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LOAN PROGRAM DESCRIPTION:

- The Federal Housing Administration (FHA) was established as a division of the U.S. Department of Housing and Urban Development (HUD) in 1934 to expand national homeownership opportunities, increase minority homeownership, make the home buying process less complicated and expensive and keep existing homeowners from losing their homes.
- The underwriting information contained in this section is intended for use in conjunction with HUD Handbook 4000.1 located at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg and subsequent applicable Mortgagee Letters located at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee>.
- [FHA Info Messages](#)

LOCK-IN-REGISTRATION:

- Blue Connect / Optimal Blue Tips:
 - Loan Type – FHA.
 - Doc Type – Full.
 - Amortization – 15, 20, 25, & 30 Years.
 - **Jumbo** – 30 Years
 - **Loan Program Labels:**
 - WM_FHA_15_Fxd
 - WM_FHA_20_Fxd
 - WM_FHA_25_Fxd
 - WM_FHA_30_Fxd
 - WM_FHA_30_Fxd_Jmbo
 - WM_FHA_30_Fxd_STLN
- **HUD Repos** - Contact Secondary Marketing for price adjustments.

MINIMUM MORTGAGE:

- None.

MAXIMUM MORTGAGE:

- Refer to <https://entp.hud.gov/idapp/html/hicostlook.cfm> for current loan limits in your geographic area.
 - Follow FHA guidelines on calculating max mortgage for Streamline Refinance, however CLTV can never exceed 100%.

MAXIMUM LTV/CLTV:

- **Purchase** - The LTV is 96.5 percent, i.e., the reciprocal of the 3.5 percent down payment requirement.
- **Refinance** - The maximum loan amount is limited based on applicable loan-to-value calculations.
 - **Cash-Out** – 85% CLTV.
 - **Rate/Term** – Maximum 97.75% CLTV.
 - **Streamline** – Maximum 100% CLTV. Refer to **LOCK-IN/REGISTRATION** section.
- **Jumbo** – Standard FHA LTV requirements apply. The maximum CLTV is capped at the maximum LTV (max LTV = max CLTV).

ADDITIONAL CONSIDERATIONS:

- **IMPORTANT** - Settlement agents need to be verified. Contact your Account Executive.
- **Correspondent Non-Delegated:**
 - **Cash Out Transactions:**
 - **Minimum FICO score on cash-out refinances is 620.**
 - Maximum cash back is limited to \$100,000 unless the LTV is ≤ 70%.
- **TEST CASES** – **Ineligible.**

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- **HUD ANTI-FLIPPING REQUIREMENTS**
 - Seller must own property for a minimum of 90 days unless property/seller meets requirements of FHA Flip waiver/exceptions to 90 day rule.
 - Evidence of time owned must be provided. Refer to [Property](#) section for 2nd appraisals requirements.
- **Manual Underwrite**
 - Must have AUS Approval.
 - Max ratio 31/43.
 - Minimum FICO 640.
 - When locking in Blue Connect/Optimal Blue, Manual Underwrite must be chosen in dropdown.
 - Eligible reason for manual underwriter:
 - Late pays last 12 months – allowed only 2x30 or 1x60
 - Foreclosure/Short Sale – 3 years from deed execution
 - Undisclosed mortgage on credit – need VOR or cancelled checks
 - Disputes on derogs of \$1,000 or more – medical only
 - Data that can not be entered into scorecard
 - Any additional info not considered in AUS
 - Business income greater than 20% decline
- NFIP insurance required on properties in flood zone.
 - No Private Flood Insurance.

AGE OF DOCUMENTS:

- 120 days for existing property.
 - Appraisals >120 days needs an update/recert of value.
- 180 days for new construction.

APPLICATION:

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

APPRAISAL REQUIREMENTS:

- Appraisers must be on FHA’s approved list on FHA Connection.
- Interior/Exterior appraisal required.
- Copy of the Appraiser current license.
- Copy of the Appraiser’s current E&O insurance.
- **Water Purification Systems** – WM will no longer purchase properties with water purification systems.
- **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.
 - **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.

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

• **FHA SECOND APPRAISAL REQUIREMENTS:**

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

• **JUMBO**

- Loan Amounts ≤\$1,000,000 – One (1) full Appraisal.
- Loan Amounts >\$1,000,000 – Two (2) full Appraisals.
 - A separate Appraisal service company must be used for each of the Appraisals.
 - The lesser of the two (2) Appraisals appraised values or sales price will be used to determine the LTV/CLTV of the transaction.
 - Appraisals must address the following:
 - Include a summary of sales located in the subject’s immediate neighborhood even if the sales are not considered comparable by the Appraiser and even if they are not used in estimating the subject’s market value.
 - Indicate “Days on Market” (DOM) for each comparable sale.
 - Indicate marketing time required to realize the market value estimated for the subject property.
 - Include a market analysis for all properties priced within 25% of the subject’s estimated value that addresses each of the following three (3) factors:
 - In the selected price range, how many sales have occurred in the last twelve (12) months?
 - In the selected price range, how many properties are currently listed for sale?
 - In the selected price range, how many properties have had listings expire or be withdrawn?

Note: If the transaction is a purchase, indicate the name(s) and phone number(s) of the listing and selling agents. Also, note the total listing period for the subject property (include list price decreases, if any).

Note: Any time a second Appraisal has been obtained it must be considered.

• **PROCEDURE FOR APPRAISALS ON PROPERTIES IN A DISASTER AREA:**

- Full documentation require re-inspections. Refer to FEMA website: <http://www.fema.gov/news/disasters.fema>
- 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.

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- 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.

ARM INDEX:

- N/A.

ARM – INTEREST ONLY OPTIONS:

- N/A.

ARM INTEREST RATE CAPS:

- N/A.

ARM INTEREST RATE CEILING:

- N/A.

ARM INTEREST RATE FLOOR:

- N/A.

ARM LIFETIME CAP:

- N/A.

ARM MARGIN:

- N/A.

ARM RATE ADJUSTMENT:

- N/A.

ASSUMABILITY:

- Permitted – credit worthy Borrowers only.

BORROWERS ELIGIBILITY:

- U.S. Citizen
- All Borrowers must have a valid social security number. Validate the social security number using any one of the following:
 - Pay stub.
 - W-2.
 - Passport.
 - Valid tax returns.
- All Borrowers must demonstrate two (2) years of employment history.
- **PERMANENT RESIDENT ALIENS:**
 - Same terms as U.S. Citizens.
 - Must be noted on 1003.
 - Evidence of lawful, permanent residency issued by the Bureau of Citizenship and Immigration Services (BCIS), formerly the INS.
 - Copy of the Alien Registration Receipt Card (Resident Alien card), I-551.

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NON-PERMANENT RESIDENT ALIENS:

- Primary residence.
- Borrower must be eligible to work in the U.S.
- Evidence of valid Social Security number required.
- Evidence of residency and work status to be obtained through documentation from US Bureau of Citizenship and Immigration Services (BCIS) formerly INS.
- A social security card is not acceptable as evidence of work status.

BORROWERS INELIGIBLE:

- Foreign Nationals.
- Foreign Diplomats.

BUYDOWNS:

- Not permitted.

CASH RESERVES:

- Refer to [HUD Handbook](#) 4000.1.

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.

CO-BORROWER(S):

- Refer to [HUD Handbook](#) 4000.1.

CONVERTING EXISTING HOMES:

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

CREDIT:

- Must use representative score. Representative score is defined as the lowest middle score of all Borrowers.
- Minimum FICO is 620 unless otherwise specified.
- **Streamline Refinance:**
 - 680 minimum credit scores (Non-Credit/Credit Qualifying)
 - Full tri-merge with scores required (Non-Credit/Credit Qualifying)
 - Loan must be current and have no 30 day or greater mortgage lates in the most recent 12 months.
 - If the loan is seasoned less than 12 months, evidence:
 - The existing loan has no 30-day or greater mortgage lates since the inception of the loan and
 - No 30-day or greater mortgage lates for any other first mortgage loans associated with the property and borrower(s) in the most recent 12 months.
 - Must have at least six months consecutive payments made.
 - May not currently be in bankruptcy.
- **Non-Traditional Credit** – Ineligible.
- **Rapid Reporting Credit Report** - Ineligible.
- **AUS Approve Purchase** – Mortgage History evaluated by AUS. Mortgage/rental delinquencies will be ineligible with one (1) or more mortgage/rental delinquency of 60, 90, 120, 150 days or greater reported within twelve (12) months of the date of the credit report.

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- **AUS “Refer” Purchase** – “Refer” only allowed due to credit report containing erroneous data and the file must contain third party documentation verifying the information is erroneous.
 - Mortgage/Rental History 0x30 in the last twelve (12) months.
- **AUS Approve Cash-Out** – No late payments in the past twelve (12) months. Refer to **REFINANCE** section.
- **Jumbo** – Loan amounts >\$424,100 require a minimum FICO of 680.
 - Bankruptcy or Foreclosure is not allowed within the most recent seven (7) years.
 - Housing/rental lates not allowed in the last twelve (12) months (includes all mortgages and rent payments).
 - Refer to **MAXIMUM LTV/CLTV** section.
 - Refer to **RATIOS** section.

DISCLOSURES:

- Important Notice to Homebuyers.
- Follow State/Federal Requirements.
- Flood Insurance Coverage Subject to Change Disclosure required on all files.

DOCUMENTATION:

- Standard
- **Asset Verification** – A written VOD cannot be used as standalone documentation. At least one (1) month’s bank statement is required on all loans regardless of AUS decision.
- **Income Verification** – A written VOE cannot be used as standalone documentation. A pay stub with thirty (30) days year-to-date income and W2 is required on all loans regardless of AUS decision.
 - Tax Return Transcripts are required for at least one (1) year. If an AUS response requests more than the additional transcripts are required.
 - The Official Tax Return Transcript is required on each Borrower.
 - The Official Tax Return Transcript is required even if tax returns are NOT required for loan qualification.
- W-2 transcripts in lieu of actual W-2 forms from W-2 borrowers only – Not eligible if rental, self employment or other sources of income/expense is known.
- For W2 Borrowers a Verbal Verification of Employment (VVOE) must be included in the file within 10 calendar days of the Note. For Self-Employed Borrowers a CPA Letter or business license lookup via a government website must be provided.
- If tax returns are required for transaction, tax returns must be signed.
- **Mortgage Credit Certificate (MCC)** – Ineligible source of income.
- **CASH-OUT:**
 - Verification of Employment.
 - Most recent pay stubs covering thirty (30) consecutive days
 - OR**
 - Telephone Verification of Employment.
 - Most recent pay stubs covering thirty (30) consecutive days.
 - Two (2) years W2s.
 - IRS form 4506T.
 - The following are required when funds are needed to close:
 - Verification of Deposit.
 - Most recent bank statement.
 - OR**
 - Two (2) months bank statements.
- **Streamline Refinance:**
 - Only Credit Qualifying, IRS 4506T must be executed on all loans prior to closing.
 - Verbal VOE required on all loans.
 - Verification of assets for cash to close required on all loans.

DOWN PAYMENT REQUIRED:

- 3.5% of the sales price.

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DU/LP INFORMATION:

- **ALL** loans must be run through FHA Total Scorecard via Fannie Mae® Desktop Underwriter® (DU™) or Freddie Mac® Loan Prospector® (LP™) and receive an AUS approval. AUS “Refer” only allowed due to credit report containing erroneous data and the file must contain third party documentation verifying the information is erroneous.
- [FHA Info Messages](#)

ESCROW HOLDBACKS:

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

ESCROW WAIVERS:

- Not Permitted.

FINANCING CONCESSIONS:

- N/A.

GEOGRAPHIC RESTRICTIONS:

- **California** – San Bernardino and Riverside counties ineligible.
- **Florida** – Broward, Miami-Dade and Monroe county ineligible.
- **Nevada** – Ineligible.
- **Texas** – Cash-out refinances not permitted. Borrower cannot receive any cash back.
- **West Virginia** – Loan amounts are prohibited where the value is less than the combined loan amount. Therefore, LTV/CLTVs cannot exceed 100%.

GIFTS:

- FHA approved mortgagees that seek FHA mortgage insurance on loans secured by single family houses, on which down payment assistance has been provided to the Borrower in the form of gifts, are required to determine that the gifts are from sources acceptable to FHA.
 - HUD-4000.1 provides that the donor of any such gift must be the Borrower’s relative, the Borrower’s employer or labor union, a charitable organization, a governmental agency or public entity that has a program to provide homeownership assistance to low and moderate income families or first-time homebuyers, or a close friend with a clearly defined and documented interest in the Borrower.
- **Down Payment Assistance Programs (DPA’s)** – Ineligible.
- Gifts of cash are not acceptable.

LIMITATIONS ON REAL ESTATE OWNED:

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

MORTGAGE INSURANCE:

- Follow current Published FHA UFMIP and MIP structures.
- www.hud.gov
- **Note:** There will no reduction of the upfront mortgage insurance premium for first time homebuyers who complete HUD approved pre-purchase counseling.

MORTGAGE INSURERS APPROVED:

- N/A.

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OCCUPANCY:

- Owner occupied.
- Second Home and Investment.
 - Eligible for streamline refinances only.

POWER OF ATTORNEY:

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

PREPAYMENT PENALTY:

- N/A.

PROPERTY TYPES ELIGIBLE:

- 1-4** Units.
- Planned Unit Development (PUD).
- Condos:
 - Must be on FHA approved list.
 - Provide printout from the FHA Connection showing Condo appears on the approved list.
 - Be approved prior to issuance of the FHA Case Number.
 - Meet all eligibility standards at time of initial project approval.
 - Continue to meet eligibility guidelines.
 - Note:** Approved Condos remain on the FHA-Approved Condo list for two (2) years.
 - Documents that contain a "Right of First Refusal" are not allowed.
 - Lender Certification for Individual Unit Financing for HUD REO properties.
 - Site Condos do not require project approval.
- Modular Pre-Cut/Panelized Housing.
 - ** 3-4 Unit Properties:
 - Occupancy Declaration to be included in the loan file.
 - Net rents from all units (including primary unit) must be equal to or exceed mortgage payment (Net rent is calculated using the allowable vacancy factor for the applicable FHA HOC).
 - If the Appraiser uses the URAR (1004) the Gross Rent Multiplier Form must be completed. See HOC Reference Guide <http://archives.hud.gov/offices/hsg/sfh/ref/sfh1-03.cfm>
- REOs.
- **HUD REPOS:**
 - Contact Secondary Marketing for price adjustments.
 - Refer to **CREDIT** section.
 - Owner-Occupied.
 - Adhere to all HUD guidelines pertaining to HUD Repos.
 - Utilize HUD Form 9548 as the Sales Contract.
- **HUD ANTI-FLIPPING REQUIREMENTS**
 - Must comply with [HUD 4000.1](#) - when property resale date is between 91 and 180 days following the acquisition of the property by the seller and the resale price is 100% or more over the price paid by the seller when the property was acquired.
 - The second full FHA appraisal must be obtained.

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PROPERTY TYPES INELIGIBLE:

- Co-Ops.
- Manufactured Homes.
- Unacceptable Title / Deed Restrictions (Marital Rights, Age Restricted Ownership, Reversion to Seller Clauses, Life Estates)
- Leasehold Properties on any Property Type.
- Condominiums pending litigation.
- LLC.
- Partnership, limited partnership or corporate Shared Equity Loans.
- Test Cases.
- Energy efficient mortgages.
- Loans secured by properties located in Non-Participating Communities or Coastal Barrier Resource Systems Areas.
- 2-4 Unit Properties in New Jersey.
- Section 247 – Hawaiian Home Lands.

RATIOS:

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

REFINANCES:

- **PROPERTIES LISTED FOR SALE:**
 - **All Transactions** - Follow HUD guidelines (One (1) day off the market).
- **CASH-OUT REFINANCES:**
 - 85% maximum LTV/CLTV.
 - Must comply with all HUD/FHA seasoning requirements for Cash out refinances.
 - **If owned <12 months** – 85% LTV/CLTV determined by using the lesser of the appraised value or the original sales price.
 - For mortgages with more than six (6) months and less than 12 months of payment history, the Borrower must have made all payments when due.
 - **Loan amounts >\$424,100** – 85% maximum LTV/CLTV.
 - Loan must be current for the month due. Obtain up to a 12 month or life of loan payment history via Residential Mortgage Credit Report, Tri-merged in-file credit report, cancelled checks or VOM showing payments are current and no 30 day late payments during that period.
 - All Borrowers must credit qualify.
 - **Jumbo** – Refer to **MAXIMUM LTV/CLTV** section
 - **Texas** – Not eligible.
 - Refer to **APPRAISAL REQUIREMENTS** section.
 - Borrower to have made a minimum of six months of mortgage payments on the loan being refinanced.
 - Beginning with the first payment due date, AND
 - The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the mortgage being refinanced.

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• **STREAMLINE REFINANCES**

- **Must comply with all FHA/HUD requirements in addition to any guidelines outlined herein.**
- **Credit Qualifying with an appraisal**
 - Minimum Loan Score: 680 – Tri Merge Credit report required to validate loan score
 - Maximum CLTV: 100%.
 - Partial Claim Notes must be included in the CLTV calculation.
- **Credit Qualifying without an appraisal:**
 - Minimum Loan Score: 680 - Tri Merge Credit report required to validate loan score
 - Maximum CLTV: 100%.
 - Partial Claim Notes must be included in the CLTV calculation.
- Borrower to have made a minimum of six months of mortgage payments on the loan being refinanced.
 - Beginning with the first payment due date, AND
 - The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the mortgage being refinanced.
- **Texas Rate/Term Refinance with RESPA applications 7/1/14 and after:**
 - Unacceptable Practices:
 - Including fees paid outside of closing in the loan amount.
 - Principal Curtailments/reductions.
 - Increasing payoff amounts for the purpose of reducing cash back.

RELOCATION OR TRAILING CO-BORROWER:

- Refer to [HUD Handbook](#) 4000.1.

SALES CONCESSIONS:

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

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SUBORDINATE FINANCING:

- **New Subordinate** - Permitted pursuant to [HUD Handbook 4000.1](#)
 - Permissible secondary financing arrangements include:
 1. Federal, State and Local governmental agencies, and those nonprofit agencies considered instrumentalities of government may provide secondary financing for the Borrower’s entire cash investment requirement. Loans secured by secondary mortgages are subject to the conditions described below:
 - The FHA-insured first mortgage when combined with the second mortgage, as well as any other mortgages, grants, etc. may not result in cash back to the Borrower. The sum of all financing may not exceed 100% of the cost to acquire the property plus any normal prepaid expenses.
 - The required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the Borrower’s reasonable ability to pay.
 - The source, amount and repayment terms must be disclosed in the mortgage application and the Borrower must acknowledge that he or she understands and agrees to the terms.
 2. Nonprofit agencies. Nonprofit agencies that meet the criteria described below and are considered instrumentalities of government may provide secondary financing under the terms outlined in #1 above. Nonprofit agencies that are not considered instrumentalities of government but otherwise meeting the criteria below may provide secondary financing under the same conditions as described in #1 above, provided the Borrower makes a cash investment of at least 3.5% of the cost to acquire the property. The local FHA office must approve the nonprofit agency which must meet the following criteria:
 - Be of the type described in Section 501(c)(3) as exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986; and
 - Have two (2) years’ experience as a provider of housing for low and moderate income persons; and
 - Have a voluntary board with no part of the net earnings of the organization benefiting any member, founder, contributor, or individual.
 - Combined amounts of 1st and 2nd do not exceed the statutory loan limit for the area.
 - The Underwriter must enter the agency’s IRS EIN number, name of the non-profit agency and the amount of the second mortgage in the comment section of the Loan Transmittal. This information is an insuring requirement.
 3. Other organizations and private individuals may provide secondary financing under the following conditions:
 - The combined amounts of the first and second mortgages do not exceed the applicable loan-to-value ratio and the maximum mortgage limit for the area. A minimum 3.5% cash investment from the Borrower is required.
 - The repayment terms of the second mortgage must not provide for a balloon payment before ten years (or other such term acceptable to FHA) unless the property is sold or refinanced, and must permit prepayment by the Borrowers, without penalty, after giving the lender 30 days advance notice.
 - The required monthly payment under both the insured mortgage and second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the Borrower’s reasonable ability to pay. Any periodic payments due on the second mortgage are due monthly and are substantially the same in amount.
 4. Borrowers 60 years of age and older may borrow the required cash investment for purchasing a principal residence provided:
 - The donor or lender is a relative of the Borrower, a close friend with clearly defined interest in the Borrower, the Borrower’s employer, or an institution established for humanitarian or welfare purposes.
 - The donor or lender is not one whose interest is solely in the sale of the property, such as a builder or seller, or any person or organization associated with them.
 - The principal amount of the insured mortgage loan, plus the note or other evidence of indebtedness in connection with the property, may not exceed 100% of the value plus prepaid expenses.
 - The note or other evidence of indebtedness may not bear interest exceeding that of the insured mortgage.
- Borrower may also receive secondary financing from FHA Approved non-profit agencies **not** considered instrumentalities of government provided the Borrower makes a cash investment of at least 3.5% of the sales price.
- **Jumbo** – Allowed up to the maximum FHA LTV calculation. The maximum CLTV = maximum LTV.

WM FHA INSURED FIXED WITH JUMBO OPTION

TITLE REQUIREMENTS:

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

TITLE VESTING:

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

UNDERWRITING SUBMISSION PROCEDURE:

- **All*** Loans must be run through FHA Total Scorecard via Fannie Mae® Desktop Underwriter® (DU™) or Freddie Mac® Loan Prospector® (LP™) and receive an AUS approval. AUS “Refer” only allowed due to credit report containing erroneous data and the file must contain third party documentation verifying the information is erroneous.
 - ***Streamline refinance is a manual underwrite**
- [FHA Info Messages](#)
- **CORRESPONDENT:**
 1. Correspondents must have full D.E. authority to sell FHA loans to WM.
- **Correspondent Non-Delegated** – Refer to [Additional Consideration Section](#) for additional overlays.
- Manual Underwrites – See [Additional Consideration Section](#).