

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

LOAN PROGRAM:	2
LOCK-IN/REGISTRATION:	2
MINIMUM MORTGAGE:	3
MAXIMUM MORTGAGE:	3
MAXIMUM LTV/CLTV:	3
ADDITIONAL CONSIDERATIONS:	4
AGE OF DOCUMENTS:	5
APPLICATION:	6
APPRAISAL REQUIREMENTS:	6
ARM INDEX:	7
ARM INITIAL INTEREST RATE CAPS:	7
ARM INTEREST RATE CEILING:	7
ARM INTEREST RATE FLOOR:	7
ARM MARGIN:	8
ARM RATE ADJUSTMENT:	8
ASSUMABILITY:	8
BORROWERS ELIGIBILITY:	8
BORROWERS INELIGIBLE:	8
BUYDOWNS (TEMPORARY):	8
CASH RESERVES:	8
CLOSING DOCUMENTS:	9
CO-BORROWER(S):	9
CONTINUITY OF OBLIGATION:	9
CONVERSION OF PRINCIPAL RESIDENCE:	9
CREDIT:	10
CURRENT PRINCIPAL RESIDENCE PENDING SALE:	10
DISCLOSURES:	11
DOCUMENTATION:	11
DOWN PAYMENT REQUIRED:	12
DU® INFORMATION:	12
ESCROW HOLDBACKS:	13
ESCROW WAIVERS:	13
GEOGRAPHIC RESTRICTIONS:	13
GIFTS:	13
INTEREST ONLY OPTION:	14
LIMITATIONS ON REAL ESTATE OWNED:	14
MORTGAGE INSURANCE:	15
MORTGAGE INSURERS APPROVED:	15
NEW CONSTRUCTION:	15
NON-OCCUPYING BORROWER:	16
OCCUPANCY:	16
POWER OF ATTORNEY:	16
PREPAYMENT PENALTY:	16
PROPERTY TYPES ELIGIBLE:	16
PROPERTY TYPES INELIGIBLE:	17
RATIOS:	17
REFINANCES:	18
RELOCATION OR TRAILING CO-BORROWER:	20
RIGHT OF OWNERSHIP:	20
SALES CONCESSIONS:	20
SUBORDINATE FINANCING:	21
TITLE REQUIREMENTS:	21
TITLE VESTING:	21
UNDERWRITING SUBMISSION PROCEDURE:	22



**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**LOAN PROGRAM:**

- WM DU® fixed rate product provides for a fixed interest rate and level payments for the life of the loan.
- Fannie Mae ARM product provides for a fixed interest rate for a certain period, then an adjustable rate for the life of the loan.
- **High Balance** – Loans must meet permanent high balance rules. Refer to Chapter B5-1 (High Balance Mortgage Loans) of the [Guides / AllRegs](#) for additional considerations.
- The underwriting information contained is intended for use in conjunction with Fannie Mae®:
  - [Guides](https://www.efanniemae.com/sf/guides/ssg/sgpdf.jsp) (<https://www.efanniemae.com/sf/guides/ssg/sgpdf.jsp>) **or** [AllRegs](https://www.fanniemae.com/singlefamily/originating-underwriting) (<https://www.fanniemae.com/singlefamily/originating-underwriting>)
  - and**
  - Desktop Underwriter® [Release Notes](https://www.fanniemae.com/singlefamily/desktop-underwriter) (<https://www.fanniemae.com/singlefamily/desktop-underwriter>) **or** Desktop Originator® [Release Notes](https://www.fanniemae.com/singlefamily/desktop-originator) (<https://www.fanniemae.com/singlefamily/desktop-originator>).
  - and**
  - [What's New?](https://www.fanniemae.com/s/more?query=what's%20new) (<https://www.fanniemae.com/s/more?query=what's%20new>).
- Wintrust® Mortgage herein referred to as WM.

**LOCK-IN/REGISTRATION:**

- TPO Client Connect Portal Tips:
  - Loan Type – Conforming.
  - Amortization – 10, 15, 20, & 30 years. Odd terms available upon request.
  - **High Balance** – 15 or 30 years.
    - **Loan Limits** [click here](https://www.efanniemae.com/sf/refmaterials/loanlimits/index.jsp) (<https://www.efanniemae.com/sf/refmaterials/loanlimits/index.jsp>).
    - **Federal Housing Finance Agency** [click here](http://www.fhfa.gov/Default.aspx?Page=185) (<http://www.fhfa.gov/Default.aspx?Page=185>).
  - **Loan Program Labels:**
    - WM\_Conf\_10\_Fxd\_DU
    - WM\_Conf\_15\_Fxd\_DU
    - WM\_Conf\_20\_Fxd\_DU
    - WM\_Conf\_30\_Fxd\_DU
    - WM\_Conf\_30\_Fxd\_StuLn\_DU – (StuLn = Student Loans)
    - WM\_Conf\_10/1\_LBR\_2.25\_5/2/5\_DU
    - WM\_Conf\_5/1\_LBR\_2.25\_5/2/5\_DU
    - WM\_Conf\_7/1\_LBR\_2.25\_5/2/5\_DU
  - **HomeReady**
    - WM\_HomeReady\_15\_Fxd
    - WM\_HomeReady\_20\_Fxd
    - WM\_HomeReady\_30\_Fxd
    - WM\_HomeReady\_30\_Fxd\_HB
    - WM\_HomeReady\_5/1\_LBR\_2.25\_2/2/5
    - WM\_HomeReady\_7/1\_LBR\_2.25\_5/2/5
    - WM\_HomeReady\_10/1\_LBR\_2.25\_5/2/5
  - **High Balance**
    - WM\_Conf\_15\_Fxd\_HB
    - WM\_Conf\_30\_Fxd\_HB
    - (HomeReady HB listed in HomeReady Section above)

WINTRUST (WM) CONFORMING FIXED AND ARMS DU®

- **Single-Close CtoP:**

- WM\_CtoP\_Conf\_10\_Fxd
- WM\_CtoP\_Conf\_15\_Fxd
- WM\_CtoP\_Conf\_15\_Fxd\_HB
- WM\_CtoP\_Conf\_20\_Fxd
- WM\_CtoP\_Conf\_30\_Fxd
- WM\_CtoP\_Conf\_30\_Fxd\_HB

**MINIMUM MORTGAGE:**

- None.

**MAXIMUM MORTGAGE:**

- Currently published [FNMA™ loan limits](#).
- **High Balance** – For each transaction you must go to the Federal Housing Finance Agency (FHFA) website to determine if your property is eligible for the [higher loan limits](#).

**MAXIMUM LTV/CLTV:**

- Refer to [Eligibility Matrix](https://www.fanniemae.com/singlefamily/mortgage-products) (<https://www.fanniemae.com/singlefamily/mortgage-products>).
- **CALCULATIONS OF THE LTV RATIO:**
  - **Purchase** – Divide the original loan amount by the property value (the property value is the lower of the sales price or the current appraised value).
  - **Refinance** – Divide the original loan amount by the property value (the property value is the current appraised value).
- **CALCULATION OF THE CLTV RATIO:**
  - The CLTV ratio is determined by dividing the sum of the items listed below by the lesser of the sales price or the appraised value of the property:
    - The original loan amount of the first mortgage,
    - The drawn portion (outstanding principal balance) of a HELOC, **and**
    - The unpaid principal balance of all closed-end subordinate financing (with a closed-end loan, a Borrower draws down all funds on day one (1) and may not make any payment plan changes or access any paid-down principal once the loan is closed).
- **CALCULATION OF THE HCLTV RATIO:**
  - The HCLTV ratio is determined by dividing the sum of the items listed below by the lesser of the sales price or the appraised value of the property:
    - The original loan amount of the first mortgage,
    - The full amount of any HELOCs (whether or not funds have been drawn), **and**
    - The unpaid principal balance of all closed-end subordinate financing.
- Calculation of LTV / CLTV / HCLTV refer to Chapter B2-1 (Mortgage Eligibility) of the [Guides](#) / [AllRegs](#) for additional considerations.

WINTRUST (WM) CONFORMING FIXED AND ARMS DU®

**ADDITIONAL CONSIDERATIONS:**

- **Non-Arm's Length Transactions** - Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. WM allows non-arm's length transactions for the purchase of existing properties unless specifically forbidden for the particular scenario, such as **delayed financing**. For the purchase of newly constructed properties, if the Borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, WM will only purchase mortgage loans secured by a primary residence. WM will not originate or purchase mortgage loans on newly constructed homes secured by a second home or investment property if the Borrower has a relationship or business affiliation with the builder, developer, or seller of the property.
  - Non-Arm's Length Transactions are not eligible when the Uniform Collateral Date Portal Submission Summary Report (SSR) indicates any of the following:
    - Collateral Underwriter (CU) score of 4 or higher
    - Unscored appraisal (CU score of 999)
    - Risk flag of overvaluation, eligibility, or quality (regardless of score)
- Property in a flood zone:
  - The minimum amount of flood insurance coverage for individual insurance must be at least equal to the lesser of:
    - 100% of the insurable value of the improvements (with losses to be paid on replacement cost basis) as determined by the amount of the insurance listed on the hazard policy, or
    - NFIP maximum for the particular type of building.
    - Condominium association flood insurance must either be \$250,000 times the number of units in the project, or 100% of the building's replacement cost value.
- **HomeReady - Fannie Mae**
  - See [Geographic Restrictions](#) section for ineligible markets.
  - Purchase and Rate/Term
  - Homeownership Education through [Framework](#) required.
    - \$75 fee to be paid by borrower upfront to Framework and fee to be disclosed as a 3<sup>rd</sup> party fee.
    - \$75 fee to be credited back to borrower at closing by Wintrust Mortgage.
  - Max 97% LTV
  - Non-Traditional Credit and Manufactured Housing - Ineligible
  - Pricing in OB choose DU in Automated U/W System dropdown
  - Lower Cost or Custom MI – Associated with a loan level price adjustment indicated on DU® is not permitted.
  - Refer to [Chapter B5-6](#) of Fannie Mae guidelines for additional consideration
- Mortgage Credit Certificates (MCC) allowed.
- Higher-Priced Mortgage Loans (HPML) ineligible.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**AGE OF DOCUMENTS:**

- **APPRAISAL:**
  - 120 days for existing property and new construction. *The age of the Appraisal is measured from the date of the Note and mortgage.* Refer to Chapter B4-1 (Appraisal Guidelines) of the [Guides](#) / [AllRegs](#) for additional considerations.
  - **Appraisal Forms** – See table below:

FORM	PURPOSE
<b>Uniform Residential Appraisal Report</b> ( <a href="#">FNMA Form 1004</a> )	For Appraisals of one (1) unit properties and units in PUDs (including those that have an illegal second unit or accessory apartment) based on interior and exterior property inspections. <a href="#">FNMA Form 1004</a> also may be used for two (2) unit properties if each of the units is occupied by one (1) of the Co-Borrowers as his or her principal residence or if the value of the legal second unit is relatively insignificant in relation to the total value of the property (as might be the case for a basement unit or a unit over a garage). In addition, Appraisals for units in Condo projects that consist solely of detached dwellings may be documented on <a href="#">FNMA Form 1004</a> , if the Appraiser includes an adequate description of the project and information about the homeowners’ association fees and the quality of the project maintenance. Appraisals reported on Form 1004 must be completed in accordance with the UAD Specification (9/1/11). Refer to Bulletin <a href="#">SEL-2011-06</a> .
<b>Exterior-Only Inspection Residential Appraisal Report</b> ( <a href="#">FNMA Form 2055</a> )	For Appraisals of one (1) unit properties and units in PUDs based on exterior only property inspections. Appraisals reported on Form 2055 must be completed in accordance with the UAD Specification (9/1/11). Refer to Bulletin <a href="#">SEL-2011-06</a> .
<b>Individual Condo Unit Appraisal Report</b> ( <a href="#">FNMA Form 1073</a> )	For Appraisals of one (1) unit properties in Condo projects based on interior and exterior property inspections. Appraisals reported on Form 1073 must be completed in accordance with the UAD Specification (9/1/11). Refer to Bulletin <a href="#">SEL-2011-06</a> .
<b>Exterior-Only Inspection Individual Condo Unit Appraisal Report</b> ( <a href="#">FNMA Form 1075</a> )	For Appraisals of one (1) unit properties in Condo projects based on exterior only property inspections. Appraisals reported on Form 1075 must be completed in accordance with the UAD Specification (9/1/11). Refer to Bulletin <a href="#">SEL-2011-06</a> .
<b>Small Residential Income Property Appraisal Report</b> ( <a href="#">FNMA Form 1025</a> )	For Appraisals of two (2) to four (4) unit properties (including two (2) to four (4) unit properties in PUD or Condo projects) based on interior and exterior property inspections.
<b>Appraisal Update and/or Completion Report</b> ( <a href="#">FNMA Form 1004D</a> )	For Appraisal updates and/or completion reports for all one (1) to four (4) unit Appraisal reports.

- **CREDIT:**
  - Existing Construction maximum age of credit documents is 120 days.
  - New Construction maximum age of credit documents is 120 days.
  - Credit Documents include: Credit Report, Employment Documentation, Income Documentation, and Asset\* Documentation.

**Note:** *The age of the document is measured from the date of the document to the date the Note is signed.*

- Loan must be purchased by WM within 60 calendar days of the Note Date.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**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 (Personal, Business, and any other Income Sources).
  - Personal 4506T required
  - A fully complete and signed IRS form 4506-T for each business tax return used in the loan decision and/or included in the credit file must be include in the closed loan file (signed at closing).
- Tax Return Transcripts:
  - No tax return transcripts are required when all income information used to decision the file is made up exclusively of wage earner income reported on a W2 or fixed income reporting on a 1099, unless required by the AUS.
  - Seller to request and include the most recent years 1040 tax return transcripts for all other transaction, unless more required by the AUS.
- When required, transcripts must be obtained directly from a tax transcript vendor or the IRS by the Seller rather than accepted from a Borrower. Wintrust Mortgage will accept Borrower-obtained transcripts in cases where the Seller has received a rejection using the rejection code reason 10 or verbiage related to a “limitation”. Provide the following:
  - Evidence of the IRS rejection.
  - Borrower-obtained IRS transcripts.
- W-2 transcripts in lieu of actual W-2 forms for W-2 Borrowers only – not eligible if rental, self-employment or other sources of income/expense is known.

**APPRAISAL REQUIREMENTS:**

- Follow AUS recommendation except:
- Property Inspection Reports 2070 / 2075 ineligible.
- Property Inspection Alternative (PIA) ineligible.
- Property Inspection Waiver (PIW) eligible. (Not eligible in TX)
- Transferred appraisals ineligible.
- Interior photographs are required on all interior inspections:
  - Kitchens
  - All bathrooms
  - Main living area
  - Any physical deterioration (if applicable)
  - Recent updates if applicable (i.e. restoration, remodel or renovation)
- Refer to [AGE OF DOCUMENTS](#) section.
- **Property with rental income, including 2-4 units with borrower occupying 1 unit as a primary residence. Guide B3-3.1-08**
- When rental income is not used to qualify, the expected market rent must be documented according to agency guidelines and included on the 1008. The Comparable Rent Schedule (1007) is only necessary when rental income is being considered for qualification.
- Refer to Chapter B4-1 (Appraisal Guidelines) of the [Guides](#) / [AllRegs](#) for additional considerations.
- 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:

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

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.**
- High or Excessive Value Flag** – To be approved by WM’s Collateral Underwriting Department.
- PROCEDURE FOR APPRAISALS ON PROPERTIES IN A DISASTER AREA:**
- If property was appraised **prior** to the disaster you must obtain an additional property inspection **prior** to closing. Appraiser must provide an addendum stating “I have reviewed the subject property and noted no damage, deferred maintenance, adverse affect on value or marketability related to the recent severe weather.”
- If the Appraiser indicates damage, the extent of the damage must be addressed, and completion of any repairs needed to ensure that the property is “safe, sound and sanitary” will be required. A new full Appraisal is required.
- If a property is appraised **after** the disaster, you must obtain an interior and exterior inspection even if the AUS **or** loan program has offered a more streamlined property inspection.
- Non-standard Appraisals (1075/466, 2055 or 2075/2070) are **not** allowed for a minimum of one (1) year after the disaster.
- Refer to [FEMA website](#).
- Verify the Borrowers place of employment has not been negatively impacted by these events.
- HIGH BALANCE:**
- An interior/exterior Appraisal is required.
- A Field Review ([2000](#) or [2000A](#)) is required if:
  - Appraised value is  $\geq$ \$1,000,000 and the LTV/CLTV is  $>$ 75%, **or**
  - Final DU® findings contains a “Rapid Appreciation” or “Excessive Value Red Flag”.
 A Field Review is required to ensure that the Appraisal is an accurate representation of value. If the Field Review results in a different opinion of value than the Appraisal, the lowest of the original Appraised value, the Field Review value, or the sales price (for purchases) should be used to calculate the LTV ratios.
- Refer to Chapter B5-1 (High Balance Mortgage Loans) of the [Guides](#) / [AllRegs](#) for additional considerations.

**ARM INDEX:**

- 1 Year Libor

**ARM INITIAL INTEREST RATE CAPS:**

- 5% above the note rate, 2% each subsequent adjustment.

**ARM INTEREST RATE CEILING:**

- 5% Above the note rate

**ARM INTEREST RATE FLOOR:**

- Margin = Floor, margin = 2.25

WINTRUST (WM) CONFORMING FIXED AND ARMS DU®

**ARM MARGIN:**

- 2.25

**ARM RATE ADJUSTMENT:**

- 5/1, 7/1, 10/1 – 5/2/5 Cap structure

**ASSUMABILITY:**

- Fixed – Not assumable
- ARMs – Assumable

**BORROWERS ELIGIBILITY:**

- U.S. Citizen.
- Permanent Resident Aliens – Provide Alien Registration Card if Borrower is not living in the U.S.
- Non-Permanent Resident Aliens:
  - Must be a legal resident of the U.S. as evidenced by Social Security Number.
  - Borrower must be employed in the U.S.

**BORROWERS INELIGIBLE:**

- Foreign Diplomats with diplomatic immunity.
- Foreign Nationals.
- ITIN (Individual Taxpayer Identification Number).

**BUYDOWNS (TEMPORARY):**

- Not permitted.

**CASH RESERVES:**

- **Primary Residence** – As determined by Desktop Underwriter®/Desktop Originator® (DU®/DO®) findings.
- **Second Home** – As determined by Desktop Underwriter®/Desktop Originator® (DU®/DO®) findings plus refer to Chapter B3-4.1-01 of the [Guides / AllRegs.](#)
- **Non-Owner Occupied** – As determined by Desktop Underwriter®/Desktop Originator® (DU®/DO®) findings plus refer to Chapter B3-4.1-01 of the [Guides / AllRegs.](#)
- **Manual Reserve Calculations for Specific Transactions Where DU® is Unable to Determine Reserve Requirements (Primary Residence Pending Sale, Converting to a Second Home, or Converting to an Investment Property; and Second Homes & Investment Property transactions for Borrowers who will have 1-10 Financed Properties)** – Refer to Chapter B3-4.1-01 of the [Guides / AllRegs.](#)
- Rate and term refinances have no reserve requirement unless needed as a compensating factor.
- The cash out on a cash-out refinance may not be used to meet the reserve requirement.
- **Business Assets** – Refer to DOCUMENTATION section.
- **Sweat Equity** – Ineligible source of funds for the down payment, closing costs, or reserves.



WINTRUST (WM) CONFORMING FIXED AND ARMS DU®

**CLOSING DOCUMENTS:**

- Please follow State/Federal Requirements and Fannie/Freddie guidelines.
  - Seller disbursement over \$5,000 must be explained excluding Title Commitment lien payoff, Real Estate Commissions and Taxes.
  - All Files sent to Investor Delivery located in Rosemont, IL, must have full Title Commitment. Short form policies cannot be used in lieu of the title commitment.
  - Digital signatures are allowed.
  - If New York CEMA – Must be documented on Fannie Mae Form 3172 per Selling guide B8-2-02.
    - Must close using Wintrust Mortgage approved attorney.
    - See [Tools section of Correspondent website](#).

**CO-BORROWER(S):**

- Co-Borrower must occupy.
- Occupant Borrower must have 5% of own funds if LTV / CLTV is >80% unless the occupying borrower is purchasing a one unit principal residence and meets the requirements to use gifts to pay for some or all of the borrower's minimum contribution. See Personal Gifts in AllRegs.
- For Non-Occupying Borrower refer to Non-Occupying Borrower section.
- Refer to Chapter B2-2-04 (Guarantors, Co-Signers, or Non-Occupant Co-Borrowers) of the [Guides](#) / [AllRegs](#) for additional considerations.

**CONTINUITY OF OBLIGATION:**

- NA

**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
    - In addition, the reserve requirements in Chapter B3-4.1-01 of the [Guides](#) / [AllRegs](#) must be met.
  - **Investment Property:**
    - Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; or
    - Confirm leasing of the newly converted property or unit (for 2-4 Unit property), obtain a copy of the fully executed Lease Agreement, Security Deposit from the Tenant, and Bank Statement showing the deposited security funds.
    - Must calculate net rental income and qualify the Borrower according to the requirements in Chapter B3-6-06 of the [Guides](#) / [AllRegs](#).
    - In addition, the reserve requirements in Chapter B3-4.1-01 of the [Guides](#) / [AllRegs](#) must be met.

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

**NOTE:** 2-4 Units refer to Chapter B3-6-06 (Qualifying Impact of Other Real Estate Owned) of the [Guides](#) / [AllRegs](#) for additional considerations.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**CREDIT:**

- FICOs determined by Desktop Underwriter®/Desktop Originator® (DU®/DO®), never below 620\*.
  - One (1) occupant Borrower with a credit score and one (1) occupant Borrower without a credit score is eligible with AUS approval and all the following conditions are met:
    - The property is a one (1) unit, Primary Residence, and all Borrowers will occupy the property.
    - The transaction is a purchase or rate/term refinance.
    - The loan amount meets the general loan limits (High Balance ineligible).
    - The income used to qualify the Borrowers does not come from self-employment.
    - The Borrower with traditional credit and a credit score is contributing more than 50% of the qualifying income.
    - Price adjustments may apply, contact Secondary Marketing at [CorrSecondary@wintrustmortgage.com](mailto:CorrSecondary@wintrustmortgage.com).
- \*Refer to [LIMITATIONS ON REAL ESTATE OWNED](#) section.
- At least one (1) Borrower must have a FICO and traditional credit reported from at least one (1) repository (two (2) FICOs are highly recommended). If one (1) or two (2) of the credit repositories do not contain any credit information for the Borrowers who have traditional credit, the credit report is still acceptable as long as:
  - Credit data is available from one (1) repository,
  - A FICO is obtained from that repository, and
  - A tri-merged credit report was requested.
- The “representative” score is to be used and is defined as the lower of two (2) credit scores for one (1) Borrower (if more than one (1) Borrower, use the lower of all Borrowers) or the middle credit score if there are three (3) scores listed (if more than one (1) Borrower, use the lowest middle of all Borrowers).
- **High Balance** – All Borrowers must have a FICO. Refer to Chapter B5-1 (High Balance Mortgage Loans) of the [Guides](#) / [AllRegs](#) for additional considerations and [Eligibility Matrix](#) for minimum FICO requirement.
- **Non-Traditional Credit** – Ineligible.
- Refer to Chapters B3-5 (Credit Assessment) and B3-6 (Liability Assessment) of the [Guides](#) / [AllRegs](#) for additional considerations.
- **SIGNIFICANT DEROGATORY CREDIT EVENTS WAITING PERIOD REQUIREMENTS:**

DEROGATORY EVENT	WAITING PERIOD REQUIREMENTS
<b>Bankruptcy Chapter 7 or 11</b>	Four (4) years
<b>Bankruptcy Chapter 13</b>	Two (2) years from discharge date Four (4) years from dismissal date
<b>Multiple Bankruptcy Filings</b>	Five (5) years if more than one filing within the past seven (7) years
<b>Foreclosure</b>	Seven (7) years
<b>Deed-in-Lieu of Foreclosure and Preforeclosure Sale</b>	4 years.

\*\*The maximum LTV ratios permitted are the lesser of the LTV ratios in this table or the maximum LTV ratios for the transaction per the [Eligibility Matrix](#).

**CURRENT PRINCIPAL RESIDENCE PENDING SALE:**

- If the Borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the new transaction, and the Borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the Borrower for the new mortgage loan.
- WM will not require the current principal residence's PITIA to be used in qualifying the Borrower as long as the following documentation is provided:
  - The executed sales contract for the current residence, and
  - Confirmation that any financing contingencies have been cleared.
- Refer to Chapter B3-4.1-01 and Chapter B3-6-06 (Qualifying Impact of Other Real Estate Owned) of the [Guides](#) / [AllRegs](#) for additional considerations.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**DISCLOSURES:**

- Follow State/Federal Requirements.

**DOCUMENTATION:**

- Desktop Underwriter®/Desktop Originator® (DU®/DO®) will dictate level of documentation required depending on the overall risk evaluation of the loan.
- W-2 transcripts in lieu of actual W-2 forms for W-2 borrowers only – Not eligible if rental, self employment or others sources of income/expense is known.
- **Income** - Refer to Chapter B3-3 (Income Assessment) of the [Guides](#) / [AllRegs](#) for additional considerations.
- VOE within 10 calendar days prior of the note up to delivery required on W2 borrowers. Third Party Verification of self-employment within 30 calendar days prior of the note, either a CPA letter or business license lookup via a government agency, is required on self employed borrowers.
- Employment Offers or Contracts where employment begins after the Note Date allowed. Paystub required before purchase by Wintrust Mortgage.
- **Temporary Leave** - If the employer confirms the Borrower is currently on temporary leave, you must consider the Borrower “employed”. Refer to B3-3.2-08 (Other Sources of Income) and B3-3.4-02 (Income and Employment Documentation and Verbal Verification Requirements for DU®).
- **Mandatory Furlough** – Borrowers that are on a Mandatory Furlough from their job must return to work prior to the closing of the loan in order to use the income for qualifying purposes. Additionally, the following documentation is required:
  - Verbal Verification from the employer reflecting that the Borrower has returned to work under the same terms as prior to the furlough.
  - Copy of most recent pay stub(s) verifying that the Borrower has returned to work and supporting the qualifying income used for the loan.
- **Asset** – Refer to Chapter B3-4 (Asset Assessment) specifically Chapter B3-4.4-01 (DU® Requirements for Asset Assessment) of the [Guides](#) / [AllRegs](#) for additional considerations, and
  - When business assets are used, the underwriter must document a cash flow analysis of the Borrower’s business using the individual and/or business tax returns, as applicable. There is no required format for analyzing the business assets. However, the file must contain the underwriter’s written cash flow analysis and conclusion that the withdrawal of the business funds will not affect the operation of the business.
- **1031 Tax Deferred Exchanges** – Wintrust Mortgage will allow 1031 exchanges to be used towards down payment for second home and investment property purchases only with the following restrictions:
  - Reverse exchanges are ineligible because the Borrower is not in title to the property at the time of closing.
  - Product grade must allow second homes and investment properties.
  - No seller provided subordinate financing.
  - The loan closing must be handled by a qualified intermediary. A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer. The qualified intermediary cannot be the Borrower’s agent, attorney, accountant, investment banker, or broker. This exchange agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property. The relinquished property is the property “sold” and the replacement property is the property “acquired”.
  - Copies of all closing documents and purchase agreement on the relinquished property must be obtained. Required documentation includes:
    - 1031 exchange agreement
    - Closing Disclosure
    - Title transfer

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

- Both purchase agreements (relinquished and replacement properties) must contain appropriate language to identify the 1031 exchange. An example of satisfactory language is:
  - Phase I (Sale): “Buyer is aware that seller is to perform a 1031 tax deferred exchange. Seller requests buyer’s cooperation in such an exchange and agrees to hold buyer harmless from any and all claims, liabilities, costs, or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract by the seller.”
  - Phase II (Buy): “Seller is aware that buyer is to perform a 1031 tax deferred exchange. Buyer requests seller’s cooperation in such an exchange and agrees to hold seller harmless from any and all claims, liabilities, costs, or delays in time resulting from such an exchange. Seller agrees to an assignment of this contract by the buyer.”
- Equity from exchange can be used for all or part of the down payment.  
 NOTE: If a Borrower is purchasing a seller’s 1031 investment property to occupy as a primary residence, the Borrower is accommodating the seller. The transaction is not considered a 1031 tax deferred exchange and is eligible.
- **Trade Equity** – Equity from trading a Borrower’s existing property is acceptable after the Borrower has made a 5% cash down payment. The amount of equity is determined by subtracting the outstanding loan balance of the property that is being traded, plus any transfer costs, from the lesser of that property’s appraised value or its trade-in value, as agreed to by both parties.
  - A separate written appraisal for the property that is being taken in trade is required. A search of the land records to verify ownership of the property and to document if there are any existing liens on the property is also required.
- Cash Assets not allowed.

**DOWN PAYMENT REQUIRED:**

- **>80% LTV/CLTV/HCLTV** – One (1) Unit Primary Residence none from Borrower’s own funds. Source of funds can come from personal gifts, gift or grant from employer assistance.
  - 2-4 Unit Primary Residence and Second Home 5% from Borrower’s own funds. After the minimum Borrower contribution has been met<sup>1</sup> from the Borrower’s own funds, the source of funds can be used to supplement the down payment, closing costs, and reserves<sup>2</sup>.
    - 1 – If the Borrower receives a gift from a relative or domestic partner who has lived with the Borrower for the last twelve (12) months or from a Fiancé or Fiancée, the gift is considered the Borrower’s own funds and may be used to satisfy the minimum Borrower contribution requirement if all individuals occupy the property.
    - 2 – Community Seconds and Employer Assistance in the form of an unsecured loan cannot be applied to reserves.
- **<80% LTV/CLTV/HCLTV** - 1-4 Unit Primary Residence none from Borrower’s own funds. Source of funds can come from personal gifts, gift or grant from employer assistance. Second Home none from Borrower’s own funds and only source of funds can come from personal gifts.
- **Investment Property** – Must come from Borrower’s own funds.
- **Earnest Money** – The deposit on the sales contract (earnest money) for the purchase of the security property is an acceptable source of funds for both the down payment and closing costs.
- **Sweat Equity** – Ineligible source of funds for the down payment, closing costs, or reserves.

**DU® INFORMATION:**

- Loans must be run through Desktop Underwriter®/Desktop Originator® (DU®/DO®). All loans must receive an “Approve/Eligible” dated prior to date of closing.
  - If DU® issues a message indicating the loan is eligible as a DU Refi Plus™ the loan is ineligible for this program. The file must be underwritten as a standard limited cash-out refinance. Enter the phrase Standard LCOR in the Product Description field to instruct DU® to underwrite the loan case file as a standard limited cash-out refinance.
  - DU® will issue the following message if the Borrower’s existing loan has been identified as an eligible Fannie Mae® loan, and loan casefile as a standard limited cash-out refinance:
    - *The Borrower’s existing loan has been identified as a Fannie Mae® loan. The loan casefile was not underwritten according to the DU Refi Plus™ expanded eligibility guidelines because DU® was instructed to underwrite the loan casefile as a standard limited cash-out refinance. This was indicated by “Standard LCOR” being entered in the Product Description field.*

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

- **DU® Potential Red Flag Messages** – [Matrix](#) (<https://www.efanniemae.com/sf/technology/ou/du/pdf/dupotentialredflagmessagematrix.pdf>)
- **Desktop Underwriter® (DU®)** – Additional resources [click here](#) (<https://www.efanniemae.com/sf/technology/ou/du/index.jsp>).
- **DU® Job Aids** – [Click here](#) (<https://www.fanniemae.com/singlefamily/originating-underwriting-learning-center?taskId=task-64>).
- **High Balance** - must be ran through Desktop Underwriter®/ Desktop Originator® (DU®/DO®) and receive an “Approve/Eligible”.
- Refer to Chapter B3-2-(Desktop Underwriter® (DU®)) of the [Guides](#) / [AllRegs](#) for additional considerations.
- **Manual Underwriting** – Ineligible.

**ESCROW HOLDBACKS:**

- **You must obtain WM approval prior to closing.**
- Allowed for weather related items:
  - Do not affect livability.
  - Must be completed within 120 days.
- A final completion certificate from the Appraiser upon completion.

**ESCROW WAIVERS:**

- Refer to Blue Connect or Optimal Blue for price adjustments.
- To permit escrow waivers, subject to the mortgage documents and applicable law, the waiver must not be based solely on the LTV ratio of a loan, but also on whether the Borrower has the financial ability to handle the lump-sum payments of taxes and insurance i.e. Borrowers with blemished credit histories or first-time homebuyers.
- If escrowing, HO6 must be escrowed (if applicable).
- Private mortgage insurance premiums must always be escrowed, unless single premium.
- For established escrow account flood insurance must be escrowed, if required.
- Refer to Chapter B2-1.4-01 (General Mortgage Terms and Conditions) of the [Guides](#) / [AllRegs](#) for additional considerations.

**GEOGRAPHIC RESTRICTIONS:**

- **Florida** – Broward, Miami-Dade and Monroe counties ineligible. All other counties eligible.
- **Nevada** – Requires WM approval.
- **New York CEMA** – Allowed with approved WM Attorney (Contact correspondent rep for more details).
- **Hawaii** – Properties in Lava zones 1 & 2 ineligible.
- **Texas** – 50(a)(6) not allowed.
- **HomeReady**
  - Program prohibited in cities that are in declining markets based on [FHFA Metropolitan Index](#) which we list below.
  - **Ineligible Markets as of 5/22/19:**
    - None

**GIFTS:**

- **Owner Occupied and Second Home**
  - See B3-4.3-04, Personal Gifts
- **INVESTMENT:**
  - Not permitted.
- Refer to Chapter B3-4.3-04 (Personal Gifts) of the [Guides](#) / [AllRegs](#) for additional considerations.
- **Gift of Equity** – Permitted for Primary Residence and Second Home purchases. The acceptable donor and minimum Borrower contribution requirements apply. Refer to Chapters B3-4.3-05 (Gifts of Equity) and B3-4.3-04 (Personal Gifts) of the [Guides](#) / [AllRegs](#) for additional considerations.
- DPA’s not allowed.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**INTEREST ONLY OPTION:**

- N/A.

**LIMITATIONS ON REAL ESTATE OWNED:**

- **Loan and Borrower Requirements** - A Borrower may finance multiple properties if he or she is qualified and if the following requirements are met:
  - The loan must comply with Fannie Mae's limitations on the maximum number of financed properties, including ownership interests in financed properties, as well as eligibility, underwriting, delivery, and reserve requirements.
- The Borrower must have sufficient assets to close after calculating reserve requirements. For minimum reserve requirements refer to B3-4.1-01 (Minimum Reserve Requirements) of the [Guides](#) / [AllRegs](#) for additional considerations.
- **LIMITS ON THE NUMBER OF FINANCED PROPERTIES:**
  - **Primary Residence** - If the mortgage is the Borrower's principal residence, there are no limitations on the number of properties that the Borrower can currently be financing.
  - **Second Home or Investment Property** - If the mortgage is secured by a second home or an investment property, the Borrower may own or be obligated on up to ten (10) financed properties (including his or her principal residence).
  - Fannie Mae's standard eligibility and underwriting policies apply if the Borrower is financing a Second Home or Investment Property and will have one (1) to six (6) financed properties; however, if the Borrower will have seven (7) to ten (10) financed properties, the mortgage loan must comply with the eligibility, underwriting, and delivery requirements described herein.
  - Borrower with seven (7) to ten (10) financed properties must have a minimum FICO score of 720.
  - Refer to Chapters B3-3.2-07 (Rental Income); B3-4.1-01 (Minimum Reserve Requirements); and B3-6-05 (Monthly Debt Obligations) of the [Guides](#) / [AllRegs](#) for additional considerations.
  - The financed property limit applies to the Borrower's ownership of 1-4 Unit financed properties or mortgage obligations on such properties and is cumulative for all Borrowers. These limitations apply to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to Fannie Mae®. Unless otherwise stated, these requirements apply to all mortgage loans.
  - Reference B2-2-03 to determine if property is subject to limitations based on ownership type.
  - **Applying the Multiple Financed Property Policy to Desktop Underwriter®/Desktop Originator® (DU®/DO®)** - Desktop Underwriter®/Desktop Originator® (DU®/DO®) is not able to determine the exact number of financed properties the Borrower owns or is obligated on, but does issue a message on Second Home and Investment Property transactions when the Borrower appears to have other financed properties. Underwriter must apply the eligibility and underwriting requirements manually to Investment Property and Second Home transactions that are underwritten through Desktop Underwriter®/Desktop Originator® (DU®/DO®) as applicable.
  - **Reserve Requirements:**
    - If the borrower owns multiple financed properties, additional reserves are calculated for all financed properties with the exception of the subject property, the primary residence, and any pending sales.
    - Owner occupied transactions do not require reserves for each additional property.
    - The reserve requirements for a subject property second home (2 months) and investment property (6 months) still apply in addition to the below.
    - Reserves are now determined by applying a percentage to the current unpaid principle balance for all mortgages and HELOCs.
      - If 1-4 financed properties: 2% of the outstanding balance of all mortgages.
      - If 5-6 financed properties: 4% of the outstanding balance of all mortgages.
      - If 7-10 financed properties: 6% of the outstanding balance of all mortgages.
- Refer to Chapter B2-2-03 (Multiple Financed Properties for the Same Borrower) of the [Guides](#) / [AllRegs](#) for additional considerations and High Balance LTV/CLTV requirements.



**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**MORTGAGE INSURANCE:**

LTV	STANDARD COVERAGE	
	≤ 20 YEAR TERM	>20 YEAR TERM
95.01 – 97%	35%	35%
90.01 – 95%	25%	30%
85.01 – 90%	12%	25%
80.01 – 85%	6%	12%

- **Lower Cost or Custom MI** – Associated with a loan level price adjustment indicated on the DU® report is **not** permitted.
- **Reduced MI** – Ineligible.
- **Lender Paid Mortgage Insurance (LPMI)** – Upfront LPMI only. Monthly LPMI ineligible.
- **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.
- **Financed MI** – Ineligible.
- **HIGH BALANCE:**
  - Standard MI.
  - LPMI not eligible.
- Refer to Chapter B7-1 (Mortgage Insurance/Loan Guaranty) of the [Guides](#) / [AllRegs](#) for additional considerations.

**MORTGAGE INSURERS APPROVED:**

- Genworth.
- MGIC
- National MI
- Radian.
- UG.
- Essent.
- Arch MI.

**NEW CONSTRUCTION:**

- New Construction is allowed with the following requirements:
  - Can be appraised subject to completion.
  - Final Inspection and Certificate of Occupancy required prior to Closing.
    - The Final Inspection cannot be used as a re-certification of value.
  - The date of the Appraisal must still be valid at the time of closing (120 days).
    - **The age of the Appraisal is measured from the date of the Note and Mortgage.**
  - All work, including landscaping, exterior paint and driveway must be complete.
    - Escrow holdbacks ineligible for completion. Refer to **Escrow Holdback** section.
- **IMPORTANT:** Wintrust Mortgage (WM) will not accept re-negotiated purchase agreements that increase the sales price after the original Appraisal has been completed if:
  - The Appraised value is higher than the contracted sales price provided to the Appraiser, **and**
  - The new Purchase Agreement and/or Addendum used to modify the sales price is dated after the Appraisal is received, **and**
  - The only change to the Purchase Agreement is an increase in sales price.
- If the Purchase Agreement is re-negotiated subsequent to the completion of the Appraisal, the loan-to-value (LTV) will be based on the lower of the original purchase price of the Appraised Value, unless:
  - Re-negotiation of only seller paid closing costs and/or prepaids where seller paid closing costs/prepaids are common and customary for the market and supported by the comparables. Refer to **SALES CONCESSION** section (Seller contributions for HOA dues must be paid directly to the Association), **or**
  - An amended purchase agreement for property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated Appraisal must be obtained to verify the value of the modifications.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

- Refer to **REFINANCE** section
- Refer to Chapter B5-3.1-03 (Conversion of Construction-to-Permanent Financing) of the [Guides](#) / [AllRegs](#) for additional considerations.
- Single-Closing Transactions:
  - Correspondent lender will manage all draws and construction phase.
  - Wintrust Mortgage will purchase loan after modification has been completed.
  - Refer to Chapter B5-3.1-02 of the [Guides](#) / [AllRegs](#) for additional considerations.

**NON-OCCUPYING BORROWER:**

- Refer to Chapter B2-2-04 (Guarantors, Co-Signers, or Non-Occupant Co-Borrowers) of the [Guides](#) / [AllRegs](#) for additional considerations.

**OCCUPANCY:**

- Primary Residence.
- Second Home.
- Investment Property.
- May not be affiliated with the Builder/Developer or Property Seller.
  - ***Becoming a Landlord (Rewards, Risks & Responsibilities) Booklet*** [click here](https://www.efanniemae.com/lc/publications/pdf/landlord.pdf) (<https://www.efanniemae.com/lc/publications/pdf/landlord.pdf>).
- Refer to **APPRAISAL REQUIREMENTS** section.
- Follow DU recommendation unless noted above.
- Refer to Chapter B2-3-01 (Occupancy Type Requirements) of the [Guides](#) / [AllRegs](#) for additional considerations.

**POWER OF ATTORNEY:**

- Another individual may act on behalf of the Borrower(s) at closing if all of the following are met:
  - Proper POA forms are executed
  - POA is recorded in the jurisdiction where the Security Instrument was recorded
  - A POA is acceptable on a refinance only if it specifically makes reference to the terms of the refinance transaction
  - Title policy does not contain any exceptions based on the use of such power
  - POA allowed for loans with one (1) Borrower, except on cash-out refinances
    - Single borrower POA option cannot be used for both initial application and closing application on same transaction.

**PREPAYMENT PENALTY:**

- N/A.

**PROPERTY TYPES ELIGIBLE:**

- 1-4 Units. Refer to Chapter B2-3-02 (One-to-Four Unit Properties) of the [Guides](#) / [AllRegs](#) for additional considerations.
- Condominiums (FNMA warrantable, pending litigation ineligible) – Refer to Chapter B4-2 (Project Standards) of the [Guides](#) / [AllRegs](#) for additional considerations.
  - Number of units must be listed on the Master Policy.
- PUDS – Refer to Chapter B4-2 (Project Standards) of the [Guides](#) / [AllRegs](#) for additional considerations.



**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

**PROPERTY TYPES INELIGIBLE:**

- Co-Ops.
- Manufactured Homes.
- Condo-Hotels / Condotels
- Non-Warrantable Condos.
- Condominiums pending litigation.
- Condominium projects with pooled master insurance.
- Deed restricted properties.
- Agricultural.
- Life Estates.
- Loans secured by properties located in Non-Participating Communities or Coastal Barrier Resource Systems Areas.

**RATIOS:**

- DU® will now require all revolving debts to be included in the DTI ratio regardless of number of payments remaining (previously 10 or fewer were not included). If the payment is not on the credit report and cannot be verified, the Underwriter must use 5% of the outstanding balance to determine the qualifying monthly payment.
- Qualifying Rate
  - Fixed Rate – Qualify at note rate
  - 5/1 ARM – Qualify at the greater of the note rate plus 2% or the fully indexed rate\*
  - 7/1 and 10/1 ARM – Greater of the note rate or the fully indexed rate\*
  - \*Fully indexed rate is defined as the index plus the margin.
- **Student Loans** – (per B3-6-05)
  - If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.
  - If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below.
    - If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is \$0. The lender may then qualify the borrower with a \$0 payment.
    - For deferred loans or loans in forbearance, the lender may calculate
      - a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
      - a fully amortizing payment using the documented loan repayment terms.
- **Student Loan Cash-Out Refinance:**
  - The following loan program name must be used: FN\_Conf\_30\_Fxd\_StuLn
- Refer to Chapter B3-6 (Liability Assessment) of the [Guides](#) / [AllRegs](#) for additional considerations.
- **Secured Loan Payments** – To exclude payment from the DTI calculation on a loan secured by liquid assets (i.e. IRA Accounts, CD's, Stocks, Bonds, Marketable Securities, etc.), the value or balance of the account must be sufficient to repay the loan obligation. If the balance in the account is not sufficient, the loan is not fully secured. In the case where the account value is less than the loan balance, the transaction requires the payment to be included in the DTI calculation. Note: This does not apply to loans secured by the following accounts – 401(k), 403(b), 457(b), or Thrift Savings Plan as documentation is not needed to exclude from DTI.
- **HELOC Payment Calculation** – If not shown on the credit report, payments on a HELOC with an outstanding balance may be calculated at the:
  - Greater of \$10,00 or 5% of the outstanding balance, *or*
  - Payment reflected on the Borrower's billing statement.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

- **Payoff of Debt**
  - Installment Debt – Can be paid off at or prior to closing and not have the payment included. Verify the asset/sufficient equity pay off the debt and verify the debt has been paid at or prior to closing.
  - Revolving Debt
    - Revolving debt being paid off and excluded from DTI does not need to be closed.
    - Documentation sufficient to reflect account as closed must be provided.
    - Debt being paid off at closing must be reflected on the HUD-1/Closing Disclosure.
- **Single Payment Note** – A Single Payment Note is one in which the loan, including principal and interest, is due in one (1) lump sum payment. A Single Payment Note would be an unsecured Note which is not tied to the property in any way. At minimum an interest only payment must be included in the debt ratio. Post closing liquidity may not be used to offset payments.

**REFINANCES:**

- **PROPERTIES LISTED FOR SALE:**
  - Rate/Term Refinance – The subject property must not be currently listed for sale. It must be taken off the market prior to close and the borrower must confirm their intent to occupy the subject property (for primary residence) and/or continuance to own (second home/investment).
  - Cash-Out - The subject property must not be currently listed for sale. It must be taken off the market on or before the application date and the borrower must confirm their intent to occupy the subject property (for primary residence) and/or continuance to own (second home/investment).
- **RATE/TERM (LIMITED CASH-OUT) REFINANCES:**
  - **Eligibility Requirements** – Rate/Term refinances must meet the following requirements:
    - The transaction is being used to pay off an existing first mortgage by obtaining a new first mortgage secured by the same property.
    - A subordinate lien used to purchase the property may also be paid off and included in the new mortgage.
    - Subordinate financing is being left in place, regardless of whether the subordinate financing was used to purchase the property and the Borrower is not taking cash out except to the extent permitted for a limited cash-out refinance transaction. The subordinate lien must be re-subordinated to the new first mortgage loan.
    - Borrower must hold title prior to the application date.
  - **Ineligible Transactions** – When the following conditions exist, the transaction is ineligible as a rate/term refinance and must be treated as a cash-out:
    - No outstanding first lien on the subject property.
    - The proceeds are used to pay off a subordinate lien that was not used to purchase the property regardless of whether additional cash out is taken.
    - A short-term refinance mortgage loan that combines a first mortgage and a non-purchase money subordinate mortgage into a new first mortgage or any refinance of that loan within six (6) months.
  - **Acceptable Uses** – The following are acceptable in conjunction with a rate/term refinance:
    - Modifying the interest rate and/or term for existing mortgages.
    - Paying off the unpaid principal balance of the existing first mortgage (including prepayment penalties).
    - Financing the payment of closing costs, prepaid items, and points.
    - Receiving cash back in an amount that is not more than the lesser of 2% of the balance of the new refinance mortgage or \$2000.
    - Buying out a co-owner pursuant to an agreement.
    - Paying off a subordinate mortgage lien (including prepayment penalties) used to purchase the subject property and document that the entire amount of the subordinate financing was used to acquire the property.
  - Refer to Chapter B2-1.2-02 (Limited Cash-Out Refinance Transactions) of the [Guides](#) / [AllRegs](#) for additional considerations.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

- **CASH-OUT REFINANCES:**
  - **Eligibility Requirements** – Cash-Out refinances must meet the following requirements:
    - The transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it.
    - The borrower must hold title individually for at least six months prior to the disbursement date of the new mortgage loan except for the following:
      - There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
      - If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six month ownership requirement. (In order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower(s).
      - The delayed financing requirements are met. See Delayed Financing Exception below.
    - **High Balance** – Primary Residence 1-unit.
  - **Ineligible Transactions** (See B2-1.2-03 of Selling Guide)
    - Texas – 50(a)(6).
    - The mortgage is subject to a temporary interest rate buydown.
    - The subject property was purchased by the borrower within the six months preceding the disbursement date of the new mortgage loan except if delayed financing guidelines are met. See Delayed Financing Exception below.
    - The subject property is listed for sale at the time of disbursement of the new mortgage loan.
    - Transactions in which a portion of the proceeds of the refinance is used to pay off the outstanding balance on an installment land contract, regardless of the date the installment land contract was executed.
    - The new loan amount includes the financing of real estate taxes that are more than 60 days delinquent and an escrow account is not established, unless requiring an escrow account is not permitted by applicable law or regulation. For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible for sale to Fannie Mae without an escrow account.
  - **Acceptable Uses** – The following are acceptable in conjunction with a cash-out refinance:
    - Paying off the unpaid principal balance of the existing first mortgage.
    - Financing the payment of closing costs, prepaid items, and points.
    - Paying off any outstanding subordinate mortgage liens of any age.
    - Taking equity out of the subject property that may be used for any purpose.
    - Financing a short-term refinance mortgage loan that combines a first mortgage and a non-purchase money subordinate mortgage into a new first mortgage or a refinance of the short term refinance loan within six (6) months.
  - **Delayed Financing Exception** – Borrowers who purchased the subject property within the past six (6) months are eligible for a cash-out refinance if all of the following requirements are met:
    - The purchase transaction was an arms-length transaction.
    - Must comply with B2-2-01 (eligible borrowers)
    - The original purchase transaction is documented by a HUD-1, which confirms that no mortgage financing was used to obtain the subject property. The preliminary title search or report must also confirm no liens on the subject property.
    - The sources of funds for the purchase transaction are documented (bank statements, personal loan documents, HELOC on another property).
    - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the HUD-1 for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.

**WINTRUST (WM) CONFORMING FIXED AND ARMS DU®**

- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value).
- All other cash-out refinance eligibility requirements are met and cash-out pricing is applied.
- Refer to Chapter B2-1.2-03 (Cash-Out Refinance Transactions) of the [Guides](#) / [AllRegs](#) for additional considerations.
- **SEASONING REQUIREMENTS CONSTRUCTION-TO-PERMANENT FINANCE:**
  - WM originates or purchases mortgage loans closed as either a rate/term or a cash-out refinance transaction.
  - When a rate/term refinance transaction or a cash-out refinance transaction is used in connection with a lot that the Borrower acquired twelve (12) or more months before applying for the construction financing, the LTV ratio is determined by dividing the loan amount of the construction-to-permanent mortgage by the current appraised value for the property (both the lot and the improvements).
  - If the Borrower acquired the lot within the twelve (12) months preceding the date of the application for the construction financing, the LTV ratio is determined by dividing the loan amount of the construction-to-permanent mortgage by the lesser of the current Appraised value for the property (both the lot and the improvements), **or** the total acquisition costs (which are the sum of the costs of the improvements and the sales price of the lot).
    - See [New Construction Section](#) for Single-Close option.

**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.
- The prepayment of HOA dues must come from the Builder or Builder agent.
- The maximum allowable sales incentive (Realtor commission, finder's fee, etc.) is limited to 8% of the sale price.
- **PRIMARY RESIDENCE OR SECOND HOME:**
  - 3% Maximum for LTV/CLTV >90%.
  - 6% Maximum for LTV/CLTV >75% ≤90%.
  - 9% Maximum for LTV/CLTV ≤75%.
- **INVESTMENT PROPERTY:**
  - 2% Maximum.
- **HIGH BALANCE:**
  - **Primary Residence & Second Home** – 3% regardless of LTV/CLTV.
  - **Investment** – 2%.

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**SUBORDINATE FINANCING:**

- **Subordinate Financing Requirements** - Subordinate liens must be recorded and clearly subordinate to first mortgage lien. Disclose the existence of subordinate financing and the subordinate financing repayment terms to WM, Fannie Mae®, the Appraiser, and the Mortgage Insurer (if applicable). If a first mortgage is subject to subordinate financing, calculate the LTV, CLTV, and HCLTV ratios.
- **ACCEPTABLE SUBORDINATE FINANCING TYPES:**
  - Variable payment mortgages that comply with the details below.
  - Mortgages with regular payments that cover at least the interest due so that negative amortization does not occur.
  - Mortgages with deferred payments in connection with employer subordinate financing (see below).
  - Mortgage terms that require interest at a market rate.

**Note:** If financing provided by the property seller is more than 2% below current standard rates for second mortgages, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price.
- **UNACCEPTABLE SUBORDINATE FINANCING TERMS:**
  - Subordinate financing with “wraparound” terms that combine the indebtedness of the first mortgage with that of the subordinate mortgage.
  - Mortgages with negative amortization (with the exception of employer subordinate financing that has deferred payments).
  - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five (5) years after the Note date of the new first mortgage (with the exception of employer subordinate financing that has deferred payments).

**Note:** WM will accept these subordinate financing terms when the amount of the subordinate debt is minimal relative to the Borrower's financial assets and/or credit profile.

  - Subordinate financing that restricts prepayment (i.e., subordinate liens with prepayment penalties).
- **Eligible Variable Payment Terms for Subordinate Financing** - WM permits variable payments for subordinate financing if the following provisions are met:
  - With the exception of HELOCs, when the repayment terms provide for a variable interest rate, the monthly payment must remain constant for each twelve (12) month period over the term of the subordinate lien mortgage (For HELOCs, the monthly payment does not have to remain constant).
  - The monthly payments for all subordinate liens must cover at least the interest due so that negative amortization does not occur (with the exception of employer subordinate financing that has deferred payments).
- Refer to Chapter B2-1.1-04 of the [Guides / AllRegs](#) for additional considerations.
- Refer to **MAXIMUM LTV/CLTV** section for additional considerations.
- **HELOC** - Payment on the HELOC must be considered as part of the Borrower’s recurring monthly debt obligations. If the HELOC does not require a payment, there is no recurring monthly debt obligation; the Underwriter does not need to develop an equivalent payment amount.

**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.
- Illinois Land Trust.
  - Ineligible
- Inter Vivos Revocable Trust (Living Trust).
  - Refer to the Living Trust/Revocable Trust Questionnaire.
  - Refer to Chapter B2-2-05 (Inter Vivos Revocable Trusts) of the [Guides / AllRegs](#) for additional considerations.

WINTRUST (WM) CONFORMING FIXED AND ARMS DU®

**UNDERWRITING SUBMISSION PROCEDURE:**

- Loans must be run through Desktop Underwriter®/Desktop Originator® (DU®/DO®). All loans must receive an “Approve/Eligible” dated prior to date of closing.
- **DU® Potential Red Flag Messages** – [Matrix](#) (<https://www.efanniemae.com/sf/technology/ou/du/pdf/dupotentialredflagmessagematrix.pdf>)
- **Desktop Underwriter® (DU®)** – Additional resources [click here](#) (<https://www.efanniemae.com/sf/technology/ou/du/index.jsp>).
- **DU® Job Aids** – [Click here](#) (<https://www.fanniemae.com/singlefamily/originating-underwriting-learning-center?taskId=task-64>).
- **CORRESPONDENT Non-Delegated:**
  - ***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.***

- **CORRESPONDENT:**

Lenders with delegated underwriting authority may underwrite this product – FNMA Form 1008 must be signed by the Underwriter. ***Third party contract underwriting ineligible.***