



WM FHA INSURED FIXED WITH JUMBO OPTION

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LOAN PROGRAM DESCRIPTION:

- The Federal Housing Administration (FHA) was established as a division of the U.S. Department of Housing and Urban Development (HUD) in 1934 to expand national homeownership opportunities, increase minority homeownership, make the home buying process less complicated and expensive and keep existing homeowners from losing their homes.
- The underwriting information contained in this section is intended for use in conjunction with HUD Handbook 4155.1 located at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg and subsequent applicable Mortgagee Letters located at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee>.

LOCK-IN-REGISTRATION:

- Blue Connect / Optimal Blue Tips:
 - Loan Type – FHA.
 - Doc Type – Full or Streamline.
 - Amortization – 15, 20, 25, & 30 Years.
 - Jumbo – 30 Years (*Loans originated with Temporary Loan Limits must have a “Credit Approval” on or before Friday, September 30, 2011. Refer to Mortgagee Letter [11-29](#)*).
 - Loan Program Labels:
 - WM_FHA_15_Fxd
 - WM_FHA_20_Fxd
 - WM_FHA_25_Fxd
 - WM_FHA_30_Fxd
 - WM_FHA_30_Fxd_Jumbo (*Require Manual Lock contact secondary@wintrustmortgage.com*)
 - WM_FHA_15_Fxd_STLN (Streamline)
 - WM_FHA_20_Fxd_STLN (Streamline)
 - WM_FHA_25_Fxd_STLN (Streamline)
 - WM_FHA_30_Fxd_STLN (Streamline)
- HUD Repos - Contact Secondary Marketing for price adjustments.

MINIMUM MORTGAGE:

- None.

MAXIMUM MORTGAGE:

- Refer to <https://entp.hud.gov/idapp/html/hicostlook.cfm> for current loan limits in your geographic area.
 - As published in [WM Bulletin 11-1207-C](#) and announced by the Department of Housing and Urban Development in [Mortgagee Letter 2011-39](#), Wintrust® Mortgage will align with FHA’s acceptance of the temp loan limits in high cost Counties effective with Case Numbers as announced by HUD in [ML 11-39](#).
- Refer to **700 – Practical FHA Insured Fixed with Jumbo Option Matrix**.

MAXIMUM LTV/CLTV:

- **Purchase** - The LTV is 96.5 percent, i.e., the reciprocal of the 3.5 percent down payment requirement.
- **Refinance** - The maximum loan amount is limited based on applicable loan-to-value calculations. Effective with Case Numbers assignments on or after Tuesday, September 7, 2010, refer to Mortgagee Letter [2010-24](#).
 - **Cash-Out** – 85% CLTV.
 - **Rate/Term** – Maximum 97.75% CLTV.
 - **Streamline** – Maximum 100% CLTV.
- **Jumbo** (*Loans originated with Temporary Loan Limits must have a “Credit Approval” on or before Friday, September 30, 2011. Refer to Mortgagee Letter [11-29](#)*). – Standard FHA LTV requirements apply. The maximum CLTV is capped at the maximum LTV (max LTV = max CLTV).

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ADDITIONAL CONSIDERATIONS:

- **IMPORTANT** - Settlement agents need to be verified. Contact your Account Executive.
 - **Note to Account Executive** – Refer to the *Intranet* website; Origination; Product Manual; Practical Quick Reference Tool (QRT); and the Relevant Website Resource section of QRT for verification of settlement agents.
- **TEST CASES** – Ineligible. Refer to Bulletin [C11-03-02](#).
- **HUD ANTI-FLIPPING REQUIREMENTS:**
 - Seller must own property for a minimum of 90 days.
 - Evidence of time owned must be provided.

AGE OF DOCUMENTS:

- 120 days for existing property.
 - Appraisals >120 days needs an update/recert of value is required.
- 180 days for new construction.
- Effective for Case Numbers assigned on or after January 1, 2010, and announced in HUD Mortgagee Letter [2009-30](#) FHA Appraisals have been reduced to 120 days. This requirement applies regardless of the property's construction stage (existing, new, under construction, or proposed).

APPLICATION:

- A fully complete and signed IRS Form 4506-T must be signed and dated at application and at closing for each Borrower on the loan regardless of income source or employment.
- **TAX TRANSCRIPTS:**
 - Tax Return Transcripts are required for at least one (1) year. If an AUS response requests more than the additional transcripts are required.
 - The Official Tax Return Transcript is required on each Borrower.
 - The Official Tax Return Transcript is required even if tax returns are NOT required for loan qualification.

APPRAISAL REQUIREMENTS:

- Appraisers must be on FHA's approved list on FHA Connection.
- Copy of the Appraiser current license.
- Copy of the Appraiser's current E&O insurance.
- **All Case Numbers assigned on or after January 1, 2012, Appraisals will need to be [UAD compliant](#).**
 - UAD standardization does not change existing FHA policy for the valuation and eligibility determination of single-family properties or the inspection protocol for Appraisers to determine compliance with FHA Minimum Property Requirements (MPR) and Minimum Property Standards (MPS).
 - Refer to Mortgagee Letter [2011-30](#).
- Effective for Case Numbers assigned on or after February 15, 2010, and announced in HUD Mortgagee Letter [2009-51](#) FHA is adopting the dual purpose form, Appraisal Update and/or Completion Report, FNMA form 1004D/Freddie Mac® Form 442.
- Effective for Case Numbers assigned on or after January 1, 2010, and announced in HUD Mortgagee Letter [2009-29](#) FHA transactions where a Borrower has switched Lenders, the first Lender must transfer the case to the second Lender, including the Appraisal report. A new Appraisal may need to be ordered, but is only allowed under limited circumstances.
- Effective for Case Numbers assigned on or after February 15, 2010, and announced in HUD Mortgagee Letter [2009-28](#) FHA's long standing policy regarding the requirement for Appraisers to be independent and impartial is restated. The requirements also bring FHA in line with conventional lending's HVCC requirements, designed to ensure collateral valuation for mortgage transactions are sound.
- **STREAMLINE REFINANCES WITH APPRAISAL:**
 - A new Appraisal is always required.
 - Inform the Appraiser that the loan is a streamline refinance.
 - No repairs required unless health and safety or lead based paint related.
 - All necessary repairs must be completed prior to closing.
 - No termite certification is required unless Appraiser notes a problem.

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- Termite related repairs are considered health and safety issues.
- If an Appraisal is ordered, but the Borrower decides to proceed with a Streamline without an Appraisal, the Appraisal may be voided.
- If it is determined that it is in the best interest of the Borrower not to use the Appraisal:
 - The case type in the FHA Connection must be changed to reflect that the case is now a Streamline refinance without an Appraisal.
 - The D.E. Underwriter must make a notation on the MCAW indicating that it was in the Borrower's best interest to proceed without an Appraisal.
- Refer to **GEOGRAPHIC RESTRICTIONS** section.
- **STREAMLINE REFINANCE WITHOUT APPRAISAL:**
 - Refer to **GEOGRAPHIC RESTRICTIONS** section. States that require an Appraisal, follow the Appraisal requirements for Streamline Refinances With Appraisal. The Appraisal will not be used for calculating maximum mortgage.
- **CASH-OUT:**
 - New Appraisal required and all property conditions must be satisfied.
- **DECLINING MARKET REQUIREMENTS:**
 - Wintrust® Mortgage re-evaluated the process on what alternative documentation is needed to help support values for properties where our soft and declining market criteria cannot be met, the following changes/enhancements are being implemented *effective immediately*.

Note: If results for any of the tools listed below results in a lesser value, the lesser indicated value will be the value WM will utilize in the review of the collateral and to Underwrite the loan.

 - **Soft or Declining Markets:**
 - A soft market is a market where sales are taking greater than six (6) months to sell and/or there is an oversupply of housing. All are indicators of a potential declining market. A declining market will either be indicated by the Appraiser or, the sales used as comparables will represent a trending in lesser sales prices from aged sales to more current sales.
 - These markets are defined by either the investor and/or the Appraiser. While LP® findings specifically indicate a score via their Home Value Explorer (HVE) engine of the percentage of variance in the neighborhood's approximate value of the home to the actual value/sales price, DU®/DO® will indicate as a potential red flag for excessive value. All such findings require some form of a review Appraisal to address the discrepancy regardless of LTV or program type.
 - Wintrust® soft/declining market requirements include the following:
 - Three (3) comps no greater than six (6) months old, all within the neighborhood boundaries as defined on page one (1) of the Appraisal.
 - Two (2) pending sales or listings from the subject's neighborhood that support indicated value.
 - **If the Appraiser cannot comply with these requirements, we will rely on the FraudGUARD® report that Wintrust® pulls on every loan regardless of LTV/CLTV.**
 - FraudGUARD® will supply a confidence score when pulled in the Appraised value. When the Appraiser cannot supply the required soft or declining market requirements noted above (and WM Underwriters are required to check page two (2) of the Appraisal to determine if other data may be available based on the number of current listings and sales in the past twelve (12) months before making any such request for additional comps), the following table will apply. The Appraisal MUST support limited data is available. Any statements by the Appraiser to this affect, must be supported by the Appraisal data.

<u>FraudGUARD® Score</u>	<u>LTV</u>	<u>ACTION</u>
700+	Any	If the AUS does not provide for a high value flag (DU® Flag or HVE > 20) and the Appraiser is unable to meet any of the above requirements, the Appraiser must provide a detailed explanation as to why the requirements were not met, and if the lack of data results in an adjustment to the property value.

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450-699	≤75%	Desk Review. The Desk Review request will be the predominant form of review needed, however, a Field Review or second Appraisal could be required dependent upon how low the FraudGUARD® score is in this range and the Underwriter’s confirmation that value is acceptably supported by data provided and sufficient comments are contained in the Appraisal about the comparable selection to support lack of data, non-use of more recent sales indicated in FraudGUARD® report, etc.
450-699	>75%	Field Review or 2nd full Appraisal dependent upon Underwriter’s confirmation that value is acceptably supported and Appraisal is consistent in its data content.
Below 450	Any	Field Review or 2nd full Appraisal dependent upon Underwriter’s confirmation that value is acceptably supported and Appraisal is consistent in its data content.
No Score	Any	WM will order a CoreLogic AVM. If the CoreLogic report supports the indicated value no further action is required.

- When the Underwriter, after review of an Appraisal, regardless of soft or declining market indicators, does not believe the value to be adequately supported, it is the responsibility of the Underwriter to request additional comparable data, clarification or explanation from the Appraiser. A review Appraisal is NOT an automatic request. A review Appraisal will not make a poorly supported value ok.

• **FHA SECOND APPRAISAL REQUIREMENTS:**

- When a second Appraisal is required, the second Appraisal must be completed by an FHA Roster Appraiser and must comply with all FHA requirements governing property valuation using Freddie Mac®/Fannie Mae® Form 70/1004.
- When two (2) Appraisals are obtained, the required information for both Appraisals must be entered into FHA Connection. FHA will identify the Appraisals as “First Appraisal” and “Second Appraisal.”
- In addition, the following requirements must be met:
 - Do not reveal to the Appraiser that this is a second request.
 - The second Appraisal fee may not be charged to the Borrower.
 - A new FHA Case Number is not required.
 - Use of the lower of the two (2) appraised values when determining maximum mortgage.
 - All repairs and conditions from either Appraisal must be addressed and resolved even if the conditions are different.
 - Both Appraisals must be included in the loan file and submitted to FHA for insurance.
 - The information for both Appraisals must be entered in the “Appraisal Logging Screen”.
 - The D.E Underwriter must comment on the FHA Loan Underwriting and Transmittal Summary Form HUD 92900-LT that a second Appraisal was obtained and state which value was used in the calculation of the maximum loan amount.

• **JUMBO (Loans originated with Temporary Loan Limits must have a “Credit Approval” on or before Friday, September 30, 2011. Refer to Mortgagee Letter 11-29):**

- Loan Amounts ≤\$1,000,000 – One (1) full Appraisal.
- Loan Amounts >\$1,000,000 – Two (2) full Appraisals.
 - A separate Appraisal service company must be used for each of the Appraisals.
 - The lesser of the two (2) Appraisals appraised values or sales price will be used to determine the LTV/CLTV of the transaction.

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- Appraisals must address the following:
 - Include a summary of sales located in the subject’s immediate neighborhood even if the sales are not considered comparable by the Appraiser and even if they are not used in estimating the subject’s market value.
 - Indicate “Days on Market” (DOM) for each comparable sale.
 - Indicate marketing time required to realize the market value estimated for the subject property.
 - Include a market analysis for all properties priced within 25% of the subject’s estimated value that addresses each of the following three (3) factors:
 - In the selected price range, how many sales have occurred in the last twelve (12) months?
 - In the selected price range, how many properties are currently listed for sale?
 - In the selected price range, how many properties have had listings expire or be withdrawn?
- Note:** If the transaction is a purchase, indicate the name(s) and phone number(s) of the listing and selling agents. Also, note the total listing period for the subject property (include list price decreases, if any).
- Note:** Any time a second Appraisal has been obtained it must be considered.
- **DISASTER AREAS:**
 - Full documentation and Streamlines with or without Appraisals require re-inspections. Refer to FEMA website: <http://www.fema.gov/news/disasters.fema>
 - Non-standard Appraisals (1075, 2055 or 2075) are not allowed for a minimum of one (1) year after the disaster. An exterior re-inspection by an approved Appraiser is required and must provide the following:
 - Written certification that verifies the property is free from damage and the disaster has had no effect on value or marketability.
 - If the Appraiser indicates damage, the extent of the damage must be addressed and require the completion of any repairs needed to ensure that the property is “safe, sound and sanitary”.
 - A Form 442, Satisfactory Completion Certificate, with photos must be provided.
 - Verify the Borrowers’ place of employment has not been negatively impacted by these events.

ARM INDEX:

- N/A.

ARM – INTEREST ONLY OPTIONS:

- N/A.

ARM INTEREST RATE CAPS:

- N/A.

ARM INTEREST RATE CEILING:

- N/A.

ARM INTEREST RATE FLOOR:

- N/A.

ARM LIFETIME CAP:

- N/A.

ARM MARGIN:

- N/A.

ARM RATE ADJUSTMENT:

- N/A.

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ASSUMABILITY:

- Permitted – credit worthy Borrowers only.

BORROWERS ELIGIBILITY:

- U.S. Citizen
- All Borrowers must have a valid social security number. Validate the social security number using any one of the following:
 - Pay stub.
 - W-2.
 - Passport.
 - Valid tax returns.
- All Borrowers must demonstrate two (2) years of employment history.
- **PERMANENT RESIDENT ALIENS:**
 - Same terms as U.S. Citizens.
 - Must be noted on 1003.
 - Evidence of lawful, permanent residency issued by the Bureau of Citizenship and Immigration Services (BCIS), formerly the INS.
 - Copy of the Alien Registration Receipt Card (Resident Alien card), I-551.
- **NON-PERMANENT RESIDENT ALIENS:**
 - Primary residence.
 - Borrower must be eligible to work in the U.S.
 - Evidence of valid Social Security number required.
 - Evidence of residency and work status to be obtained through documentation from US Bureau of Citizenship and Immigration Services (BCIS) formerly INS.
 - Copy of the Employment Authorization Card, I-688B. This card carries an expiration date.
 - A social security card is not acceptable as evidence of work status.

BORROWERS INELIGIBLE:

- Foreign Nationals.
- Foreign Diplomats.

BUYDOWNS:

- Not permitted. Refer to [WM Bulletin 11-0218-C](#).

CASH RESERVES:

- Refer to [HUD Handbook](#) 4155.1.

CLOSING DOCUMENTS:

- FHA Multi-State Note.
- FHA Uniform Mortgage/Deed Of Trust For Applicable State.
- FHA Multi-State Condominium Rider (If Applicable).
- HUD Form 2561 – Hotel Transient Use (If Applicable).
- HUD Multi-State PUD Rider (If Applicable).
- Notice to Homeowner.
- 4506T signed and dated at closing (Salaried and Self-Employed).
- Refer to the **APPRAISAL REQUIREMENTS** section for *Appraisals Completed After An Area Has Been Declared A Disaster Area*.
- **NOTE TO CLOSER:**
 - Settlement agents need to be verified. Contact your Account Executive.
 - **Note to Account Executive** – Refer to the *Intranet* website; Origination; Product Manual; Practical Quick Reference Tool (QRT); and the Relevant Website Resource section of QRT for verification of settlement agents.
- **IMPORTANT:** All files sent to Investor Delivery located in **Rosemont, IL**, must have Title Commitment. Short form policies

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cannot be used in lieu of the title commitment.

CO-BORROWER(S):

- Refer to [HUD Handbook](#) 4155.1.

CONVERTING EXISTING HOMES:

- Refer to Mortgagee Letter [2008-25](#) located.

CREDIT:

- Must use representative score. Representative score is defined as the lowest middle score of all Borrowers.
- Three (3) scores are required for all Borrowers.
- A minimum FICO of 660 applies to Purchases, Credit Qualifying, and Cash-Out.
- **Non-Traditional Credit** – Ineligible.
- **Rapid Reporting Credit Report** - Ineligible.
- **AUS Approve Purchase** – Mortgage History evaluated by AUS. Mortgage/rental delinquencies will be ineligible with one (1) or more mortgage/rental delinquency of 60, 90, 120, 150 days or greater reported within twelve (12) months of the date of the credit report.
- **AUS “Refer” Purchase** – “Refer” only allowed due to credit report containing erroneous data and the file must contain third party documentation verifying the information is erroneous.
 - Mortgage/Rental History 0x30 in the last twelve (12) months.
- **AUS Approve Cash-Out** – No late payments in the past twelve (12) months. Refer to **REFINANCE** section.
- **Jumbo (Loans originated with Temporary Loan Limits must have a “Credit Approval” on or before Friday, September 30, 2011. Refer to Mortgagee Letter [11-29](#))** – Loan amounts >\$417,000 require a minimum FICO of 680.
 - Bankruptcy or Foreclosure is not allowed within the most recent seven (7) years.
 - Housing/rental lates not allowed in the last twelve (12) months (includes all mortgages and rent payments).
 - Refer to **MAXIMUM LTV/CLTV** section.
 - Refer to **RATIOS** section.
- **CREDIT QUALIFYING STREAMLINE:**
 - Evidence that existing loan is current.
 - If the loan is seasoned twelve (12) months or more, evidence that the existing loan has not had any thirty (30) day or greater mortgage lates in the past twelve (12) months.
 - If the loan is seasoned less that twelve (12) months, evidence:
 - The existing loan has no thirty (30) day or greater mortgage lates since the inception of the loan **and**
 - No thirty (30) day or greater mortgage lates for any other first mortgage loans associated with the property and Borrower(s) in the most recent twelve (12) months.
 - No late payments in the last twelve (12) months.
 - A pay-off demand is required to document the current Servicer.
 - At the time of application, the Borrower must have made at least six (6) consecutive payments on the FHA mortgage being refinanced.
 - Refer to **DOCUMENTATION** section.
 - Refer to **REFINANCE** section.
- **Non-Credit Qualifying** – Ineligible.

DISCLOSURES:

- Important Notice to Homebuyers.
- Amendatory Clause And Real Estate Certification if not already contained in the sales contract.
- For Your Protection: Get a Home Inspection.
- Informed Consumer Choice Disclosure Notice.
- Multi-State Net Tangible Benefit Worksheet (only applicable for the state of Colorado).
- Rhode Island Prohibited Acts of Lenders & Loan Brokers.

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- Kentucky Homeownership.

DOCUMENTATION:

- Standard/Streamlined.
- **Asset Verification** – A written VOD cannot be used as standalone documentation. At least one (1) month’s bank statement is required on all loans regardless of AUS decision.
- **Income Verification** – A written VOE cannot be used as standalone documentation. A pay stub with thirty (30) days year-to-date income and W2 is required on all loans regardless of AUS decision.
 - Tax Return Transcripts are required for at least one (1) year. If an AUS response requests more than the additional transcripts are required.
 - The Official Tax Return Transcript is required on each Borrower.
 - The Official Tax Return Transcript is required even if tax returns are NOT required for loan qualification.
- A Verbal Verification of Employment (VVOE) must be included in the file.
- **Mortgage Credit Certificate (MCC)** – Ineligible source of income.
- **CREDIT QUALIFYING STREAMLINE:**
 - The Loan Application (URLA) plus the HUD Addendum 92900A must be complete and fully executed by all Borrowers prior to underwriting. An abbreviated version of the URLA is not acceptable.
 - Telephone Verification of Employment.
 - Most recent pay stubs covering thirty (30) consecutive days.
 - Two (2) years W2s.
 - IRS form 4506T.
 - If assets are needed to close, verification of assets are required regardless of the amount needed to close. The following documents are required:
 - Verification of Deposit.
 - Most recent bank statement.

OR

 - Two (2) months bank statements.
 - If assets are needed to close, verification of the assets is required regardless of the amount needed to close. The following documents are required:
 - Verification of Deposit.
 - Most recent bank statement.

OR

 - Two (2) months bank statements.
 - If Streamline, refer to **CREDIT** section.
- **CASH-OUT:**
 - Verification of Employment.
 - Most recent pay stubs covering thirty (30) consecutive days

OR

 - Telephone Verification of Employment.
 - Most recent pay stubs covering thirty (30) consecutive days.
 - Two (2) years W2s.
 - IRS form 4506T.
 - The following are required when funds are needed to close:
 - Verification of Deposit.
 - Most recent bank statement.

OR

 - Two (2) months bank statements.

DOWN PAYMENT REQUIRED:

- 3.5% of the sales price.

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DU/LP INFORMATION:

- **ALL** loans must be run through FHA Total Scorecard via Fannie Mae® Desktop Underwriter® (DU™) or Freddie Mac® Loan Prospector® (LP™) and receive an AUS approval. AUS “Refer” only allowed due to credit report containing erroneous data and the file must contain third party documentation verifying the information is erroneous.
 - **Credit Qualifying Streamlines** – May utilize TOTAL Scorecard in the approval process.

ESCROW HOLDBACKS:

- Weather related and approved by the Underwriter.
- **Correspondent must obtain WM approval prior to closing.**

ESCROW WAIVERS:

- Not Permitted.

FINANCING CONCESSIONS:

- N/A.

GEOGRAPHIC RESTRICTIONS:

- **Alaska** – Ineligible.
- **Arizona** - Ineligible.
- **California** – Ineligible.
- **Colorado** – Multi-State Net Tangible Benefit Worksheet.
- **Florida** - Ineligible.
- **Hawaii** – Ineligible.
- **Kansas** – Owner-Occupied Streamline refinance with an LTV exceeding 100% require an Appraisal.
- **Maryland** - DU®/LP® Verification of Income or Asset relief not permitted.
- **Minnesota** - DU®/LP® Verification of Income or Asset relief not permitted. Streamlines not permitted.
- **Nevada** – Ineligible.
- **Texas** – Cash-out refinances not permitted. Borrower cannot receive any cash back.
- **West Virginia** – Loan amounts are prohibited where the value is less than the combined loan amount. Therefore, LTV/CLTVs cannot exceed 100%.
 - **Streamline Refinance** – Require an Appraisal.

GIFTS:

- FHA approved mortgagees that seek FHA mortgage insurance on loans secured by single family houses, on which down payment assistance has been provided to the Borrower in the form of gifts, are required to determine that the gifts are from sources acceptable to FHA.
 - Paragraph 2-10 C of handbook HUD-4155.1 REV-5 provides that the donor of any such gift must be the Borrower’s relative, the Borrower’s employer or labor union, a charitable organization, a governmental agency or public entity that has a program to provide homeownership assistance to low and moderate income families or first-time homebuyers, or a close friend with a clearly defined and documented interest in the Borrower.
- **Down Payment Assistance Programs (DPA’s)** – Ineligible.
- Gifts of cash are not acceptable.

LIMITATIONS ON REAL ESTATE OWNED:

- The maximum number of properties financed with all Lenders is four (4). The maximum number of four (4) financed properties includes the subject property along with any other financed mortgages conventional or government.

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MORTGAGE INSURANCE:

- Essentially, there are four (4) types of MIP structure that may apply to loans in the pipeline as described below:

Loan Scenario	MIP Structure
FHA Case Numbers assigned <i>on or after April 5, 2010 (Mortgagee Letter 2010-02)</i>	2.25% UFMIP
FHA Case Numbers assigned <i>on or after October 4, 2010 (Mortgagee Letter 2010-28)</i>	UFMIP 1.00% all mortgage terms Annual MIP .90% LTV >95% & >15 year term Annual MIP .85% LTV ≤95% & >15 year term
FHA Case Number assigned <i>on or after April 18, 2011 (Mortgagee Letter 2011-10)</i>	UFMIP 1.00% all mortgage terms Annual MIP 1.15% LTV >95% / 1.10% ≤95% for >15 year term Annual MIP .50% LTV >90% / .25% LTV ≤90% for ≤15 year term
FHA Case Number assigned <i>on or after April 9, 2012 (Mortgagee Letter 2012-04)</i> & FHA Case Number assigned <i>on or after June 11, 2012 (Mortgagee Letter 2012-04)</i>	UFMIP 1.75% all mortgage terms Annual MIP 1.25% LTV >95% / 1.20% ≤95% for >15 year term Annual MIP .60% LTV >90% / .35% LTV ≤90% for ≤15 year term Annual Base Loan Amounts >\$625,500 refer to ML12-04

Note: There will no reduction of the upfront mortgage insurance premium for first time homebuyers who complete HUD approved pre-purchase counseling.

MORTGAGE INSURERS APPROVED:

- N/A.

OCCUPANCY:

- Owner occupied.

POWER OF ATTORNEY:

- Not eligible with loans closed in a trust.
- POA must be dated/appointed on or before the execution of any document executed using the POA.
- The Security Instrument, Note and all other closing documents must be signed exactly as appointed on POA.
- Notary section correct including: State, County, Date, Borrower Name, Notary's Signature, Notary Expiration, Notary Seal.
- No POA allowed for loans with one (1) Borrower.**
- At least one Borrower must be present at closing.**

PREPAYMENT PENALTY:

- N/A.

PROPERTY TYPES ELIGIBLE:

- 1-4** Units.
- Planned Unit Development (PUD)
- Condos:
 - Must be on FHA approved list or eligible for FHA spot loan approval (Effective with Case Numbers assigned on or after Monday, December 7, 2009, refer to Mortgagee Letter [2009-46A](#) and Mortgagee Letter [2009-46B](#), and WM Bulletin # [09-1207-WC](#).)

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- Provide printout from the FHA Connection showing Condo appears on the approved list.
- Be approved prior to issuance of the FHA Case Number.
- Meet all eligibility standards at time of initial project approval.
- Continue to meet eligibility guidelines.
- Note:** Approved Condos remain on the FHA-Approved Condo list for two (2) years.
- Documents that contain a “Right of First Refusal” are not allowed.
- Lender Certification for Individual Unit Financing for HUD REO properties and Streamlines with an Appraisal.
- Site Condos do not require project approval.
- Modular Pre-Cut/Panelized Housing.
 - ** **3-4 Unit Properties:**
 - Occupancy Declaration to be included in the loan file.
 - Net rents from all units (including primary unit) must be equal to or exceed mortgage payment (Net rent is calculated using the allowable vacancy factor for the applicable FHA HOC).
 - If the Appraiser uses the URAR (1004) the Gross Rent Multiplier Form must be completed. See HOC Reference Guide http://www.hud.gov/offices/hsg/sfh/np/np_hoc.cfm
- **HUD REPOS:**
 - Contact Secondary Marketing for price adjustments.
 - Refer to **CREDIT** section.
 - Owner-Occupied.
 - Adhere to all HUD guidelines pertaining to HUD Repos.
 - Utilize HUD Form 9548 as the Sales Contract.

PROPERTY TYPES INELIGIBLE:

- Co-Ops.
- Manufactured Homes.
- Leasehold Properties on any Property Type.
- Condominiums pending litigation.
- LLC.
- Test Cases. Refer to Bulletin [C11-03-02](#).

RATIOS:

- Determined by AUS or 31/43% for AUS “Refer”. AUS “Refer” only allowed due to credit report containing erroneous data and the file must contain third party documentation verifying the information is erroneous.
 - **Correspondent** – WM will perform a Risk Assessment Review on any file where the debt ratio is between 45-50% before the loan is purchased. This review will analyze the layering of risk in the file in connection with elevated debt-to-income (DTI) ratios. WM encourages Lenders to be prudent in their underwriting decision with any file containing higher debt ratios. WM highly recommends a second review of any file with higher debt ratios prior to closing to confirm the accuracy of the income calculations; verification of liabilities; and overall justification for loan approval.
 - **Hybrid Correspondent** - Maximum DTI 50% regardless of AUS findings. Loan must pass WM Risk Assessment Review completed by WM for ratios between 45% and 50%.
- **Jumbo (Loans originated with Temporary Loan Limits must have a “Credit Approval” on or before Friday, September 30, 2011. Refer to Mortgagee Letter [11-29](#))** – 31/43% regardless of AUS recommendation.

REFINANCES:

- **PROPERTIES LISTED FOR SALE:**
 - **All Transactions** - Follow HUD guidelines (One (1) day off the market).
- **CREDIT QUALIFYING STREAMLINE REFINANCE:**
 - 1003 must reflect current employment/income source. Only one (1) of multiple Borrowers required to have an income source.
 - A verbal VOE is required a minimum of three (3) days prior to closing.

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- No satisfaction of junior liens.
- At the time of application, the Borrower must have made at least six (6) consecutive payments on the FHA Insured Mortgage being refinanced.
 - **Effective Immediately (3/8/11):**
 - On the date of FHA Case Number assignment:
 - The Borrower must have made at least six (6) payments on the FHA-insured mortgage that is being refinanced, **and**
 - At least six (6) full months must have passed since the first payment due date of the refinanced mortgage, **and**
 - At least **210 days** have passed from the closing date of the mortgage being refinanced.
 - For example:** If the FHA Case Number on the mortgage being refinanced was closed on or before December 1, and if Borrower's first payment on that mortgage was due on January 1, you may request assignment of an FHA Case Number for the refinancing mortgage no earlier than July 1.
- Determine Net Tangible Benefit to Borrower:
 - **Reduction in Total Mortgage Payment:**
 - The new total mortgage payment must be five (5) percent (%) lower than the total mortgage payment for the mortgage being refinanced. Example: Total mortgage payment on the existing FHA-insured mortgage is \$895; the total mortgage payment for the new FHA-insured mortgage must be \$850 or less.
 - Loans being refinanced may be subject to additional conditions even if refinancing to the same loan program (i.e. ARM to ARM). Review the following sections for additional requirements/restrictions that may apply:
 - 1 Year ARM to Fixed Rate:
 - May be done with or without an Appraisal.
 - The interest rate of the new fixed rate mortgage is no greater than two (2) percent (%) above the interest rate of the existing ARM.
 - Hybrid ARM (3 & 5 Year) to Fixed Rate:
 - May be done with or without an Appraisal.
 - The total mortgage payment of the new fixed rate mortgage is no greater than twenty (20) percent (%) above the total mortgage payment of the existing ARM. Example: Total mortgage payment on the hybrid ARM is \$895; The total mortgage payment for the new fixed rate mortgage must be \$1,074 or less.
 - GPM to Fixed Rate:
 - May be done with or without an Appraisal.
 - The new total mortgage payment must be five (5) percent (%) lower than the total mortgage payment for the mortgage being refinanced.
 - **Effective with locks and re-locks on and after Thursday, March 10, 2011:**
 - The Underwriter must determine that there is net tangible benefit to the Borrower as a result of the streamline refinance transaction, with or without an appraisal. "Net tangible benefit" is now defined as:
 - A 5 percent reduction to the Principal and Interest plus the annual MIP only, **or**
 - Refinancing from an Adjustable Rate Mortgage (ARM) to a fixed rate mortgage. For more information on refinancing from ARMs to a Fixed Rate refer to **Mortgagee Letter 2011-11 FHA Refinance Transactions** dated 2-14-2011.
 - The purpose of this change in guidance is to allow Borrowers who can reduce their P&I and MIP by **5%** to do a streamline refinance, even if they have an increase in taxes and insurance. Borrowers must pay taxes and insurance regardless of whether they refinance. This will allow more Borrowers to qualify for a streamline refinance, increasing their ability to repay their mortgages.
- Refer to **CREDIT** section.
- **Jumbo (Loans originated with Temporary Loan Limits must have a "Credit Approval" on or before Friday, September 30, 2011. Refer to Mortgagee Letter 11-29)** – Refer to **MAXIMUM LTV/CLTV** section.
- **Reduction in Term** - For transactions that include a reduction in the mortgage term, that loan must be underwritten and closed as a rate and term (no cash-out) refinance transaction. A reduction in the mortgage term is not permitted under Streamline Refinance transactions.
- **CASH-OUT REFINANCES:**
 - 85% maximum LTV/CLTV.
 - All Borrowers must hold title to the subject property for a minimum of six (6) months and all Borrowers on the new loan must have been on title for at least six (6) months.

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- The six (6) month timeframe is from the Note date of the current loan to the application date of the new loan.
- **If owned <12 months** – 85% LTV/CLTV determined by using the lesser of the appraised value or the original sales price.
 - For mortgages with more than six (6) months and less than 12 months of payment history, the Borrower must have made all payments when due.
- **Loan amounts >\$417,000** – 85% maximum LTV/CLTV.
- Loan must be current for the month due. Obtain up to a 12 month or life of loan payment history via Residential Mortgage Credit Report, Tri-merged in-file credit report, cancelled checks or VOM showing payments are current and no 30 day late payments during that period.
- All Borrowers must credit qualify.
- **Jumbo (Loans originated with Temporary Loan Limits must have a “Credit Approval” on or before Friday, September 30, 2011. Refer to Mortgagee Letter [11-29](#))** – Refer to **MAXIMUM LTV/CTLV** section
- **Texas** – Not eligible.
- Refer to **APPRAISAL REQUIREMENTS** section.

RELOCATION OR TRAILING CO-BORROWER:

- Refer to [HUD Handbook](#) 4155.1.

SALES CONCESSIONS:

- Allowable subject to the 6% limitation of contract sales price:
 - Discount points.
 - Payment supplements.
 - Mortgage interest, not to include principal.
 - UFMIP.
 - Prepaid items.
 - Mortgage payment protection insurance.
 - Borrower’s closing costs.
 - Refer To MCAW.
- Allowable subject to reduction in acquisition cost; payment made on behalf of Borrower by a third party:
 - Buyer-Broker fees.
 - Condominium or HOA fees.
 - Decorating allowances.
 - Excess rent credit.
 - Borrower’s sales commission on present residence.
 - Inclusion of personal property which is not real estate related.

SUBORDINATE FINANCING:

- **New Subordinate** - Permitted pursuant to HUD Handbook 4155.1REV-5 Section 1-13.
 - Permissible secondary financing arrangements include (Effective with Case Numbers assignments on or after Tuesday, September 7, 2010, refer to Mortgagee Letter [2010-24](#)):
 - Permissible secondary financing arrangements include:
 1. Federal, State and Local governmental agencies, and those nonprofit agencies considered instrumentalities of government may provide secondary financing for the Borrower’s entire cash investment requirement. Loans secured by secondary mortgages are subject to the conditions described below:
 - The FHA-insured first mortgage when combined with the second mortgage, as well as any other mortgages, grants, etc. may not result in cash back to the Borrower. The sum of all financing may not exceed 100% of the cost to acquire the property plus any normal prepaid expenses.
 - The required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the Borrower’s reasonable ability to pay.
 - The source, amount and repayment terms must be disclosed in the mortgage application and the Borrower must acknowledge that he or she understands and agrees to the terms.

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2. Nonprofit agencies. Nonprofit agencies that meet the criteria described below and are considered instrumentalities of government may provide secondary financing under the terms outlined in #1 above. Nonprofit agencies that are not considered instrumentalities of government but otherwise meeting the criteria below may provide secondary financing under the same conditions as described in #1 above, provided the Borrower makes a cash investment of at least 3.5% of the cost to acquire the property. The local FHA office must approve the nonprofit agency which must meet the following criteria:
 - Be of the type described in Section 501(c)(3) as exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986; and
 - Have two (2) years' experience as a provider of housing for low and moderate income persons; and
 - Have a voluntary board with no part of the net earnings of the organization benefiting any member, founder, contributor, or individual.
 - Combined amounts of 1st and 2nd do not exceed the statutory loan limit for the area.
 - The Underwriter must enter the agency's IRS EIN number, name of the non-profit agency and the amount of the second mortgage in the comment section of the Loan Transmittal. This information is an insuring requirement.
 3. Other organizations and private individuals may provide secondary financing under the following conditions:
 - The combined amounts of the first and second mortgages do not exceed the applicable loan-to-value ratio and the maximum mortgage limit for the area. A minimum 3.5% cash investment from the Borrower is required.
 - The repayment terms of the second mortgage must not provide for a balloon payment before ten years (or other such term acceptable to FHA) unless the property is sold or refinanced, and must permit prepayment by the Borrowers, without penalty, after giving the lender 30 days advance notice.
 - The required monthly payment under both the insured mortgage and second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the Borrower's reasonable ability to pay. Any periodic payments due on the second mortgage are due monthly and are substantially the same in amount.
 4. Borrowers 60 years of age and older may borrow the required cash investment for purchasing a principal residence provided:
 - The donor or lender is a relative of the Borrower, a close friend with clearly defined interest in the Borrower, the Borrower's employer, or an institution established for humanitarian or welfare purposes.
 - The donor or lender is not one whose interest is solely in the sale of the property, such as a builder or seller, or any person or organization associated with them.
 - The principal amount of the insured mortgage loan, plus the note or other evidence of indebtedness in connection with the property, may not exceed 100% of the value plus prepaid expenses.
 - The note or other evidence of indebtedness may not bear interest exceeding that of the insured mortgage.
- Borrower may also receive secondary financing from FHA Approved non-profit agencies **not** considered instrumentalities of government provided the Borrower makes a cash investment of at least 3.5% of the sales price.
 - **Jumbo (Loans originated with Temporary Loan Limits must have a "Credit Approval" on or before Friday, September 30, 2011. Refer to Mortgagee Letter [11-29](#))** – Allowed up to the maximum FHA LTV calculation. The maximum CLTV = maximum LTV.

TITLE REQUIREMENTS:

- Short form policies are accepted and encouraged (Title Commitment still required).

TITLE VESTING:

- Individual.
- Joint Tenant.
- Tenants in Common.
- Inter Vivos Revocable Trust (Living Trust). Refer to Exhibit E-01 Trust Questionnaire.



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UNDERWRITING SUBMISSION PROCEDURE:

- **ALL** loans must be run through FHA Total Scorecard via Fannie Mae® Desktop Underwriter® (DU™) or Freddie Mac® Loan Prospector® (LP™) and receive an AUS approval. AUS "Refer" only allowed due to credit report containing erroneous data and the file must contain third party documentation verifying the information is erroneous.
 - **Credit Qualifying Streamlines** – May utilize TOTAL Scorecard in the approval process.
- **CORRESPONDENT:**
 - Correspondents must have full D.E. authority to sell FHA loans to WM.