
Topic	Requirements
Age of Appraisal (2/09/11)	<ul style="list-style-type: none"> <li>✓ MSI will accept only a full appraisal or 2055 exterior with color photos.               <ul style="list-style-type: none"> <li>• The appraiser performing the appraisal must be qualified to perform appraisals without oversight or supervision by a supervisory or review appraiser and must be experienced with the types of properties being appraised and with higher value properties.</li> <li>• When the subject property is an attached condo, the appraiser must provide at least 2 comparable sales from outside the subject project and outside the influence of the developer, builder or property owner.</li> </ul> </li> <li>✓ MSI requires the maximum age of appraisal to be <b>120-days</b> from the Note Date. (Closing Date):               <ul style="list-style-type: none"> <li>• If the effective date of the appraisal exceeds 90-days at the Note Date (date of closing), a <b>new</b> appraisal is required.</li> </ul> </li> </ul>
Appraisal Review Requirements (12/12/09)	<p>A field review is required when:</p> <ul style="list-style-type: none"> <li>✓ The loan amount is greater than \$625,500 <b>and</b> the LTV/CLTV/TLTV is greater than 80.00%; <b>or</b></li> <li>✓ The appraised value is equal to or greater than \$1,000,000, and the LTV/CLTV/TLTV is greater than 75.00%.</li> <li>✓ When the Field Review Report results in a different value, the lower of the original appraised value, the field review value, or the sale price must be used to calculate the LTV/CLTV/TLTV.</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>✓ Full documentation to MSI/AUS guidelines. (If the AUS has reduced the documentation requirements, the MSI minimum documentation is required.)</li> <li>✓ See the Product Suite and the Underwriting chapter for details.               <ul style="list-style-type: none"> <li>• MSI Verbal Verification of Employment guidelines apply.</li> <li>• MSI 4506-T guidelines apply.</li> <li>• MSI Income documentation guidelines apply.</li> </ul> </li> </ul>

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## MSI Conventional High Balance, Continued

### High Balance Requirements, Continued

Topic	Requirements
Credit (FICO) Score	<ul style="list-style-type: none"> <li>✓ Borrowers without a valid credit score (FICO) are not eligible for Conventional High Balance.</li> <li>✓ Minimum FICO as stated in the Product Matrix unless a higher score is required by the AUS or MI.</li> </ul>
DTI	<ul style="list-style-type: none"> <li>✓ DTI may not exceed 45%, regardless of AUS approval.</li> </ul>
Ineligible	<ul style="list-style-type: none"> <li>✓ Condos that do not meet Fannie Mae warranty requirements.</li> <li>✓ DU Refi Plus™</li> </ul>
General Guidelines	<p>Unless referenced specifically in this product sub-set, the loan must meet the MSI guidelines in this Seller Guide (Product Suite and Underwriting Chapter).</p> <ul style="list-style-type: none"> <li>✓ Topics not specifically addressed herein revert to the applicable AUS agency.</li> </ul>
Mortgage Insurance	<ul style="list-style-type: none"> <li>✓ Standard MSI MI guidelines apply.</li> <li>✓ If MI requirements are more restrictive, they supersede MSI/Fannie guidelines.</li> <li>✓ LPMI is not permitted; however single premium paid in full MI is permitted.</li> </ul>
Non-Occupant Borrowers	<ul style="list-style-type: none"> <li>✓ MSI does not permit.</li> </ul>
Occupancy	<ul style="list-style-type: none"> <li>✓ Primary and Secondary Residences</li> <li>✓ MSI permits Investment for FRM, single family only. See <a href="#">Loan Parameters – MSI Conventional High Balance – FRM- Second Home and Investment</a></li> </ul>
Property Types	<ul style="list-style-type: none"> <li>✓ Single Family, attached and detached</li> <li>✓ 2-4 Units</li> <li>✓ PUD</li> <li>✓ Condo</li> </ul> <p>All properties to MSI Guidelines, See <a href="#">Property Types</a> and the Underwriting Chapter.</p>
Subordinate Financing	Permitted to Agency/MSI guidelines.
Temporary Buydown	<ul style="list-style-type: none"> <li>✓ Not Permitted</li> </ul>
Transaction Type	<p>Purchase, Rate/Term Refinance and Cash Out Refinance to current MSI guidelines.</p> <ul style="list-style-type: none"> <li>✓ Resale-Deed Restrictions are not permitted.</li> </ul>
Underwriting	<p>All loans must be submitted to either Fannie Mae DU® or Freddie Mac LP®</p> <ul style="list-style-type: none"> <li>✓ The loan must receive either an Approve or Accept recommendation.</li> <li>✓ The loan must meet the more restrictive of the AUS requirements or MSI requirements for conventional loans. See <a href="#">General Underwriting Guidelines</a> for additional details.</li> <li>✓ The loan documentation must be “manually” validated in full compliance with DU/LP guidelines.</li> </ul>