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### LOAN PROGRAM:

- This program provides an initial fixed period term of 5, 7 or 10 years. At the end of the fixed period, the loan is fully amortized over the remaining term as an adjustable rate mortgage.

### LOCK-IN/REGISTRATION:

- Loan must be locked via Optimal Blue/Blue Connect.
  - Loan Type – Conforming.
  - ARMs – 5/1, 7/1, & 10/1.
  - Amortization - 30 years.
  - **Loan Program Labels:**
    - WM\_Conf\_5/1\_LBR\_2.25\_5/2/5
    - WM\_Conf\_7/1\_LBR\_2.25\_5/2/5
    - WM\_Conf\_10/1\_LBR\_2.25\_5/2/5

### MINIMUM MORTGAGE:

- None.

### MAXIMUM MORTGAGE:

- Currently published FNMA/FHLMC loan limits.  
<http://www.efanniemae.com/sf/refmaterials/loanlimits/index.jsp> or <http://www.freddiemac.com>

### MAXIMUM LTV/CLTV:

- Refer to **2004 – American Conforming LIBOR ARMs.**

### ADDITIONAL CONSIDERATIONS:

- **Non-Arms Length Transactions** - Occurs when a personal or business relationship exists between Borrowers and Builder or Seller: Family sale or transfer, corporate sale or transfer, mortgagors employed in real estate or construction trades who are involved in construction, financing or sale of subject property, transactions involving principals or a seller or other vendor (such as an Appraiser, settlement agent, title co., etc) who is involved in the lending process of the subject loan.
  - **Family Member** - Transfer of property involving family members may be considered on a case-by-case basis.
  - **Non-Family Member** - Non-Arms Length transactions with non-family members will be considered if it is a bona-fide sales transaction and Borrowers will occupy subject as a primary residence.

### AGE OF DOCUMENTS:

- The age of the documents is measured from the date of the document to the date the Note is signed.
- **APPRAISAL:**
  - **Existing Construction (occupied or over one (1) year old)** – Appraisal cannot be older than 120 days.
  - **New Construction (never occupied and less than one (1) year old)** – Appraisal cannot be older than 120 days.
  - **Effective with registrations, locks and relocks on and after Monday, February 7, 2011**, Appraisals over 120 days old from the date of the Note will not be accepted. Full Appraisals will be required (Freddie Mac® 70/Fannie Mae® 1004). Form 2055 will not be allowed for outdated Appraisals.
- **CREDIT:**
  - **Existing Construction** – Cannot be older than ninety (90) days.
  - **New Construction** – Cannot be older than 120 days.
  - **Credit Documents include** - Credit Report, Employment Documentation, Income Documentation, and Asset Documentation.

### 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.

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**TAX TRANSCRIPTS:**

- The most recent Official IRS Tax Return Transcript requirement applies to every loan.
  - 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.
  - Loans submitted on or before April 15 of the current year - The most recent (2) two years' tax transcripts. For example, if 2009 tax returns have not been submitted, or have been submitted and not processed, then the 2007 and 2008 tax transcripts will need to be included.
- IMPORTANT:** If ANY income is from sources that must be documented by tax returns, Federal Tax Return EXTENSIONS will NOT be accepted. The most recent calendar year return is required.

**APPRAISAL REQUIREMENTS:**

- Determined by DU® /LP®.
  - Loan Prospector® (LP®) Form 2070 and Freddie Mac® PIA are ineligible.
  - Desktop Underwriter (DU®) Form 2075 and Fannie Mae® PIW are ineligible.
  - When an interior or exterior Appraisal inspection is performed of the subject property, it is now required that interior photographs of specific rooms and areas be included. At a minimum, pictures of the following rooms are required. This is in addition to the typical exterior inspection pictures, front, rear and street scenes. Additional room pictures are also acceptable.
    - The Kitchen;
    - All Bathrooms;
    - Main Living Area;
    - Examples of physical deterioration, if present;
    - Examples of recent updates, such as restoration, remodeling, and renovation, if present; **and**
    - Examples of amenities, conditions and external influences that materially impact market value or marketability.
  - **Effective with applications taken on or after Wednesday, December 1, 2010, a full interior/exterior Appraisal is required regardless of AUS recommendation.**
- The Market Conditions Addendum (FHLMC 71 or FNMA 1004MC) is required for all property types and Appraisal types.
- Appraisals reported on Forms **1004/70** (Uniform Residential Appraisal Report), **2055/2055** (Exterior-Only Inspection Residential Appraisal Report), **1073/465** (Individual Condo Unit Appraisal Report), and **1075/466** (Exterior-Only Inspection Individual Condo Unit Appraisal Report) **must be completed in accordance with the UAD Specification 9/1/11.**
- As defined by the Agencies, the **Property Condition** will have a rating of **C1 thru C6** and the **Quality of Construction** will have a rating of **Q1 thru Q6**. Refer to the UAD Field-Specific Standardization Requirements for the definitions for each of these ratings.
  - In Freddie Mac® Bulletin 2011-10 and Fannie Mae® Announcement SEL-2011-06, the Agencies each announced their property eligibility and Appraisal requirements resulting from the UAD Condition and Quality ratings, including but not limited to:

Fannie Mae		Freddie Mac	
Condition Ratings		Condition Ratings	
C1-C5	Eligible provided in 'as is' condition.	C1-C4	Eligible provided in 'as is' condition.
C6	Eligible for delivery provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired.	C5-C6	Eligible if all issues that caused the property be rated as such are cured.
Quality Ratings		Quality Ratings	
Q1-Q5	Eligible provided in 'as is' condition.	Q1-Q5	Eligible provided in 'as is' condition.
Q6	Eligible for delivery provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired.	Q6	Eligible if all issues that caused the property be rated as such are cured.

- As made apparent in the table above, the Agencies do not align. In order to obtain investment quality loans, **Wintrust® Mortgage will adopt the more conservative Agency policy** regardless of AUS.
 

**NOTE: Escrows for completion ineligible with a Condition Rating of C5 or C6 and a Quality Rating of Q6. Repairs must be completed prior to closing.**
- Refer to **AGE OF DOCUMENTS** section.

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• **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.

<b><u>FraudGUARD® Score</u></b>	<b><u>LTV</u></b>	<b><u>ACTION</u></b>
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.
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.

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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.

- A comparable rent schedule on Form 1007 must be obtained on all investment properties to document the monthly rent on the subject property regardless if the rental income was used in qualification. On a 2-4 Unit an Operating Income Statement on Form 216 or a similar cash flow and operating income statement is required for investment properties, including 2-4 Unit properties in which the applicant will occupy one unit as a principal residence (regardless if the rental income was used in qualification). This is a requirement set forth by Federal Housing Finance Agency (FHFA).
- **PROPERTIES IN A DISASTER AREA:**
  - If property was appraised prior to the disaster you must obtain an additional property inspection prior to closing. If a property is appraised after the disaster, you must obtain an interior and exterior inspection even if DU®/LP® has offered a more streamlined property inspection.
  - If the Appraisal has been completed the Appraiser must go back and re-inspect the property. Appraiser must provide an addendum stating “I have reviewed both the interior and exterior of the subject property and noted no damage or deferred maintenance related to the recent severe weather. A property inspection can also be performed by a licensed property inspector in lieu of the Appraiser’s inspection. Any review or inspection must be dated after the date of the disaster.
  - 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.
  - All loans refer to FEMA website: <http://www.fema.gov/news/disasters.fema>.
  - Verify the Borrowers place of employment has not been negatively impacted by these events.

**ARM INDEX:**

- The 1-Year LIBOR (London Interbank Offered Rate) which is the average of Interbank offered rates for 1-year U.S. dollar-denominated deposits in the London market, as published in *The Wall Street Journal (Libor)*.

**ARM INITIAL INTEREST RATE CAPS:**

- 5/1, 7/1, & 10/1 - 5%, thereafter 2%.

**ARM INTEREST RATE CEILING:**

- 5/1, 7/1, & 10/1 - 5%.

**ARM INTEREST RATE FLOOR:**

- Can never be lower than the margin.

**ARM MARGIN:**

- 2.25%.

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**ARM RATE ADJUSTMENT:**

- **5/1** - The initial interest rate adjustment will be five (5) years after the first month following loan closing; thereafter, the interest rate will be subject to change annually.
- **7/1** - The initial interest rate adjustment will be seven (7) years after the first month following loan closing; thereafter, the interest rate will be subject to change annually.
- **10/1** - The initial interest rate adjustment will be ten (10) years after the first month following loan closing; thereafter, the interest rate will be subject to change annually.

**ASSUMABILITY:**

- **5/1, 7/1, & 10/1** – Permitted while in the adjustable phase. Credit worthy Borrowers only.

**BORROWERS ELIGIBILITY:**

- U.S. Citizen.
- Permanent Resident Alien - Qualify on U.S. credit, U.S. reported Income, U.S. assets, and U.S. residency history.
- Non-Permanent Resident Alien - Qualify on U.S. credit, U.S. reported Income, U.S. assets, and U.S. residency history.

**BORROWERS INELIGIBLE:**

- Foreign Nationals
- Foreign Diplomats with diplomatic immunity.

**BUYDOWNS:**

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

**CASH RESERVES:**

- Per DU®/LP®. If reserves are entered into Loan Prospector® (LP®) they must be documented.
  - **Effective with locks and re-locks on and after Monday, November 15, 2010 and regardless of AUS recommendation:**
    - **Primary Residence:**
      - **1-Unit** – Two (2) months PITI reserves.
      - **2-4 Unit** – Six (6) months PITI reserves.
    - **Second Home:**
      - Two (2) months PITI for subject property **and** two (2) months for each other financed property that the Borrower owns and/or is obligated on the mortgage.
    - **Investment Property:**
      - **1-4 Unit** – Six (6) months PITI for subject property **and** two (2) months PITI for each other financed property that the Borrower owns and/or is obligated on the mortgage.
- **Effective with registrations, locks and relocks on and after Monday, February 7, 2011, ineligible sources of reserves are as follows:**
  - Funds that are not vested;
  - Funds that cannot be withdrawn under circumstances other than the account owner’s retirement, employment termination or death;
  - Stock held in an unlisted corporation;
  - Stock options and non-vested restricted stock;
  - Personal unsecured loans;
  - Interest Party Contributions (IPC’s); and
  - Cash proceeds from a cash-out refinance transaction.
- Rate and term refinances have no reserve requirement unless needed as a compensating factor.
  - Refer to **Rate/ Term Refinance** sub-section of the **REFINANCE** section.
- The cash out on a cash-out refinance may not be used to meet the reserve requirement.

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### CLOSING DOCUMENTS:

- **5/1, 7/1, & 10/1:**
  - FHLMC Multi-State Adjustable Rate Note Form 5531 or appropriate state specific equivalent.
  - FHLMC Multi-State Adjustment Rider Form 5131.
- **ALL LOANS:**
  - FNMA/FHLMC Uniform Mortgage/Deed of Trust for applicable state.
  - FNMA/FHLMC Multi-State Condo Rider (if applicable).
  - FNMA/FHLMC PUD Rider (if applicable).
  - FNMA/FHLMC One to Four Family Rider (if applicable).
  - 4506T signed and dated at closing Lender Specific Exhibit 138.
- **Points & Fees Limitation** – All Documentation and Property Types-Certain types of points and fees are counted against the 5 percent (%) / \$1000 limitation. The agencies have clarified that those points or fees are counted against the limitation regardless of the party paying the fee.
- Refer to the **APPRAISAL REQUIREMENTS** section for **Appraisals Completed After An Area Has Been Declared A Disaster Area**.
- **Important:** All Files sent to Investor Delivery located in **Rosemont, IL**, must have Title Commitment. Short form policies cannot be used in lieu of the title commitment.

### CO-BORROWER(S):

- Follow [FHLMC](#) guides.

### CONTINUITY OF OBLIGATION:

- When an existing Mortgage will be satisfied as a result of a refinance transaction, one (1) of the following requirements must be met:
  - At least one (1) Borrower on the refinance mortgage was a Borrower on the mortgage being refinanced; **or**
  - At least one (1) Borrower on the refinance mortgage held title to and resided in the mortgaged premises as a primary residence for at least twelve (12) months and the mortgage file contains documentation evidencing that the Borrower, **either**
    - Has been making timely mortgage payments, including the payments for any secondary financing, for the most recent twelve (12) month period; **or**
    - Is a related person to a Borrower on the mortgage being refinanced; **or**
- At least one (1) Borrower on the refinance mortgage inherited or was legally awarded the mortgaged premises by a court in the case of divorce, separation or dissolution of a domestic partnership.

### CONVERSION OF PRINCIPAL RESIDENCE:

- **PURCHASE OF A NEW PRIMARY RESIDENCE AND THE CONVERSION OF THE EXISTING PRIMARY RESIDENCE TO A SECOND HOME OR INVESTMENT PROPERTY:**
  - **Second Home:**
    - Both the current and the proposed mortgage payments must be used to qualify the Borrower for the new transaction; and
    - Six (6) months of PITI for both properties is required to be in reserves. Lender may consider reduced reserves of no less than two (2) months for both properties if there is documented equity of at least 30 percent in the existing property (derived from an 2055 Appraisal exterior-only inspection dated no more than 60 days prior to the Note date).
  - **Investment Property:**
    - Freddie Mac® will continue to permit up to 75 percent of the rental income to be used to offset the mortgage payment in qualifying if there is document equity of at least 30 percent in the existing property (derived from an 2055 Appraisal exterior-only inspection dated no more than 60 days prior to the Note date).
    - Two (2) year history of managing investment properties as evidenced by the Borrower's federal income tax returns is required.
    - The rental income must be documented with:
      - A copy of the fully executed lease agreement; **and**
      - The receipt of a security deposit from the tenant and deposit into the Borrower's account.
    - If the 30 percent equity in the property cannot be documented, rental income may not be used to offset the mortgage payment.

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- Both the current and proposed mortgage payments must be used to qualify the Borrower for the new transaction; *and*
- Six (6) months of PITI for both properties is required to be in reserves.

**NOTE:** The additional reserves requirements must be applied on a manual basis to loan case files underwritten with DU®/LP®.

**CREDIT:**

- Minimum FICO of 660 regardless of AUS finding . Cash-Out minimum FICO of 680 regardless of AUS finding.
  - **Effective with loans locked or relocked on or after Monday, April 16, 2012, a minimum FICO of 680 will be required for all loans submitted to Desktop Underwriter® (DU®).**
- ALL Borrowers must have a credit score and traditional credit history regardless of AUS findings.
- Rapid Reporting Credit reports are ineligible.
- If a VOR is not from a management company but from a private individual, then we need other alternative documentation such as cancelled checks, money order receipts, auto debt history, etc.
- Any derogatory credit must be explained by the Borrower in their own words.
- Credit inquiries within the past 90 days of the date the credit report is pulled must be fully explained. Credit inquiries within the past 240 days of the date the credit report is pulled require the most recent 120 days be fully explained. If applicable, provide documentation evidencing no new accounts.
  - All credit inquiries reported on the credit report where the Borrower has had a credit inquiry within the past 120 days must be evaluated to determine if any credit was granted. If credit was granted, then you must verify the debt and include the monthly payments in qualifying the Borrower. In addition, with the **exception** of those inquiries generated as a result of the subject mortgage, Borrowers must provide a signed statement explaining all inquires, as well as other credit obtained and not yet reported by the credit bureau. **Inquiries generated as a result of the subject mortgage do not require a signed statement from the Borrower; however, you must address the subject mortgage inquiry on the Transmittal Summary (1008).** Information obtained through the use of a third-party vendor is not acceptable as an alternative to the Borrowers' letter of explanation.
- **Bankruptcy / Foreclosure / Pre-Foreclosure** – Per [FNMA](#) / [FHLMC](#) guidelines.
- **Forbearance / Rearrangement & Workout on an Existing Mortgage** - LP® can not recognize this. The LP findings become null and void. The loan is not eligible.
- **Policy for Unpaid Charge-Offs and Collections** - Estimated payments that are equal to the greater of \$10 or 5% of the current balance should be included in the debt ratio calculation. DU®/LP® will not provide messages relating to these accounts, the Underwriter should assess the impact of these outstanding items outside of the DU®/LP® recommendation, and if necessary, request additional documentation and/or require repayment.
- **Rental Income** – Borrowers using rental income to qualify must obtain rent loss insurance for 1-4 unit investment properties and 2-4 unit owner-occupied properties.
- **Restructured Loan** - A restructured loan is a mortgage loan in which the terms of the original transaction have been changed resulting in either forgiveness of all or a portion of the debt or a restructure of the debt through the modification of the original loan or origination of a new loan. Mortgage loans that have previously been restructured, as defined above, are not eligible.
- **Short Sale / Short Payoff** - A short sale or short payoff is a transaction where the mortgage lender agrees to accept a lower amount than is owed on the property. If the Borrower has had a prior short sale/short payoff, at least two (2) years must have elapsed since the completion date of the Short Sale.
- **Effective with locks and re-locks on and after Monday, November 15, 2010 and regardless of AUS recommendation (these guidelines are reflective of changes to the waiting periods prior to a Borrower making application for a mortgage):**
  - **BANKRUPTCY:**
    - **Chapter 7 or Chapter 11 Bankruptcy** – Four (4) years from discharge or dismissal date.
      - **Bankruptcy with Extenuating Circumstances** – Two (2) Years from discharge or dismissal.
    - **Chapter 13:**
      - **Two (2) years** from discharge date. It is recognized that the Borrower has met part of the waiting period when a discharge occurs.
      - **Four (4) years** from dismissal date. A dismissal means the Borrower was unable to meet the bankruptcy requirements and needs a longer waiting period.
      - **Chapter 13 with Extenuating Circumstances** – Two (2) years from dismissal.
  - **Multiple Bankruptcy Filings within Seven (7) Years** – Five (5) years from discharge or dismissal date.

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- Documentation of the discharge or dismissal must be provided.

➤ **DEED-IN-LIEU OF FORECLOSURE OR PRE-FORECLOSURE (SHORT SALE):**

- **Deed in Lieu or Short Sale** – Two (2) to seven (7) years from completion date.

- **Two (2) Years** – Requires Extenuating Circumstances.

- **Purchase, Primary Residence** - The lesser of 90% LTV/TLTV/HTLTV or the LTV/TLTV/HTLTV for the transaction.

**Note:** The Purchase of Second Homes and Investment Properties is not permitted until the seven (7) year waiting period has elapsed.

- **No Cash-Out Refinances, All Occupancy Types** – Meet the eligibility requirements for the loan transaction.

**Note:** LTV ratios refer to the **2004-American Conforming LIBOR ARM** matrix.

- **Four (4) Years** – Extenuating Circumstances or Financial Mismanagement.

- Follow LTV/TLTV/HTLTV, occupancy and purpose requirements for “Two (2) Years” above.

- **Seven (7) Years** – LTV ratios refer to the **2004-American Conforming LIBOR ARM** matrix.

- Documentation of the completion of the Deed-in-Lieu is required.

- **Additional Short Sale documentation requirements:**

- Extenuating Circumstances - Two (2) Years from completion date with Acceptable Credit Reputation.

- Written statement from Borrower addressing cause of financial difficulties to factors beyond their control and the factors are not ongoing and are unlikely to recur;

- Third-party documentation confirming the events were isolated and significantly reduced the Borrower’s income and/or increased expenses resulting in the Borrower unable to repay as agreed;

- Transmittal summary relating the explanation to the documentation and concluding that:

- Events causing the financial difficulties were beyond the Borrower’s control, are not ongoing and are unlikely to recur; **and**

- Borrower has reestablished an acceptable credit reputation.

- Documentation of the completion date of the Short Sale.

- **Financial Mismanagement** - Four (4) Years from completion date.

- Borrower has reestablished an acceptable credit reputation.

- Documentation of the completion date of the Short Sale.

➤ **FORECLOSURE:**

- **Foreclosure** - Seven (7) years from completion date.

- **Foreclosure with Extenuating Circumstances** – Three (3) years from completion date

- **Additional Requirements:**

- **Purchase, Primary Residence** - The lesser of 90% LTV/TLTV/HTLTV or the LTV/TLTV/HTLTV for the transaction. **Note:** The Purchase of Second Homes and Investment Properties is not permitted until the seven (7) year waiting period has elapsed.

- **No Cash-Out Refinances, All Occupancy Types** – must meet the eligibility requirements for the loan transaction. **Note:** LTV ratios refer to the **2004-American Conforming LIBOR ARM** matrix.

- Documentation of the conclusion of the Foreclosure proceedings is required.

➤ **OTHER SIGNIFICANT ADVERSE OR DEROGATORY CREDIT:**

- Two (2) years since adverse or derogatory occurrences.

➤ **RE-ESTABLISHING CREDIT:**

- After a Foreclosure, Deed-in-Lieu of Foreclosure, Pre-Foreclosure (Short Sale) or Bankruptcy, the Borrower’s credit will be considered re-established if all of the following are met:

- The waiting period and the related additional requirements are met.

- The loan received a recommendation from the AUS that is acceptable for marketability; **and**

- All credit reviewed must be re-established traditional credit. Nontraditional credit files are not acceptable.

### CURRENT PRINCIPAL RESIDENCE PENDING SALE:

• Current principal residence is on the market, but the transaction will not be closed (with the transfer to a new owner) prior to the new transaction:

➤ The amount of both the current and proposed payments must be used to qualify the Borrower for the new transaction.

➤ The Borrower must have reserves that are equal to at least:

- Six (6) months PITI for both mortgages, **or**

- Two (2) months PITI for both mortgages if the LTV/TLTV/HTLTV of the current residence is  $\leq 70\%$ . This equity must be

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verified by a minimum of 2055 Appraisal exterior-only inspection dated no more than 60 days prior to the Note Date.

- The PITI on the property pending sale does not have to be included to qualify the Borrower provided all of the following documentation is obtained:
  - A fully executed non-contingent sales contract for the previous residence, **and**
  - If the executed sales contract includes a financing contingency, obtain a lender's commitment to the Buyer of the Borrower's previous residence.
  - The Borrower must still meet the reserve requirements set out above.
- OR**
- The PITI on the property pending sale does not have to be included to qualify the Borrower or meet the reserve requirements above if:
  - An executed buyout agreement is obtained that is part of an employer relocation plan package where the employer/relocation company takes responsibility for the outstanding mortgage(s).

**DISCLOSURES:**

- Non-Convertible 5/1 LIBOR ARM Disclosure Exhibit E-149.
- Non-Convertible 7/1 LIBOR ARM Disclosure Exhibit E-150.
- Non-Convertible 10/1 LIBOR ARM Disclosure Exhibit E-153.
- Condominium Classification Certification.
- Homeowners' Association Certification.
- Lender Paid Mortgage Insurance (if applicable) Exhibit E-237.
- Multi-State Net Tangible Benefit Worksheet (only applicable for the state of Colorado).
- Kentucky - Kentucky Home Protection Disclosure.
- Rhode Island – Prohibited Acts of Lenders & Loan Brokers.
- Tangible Benefit Worksheet Colorado, Maine, Maryland, Massachusetts, Nevada, Rhode Island, and West Virginia (if applicable).

**DOCUMENTATION:**

- Desktop Underwriter® (DU®) / Loan Prospector® (LP®) will dictate level of documentation required depending on the overall risk evaluation of the loan.
  - Refer to **APPLICATION** section.
- A paystub (must cover at least 30 days of income) showing YTD earnings or a W2 is required, regardless of AUS findings. The use of a written VOE (Verification of Employment) as the **only** documentation used to verify income is no longer permitted.
- **Employment Contracts / Offers of Employment** - Not acceptable for documentation of income.
- **Self-Employed** - If the Borrower is self-employed or derives income used for qualifying purposes from commissions, dividends, interest, or other sources besides base pay, the most recent available two year's tax return transcripts for both personal & business.
- If there is an income variation of 10% either way between what is reported from the IRS and what is documented in the loan file, there must be a written explanation and provide supporting documentation to the back up in the explanation.
- **Foreign Income** – All U.S. Citizens using foreign income to qualify must document income with the following:
  - Two (2) years signed U.S. Federal Tax Returns.
  - Standard income documentation (YTD paystubs, two (2) years W-2's, etc.)
  - All income translated into U.S. Dollars (i.e. paystubs).

**DOWN PAYMENT REQUIRED:**

- Primary Residence & Second Homes – 5% from Borrower's own funds.
  - If the LTV/CLTV is < 80% the entire down payment may be a gift.
- Investment Property – Must come from Borrower's own funds.

**DU/LP INFORMATION:**

- Loans run through Desktop Underwriter® (DU™) must receive an "Approve/Eligible" or Loan Prospector® (LP®) must receive an "Accept".
  - ***A loan that receives a DU® Expanded Approval (EA) recommendation may not be submitted to LP®, or a loan that receives***

## WM CONFORMING LIBOR ARMS

*an LP® Caution or A-Minus recommendation may not be submitted to DU® to see if it could receive an acceptable finding or recommendation from the other AUS system; the loan should be counteracted to the applicable DU® Expanded Approval or Freddie Mac® A-Minus program, and must meet all requirements (including documentation) for those programs.*

### ESCROW HOLDBACKS:

- **Allowed for weather related items:**
  - Do not affect livability.
  - Must be completed within 30 days.
- A final completion certificate from the Appraiser upon completion.
- Correspondent must obtain WM approval prior to closing.

### ESCROW WAIVERS:

- Escrow Waivers are permitted for 80% or less LTV's. Refer to rate sheet or Blue Connect for price adjustments.

### GEOGRAPHIC RESTRICTIONS:

- **Alaska** – Ineligible.
- **Arizona** - Ineligible.
- **California** – Ineligible.
- **Colorado** – Multi-State Net Tangible Benefit Worksheet.
- **Florida** - Ineligible.
- **Hawaii** - Ineligible.
- **Nevada** – Ineligible.
- **Texas** – Cash-out refinances not permitted. Borrower cannot receive any cash back.
- **DECLINING MARKETS:**
  - Please refer to the “Declining Markets Matrix” posted on our website at [www.wintrustmortgage.net](http://www.wintrustmortgage.net) under the program guidelines. Properties listed on the “Declining Markets Matrix” must adhere to the following procedures:
    - Full URAR Appraisal required.
    - Refer to the **APPRAISAL** section for any additional requirements.

### GIFTS:

- **Primary Residence & Second Homes** – Acceptable provided Borrower investment is met.
- **Investment Property** – Gifts are not permitted.
- **Gift of Equity** – A gift of equity is acceptable for primary residence and second home transactions. The Borrower(s) may receive a gift of equity from the seller of the subject property, provided the seller is a relative. The Borrower must contribute at least 5% of their own funds to the transaction if the gift of equity is less than 20%. When there is a gift of equity, there is no transfer of funds involved. The gift will be reflected as a credit on the HUD-1 Settlement Statement and must be clearly labeled as a gift of equity. A gift of equity is not considered a seller contribution. The donor must have sufficient equity in the property to cover the gift and a gift letter must be signed. The HUD-1 Settlement Statement will satisfy donor's ability and receipt of gift verification.
- **Gift Letter** – If the Borrower is receiving gift funds, a gift letter is now required regardless of LTV and/or AUS recommendation.

### INTEREST ONLY OPTION:

- N/A.

### LIMITATIONS ON REAL ESTATE OWNED:

- Each Borrower individually and all Borrowers collectively may not own more than four (4) properties including the subject property.

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**MORTGAGE INSURANCE:**

LTV	STANDARD COVERAGE	
	10, 15, & 20 Year Term	25 & 30 Year Term
90.01 – 95%	25%	30%
85.01 – 90%	12%	25%
80.01 – 85%	6%	12%

- **Financed Single Premium Mortgage Insurance (FSPMI)** – Permitted.
  - Financed mortgage insurance is limited to 95% gross LTV (applies to both DU® & LP®).
- **Lower Cost; Custom MI; or Reduced MI** – Not permitted.
- **LENDER-PAID MORTGAGE INSURANCE (LPMI):**
  - **Single Premium** upfront lender paid mortgage insurance.
  - Full Documentation only.
  - Coverage must be maintained for the life of the loan.
  - Monthly and annual LPMI **not allowed**.
  - LPMI Disclosure Exhibit (E-237).
- **New York State** – Use the appraised value to determine if mortgage insurance is required. If mortgage insurance is required, use the lesser of the sales price or appraised value to determine the appropriate coverage.

**MORTGAGE INSURERS APPROVED:**

- Genworth.
- Radian.
- RMIC.
  - *Effective Immediately (7/29/11) Suspension of Republic Mortgage Insurance Company (RMIC) and Republic Mortgage Insurance Company of North Carolina (RMIC-NC) as Approved Mortgage Insurers. Refer to [Bulletin 11-0729-C](#).*
- UGIC.

**NEW CONSTRUCTION:**

- N/A.

**NON-OCCUPYING BORROWER:**

- As determined by DU®/LP®.

**OCCUPANCY:**

- Primary Residence.
- Second Home (1 Unit Property).
- Investment Property.
  - All 1-4 Unit Investment Properties, the Borrower must have demonstrated at least a two (2) year history of managing 1-4 Unit Investment Properties only if the rental income is being used to qualify the Borrower.

**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 Borrower.**
- **At least one Borrower must be present at closing.**

**PREPAYMENT PENALTY:**

- N/A.

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**PROPERTY TYPES ELIGIBLE:**

- 1-4 Units.
- PUDs.
- Refer to the “**WM PUD DEFINITIONS**” at [www.wintrustmortgage.net](http://www.wintrustmortgage.net).

**PROPERTY TYPES INELIGIBLE:**

- The resale of properties by an individual, LLC, or Investment group obtained through foreclosure, deed-in-lieu, short sale, or at auction within six (6) months from the sale date.
- Condos.
- Co-Ops.
- Manufactured Homes.
- Condotels.
- Non-Warrantable Condos.
- Mixed-Use Properties.
- Loans to LLC’s
- Condominiums pending litigation.

**QUALIFYING RATE:**

- Qualify at Note rate.

**RATIOS:**

- Maximum 50% regardless of AUS (DU®/LP®) findings. Loan must pass WM Risk Assessment Review for ratios between 45% and 50%.

**REFINANCES:**

• **PROPERTIES LISTED FOR SALE:**

- In order to be eligible for rate/term refinance or cash out refinance properties must be off the market for six (6) months from the date of application.
- A copy of the cancellation removing the property from MLS must be provided as evidence of the date the property was taken off the market.

- Any loan application to pay off an existing mortgage loan that was closed within six (6) months of the new application must be priced and evaluated by DU®/LP® as a "cash-out" refinance, unless the prior mortgage was not a "cash-out", as evidenced by a copy of the HUD-1 from that closing. Clear evidence is required to submit the new loan to DU®/LP® as a "no-cash-out."

• **RATE/TERM REFINANCES:**

- No seasoning requirement.
  - Freddie Mac® has updated their policy regarding seasoning of a no-cash-out refinance when the loan being refinanced was a purchase money mortgage, the mortgage being refinanced must have a Note date at least 120 days prior to the Note date of the new no-cash-out refinance. Freddie Mac® (LP™) loans not meeting this requirement must be purchased by Thursday, March 31, 2011. No exceptions. Refer to [WM Bulletin #11-0228-C](#).
- Pay off of the existing first mortgage regardless of seasoning.
- Pay off existing subordinate liens that were used in whole to acquire the subject property.
- Closing costs and prepaids.
- Cash out limited to the lesser of 2% of the principal amount of the new loan or \$2,000.
- Freddie Mac® has updated their policy regarding the need to verify funds on refinances. Freddie Mac® (LP™) loans not meeting this requirement must be purchased by Thursday, March 31, 2011. No exceptions. Refer to [WM Bulletin #11-0228-C](#).
- **Texas** – Borrower cannot receive any cash back.

• **CASH OUT REFINANCES:**

- Borrower must own the property for at least six (6) months prior to the Note date of the refinance.
- For any 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 six (6) months prior to the registration date; and

**WM CONFORMING LIBOR ARMS**

- Any previous refinance transactions on the subject property (rate/term or otherwise) must have closed at least six (6) months prior to the application date on the new cash-out refinance. The six month date is measured from the date of recorded deed to the date of the initial application.

- Borrower must have been on title, as an individual or an approved living trust, for a minimum of six (6) months prior to application.
- Loans with proceeds to pay down any debt, including an existing second, would be considered as a cash-out refinance.
- **Investment Property** – Ineligible.
- **Texas** – Ineligible. Borrower cannot receive any cash back.

**RELOCATION OR TRAILING CO-BORROWER:**

- The use of trailing secondary wage earner income is not allowed.

**RIGHT OF OWNERSHIP:**

- Fee simple.

**SALES CONCESSIONS:**

- Must be disclosed and acknowledged on the Appraisal.
- Seller contributions cannot be applied to the Borrower’s minimum down payment requirement.
- Lesser of the sales price or appraised value.
- **PRIMARY RESIDENCE:**
  - 3% Maximum for LTV/CLTV >90% ≤95%.
  - 6% Maximum for LTV/CLTV >75% ≤90%.
  - 9% Maximum for LTV/CLTV ≤75%.
- **SECOND HOME:**
  - 6% Maximum for LTV/CLTV >75% ≤85%.
  - 9% Maximum for LTV/CLTV ≤75%.
- **INVESTMENT PROPERTY:**
  - 2% Maximum.

**SUBORDINATE FINANCING:**

- Refer to **MAXIMUM LTV/CLTV** section for additional considerations.
- Second Mortgage funds must be secured by the Borrower from a recognized financial institution or approved agency. Funds from private sources not acceptable for second mortgage.
- If the subordinate is an equity line of credit use the line limit to calculate the LTV/CLTV.

**TITLE REQUIREMENTS:**

- Short Form Title policy allowed and encouraged (Title Commitment still required).
- The title policy and/or preliminary title report must include a minimum six (6) months history of property ownership from the effective date of the policy or preliminary report.

**TITLE VESTING:**

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

**UNDERWRITING SUBMISSION PROCEDURE:**

- Loans run through Desktop Underwriter® (DU™) must receive an “Approve/Eligible” or Loan Prospector® (LP®) must receive an “Accept”.
- *A loan that receives a DU® Expanded Approval (EA) recommendation may not be submitted to LP®, or a loan that receives*

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**WM CONFORMING LIBOR ARMS**

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*an LP® Caution or A-Minus recommendation may not be submitted to DU® to see if it could receive an acceptable finding or recommendation from the other AUS system; the loan should be countered to the applicable DU® Expanded Approval or Freddie Mac® A-Minus program, and must meet all requirements (including documentation) for those programs.*

• **CORRESPONDENT:**

- Correspondents that utilize Automated/Contract Underwriting should note any DU®/LP® variance being utilized at the time of submission.
- Correspondents with delegated underwriting authority may underwrite, providing the loan receives a DU® “Approve/Eligible” or LP® “Accept”.
- Approved contract underwriters are Genworth, Radian, RMIC and UGIC. *Effective Friday, June 3, 2011, third party contract underwriting ineligible. Any loan that has been underwritten by a MI Contract Underwriter (on site or off-site) Wintrust® will need to purchase the loan by Thursday, June 30, 2011. No exceptions. Refer to [Bulletin #11-0607-C](#).*

• **HYBRID CORRESPONDENT:**

- *Effective Thursday, December 1, 2011, ALL credit packages must be submitted to [correspondent@wintrustmortgage.com](mailto:correspondent@wintrustmortgage.com). Please be sure to include the appropriate Underwriting Checklist Submission Document from our Correspondent website.*
  - All loans should be submitted through DU®/LP® and send the original file and a copy package in an Acco fastened file folder, with AUS findings to your designated WM Underwriting Center.
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