



Date: December 21, 2010

To: DMI ALL

From: Greg Pool, SVP Mortgage Banking

Subject: Source of Funds to close

We have identified that the number one item that leads to delays in loan fundings is our source of funds for closing and the documentation around that. Therefore; we are making the following changes to prevent any last minute issues with our files and inconveniences to our customers and to provide best practice guidance on this issue.

- **Underwriting has begun to require the liquidation of assets prior to docs going out.** This means that if your borrower is borrowing from their 401K, using mutual funds, sale of assets, gift funds, etc. for their down payment and closing costs they must obtain that money before loan documents can go out. They can either have those funds deposited directly to escrow or they can deposit them into their checking account. There is only **one** occasion where Underwriting will permit funds to be transferred after docs have gone out and that would be the need for a HUD 1 from the sale of another residence.

In addition the change in underwriting, we recommend as best practices the following:

- Identify the **TRUE** source of funds on your 1003. More times than not your borrowers will say checking and savings because the money will run through their checking account; but if the money is not currently there or has not been in there for the past 60 days then explore where it is coming from and correct page 1 of the 1003 to show the true source of funds for closing. This will help make your conditions more accurate and consequently close files faster.
- Make sure your **borrowers understand** that if their gift letter says \$10,000 that the transfer must be for \$10,000 and not simply the dollars needed to close. **ANY DIFFERENCE IS GOING TO CREATE CHANGES AND ANOTHER STOP IN UNDERWRITING, AND ANOTHER DELAY.**

We are confident that with this change and by following the best practices, your files will flow funding much faster.