WM Jumbo Non-Conforming Fixed

LOAN PROGRAM:

- Non-Conforming Fixed Rate product.
- Must comply with the more restrictive of this guide or the Fannie Mae Selling guide.
- No exceptions will be made to these product parameters.

LOCK-IN/REGISTRATION:

- ***Available in Optimal Blue.***
  - WM_NonConf_15_Fxd
  - WM_NonConf_30_Fxd

MINIMUM MORTGAGE:

- $453,101 or $1 above the conforming limit for # of units.

MAXIMUM MORTGAGE:

- $2,500,000.
- Max mortgage on 15 year fixed, $2,000,000.

MAXIMUM LTV/CLTV/HCLTV:

- Refer to **EXHIBIT A** attached.
- Refer to **REFINANCE** section **Rate/Term** sub-section.

ADDITIONAL CONSIDERATIONS:

- **NON-ARMS LENGTH TRANSACTIONS**:
  - A non-arms length transaction is any transaction where there is a relationship or business affiliation between the borrower(s) and/or any parties in the transaction. If a direct relationship exists between any of the parties to a transaction, including the borrower/buyer, seller (if applicable), employer, lender, broker, or appraiser, then the transaction will be considered non-arm's length. These types of transactions are ineligible
  - Allowable Exception to Non-arms length Transactions
    - Family sales or transfers
    - Property seller acting as their own real estate agent.
    - Relative of the property seller acting as the seller's real estate agent.
    - Borrower acting as their own real estate agent.
    - Relative of the borrower acting as the borrower's real estate agent.
    - Borrower is the employee of the originating lender and the lender has an established employee loan program.
    - Originator is related to the borrower.
    - Renter buying from landlord – 24 months cancelled checks required to verify satisfactory pay history
- **All applications must comply with Dodd Frank regulations.**
  - **Qualified Mortgage Points and Fee Tests.**
    - Fee itemization must be included in closed loan file.
    - A discount point is considered bona fide if it reduces a consumer's interest rate by an amount that reflects established industry practices, such as secondary mortgage market norms.
    - If a discount point is excluded from points and fees test, all lock information necessary to determine if a discount point charged was bona fide must be provided.
  - **TILA Requirements.**
    - MLO information (NMLS) must be included on the loan application, note, and security instrument.
    - TILA. (MDIA)
      - Truth in Lending Disclosure.
      - Initial and subsequent TIL disclosures will be reviewed for the following:
        - Truth In Lending (TIL) disclosure Complete and Accurate per Reg Z §1026.18.

- Proper and accurate fees included in finance charge calculations per Reg Z §1026.4.
- Notice of Right to Cancel per Reg Z 1026.23.
- TIL Re-Disclosure Requirements.
  - New TIL provided when APR no longer considered accurate. An APR is inaccurate if it varies by more than .125 (Fixed) up or down from the last disclosed APR per Reg Z §1026.22 (a) (2), §1026.22 (a) (4) and §1026.22 (a) (5).

- **Higher Priced Mortgage Loans –** Not eligible. (rebuttable presumption not eligible)
- **High Cost Mortgage Loans –** Not eligible.
- **All disclosure time periods must be met as applicable.**
  - CCR re-disclosures.
  - TIL re-disclosures.
  - Initial disclosures.
  - Initial disclosures to closing date.

AGE OF DOCUMENTS:

- **APPRAISAL:**
  - 120 days for existing property and new construction.
  - Appraisals must be dated 120 days from the Note date. After the 120 day period, a new Appraisal will be required; re-certification of value is not acceptable. Refer to **APPRAISAL REQUIREMENTS** section.
- **CREDIT:**
  - Credit documents* must be dated 90 days from the Note date.

  Credit Documents include: Credit Report, Employment Documentation, Income Documentation, and Asset Documentation.
- Refer to **TITLE REQUIREMENTS** section.

APPRAISAL REQUIREMENTS:

- **APPRAISAL REQUIREMENTS:**
- **All appraisals must be reviewed by WM Collateral Review department.**
- **Purchase (First Lien Amount):**
  - **≤$2,000,000 –** One (1) Full Appraisal.
  - **>$2,000,000 –** Two* (2) Full Appraisals.
    - For properties purchased by the seller of the property within 90 days of the fully executed purchase contract, additional requirements apply.
      - Second appraisal required.
      - Property seller on the purchase contract is the owner of record.
      - Increases in value should be documented with commentary from the appraiser and recent paired sales.
- **Refinance (First Lien Amount):**
  - **≤$1,500,000 –** One (1) Full Appraisal.
  - **>$1,500,000 –** Two* (2) Full Appraisals.
- When two (2) Appraisals are required, the following apply:
  - Appraisals must be completed by two (2) independent companies.
  - The LTV will be determined by the lower of the two (2) appraised values as long as the lower appraisal supports the value conclusion.
  - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
  - If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.
- Property condition rating must be: C1, C2, C3, or C4.
- Quality of construction rating must be: Q1, Q2, Q3, Q4, or Q5.

- Appraiser must review purchase contract.
- Appraisals must be on the following approved Fannie Mae/Freddie Mac forms: 1004/70, 1025/72, 1073/465 or 2090.
- Drive-by forms 2055, 2095 and 1075 are not allowed.
- Interior photos required.
- Appraisals should not include comparables greater than six (6) months old at the time of underwriting review.
- Personal Property – Refer to **SALES CONCESSION** section.
- Properties with values significantly in excess of the predominant value of the subject property's market area may be ineligible.
- Copy of Appraisers License.
- Copy of the Appraisers current E&O Insurance.
- Transferred appraisals are not eligible.
- Private Road Agreement if applicable.
- Properties currently listed for sale or those that have been listed for sale refer to the **REFINANCE** section.
- **Detached Site Condominium.**
    - At least three closed comparable sales must be detached site condominiums.
    - Subject appraisal contains one (1) comparable from inside the subject project and one (1) comparable from outside the project.
    - The appraiser reflects in the appraisal report, the extent to which the condominium form of ownership has a negative effect on the market value of the subject unit.
- **Properties affected by disasters:**
- The FEMA Declared Disaster Area Policy applies to all areas eligible for Individual and/or Public Assistance due to a federal government disaster declaration.

Effective Date of Disaster Policy.

- The disaster-area policy becomes effective as of the incident period end date for the disaster/event. FEMA publishes the incident period along with the declaration date once the area is presidentially declared. For example, refer to the following dates to understand when property re-inspection requirements apply:
    - Disaster Incident Period:
        - Begin Date: January 15.
        - End Date: January 17.
    - Disaster Declaration Date: February 2.
    - Effective Date for Disaster Procedures: January 17.
- Based on the dates noted in the above example, all appraisals performed on or before January 17 would require the appropriate re-inspection or review. Appraisals performed after January 17 would continue to require written certification by the appraiser that indicated whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage needs to be addressed.

Appraisal and Re-Inspection Requirements.

- To ensure the property value has not been impacted by the disaster, a post disaster property re-inspections is required.
- **Appraisal performed on or before disaster incident end date.**
- Property must be re-inspected by the original appraiser or, if not available, another licensed appraiser. The appraiser must provide the following commentary/evidence:
    - Property is free from damage and the disaster had no affect on value or marketability.
    - If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post disaster inspection report, with photos of interior, exterior, and neighborhood.
- **Standard Appraisal Performed After Incident Period End Date for Disaster.**
- Appraisal must include written certification by the appraiser that:
    - Property is free from damage and the disaster had no affect on value or marketability.
    - If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos of interior and exterior. .
- Please note that FEMA makes updates to their state lists, so Sellers should closely monitor FEMA's online reference at http://www.fema.gov/news/disasters.fema.

ARM INDEX:

- **NA**

ARM INITIAL INTEREST RATE CAPS:

- **NA**

ARM INTEREST RATE CEILING:

- **NA**

ARM INTEREST RATE FLOOR:

- **NA**

ARM MARGIN:

- **NA**

ARM RATE ADJUSTMENT:

- **NA**

ASSUMABILITY:

- NA

BORROWERS ELIGIBILITY:

- **U.S. Citizens** – Valid Social Security Number.
- All borrowers must have valid SSN.
- **Permanent Resident Aliens**:
  - Must have a social security number and evidence of lawful permanent residence status including a non-conditional I-551 Alien Registration Card (or Green Card).
  - Must be employed in the U.S. for the past twenty four (24) months.
  - Demonstrate that income and employment is likely to continue for at least three (3) years.
- **<u>Non-permanent resident alien eligible if they meet following requirements:</u>**
  - ➢ 30 Year Fixed Rate only
  - ➢ Primary Residence Only
  - ➢ Maximum LTV, CLTV, HCLTV 75%
  - ➢ No other real estate ownership in the United States.
  - ➢ Unexpired passport from the country of citizenship containing INS form I-94 which must be stamped Employment Authorized.
  - ➢ An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker (form I-140) in file
  - ➢ Unexpired H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity.
  - ➢ Credit trade line requirements must be met; no exceptions
  - ➢ Employment history and income verification and validation requirements must be met; no exceptions
  - ➢ Borrower must have a current 24 month employment history in the US.
- **First-Time Homebuyers** – is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply.
  - Maximum loan amount is $1,000,000.
  - For transactions located in CA, NJ, NY or CT, loan amounts over $1,000,000 and up to $1,500,000 are allowed if the following requirements are met.
    - ▪ 720 Minimum FICO Score,
    - ▪ No gift funds allowed,
    - ▪ Primary residence only,

        - Reserve requirements met for FTHB as specified in the Asset section,
        - Maximum 80% LTV/CLTV/HCLTV.
- **<u>Inter Vivos Revocable Trust</u>**:
    - Owner Occupied Single Unit Residence (including condominium and PUD).
    - Second Home.
    - See **TITLE VESTING.**

BORROWERS INELIGIBLE:

- Foreign Nationals.
- Illinois Land Trust.
- Any other land trust
- Blind trusts.
- Diplomats.
- Irrevocable Trusts.
- Limited Partnerships, General Partners, Corporations.
- Borrowers with only an ITIN (Individual Taxpayer Identification Number).
- Borrowers without credit score.
- Loans with title or interest held in various forms/legal entities such as life estates, nonrevocable. trust, guardianships, conservatorships, LLC's, corporations or partnerships.

BUYDOWNS:

- Not permitted.

CASH RESERVES:

- Beyond the minimum reserve requirements and in an effort to fully support the Borrower's ability to meet their obligations, Borrowers should disclose and verify all other liquid assets.
    - Two (2) months asset statements required.
    - Business accounts are not eligible to help meet reserve requirements.
    - Refer to **DOCUMENTATION** section.
- **First-Time Homebuyers (Borrowers who have not owned a property in the last three (3) years)**
    - Loan Amount ≤ $1,000,000 with LTV ≤ 80% LTV – Twelve (12) months PITIA.
    - Loan Amount ≤ $1,000,000 with LTV > 80% LTV – Eighteen (18) months PITIA.
    - Loan Amount > $1,000,000 to $1,500,000 – Fifteen (15) months PITIA.
- All additional financed properties require an additional six (6) months PITI reserves for each property.
- **Retirement Accounts** – Refer to **DOCUMENTATION** section.
- **<u>OWNER-OCCUPIED SUBJECT PROPERTY:</u>**
    - ≤ $1,000,000 – with LTV ≤ 80% Six (6) months PITIA.
    - ≤ $1,000,000 – with LTV > 80% Twelve (12) months PITIA.
    - $1,000,001 to ≤$1,500,000 – Nine (9) months PITIA.
    - $1,500,001 to ≤$2,000,000 – Twelve (12) months PITIA.
    - $2,000,001 to ≤$2,500,000 – Twenty-Four (24) months PITIA.
- **<u>SECOND HOME SUBJECT PROPERTY:</u>**
    - ≤ $1,000,000 – Twelve (12) months PITIA.
    - $1,000,001 to ≤$1,500,000 – Eighteen (18) months PITIA.
    - $1,500,001 to ≤$2,000,000 – Twenty-Four (24) months PITIA.
    - $2,000,001 to ≤$2,500,000 – Thirty-Six (36) months PITIA.
- **<u>INVESTMENT SUBJECT PROPERTY:</u>**
    - ≤ $1,000,000 – Eighteen (18) months PITIA.

CLOSING:

- **Fixed**:
  - FNMA/FHLMC Multi-State Fixed Rate Note form 3200 or appropriate State specific equivalent.
- **All Loans**:
  - FNMA/FHLMC Uniform Mortgage/Deed Of Trust for applicable State.
  - FNMA Multi-State Second Home Rider Form 3890 (if applicable).
  - FNMA Multi-State Condo Rider (if applicable).
  - FNMA Multi-State PUD Rider (if applicable).
  - FNMA One to Four Family Rider (if applicable).
  - 4506T signed and dated at closing.
  - Refer to the **APPRAISAL REQUIREMENTS** section for Appraisals Completed After An Area Has Been Declared A Disaster Area.
  - **Points & Fees Limitation** – All Documentation and Property Types-Certain types of points and fees are counted against the 5 percent (%) / $1000 limitation. The agencies have clarified that those points or fees are counted against the limitation regardless of the party paying the fee.
- Section 32 loans not eligible.
- High Cost or Higher priced mortgage loan are not eligible.
- A Rebuttable presumption qualified mortgage is not eligible.
- Lost Note Affidavits (LDA) are ineligible.
- Inter Vivos Revocable Trust closing instructions refer to **TITLE VESTING** section.

CO-BORROWER(S):

- Co-Borrowers executing the Note and Security Instrument and taking title to the property are acceptable. A complete credit package is required on each co-Borrower. The co-Borrower's income and obligations are combined with the Borrower's for qualification.
- All borrowers must be listed on title.

CREDIT:

- Minimum FICO of 700/720. Refer to **EXHIBIT A**.
- A minimum of two (2) FICO scores must be obtained for each applicant. If two (2) FICO scores are obtained, take the lower score (representative score). If three (3) FICO scores are obtained, take the middle score (representative score). When there is more than one (1) Borrower, the lowest of all Borrowers' representative score will be used.
- Paying down debt to qualify – Not eligible.
- Paying off debt to qualify allowed – Revolving accounts must be closed.
- **TRADELINE REQUIREMENTS:**
  - Minimum three (3) tradelines are required. The following requirements apply:
    - One (1) tradeline must be open for 24 months and active within the most recent 6 months.
    - Two (2) remaining tradelines must be rated for 12 months and may be opened or closed. OR:
    - Minimum two (2) tradelines are acceptable if the borrower has a satisfactory mortgage rating for at least 12 months (opened or closed) within the last 24 months and one (1) additional open tradeline.
  - Each borrower contributing income for qualifying must meet the minimum tradeline requirements; however borrowers not contributing income for qualifying purposes are not subject to minimum tradeline requirements.
  - Authorized user accounts are not allowed as an acceptable tradeline
  - **Note:** Borrowers not contributing income for qualifying purposes are not subject to the minimum trade line requirement.
- No rent/mortgage lates in the past twenty (24) months, ***no exceptions.*** Applies to all Borrowers on the loan.
- Non-traditional credit ineligible.
- Any derogatory credit must be explained by the Borrower in their own words.
- Payoffs on a refinance transaction must be reflected on the HUD 1 settlement statement.

- HELOCs with a current outstanding balance with no payment reflected on the credit report may have the payment documented with a current billing statement. If a current statement can not be obtained you are to use 1% as the payment. HELOCs with a current $0 balance do not need a payment included in the DTI unless using for down payment or closing costs.
- 30 Day Accounts – Must verify additional liquid assets to cover the entire balance. Note: The liquid assets being applied to cover the 30 day account balance must be deducted from the total liquid assets balance being applied to reserves.
- Any derogatory credit must be explained by the Borrower in their words.
- **Disputed Tradelines**
  - All disputed tradelines must be included in the total expense ratio (Debit-to-Income / DTI) if the account belongs to the borrower(s), unless documentation can be provided that authenticates the dispute.
  - Derogatory accounts must be considered in analyzing the borrower(s) willingness to repay debt. However; if a disputed account has a zero balance, and no late payments, it can be disregarded.
- **Credit Inquiries –** Underwriter / Processor must review the section of the Borrower's credit report that indicates the presence of creditor inquiries to determine the number and recency of the inquiries.
  - When the credit report indicates that recent inquiries took place within 120 days of the credit report date, the Underwriter must confirm that the Borrower has not obtained any additional credit that is not reflected in the credit report or the mortgage application. In these instances the Borrower must explain the reason for the credit inquiry. If additional credit was obtained, a verification of that debt must be provided and the Borrower must be qualified with the monthly payment.
  - Confirmation of no new debt may be in the form, but is not inclusive of, a new credit report, pre-close credit or gap credit report.
  - **Applying the Re-underwriting Criteria -** The following steps are required if the Borrower discloses or the Underwriter / Processor discovers additional debt(s) or reduced income after the underwriting decision was made up to and concurrent with loan closing:

STEP	DESCRIPTION
1	Underwriter / Processor must document the additional debt(s) and reduced income and apply those changes to the loan to confirm loan eligibility.
2	If there is new subordinate debt on the subject property, the mortgage loan must be re-underwritten.
3	The final loan application signed by the Borrower must include all income and debts verified, disclosed, or identified during the mortgage process.

- **Collections**
  - Collections, tax liens or open judgments are permitted provided the account(s) is (are) paid off prior to closing. Payoff must come from the Borrowers own funds.
  - Medical collections – allowed to remain outstanding as long as the balance is less than $10,000 in aggregate.
- **Outstanding judgments/Tax liens/Charge-Offs/Past-Due Accounts**
  - Tax liens, judgments, charge-offs and past due accounts must be satisfied or brought current prior to or at loan closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts.
  - Payment plans on prior year tax liens/liabilities are not allowed.
- **Mortgage History Requirements**:
  - If the borrower(s) has a mortgage in the most recent twenty-four (24) months, a VOM must be obtained reflecting 0x30 in the last twenty-four (24) months. Applies to all borrowers on the loan.
    - The Verification of Mortgage (VOM) form must provide a 24 month history.
    - If the mortgage is verified by the credit bureau, it must specifically state that a minimum of 24 months has been reviewed.
  - If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required.

- Rental History Requirements:
  - If the borrower(s) has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0x30 in the last twelve (12) months. Applies to all borrowers on the loan.
  - If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise if not related or a party to the transaction a satisfactory VOR can be provided.
- **Derogatory Credit**:
  - Bankruptcy, Chapter 7, 11, 13 – Seven (7) years since discharge / dismissal date.
  - Foreclosure – Seven (7) years since completion date.
  - Notice of Default – Seven (7) years.
  - Short Sale/Deed-in-Lieu – Seven (7) years since completion / sale date.
  - Mortgage accounts that were settled for less, negotiated or short payoffs – Seven (7) years since settlement date.
  - Loan Modification –
    - Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply.
    - If the modification was due to hardship or included debt forgiveness – Seven (7) years since modification.
  - Multiple derogatory credit events not allowed.
- All mortgages must be directly verified or listed on the credit report:
- If no ratings are provided from either source, the payment history may be documented by 24 months of canceled checks, front and back, or a 24 month payment record from the mortgage servicer.
- Credit reports with bureaus identified as frozen are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

DISCLOSURES:

- Homeownership Counseling Disclosure is required for all applications.
- Borrower must be provided a disclosure advising them of their right to receive a copy of their appraisals. Follow standard Wintrust Mortgage policy for valuation delivery to borrowers.

DOCUMENTATION:

- Full income and asset verification is required. In an effort to fully support the Borrower's ability to meet their obligations, Borrowers should disclose and verify all liquid assets (in addition to minimums required specifically by the program).

- **Asset Documentation Requirements:**
- If needed for closing, verification that funds have been liquidated (if applicable) is required.
  - **Checking & Savings Accounts:**
    - The two (2) most recent, consecutive month's statements for each account are required.
    - Large deposits inconsistent with monthly income or other deposits must be verified.
  - **Marketable Securities:**
    - Two (2) most recent, consecutive months stock/securities account statements are required.
    - 70% of stock accounts value can be considered in the calculation of assets available for closing and reserves.
    - Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
  - **Earnest Money Deposits:**
    - Earnest money deposit must be sourced and verified on all loans.
  - **Retirement Accounts:**
    - Most recent retirement account statement covering a minimum two (2) month period.
    - Evidence of liquidation is required when funds are used for down payment or closing costs.
    - 60% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves.

- Documentation of terms of withdrawal confirming the borrower has unrestricted access to the vested balance of the account.
- Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves.
  - Hardship withdraw due to avoid foreclosure allowed. If a dollar amount is capped under this hardship situation that cap must be factored in.

- **Business Funds:**
  - Business funds may be used for down payment / closing costs and reserves with additional requirement met. In order to use business funds, a cash flow analysis is required using 3 months business bank statements to determine no negative impact to business based on withdrawal of funds:
    - The Borrower has access to the funds.
    - Business bank statements must not reflect any NSFs (non-sufficient funds) or overdrafts.
    - The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%)
  - Business funds for reserves or a combination of personal/business funds for reserves will require the total amount of reserves to be 2X or double the regular requirement for the subject property and any additional financed REO.

- **Ineligible Assets:**
  - Pooled funds.
  - Builder profits.
  - Cash on hand.
  - Unsecured loans.
  - No employer assistance.
  - Grant funds.
  - Sale of an asset other than real property or publicly traded securities.
  - See **DOWN PAYMENT REQUIRED.**

- **INCOME:**
- **Income analysis forms required for all files.**
  - Multiple income sources must be shown separately, not in aggregate.
- **The following is required to establish stability of employment and income for the Borrower(s) whose income is used to qualify:**
  - Stable monthly income is the Borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the Borrower, the Seller must determine that both the source and the amount of the income are stable. A two-year history of receiving income is required in order for the income to be considered stable and used for qualifying. When the Borrower has less than a two-year history of receiving income, the Seller must provide a written analysis to justify the determination that the income that is used to qualify the Borrower is stable. While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.
  - A minimum of two (2) years employment and income history. Gaps in employment in excess of thirty (30) days during the past two (2) years require a satisfactory letter of explanation and the Borrower must be employed with their current employer for a minimum of six (6) months to qualify.
  - For a Borrower who has less than a two-year employment and income history, the Borrower's income may be qualifying income if the Mortgage file contains documentation to support that the Borrower was either attending school or in a training program immediately prior to their current employment history. School transcripts must be provided to document.
  - Income Trending – YTD income amount must be compared to prior years' earning using the borrower's W2s or signed federal income tax returns.
    - If the trend in the amount of income is stable or increasing, the income amount should be averaged.
    - If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used.
    - If the trend is declining, the income is not eligible.
  - All borrowers must be qualified using current verifiable income, not projected income.

- Income may not be used for qualification purposes if it comes from any source that cannot be verified, is not stable, or will not continue.
- For Borrowers of retirement age using asset distribution for income, refer to **Fixed Income** below.
- **IRS Form 4506-T / Tax Transcripts:**
  - A completed, signed, and dated IRS form 4506-T must be completed for all Borrowers at closing whose income is used to qualify for the mortgage.
  - The 4506-T must be processed and tax transcripts obtained (for each year requested) to validate all income used for qualifying.
  - Tax transcripts must match documentation in the file.
  - In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found." In these cases, an additional prior year's tax transcript should be obtained and provided. Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis.
  - **Pay Stubs** - The pay stub must meet the following requirements:
    - Clearly identify the Borrower as the employee.
    - Show the Borrower's most recent 30 days paystubs and year-to-date earnings.
    - If the Borrower is paid hourly, the number of hours must be shown on the pay stub.
    - Pay stubs must be computer generated.
      - Pay stubs issued electronically via email or downloaded from the Internet must show the URL address, date and time printed, and identifying information on place of origin and/or author of the documentation.
  - **W-2 Forms** – Must be complete and be a copy provided by the employer.
  - **Verification of Employment (VOE), Verbal VOE (VVOE) or Self-Employed Confirmation:**
  - A ***Written Verification of Employment (VOE)*** may be required for a Borrower's income sourced from commissions, bonus, overtime, or other income when the income detail is not clearly documented on W-2 Forms or paystubs.
  - A ***Verbal Verification of Employment (VVOE)*** confirming the Borrower's employment status is required for all Borrowers whose income is used for qualification purposes. The VVOE must be completed within ten (10) business days before the Note date (or funding date for escrow States) for wage income. Verification of self-employed businesses by a third-party source is required within thirty (30) calendar days from the Note or funding date.
  - The following standards apply:

  \- ***Written VOE must include***:

  \- Borrower's date of employment.
  \- Borrower's employment status and job title.
  \- Name, phone number and title of person completing the VOE.
  \- Name of employer.
  \- Base pay amount and frequency.
  \- Additional salary information, which itemizes bonus, commission, overtime, or other variable income, if applicable.
  \- VOE must be mailed directly to the employer, attention of the personnel department. The VOE must be returned to the lender's address.

  \- ***VVOE must contain the following information:***

  \- Date of contact.
  \- Borrower's date of employment.
  \- Borrower's employment status and job title.
  \- Name, phone number, and title of contact person at employer.
  \- Name of employer.
  \- Name and title of person contacting the employer.
  \- Method and source used to obtain the phone number.

- ***Self-Employed Confirmation must include:***
  - Verification of the existence of the Borrower's business from a third party, such as a CPA, regulatory agency, or applicable licensing bureau within 30 days of closing. A Borrower's website is not acceptable as third party verification.
  - Listing and address of the Borrower's business using a telephone book, internet, or directory assistance.
  - Name and title of the person completing the verification.

- **Tax Returns** - The following standards apply when using Income Tax Returns to verify income:
- ***Personal Income Tax Returns***:
  - Must be complete with all schedules. (W-2 forms, 1099 Forms, K-1 schedules, etc.)
  - Signed and dated on or before closing date.
- ***Business Income Tax Returns:***
  - Must be complete with all schedules. (K-1 schedules, Form 1065, etc.)
  - Signed and dated.
- ***For Unfiled Tax Returns for the Prior Year's Tax Return:***
  - Between Jan 1 and the tax filing date (typically April 15), Borrowers must provide:
    - IRS form 1099 and W-2 forms from the previous year.
    - Loans closing in January prior to receipt of W-2s may use the prior year year-end paystub. For Borrowers using 1099s, evidence of receipt of 1099 income must be provided.
  - Between the tax filing date and the extension expiration date (typically October 15), Borrowers must provide (as applicable):
    - Copy of the filed extension.
    - Evidence of payment of any tax liability identified on the federal tax extension form.
    - W-2 forms for corporations.
    - Form 1099 when applicable.
    - Current year profit & loss. (signed by the Borrower)
    - Year-end profit and loss for prior year. (signed by the Borrower)
  - Balance sheet for prior calendar year if self employed.
  - After the extension expiration date, loan is ineligible without prior year tax returns.
- **Income Analysis Form** - The loan file must include an Income Analysis form detailing income calculations. The Fannie Mae® Form 1084 or other equivalent form consistently utilized is acceptable. Income analysis for Borrowers with multiple businesses must show income/(loss) details separately, not in aggregate.
- **Income Documentation Requirements -** Various forms of documentation are required depending on the type of income used to qualify. Income amounts should be averaged for the time period covered. Unless otherwise stated, when declining income has occurred, the most recent twelve (12) months should be used; in certain cases, average income for a longer period may be used when the decline is related to a one-time capital expenditure. Documentation for the capital expenditure must be provided. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and Borrower's ability to repay.

The following income documentation must be provided for each Borrower whose income is used to qualify:

- **Minimum Documentation Requirements:**
  - Salary:
    - Pay Stub - 1 full month with YTD earnings.
    - W-2's and/or 1099's - prior two (2) years for all borrowers.
  - Self Employed:
    - 1040's - prior two years, including all pages, schedules, statements.
    - Year to date Profit and Loss Statements and Balance Sheets are required for all self-employed borrowers. (in addition to two years of tax returns)
    - K-1's on all corporations and Schedule E business entities prior two years.
    - Business returns on all Corporations and Schedule E business entities prior two years if ownership is > 25%, including all pages, schedules, statements.

   - 1120S, 1120 and 1065's – prior two (2) years if General Partner and/or percentage of ownership is > 25%, including all pages, schedules, statements.

- **Salary:**
  - An earnings trend must be established and documented. Large increases in Salary over the previous two years must be explained and documented.
  - W-2 forms or personal tax returns, including all schedules, for prior two (2) years.
  - Year-to-date pay stub up through and including the most current pay period at the time of application and not earlier than 90 days prior to the Note date.
  - If Borrower is claiming overtime pay, it must be shown on the YTD pay stub. 24 month average from same employer is required.
  - Hourly and Variable Income:
    - An earnings trend must be established and documented. Stable to increasing income should be average over a minimum two year period. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying.
    - W-2 forms or personal tax returns, including all schedules, for prior two years.
    - Year-to-date pay stub up through and including the most current pay period at the time of application.
  - Part Time Income:
    - Borrower must have worked the part time job uninterrupted for the past two years, and plans to continue. If the part time income shows a continual decline, a written sound rationalization for using the income to qualify must be provided, or income should not be used.
    - W-2 forms for prior two years.
    - Year to date pay up through and including the most current pay period at time of application.
- **2106 Expenses:**
  - Employee business expenses must be deducted from the adjusted gross income.
- **Alimony, Child Support, & Separate Maintenance Income:**
  - Will be considered with a divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least three (3) years. If the income is the Borrower's primary income source and there is a defined expiration date (even if beyond three (3) years), the income may not be acceptable for qualifying purposes.
  - Documentation evidencing that the Borrower has been receiving full, regular, and timely payments for the past 12 months.
  - Refer to **Non-Taxable Income** section below for child support income treatment.
- **Bonus and Overtime:**
  - An earnings trend for bonus and overtime must be established and documented. A period of more than two years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. If either type of income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used.
  - W2 forms and personal tax returns, including all schedules for prior two years.
  - Year to date pay stub up through and including the most current pay period at the time of application. 24 month average from same employer is required.
- **Commission:**
  - W-2 forms for prior two (2) years.
  - Tax returns, including all schedules from the previous two (2) years.
  - Year-to-date pay stub up through and including the most current pay period at the time of application and not earlier than 90 days prior to the Note date. 24 month average from same employer is required,
  - Unreimbursed business expenses (form 2106) must be subtracted from income.
- **Capital Gains**
  - Must be gains from similar assets for three (3) continuous years to be considered qualifying income.
  - If the trend results in a gain it may be added as income.

- ♦ If the trend results in a loss, the loss must be deducted from total income.
- ♦ Personal tax returns – three (3) years with a consistent history of gains from similar assets.
- ♦ Document assets similar to the assets reported as capital gains to support the continuations of the capital gain income.

- **Dividend / Interest:**
  - Interest and dividend income may be used as long as documentation supports a two year history of receipt.
    - Tax returns for the prior two (2) years.
    - Proof of assets to support the continuation of interest and dividend income.
    - 24 month average.
- **Military Income:**
  - Most recent YTD leave and earning statement ("LES") documenting at least thirty (30) days of income; and
  - If military personnel are within twelve (12) months of release from active duty or at the end of a contract term, additional documentation must be obtained in the form of one of the following:
    - Documentation that the borrower has re-enlisted or extended the period of active duty to a date beyond the twelve (12) month period following the mortgage loan closing date;
    - Verification of civilian employment following the release from active duty to include pertinent data such as job positon, state date, pay rate, probability of continued employment, etc; and
    - A statement from the borrower indicating their intention to re-enlist or extend active duty to a date beyond the twelve (12) month period following the mortgage loan closing date and a statement from the borrower's commanding officer confirming that the borrower is eligible to re-enlist or extend active duty as indicated and affirming that there is no reason to believe that such re-enlistment or extension of active duty will not be granted.
- **Non-Taxable Income Including Child Support, Disability, Foster Care, Etc.:**
  - Documentation must be provided to support continuation of income for a minimum of three (3) years.
  - Income may be grossed up by 125% for income qualification purposes.
    - The amount of continuing tax savings attributed to regular income not subject to Federal taxes may be added to the borrower's gross income.
    - The percentage of non-taxable income that may be added cannot exceed the appropriate tax rate for the income amount. Additional allowances for dependents are not acceptable.
    - Documentation Requirements:
      - must document and support the amount of income grossed- up for any nontaxable income source, and
      - should use the same tax rate the borrower used to calculate his/her income tax from the previous year.
    - Note: If the borrower is not required to file a Federal tax return, the tax rate to use is 25%.
- **Note Income:**
  - A copy of the Note must document the amount, frequency and duration of payments.
  - Regular receipt of note income for the past twelve (12) months must be documented, and evidence of note Income must be reflected on tax returns.
  - Verification that income is expected to continue for a minimum of three (3) years.
- **Self-Employed:**
  - See **MINIMUM DOCUMENTATION REQUIREMENTS** on page 11.
  - Self-employed Borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income. Borrowers who are employed by a family member are considered to be self-employed, regardless of the percentage of ownership, and self-employed documentation is required. Potential ownership by the Borrower must be addressed.
  - **Sole Proprietorship:**
    - Year to date through current Quarter P&L.
    - Balance Sheet.
    - Personal tax returns, including all schedules, for prior two years.

    - Refer to **Tax Returns** section above for additional requirements for unfiled prior year returns.
  - **Partnership (General, Limited) Limited Liability Companies, "S" Corporations:**
    - Year to date through Current Quarter P&L.
    - Balance Sheet.
    - Personal tax returns, including all schedules, for prior two (2) years.
    - K-1s from prior two (2) years, showing ownership percentage. K-1s are not required if the source is reporting positive income and the income is not used for qualification. If K-1s show a loss, they are required, regardless if they are used for qualifying purposes. If using capital gains, interest/dividend or W-2 income from this source is used, K-1s are required.
    - Business tax returns (1065/1120), including all schedules, for the prior two (2) years are required if the Borrower has an ownership percentage ≥ 25%; they are not required if reporting positive income via a K-1, and the income is not used for qualification purposes.
    - Refer to **Tax Returns** section above for additional requirements for unfiled prior year returns.
- Business tax returns and year to date P & L and Balance sheet are not required if the positive self-employment income is not used as qualifying income; if there is a loss, regardless of the amount, business tax returns and year-to-date P & L and Balance Sheet are required.
- **Rental (All Properties):**
  - Current Lease for each rental property, including commercial properties listed in part 1 of Schedule E of the 1040s.
  - Current leases. Month-to-month leases not allowed.
  - Personal tax returns, including all schedules, prior 2 years.
  - Refer to Tax Returns section above for additional requirements for unfiled prior year returns.
  - For properties listed on Schedule E of the Borrower's tax returns, net rental income should be calculated as ((Rents Received – Total Expenses) + depreciation + interest + taxes + insurance + HOA (if any)) divided by applicable months minus current PITI.
    - If the subject property is the Borrower's Primary Residence (one (1) unit property or one (1) unit property with an accessory unit) and generating rental income, the full PITI must be included in the Borrower's total monthly obligations.
    - If the subject property is the borrower's primary residence with two (2) units, rental income may be included for the unit not occupied by the borrower as long as the requirements for a lease agreement and/or tax returns are met.
  - Rental income must be average for 24 months, free of unexplained gaps > 3 months.
  - Net rental income must be added to the Borrower's total monthly income. Net rental losses must be added to the Borrower's total monthly obligations.
  - If rental income is not available on the Borrower's tax returns, a current executed lease agreement is required (only if the property is not listed on Schedule E because it was acquired subsequent to filing tax returns).
    - Net rental income should be calculated as the gross monthly rent multiplied by 75%.
    - Subtract PITI and any association dues; and
    - Apply the resulting amount to income, if positive, or recurring debts, if negative.
  - Owner occupied 2-4 unit subject property rent loss insurance sufficient to cover 6 months is required.
  - When a borrower vacates a principal residence (departure residence) in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis under the following circumstances:
    - Borrower must have documented equity in departure residence of 25%.
    - Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction OR
    - Documented equity may be evidenced by the original sales price and the current unpaid principle balance.
    - Copy of current lease agreement.
    - Copy of security deposit and evidence of deposit to borrower's account.

- **Retirement Income (Pension, Annuity, and IRA Distributions), Asset Depletion / Dissipation:**
    - Fixed income payments such as social security or pension income can be used at full value/distribution and may not be considered in any annuitization calculation.
    - Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of three (3) years.
        - Verification of the assets of the plan and verification of receipt of the distribution of at least six (6) months is required,
        - Note: Distributions from asset accounts cannot be set up, or changed, solely for loan qualification purposes.
    - Pension – Two (2) months bank statements evidencing pension income and complete most recent two (2) year's signed and dated individual federal income tax return or 1099s.
    - Asset Depletion – Not Eligible.
- **Stock Options & Restricted Stock Grants:**
    - May only be used as qualifying income if the income has been consistently received for 2 years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of three (3) years at a similar level as prior 2 years.
    - A two year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the 52 week low for the most recent 12 months reporting at the time of closing. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.
    - Additional awards must be similar to the qualifying income and awarded on a consistent basis.
    - Borrower must be currently employed by the employer issuing the RSUs/stock options in order for the RSUs/stock options to be considered in qualifying income.
    - Vested restricted stock units and stock options (vested) cannot be used for reserves if using for income to qualify.
- **Social Security:**
    - Social Security income must be verified by a Social Security Administration benefit verification letter. If benefits expire within the first three (3) years of the loan, the income may not be used.
    - Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years.
- **Social Security Disability Income:**
    - Letter of explanation supporting how seller determined the likelihood the income will continue for the next three (3) years;
    - Copy of the award letter:
    - Two (2) months bank statements evidencing SSDI deposits; and
    - Complete most recent (2) year's signed and dated individual federal income tax returns or 1099s.
- **Trust:**
    - Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years.
    - Regular receipt of trust income for the past twenty-four (24) months must be documented.
    - A copy of the Trust Agreement or Trustee Statement showing:
        - Total amount of Borrower-designated trust funds.
        - Terms of payment.
        - Duration of trust.
        - Two (2) months asset statements for the source of the trust income.
        - Evidence the trust is irrevocable
    - If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income.

- **Unacceptable Income:**
  - Any unverified source.
  - Deferred Compensation.
  - Income that is temporary or a one time occurrence.
  - Rental income received from the borrower's single family primary residence or second homes.
  - Retained earnings.
  - Education benefits.
  - Trailing co-borrower income.
  - Foreign Income.
  - Asset Depletion.
  - Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying.
    - Foreign shell banks
    - Medical marijuana dispensaries
    - Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
    - Businesses engaged in any type of internet gambling.
  - Education benefits

- If the 1003, title commitment or credit documents indicate the borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral.

DOWN PAYMENT REQUIRED:

- 5% from the borrower's own funds regardless of LTV.
- **Business Funds** – Eligible for down payment and closing costs as long as the Borrower has sufficient personal funds to cover the reserve amount. Refer to the CASH RESERVES section and DOCUMENTATION section.
- **Down Payment Assistance** – Not eligible.
- **Employer Assistance** –Not eligible.

DU/LP INFORMATION:

- Manual underwriting on all loans, however DU findings are required, with Approved/Ineligible for loan amount only. Approve/Eligible is allowed for loans that would be eligible for FNMA High Balance.
- DU loan findings must be included in the file.

ESCROW HOLDBACKS:

- Not allowed

ESCROW WAIVERS:

- Escrow Waivers are permitted for 80% or less LTV's. Contact Secondary at corrsecondary@wintrustmortgage.com for price adjustments, if any.

GEOGRAPHIC RESTRICTIONS:

- California – All counties eligible except San Bernardino & Riverside counties.
- Nevada – Ineligible.
- Florida – Broward, Miami-Dade and Monroe county ineligible.
- New York – CEMA ineligible.
- Hawaii – Properties in Lava zones 1 & 2 ineligible.
- Texas – Cash-out refinances ineligible. Borrower cannot receive any cash back.

GIFTS:

- Gift funds allowable for purchase of Primary residence or second home.
- If the Borrower has made their minimum 5% down payment, the remaining down payment may come from gift funds.
  - Gift for LTVs greater than 80% or on investment properties not allowed.
- Gift may come from an immediate family member, spouse, future spouse or domestic partner living with borrower.
- Gifts from relatives that are interested parties to the transaction are not allowed. Real estate agents may apply their commission towards closings costs and/or prepaids as long as the amount are within the interested party contribution limitations.
- Executed gift letter required, verifying amount, donor's name, address, telephone number, and relationship is required.
- Proof of donor's ability to give, and transfer of funds or evidence of receipt must be documented. (Ability – bank statement, cancelled gift check, or fully executed letter from the depository confirming balance)
- Gift funds may not be used to meet reserve requirements.
- Gift of Equity – INELIGIBLE.

INTEREST ONLY OPTION:

- N/A.

LIMITATIONS ON REAL ESTATE OWNED:

- The borrower(s) may own a total of four (4) financed, 1-4 unit residential properties including the subject property and regardless of the occupancy type of the subject property.
- All financed 1-4 units residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply.
- 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage. (regardless of the % of ownership)
- Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation.

MORTGAGE INSURANCE:

- N/A.

MORTGAGE INSURERS APPROVED:

- N/A.

NEW CONSTRUCTION:

- Construction financing not eligible.
- If borrower does not own lot, and property will be "As is" by the time of closing, transaction is eligible as a purchase.
- If paying off interim financing, refer to **Construction-to-Permanent** – Refer to **REFINANCE** section.

NON-OCCUPYING BORROWER:

- Not eligible

OCCUPANCY:

- Primary residence.
- Second home.
  - Must be located a reasonable distance away from the borrower's principal residence.
  - Must be occupied by the borrower for some portion of the year.
  - Must be suitable for year round use.
  - Must be available for the borrower's exclusive use, no rental or time sharing arrangements.
  - Rental income cannot be used to qualify the borrower.

- 1 unit property only.
- If the property is tenant occupied, the property must be vacant at close. No seller rent back.
- Borrower may not own any other second home properties in the same geographic market.

- Investment.

POWER OF ATTORNEY:

- Not eligible with loans closed in a trust.
- Must be a specific POA dated/appointed on or before the execution of any document executed using the POA.
- The security instrument, note and all other closing documents must be signed exactly as appointed on POA.
- Notary section correct including: state, county, date, Borrower name, notary's signature, notary expiration, notary seal.
- **No POA allowed for loans with one Borrower.**
- **At least one (1) Borrower must be present at closing.**

PREPAYMENT PENALTY:

- None.

PROPERTY TYPES ELIGIBLE:

- Single Family.
- 1-2 Units Owner Occupied (Refer to **EXHIBIT A** for specific restrictions).
- 1 Unit Second Homes.
- 1-4 Unit Investment Properties.
- PUD meeting FNMA requirements.
- Condominiums (Low/Mid/High-Rise) Fannie Mae® Warrantable.
  - Must meet Fannie Mae full requirements
  - CPM or PERS certificates allowed
  - Site (detached) Condos eligible with LIMITED REVIEW.
  - Limited review allowed for detached condominiums.
  - Limited review allowed for attached units (including 2-4 unit projects) in established condominium projects as long as the following requirements are met:
    - Primary residence with maximum LTV/CLTV/HCLTV of 80%.
    - Second home with maximum LTV/CLTV/HCLTV of 75%.
    - Limited review requirements per Fannie Mae are met and property is eligible for limited review based on Fannie Mae requirements.
    - Projects located in Arizona, Florida, Nevada, Michigan and Texas are not eligible for limited review.
  - Florida condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions.
- Properties with 40 acres or less
  - For Properties >10 acres up to 40 acres
    - 30 year fixed rate only
    - Maximum 35% land value
    - No income producing attributes
    - Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed for transactions over twenty (20) acres.
- Properties with leased solar panels are eligible and must meet all FNMA solar panel requirements as identified in the FNMA Selling Guide.

PROPERTY TYPES INELIGIBLE:

- Manufactured Homes.
- 3-4 Unit Primary Properties.
- 2-4 Unit Second Home Properties.
- Mobile Homes.
- Model Home Leasebacks.

- Co-Ops.
- Condotels.
- Non-Warrantable Condos.
- Working Farms, Ranches, Orchards.
- Timeshares.
- Mixed use properties.
- Properties listed for sale refer to **REFINANCE** section.
- Income producing properties.
- Properties with more than forty (40) acres.
- Commercial Properties.
- Properties subject to existing oil or gas leases.
- Properties located in Hawaii Lava Zone 1 & 2.
- Properties located in areas where a valid security interest in the property cannot be obtained.
- Any property operated as a hotel.
- Houseboat.
- Segmented Ownership Projects.
- Unique Property in which marketability cannot be established i.e.: Dome, Geothermal, Stilt Home, etc.
- Properties < 600 square feet of living area.
- One of a kind luxury residences.
- Modular Homes.
- Leaseholds.
- Log Homes.
- Reverse 1031 exchange not allowed.
- Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset guidelines.

PURCHASES:

- **Non-Arms Length Transactions:**
  - A non-arms length transaction is any transaction where there is a relationship or business affiliation between the borrower(s) and/or any parties in the transaction. If a direct relationship exists between any of the parties to a transaction, including the borrower/buyer, seller (if applicable), employer, lender, broker, or appraiser, then the transaction will be considered non-arm's length. These types of transactions are ineligible
  - Allowable Exception to Non-arms length Transactions
    - Family sales or transfers
    - Property seller acting as their own real estate agent.
    - Relative of the property seller acting as the seller's real estate agent.
    - Borrower acting as their own real estate agent.
    - Relative of the borrower acting as the borrower's real estate agent.
    - Borrower is the employee of the originating lender and the lender has an established employee loan program.
    - Originator is related to the borrower.
    - Renter buying from landlord – 24 months cancelled checks required to verify satisfactory pay history

QUALIFYING RATE:

- **Fixed** - Note Rate.

RATIOS:

- See Exhibit A.
- Never greater than 43.00%.
- Max 36.00% for >80% LTV.

- The Debt-to-Income ("DTI") ratio is based on the total of existing monthly liabilities plus any planned future liabilities based on credit inquiries or otherwise disclosed by the Borrower, and then divided by the calculated gross monthly income. Liabilities include all housing expenses, revolving debt, installment debts, real estate loans, rent, alimony, child support, and other consistent and recurring expenses.
- Lease payments, regardless of the number of payments remaining must be included in the DTI.
- Installment debts lasting 10 months or more must be included in the DTI.
- Alimony payments may be deducted from income rather than included as a liability in the DTI.
- If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient assets to pay the debt must be documented if the amount due is within 90 days of loan application date.
- **Loans secured by financial assets –** Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI as long as documentation is provided to show the borrower's financial asset as collateral for the loan. Interest payments on margin loans and/or pledged asset loans or lines "are not" eligible for exclusion from the borrower's total liabilities.
- **Student loans** - For all student loans, whether deferred, in forbearance, or in repayment, the monthly payment be included in the borrower's monthly obligation.
  - If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used in qualifying.
  - If the credit report does not provide monthly payment or if it shows $0 as the monthly payment, the monthly payment may be one of the options below:
    - 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment) or
    - A fully amortizing payment using the document loan repayment terms.
- **Contingent Liabilities:**
  - Co-Signed Loans: The monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided for the most recent twelve (12) months and there are no late payments reporting on the account.
  - Court Order: If the obligation to make payments on a debt has been assigned to another person by court order, the payment may be excluded from the DTI if the following documents are provided.
    - Copy of the court order.
    - For mortgage debt, a copy of the document transferring ownership of property.
    - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be taken into account when reviewing the borrower's credit profile.
- **Assumption with no release of liability:**
  - The debt on a previous mortgage may be excluded from DTI with evidence the borrower no longer owns the property. The following requirements apply:
    - Payment history showing the mortgage on the assumed property has been current during the previous 12 months or
    - The value on the property, as established by an appraisal or sales price on the HUD-1 results in an LTV of 75% or less.
- **Departure residence pending sale**
  - In order to exclude the payment for a borrower's primary residence that is pending sale but will close after the subject transaction the following requirements must be met:
    - A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied.
    - The closing date for the departure residence must be within 30 days of the subject transaction note date.
    - 6 months liquid reserves must be verified for the PITIA of the departure residence.

- **Departure residence subject to guaranteed buy out with corporation relocation**:
  - In order to exclude the payment for a borrower's primary residence that is part of a Corporate Relocation the following requirements must be met:
    - Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the 3rd party.
    - Guaranteed buy-out by the 3rd party must occur within 4 months of the fully executed guaranteed buy-out agreement.
    - Evidence of receipt of equity advance if funds will be used for down payment or closing costs.
    - Verification of an additional 6 months PITIA of the departure residence.
- For other properties owned, documentation to confirm the P&I, taxes, insurance, HOA dues, lease payments, or other property-related expenses must be provided.
- **Paying down debt to qualify** – <u>Not eligible.</u>

REFINANCES:

- **<u>PROPERTIES LISTED FOR SALE:</u>**
  - Rate/Term Refinance - Properties listed for sale in the past six (6) months are ineligible for a rate/term refinance.
  - Cash-Out Refinance - Properties listed for sale in the past twelve (12) months are ineligible for cash-out refinance.
- **<u>LTV/CLTV:</u>**
  - If the Borrower has less than twelve (12) months ownership in the property, the LTV/CLTV/HCLTV for a refinance transaction is calculated on the lesser of the purchase price or Appraised value.
  - For homes where capital improvements have been made to the property after purchase, LTV/CLTV/HCLTV can be based on the lesser of the current appraised value or original purchase price plus the documented improvements. Receipts are required to document cost of improvements.
  - If the Borrower has owned the property for twelve (12) months, the LTV/CLTV/HCLTV is based on the Appraised value.
  - Released subordinate liens must be paid off and closed to exclude from CLTV/HCLTV calculation.
- **<u>RATE/TERM REFINANCE:</u>**
  - The new loan amount is limited to the payoff of the present first mortgage, any seasoned non-first lien mortgage, closing costs and prepays.
    - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months. A seasoned equity line is defined as not having any draws greater than $2,000 in the past twelve (12) months. Withdrawal activity must be documented with a transaction history for the line of credit.
  - Cash to the Borrower is limited to the lesser of 1% or $10,000.
  - Inherited properties may not be refinanced prior to twelve (12) months ownership.
- **<u>CASH OUT REFINANCE:</u>**
  - Borrower must have owned property for at least six months prior to the application date unless requirements for delayed purchase refinance are met.
  - Inherited properties may not be refinanced prior to twelve (12) months ownership.
  - Texas Cash-Out refinances are ineligible.
  - A third refinance in < 12 months is not eligible.
  - Must meet continuity of obligation requirements per the FNMA Seller guide.
  - Cash-out refinances of investment properties must contain a letter of explanation regarding the proceeds from the cash-out refinance.
  - For cash out refinance transactions where the borrower is paying off a loan from a pledged asset or retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, the following guidelines apply:
    - Cash out limitation is waived if previous transaction is a purchase.
    - Seasoning requirement for cash out is waived (borrower does not have to have owned property for at least 6 months prior to subject transaction).
    - Funds used to purchase the subject property must be documented and sourced.
    - HUD 1 settlement statement must reflect payoff or pay down of pledged asset loan/retirement account loan, secured loan, unsecured family loan or business asset account; if cash out proceeds exceed payoff of loans, excess cash must meet cash out limits.

  - The purchase must have been arms length.
  - Investment properties are ineligible.

- **CONSTRUCTION TO PERMANENT FINANCING:**
  - ➢ The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a Borrower for the purpose of replacing interim construction financing that the Borrower has obtained to fund the construction of a new residence. The Borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.
    - ▪ Rate & Term and Cash Out Refinance Transactions:
      - For lots owned ≥12 months from application date for subject transaction, LTV, CLTV, HCLTV is based on the current appraised value.
      - For lots owned < 12 months from application date for subject transaction, LTV, CLTV, HLCTV is based on the lesser of the current appraised value of the property or the total acquisition costs. (sum of construction costs and purchase price of lot)
    - ▪ A certificate of occupancy from the applicable government authority is provided. If the applicable government authority does not require a certificate of occupancy, then proof of the absence of this requirement must be provided.
    - ▪ The cash-out amount is limited to the amount as specified Product Matrix plus any documented costs paid for from the borrower's own funds.
    - ▪ The borrower must hold legal title to the lot and be named as the borrower for the construction loan.
    - ▪ Property must be fully completed. The Appraisal and/or Final Inspection (442) must reflect the property value is 'As-Is'.
- **DELAYED PURCHASE REFINANCE:**
  - ➢ Defined as the refinance of a property purchased by the Borrower for cash within 6 months of the current loan's application date, a delayed purchase refinance requires the following:
    - The LTV/CLTV/HCLTV is calculated based on the lesser of the purchase price or Appraised value of the subject property.
    - Underwritten as a rate & term refinance. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.
    - Primary residence and second homes allowed.
    - Original purchase transaction was an arm's-length transaction.
    - Preliminary title search confirms that there are no existing liens on the subject property.
    - HUD-1 from the original purchase. Documentation must show the down payment and closing costs for the purchase were from the Borrower's own funds (no borrowed, gift or shared funds).
    - Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable as long as the following requirements are met:
      - ▪ The borrowed funds are fully documented,
      - ▪ The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction.
    - The new loan amount is 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/LTV//HCLTV) ratios for the transaction).
    - Funds secured by a pledged asset or retirement account are not considered borrower's own funds for the Delayed Purchase Refinance program; see cash out section for additional guidance.

RELOCATION OR TRAILING CO-BORROWER:

- Not permitted.

RIGHT OF OWNERSHIP:

- Fee simple.

SALES CONCESSIONS:

- Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment or contributed to the Borrower's financial reserve requirements.
- Interested party contributions are limited according to the CLTV/HCTLV:

Occupancy	CLTV/HCLTV	Max. Contribution
All	75.01 – 80%	3%
	$\leq$75%	6%

- Primary 80.01% to 85% LTV max contribution 3%.
- All seller concessions must be addressed in the sales contract documents, Appraisal report, and the HUD-1. A seller concession is defined as any interested party contribution beyond the stated limits, in the above section, or any amounts not being used for closing costs or prepaid expenses (i.e. funds for repairs not completed prior to closing is a seller concession). If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV/CLTV/HCLTV.
- **Personal Property** – Any personal property transferred with a property sale must be deemed to have zero (0) transfer value, as indicated by the sales contract and the Appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

SUBORDINATE FINANCING:

- Institutional financing only up to maximum LTV/CLTV/HCLTV. Refer to **EXHIBIT A.**
- Seller subordinate financing not allowed.
- Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio.
- Full disclosure must be made on the existence of subordinate financing and the subordinate financing repayment terms.
  - The following are acceptable subordinate financing types:
    - ➢ Mortgages with regular payments that cover at least the interest due so that negative amortization does not occur.
    - ➢ Mortgage terms that require interest at a market rate.
    - ➢ Subordinate financing that does not fully amortize under a level monthly payment plan, the maturity or balloon payment date must be > 5 years after the note date of the new lien.
- Employer subordinate financing is allowed with the following requirements:
  - o Employer must have an Employee Financing Assistance Program in place.
  - o Employer may require full repayment of the debt if the borrower's employment ceases before the maturity date.
  - o Financing may be structured in any of the following ways:
    - ▪ Fully amortizing level monthly payments.
    - ▪ Deferred payments for some period before changing to fully amortizing payments.
    - ▪ Deferred payments over the entire term.
    - ▪ Forgiveness of debt over time.
    - ▪ Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien.
- Refer to **REFINANCE** section, **Rate/Term Refinance** sub-section.
- LTVs greater than 80% not allowed.

TITLE REQUIREMENTS:

- Full Title Commitment required.
- Title Commitment must be dated 60 days from Note date.
- Amount of Coverage:
  - The amount of title insurance coverage must be ≥ the original principal amount of the mortgage.

- Other Requirements:
  - The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form provides the required coverage).
  - References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted. However, if these forms are used the Seller/Originator must ensure that those amendments do not materially impair protection to the end investor. As an alternative to endorsements, the requisite protections may be incorporated into the policy.
  - Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.
- Applicable Endorsements
  - Different property types (i.e. condos, Co-ops, PUDs) as well as different mortgage types (i.e. leaseholds) may require additional title policy endorsements. It is the Seller's responsibility to ensure that the end investor's lien is protected and therefore each Seller must obtain any endorsements that are necessary to provide that protection.
- Title Exceptions
  - The title to the subject property must be good, marketable, and free and clear of all encumbrances and prior liens. If surveys are not commonly required in particular jurisdictions, then ALTA 9 endorsement is required. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

TITLE VESTING:

- Title must be in the borrower's name at time of application for refinance transactions and at time of closing for all transactions.
- Individual.
- Joint Tenants.
- Tenants in common.
- Inter Vivos Revocable Trust (Living Trust):
  - The Inter Vivos Revocable Trust must be established by one (1) or more natural persons, solely or jointly.
  - The primary beneficiary of the trust must be the individual(s) establishing the trust.
  - If the trust is established jointly, there may be more than one (1) primary beneficiary as long as the income or assets of at least one (1) of the individuals establishing the trust will be used to qualify for the mortgage.
  - The trustee(s) must include:
    - The individual establishing the trust (or at least one (1) of the individuals, if there are two (2) or more).
    - Investor does not allow an institutional trustee.
  - The trustee must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are Borrower(s) under the mortgage or deed of trust note.
  - The mortgage must be underwritten as if the individual establishing the trust (or at least one (1) of the individuals, if there are two (2) or more) were the Borrower (or a Co-Borrower, if there are additional individuals whose income or assets will be used to qualify for the mortgage).
  - **Trust Closing Instructions:**
    - Note
      - Each trustee and each individual establishing an inter vivos revocable trust whose income and assets are used to qualify for the mortgage must separately execute the note and any necessary addendum.
    - Security Instrument
      - The trustee(s) of the inter vivos revocable trust also must execute the security instrument and any applicable rider (if used).
      - Each individual establishing the trust whose income and assets are used to qualify for the mortgage must acknowledge all of the terms and covenants in the security instrument and any necessary rider (if used), and must agree to be bound thereby, by placing his or her signature after a statement of acknowledgment on such documents.
      - Any other party that Fannie Mae requires to sign either the promissory note or the security instrument also must execute the applicable document(s).

- Revocable Trust Rider
  - The use of a revocable trust rider avoids ambiguities for mortgages made to inter vivos revocable trusts by clarifying who is considered to be "the borrower" with respect to any given covenant in the security instrument. If the mortgage is secured by a California property, the seller should use Fannie Mae's sample rider. If the mortgage is secured by property located in another state, the seller should use a rider that has been appropriately modified to reflect the requirements of that state (unless the seller determines that use of Fannie Mae's sample Revocable Trust Rider is appropriate for the specific state).
  - In lieu of a Revocable Trust Rider the Seller may either:
    - amend the security instrument to include appropriate definitions and language similar in substance to Fannie Mae's sample rider, or
    - use the standard security instrument without such an amendment or the rider.
- Hold Harmless
  - For a mortgage secured by a property located in a state other than California, or in the case of a California property where the rider was not used, the Seller must hold RRAC harmless should foreclosure proceedings later have to be initiated to acquire the property and RRAC suffers a loss that relates either to the modifications the Seller made (or the inappropriate use of the FNMA sample rider) or to any ambiguity in the application of the covenants in the security instrument. In such cases, the Seller must either repurchase the mortgage or the acquired property or make RRAC whole.
- Signature Requirements
  - Signature Requirements for Notes and Mortgages involving Inter Vivos Revocable Trusts can be found in the FNMA or FHLMC Seller Guides. These include the form of signature for the trustee(s) and the statement of acknowledgment for each individual establishing the trust whose income or assets are used to qualify for the mortgage.

UNDERWRITING

- **ALL loans must be manually underwritten by designated Wintrust Mortgage underwriters.**
- Program not eligible for delegated underwriting.
- Manual underwriting on all loans, however DU findings are required, with Approved/Ineligible for loan amount only. Approve/Eligible is allowed for loans that would be eligible for FNMA High Balance.
- DU loan findings must be included in the file.
- Refer to the **APPRAISAL REQUIREMENTS**.
- All loans regardless of loan amount require a second (2nd) signature from Wintrust Mortgage Underwriting Manager.
- Unless otherwise noted, the more restrictive of either the Fannie Mae Selling Guide or Appendix Q to part 1026, 12CFR Chapter X – Trust-in-Lending (Regulation Z), should be followed.

WM Jumbo Non-Conforming Fixed

EXHIBIT A:

PRIMARY RESIDENCE: PURCHASE					
Property Type	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount[1]	Minimum Loan Amount[3]	Minimum FICO Score[3]	Maximum DTI[4]
• 1-unit • PUD • Condo	85%[6]	$1,000,000	$453,101 or $1 above the conforming limit for # of units	760	36%
	80%	$1,500,000		720	43%
	70%	$1,000,000		700	43%
	75%	$2,000,000		720	43%
	70%	$2,500,000[2]		720	43%
2-unit	65%	$1,000,000		700	43%
	60%	$1,500,000		720	43%

PRIMARY RESIDENCE: RATE & TERM REFINANCE					
Property Type	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount[1]	Minimum Loan Amount[3]	Minimum FICO Score[3]	Maximum DTI[4]
• 1-unit • PUD • Condo	85%[6]	$1,000,000	$453,101 or $1 above the conforming limit for # of units	760	36%
	80%	$1,500,000		720	43%
	70%	$1,000,000		700	43%
	75%	$2,000,000		720	43%
	70%	$2,500,000[2]		720	43%
• 2-unit	65%	$1,000,000		700	43%
	60%	$1,500,000		720	43%

PRIMARY RESIDENCE: CASH OUT REFINANCE						
	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount[1]	Minimum Loan Amount[3]	Maximum Cash Out	Minimum FICO Score[3]	Maximum DTI[4]
• 1-unit • PUD • Condo	70%	$1,000,000	$453,101 or $1 above the conforming limit	$250,000	720	43%
	65%	$1,500,000		$500,000	720	43%
	60%	$2,000,000		$500,000	720	43%
	55%	$2,000,000		$500,000	720	43%
	50%	$2,500,000[2]		$750,000	720	43%

SECOND HOME: PURCHASE AND RATE & TERM REFINANCE					
Property Type	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount[1]	Minimum Loan Amount[3]	Minimum FICO Score[3]	Maximum DTI[4]
Purchase	80%[7]	$1,000,000	$453,101 or $1 above the conforming limit	720	43%
• 1-unit • PUD • Condo	75%	$1,000,000		720	43%
	70%	$1,500,000		720	43%
	65%	$2,000,000		720	43%
	50%	$2,500,000[2]		720	43%

WINTRUST MORTGAGE

EQUAL HOUSING LENDER

WM Jumbo Non-Conforming Fixed

Second Home: Cash-Out Refinance[9]					
Property Type	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash- Out	Minimum FICO Score	Maximum DTI
1 Unit	60%	$1,000,000	$250,000	740	43%
	55%	$1,500,000	$500,000		
	50%	$2,000,000	$750,000		

Investment: Purchase and Rate & Term Refinance and Cash Out[8] QM					
1 – 4 Unit	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Loan Amount	Minimum FICO Score	Maximum DTI
Purchase	70%	$1,000,000	$453,101 or $1 above the conforming limit	740	43%
Rate/Term	70%	$1,000,000		740	43%
Cash Out	60%	$1,000,000 Max cash-out $250,000		740	43%

[1] First-Time Homebuyers are subject to a maximum loan amount of $1,000,000. Loan amounts up to $1,500,000 allowed in CA, NJ, NY, and CT for First-Time Homebuyers. See Eligible Borrower section for specific requirements.

[2] ***Loan amount > $2,000,000 available for 30-year fixed rate product only.***

[3] The minimum FICO score for the loan is defined as the lowest middle score of all borrowers. Refer to CREDIT section.

[4] DTI maximum is limited to 43% for LTVs ≤ 80%. 36% for LTVs >80%.

[5] Loan amounts between Conforming Loan Limits and Agency High Balance Loan Limits eligible except of loans with LTV's greater than 80%.

[6] The following requirements apply for transactions with LTVs greater than 80%:

- MI not required
- Secondary financing not allowed
- Maximum DTI 36%
- Non-permanent resident aliens not allowed
- Gift funds not allowed
- Agency High Balance loan amounts are ineligible
- Escrow account required

[7] Second Home Purchases with LTV's between 75.01% and 80% are limited to 30 year fixed rate

[8] The following requirements apply for Investment Property Purchase, Rate and Term and Cash Out Refinance transactions:

- Florida condominiums limited to 50% LTV/CLTV/HCLTV
- Co-ops not allowed
- Gift funds not allowed
- Transaction must be arm's length
- Appraiser to provide rent comparable schedule
- If using rental income an executed lease agreement must be provided; see Rental Income requirements.
- First-Time Homebuyers not allowed
- 30 year fixed rate only

[9] Second Home Cash Out Refinance transactions are limited to 30 year fixed rate.