



# WINTRUST MORTGAGE™

**REVISED BULLETIN #09-0209-5**  
**BULLETIN # 09-0129-1**

February 9, 2009  
~~January 29, 2009~~

## **BULLETIN HIGHLIGHTS**

### **All Noble Products**

- ❖ Condominium Project Approval
- ❖ Fully Executed HUD-1
- ❖ Non-Occupant Co-Borrowers
- ❖ Credit Inquiries
- ~~❖ Bonus/Commission Income~~
- ❖ Age of Appraisal
- ❖ Rent Loss Insurance
- ❖ Seasoning Requirements
- ❖ Hazard & Flood Insurance Changes

### **Unlimited FHA Products**

- ❖ FHA & RD Minimum FICO Revision

### **Choice Florida Condominium Clarification**

## **All Noble Products**

### **Fannie Mae Project Eligibility Review Services (PERS)**

**Effective: January 15, 2009 Loan Registrations**

Fannie Mae is reintroducing its condominium project review function under the name of Project Eligibility Review Services (PERS). Effective 01/15/09, all Florida Condo projects that do not meet the “Established Project” guidelines must be submitted to PERS for approval; PERS is an optional service for other states and projects. There is a fee charged in connection with this review. The project must be on Fannie Mae’s PERS approved list located on [www.eFannieMae.com](http://www.eFannieMae.com) and the approval type must be indicated as “Final Project Approval”, prior to loan closing and disbursing. If the project was not approved prior to 1/15/09, Fannie Mae PERS approval is required.

All Florida newly or newly-converted projects must have evidence of project approval. Loans where the project was approved via CPM prior to 1/15/09, the project approval may be honored until the expiration date. Otherwise, Fannie Mae PERS approval is required.

- ❖ Limited reviews are not available if Wintrust or the Correspondent is named as a preferred lender by either the developer or the HOA.
- ❖ For established attached projects where the subject is an investment property, financial institution-owned REO units that are for sale (not rented) may be counted as owner-occupied units to meet the 51% presale requirements.
- ❖ The following are not permitted with respect to master or blanket project insurance;

- A blanket policy that covers multiple unaffiliated condominium associations or projects, or;
- A self-insurance arrangement whereby the owners' association is self-insured or has banded together with other unaffiliated associations.

### **FULLY EXECUTED HUD-1**

**Effective: February 1, 2009 Loan Registrations**

As a reminder, to ensure compliance with Fannie Mae and Freddie Mac requirements, a fully executed (signed by both borrower and seller) HUD-1 or HUD-1 A/Settlement Statement (if applicable) must be obtained on all loans. In escrow states, in lieu of a fully executed HUD-1, we will require both the executed preliminary HUD-1 and the Final HUD-1 stamped by the title company.

When a HUD-1 from a prior transaction is required to verify funds, it should be signed/executed by all parties.

### **NON-OCCUPANT CO-BORROWERS**

**Applies to all Conventional Loan processing types (DU and LP)**

**Effective: February 1, 2009 Loan Registrations**

Loans on properties where the borrowers are purchasing the property for the occupancy of others must be registered and underwritten as investment properties. They cannot be considered as a second home. This includes loans where the occupant is a loan applicant, but does not meet the down payment and total qualifying debt ratio guidelines applicable with a non-occupant co-borrower. This change does not apply to loans that meet the policy for purchase of a primary residence for a special-needs individual.

### **CREDIT INQUIRIES**

**Effective: February 1, 2009 Loan Registrations**

When reviewing borrower credit history, new accounts and inquiries should always be considered. There may be red flags for multiple liens or other fraud schemes, or an indication that the customer's repayment ability is being compromised by new debt. Inquiries on the credit report generally reflect the borrower's requests for new or additional credit. Inquiries made for other purposes, such as general solicitations not initiated by the borrower or monitoring inquiries by current creditors, typically are not shown on the credit report.

If the credit report indicates that a creditor has made an inquiry within the previous 90-day period, then the underwriter must determine whether additional credit was granted as a result of the borrower's request. A letter from the creditor or, if such a letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained. If new credit was obtained and there is a balance on the new account, the debt must be included in the list of debts and the calculation of DTI ratios, even if the account does not appear on the credit report.

### **BONUS/COMMISSION INCOME**

**Effective: February 1, 2009 Loan Registrations**

~~If more than 25% of total qualifying income is from "variable" sources (i.e., commission, bonus, overtime) then the total qualifying income must be reduced by 25% and verified post close liquid assets covering 18 months' PITI are required. If variable income is in excess of 50% of total income, then the total qualifying income must be reduced by 25% and verified post close liquid assets covering 24 months PITI are required.~~

### **APPRAISAL DOCUMENTATION – AGE OF APPRAISAL**

**Effective: February 1, 2009 Loan Registrations**

If the loan was closed more than 120 days prior to being purchased by Wintrust Mortgage Corporation, the Correspondent must provide a *new* appraisal to support there hasn't been a decline in the subject property

value since the last valuation was performed. If there is a decline in the property's value, the loan is ineligible for sale to Wintrust Mortgage Corporation.

***For Construction to Permanent loans*** - An appraisal update is required within 120 days of the final closing or the date the mortgage is modified from construction to permanent financing. If the value of the property has declined, an Appraisal Update and/or Completion Report is not acceptable; a new appraisal report is required.

### **RENT LOSS INSURANCE**

**Effective: February 1, 2009 Loan Registrations**

Wintrust Mortgage Corporation requires that the borrower obtain rent loss insurance for agency-salable loans if the subject property is a 2-4 unit property, and rental income is used to qualify the borrower. This insurance covers the borrower for rental income losses incurred when the property is rendered un-rentable due to a direct physical loss, such as a fire. Coverage must be equal to a minimum of six months of gross monthly rent, and must be maintained as long as the mortgage is outstanding. Rent loss insurance may be designated in policies as "fair rental value" or "fair rental income" under the general heading of "loss of use" or "loss of rents".

### **SEASONING REQUIREMENTS**

For any Conventional loan to be eligible for a cash-out refinance, the transaction must meet the following seasoning criteria:

- ❖ The borrower must have owned the subject property for a minimum of 6 months prior to the application date; and
- ❖ Any previous refinance transactions on the subject property (rate/term or otherwise) must have closed at least 6 months prior to the application date on the new cash-out refinance.

The above policy applies to all loan transactions—including those originated via DU and LP and all subordinate liens.

### **HAZARD AND FLOOD INSURANCE CHANGES**

**Effective: February 20, 2009 Loan Registrations**

Hazard and Flood insurance guidelines have been updated to simplify our coverage requirements and to bring our guidelines more fully in line with Agency requirements.

#### **Hazard Insurance Coverage Requirements**

Hazard insurance coverage must be in an amount at least equal to replacement value, which is equivalent to 100% of the insurable value. The insurable value is established by the property insurer; not the principal amount of the loan.

The minimum amount of the hazard insurance coverage must be:

- ❖ 1-4 family properties - 100% of the insurable value, which is replacement value.
- ❖ Condominium & co-op projects - 100% of the insurable value, which is replacement value.

We may accept more than the minimum required coverage but only at the borrower's discretion. A hazard insurance policy that provides for *guaranteed replacement* cost will always fulfill the required minimum insurance coverage amount. However, we do not require that the borrower provide a guaranteed replacement cost insurance policy. They may provide one only at their discretion.

#### **Flood Insurance Coverage Requirements**

**For single family loans**, if the sum of all loan amounts on the property is greater than the full replacement cost value, then assure that the flood insurance is at 100% full replacement cost, up to the NFIP maximum

of \$250,000 per unit. If the sum of loan amounts on the property is less than full replacement cost, then use the greater of 80% of full replacement cost or the sum of all loan amounts on the property as the minimum standard.

**For condominium loans**, if a condominium association has obtained a building policy that provides 100% of replacement cost value (RCV) coverage or the NFIP maximum coverage (i.e. limited to \$250,000 times the number of units), then the condo building is considered adequately insured. If the condominium association has obtained less than 100% of RCV cost coverage, but not less than 80% of RCV, we will require an individual dwelling coverage equivalent up to the full insurable value of the unit, which is the same as 100% replacement cost value, not to exceed the maximum insurance available under NFIP of \$250,000 per unit. We will not lend on condo units where the condo association has not obtained at least 80% of RCV coverage unless the building coverage was limited to the NFIP maximum as described above.

The guidelines for hazard insurance coverage differ from those for flood insurance coverage, therefore, the minimum coverage amount for hazard insurance may be different from the minimum coverage amount for flood insurance. Make certain that the insurance policies adhere to the proper guidelines for the type (hazard/flood) of insurance.

### **Unlimited FHA Products**

#### **FHA & RD Minimum FICO Revision**

**Effective with all new locks on or after 1/29/09**

Unlimited FHA products will discontinue acceptance of any FHA loan with a qualifying FICO below 600.

- ❖ This policy is effective on any new FHA loan registered or locked on or after 1/29/2009
- ❖ This policy is not applicable to: FHA Streamline Refinances or any FHA with no useable credit score as determined through FHA TOTAL Scorecard.
- ❖ VA loans do not have a minimum FICO requirement imposed at this time
- ❖ Any FHA loan currently in the pipeline, not meeting the new minimum FICO requirement, must be locked no later 1/28/2009 or the loan will not be eligible for Closing, Funding, or Delivery.
  
- ❖ There is no deadline for loans to Close, Fund, or be Delivered.

### **Choice Products**

#### **Choice Florida Condominium Clarification**

To clarify the Florida Condominiums announcement published January 14, 2009:

- ❖ New and established 2-4 units and detached "site" condominiums are still eligible under standard conventional eligibility rules in the state of Florida.
- ❖ Non-warrantable condos, new or established, are no longer eligible in Florida.
- ❖ The Florida Condominiums January 14, 2009 announcement does not apply to government financing.