



## Wintrust Mortgage Correspondent Lending Announcement

### Fannie Mae Loan Quality Initiative – Undisclosed Liabilities, Confirming the Borrower's Identity and Validation of Parties

In response to [Fannie Mae's LL 2010-03](#), Wintrust Mortgage Correspondent Lending is implementing the following guidelines and best practices to ensure compliance with the Loan Quality Initiative policies. These guidelines are **effective with loan applications taken on or after June 1, 2010**.

Wintrust Mortgage is announcing the following policy changes for all conforming loans unless otherwise noted:

#### 1. Borrower Credit – Undisclosed Liabilities – Applies to Conforming and Jumbo loan products

Correspondent Clients must determine that all debts of the borrower incurred during the application process through loan closing are disclosed on the final loan application and included in the qualification for the subject mortgage. Processes to consider include but are not limited to:

- Retrieving a refreshed credit report just prior to the closing date and reviewing it for additional credit lines.
- Direct verification with a creditor that is listed on the credit report under recent inquiries to determine whether a prospective borrower did in fact enter into a financial arrangement with the creditors, which may not be listed on the loan application.
- Investigating credit inquiries listed on the credit report to determine whether the borrower opened additional debt resulting in repayment obligations. In some cases, it is possible to obtain a direct verification with the creditor associated with the inquiry.
- Running a MERS report to determine if the borrower has undisclosed liens or another mortgage being established simultaneously.

If additional liabilities or an increase on existing credit is revealed, the additional debts must be used to re-qualify the borrower(s).

- If additional debt has been incurred and the inclusion of the additional debt would increase the total expense ratio to a level outside the AUS tolerances, the loan must be resubmitted to the AUS and the new findings must be followed.
- If a new credit report is run in lieu of a refresh report, the loan must be updated with the new credit report information, including the new credit score and the updated liabilities. Any new inquiries must be verified with the creditor that no new debt has been established. The loan must be resubmitted to the AUS regardless of the tolerance if a new score is returned. The updated credit score may impact the qualifying interest rate and pricing as well as the borrower's ability to qualify based on current guidelines.

#### Operational Processes:

For Non- Delegated Correspondent Clients, verbiage will be added to the Wintrust Mortgage Underwriting Status Report outlining the following information (exact language subject to change):

- Lender is responsible for ensuring that that borrower(s) have not opened additional debt resulting in repayment obligations between the date of the initial credit report and the date of loan closing. This loan may not close and must be submitted for re-underwriting **if** the borrower(s) have opened additional debt after the date the loan was submitted to Wintrust Mortgage for underwriting. All debts up to and concurrent with the closing of the loan must be disclosed on the final loan application and included in the qualification for the loan.



**2. Confirmation of Borrower's Identity Prior to the Extension of Credit – Applies to Conforming, Jumbo and Government loan products**

Lenders will be required to confirm the identity of each borrower whose credit is material to the loan transaction prior to the extension of credit. Correspondents must ensure that their Closing Agent, Notary Public or signing attorney, as appropriate, provide evidence in the file that the identification document included a photo and has been checked for each borrower.

**3. Validation of Qualified Parties to the Transaction – Applies to Conforming, Jumbo and Government loan products**

Loans originated, underwritten, or serviced by individuals or companies that are on the Federal General Services Administration's (GSA) Excluded Party List or HUD's Limited Denial of Participation (LPD) list are ineligible. Such individuals and companies include an individual with management or supervisory responsibilities within the Client's organization, an individual or entity with critical influence on or substantive control over the origination or servicing of a mortgage or any function related to the origination or servicing of a mortgage. **Material parties include but are not limited to:**

- Borrower
- Seller
- Processor
- Underwriter
- Listing/Selling Realtors
- Builder
- Loan Officer
- Correspondent company and any additional employees involved in the transaction
- Title Agent/Title Company
- Closing Attorney/Settlement Agent/Settlement Company
- Notary
- Appraiser/Appraisal Company

Regardless of the reason for the party being excluded, any party to the transaction included on either list will be ineligible for purchase by Wintrust Mortgage.

On Loans eligible for sale to Fannie Mae or Freddie Mac closed in Client's name and sold to Correspondent Lending, each Loan complies with Fannie Mae's Loan Quality Initiative requirements as described in Fannie Mae Lender Letter LL-2010-03 and Fannie Mae Announcements SEL-2010-01 and SEL 2010-03 and in any and all subsequent Fannie Mae Lender Letters and Selling Guide Announcements regarding the Loan Quality Initiative.

If Correspondent Funding determines that the Loan does not meet Fannie Mae's Loan Quality Initiative requirements, the Loan will be subject to repurchase by Client.

**Questions:**

If you have any questions regarding any information in this announcement, please feel free to contact your Account Executive or Correspondent Operations.

**Correspondent Operations:** (800) 727-2158

**Web site address:** [www.wintrustmortgage.com/clmain.asp](http://www.wintrustmortgage.com/clmain.asp)