



VA NON IRRL GUIDELINES

Product

Eligible Borrower

- Eligible Veteran
 - If more than one veteran's entitlement is used and the veterans are not married to one another, prior approval must be obtained by the VA regional loan center.
 - If both veterans' entitlement is used and the veterans are married to each other loan must be underwritten by the investor
 - All veterans using entitlement must occupy the property
- Un-remarried surviving spouse of veteran who died from service-connected injuries
 - VA regional loan center determines cause of death – See Certificate of Eligibility Section
- Veteran's spouse co-borrower
 - Veteran must be the primary borrower on the loan, regardless of whether the veteran contributes income to the loan
 - Veteran's spouse is not required to be a veteran.
- Non-veteran co-borrower who is not the veteran's spouse
 - Eligible veteran must be the primary borrower on the loan
 - Additional down payment is > 25% of the non-veteran's half of the loan is required- Refer to VA Pamphlet 26-7
 - Prior approval by VA regional loan center is required
 - VA guaranty will not exceed the lesser of 25% of the veteran's half of the loan or veteran's be used, regardless of total loan amount
 - Down payment plus VA guaranty must be > 25% of the total loan amount, including the financed funding fee
 - All borrowers must occupy the property
 - Veteran's income must be sufficient to qualify for his or her half of the loan

Ineligible Borrower

- Any borrower who does not meet the eligible borrower criteria described above
- Veterans without any available entitlement are ineligible, regardless of the amount of the down payment or equity in the property
- Non Occupant co-borrowers

Special Underwriting

- Principal reductions are required when the borrower receives any case back at a purchase transaction closing
- Transactions in which the realtor and the originator are the same individual are ineligible
- Escrow waivers not allowed
- Manual underwrites are ineligible

- Cash Out:
 - Existing lien of at least \$1 required – Property may not be owned free & clear
 - Cash Out explanation required
 - If revolving debt will be paid at close, the most recent statement is required unless the last reported month on the credit report is 30 days of the loan closing
- Max number of Investor Loans:
 - Borrowers having more than 4 loans with the investor or having an aggregate loan amount of \$1,000,000.

Ineligible Property

- Any property where the seller is not the owner of record
- 2-4 Unit properties are ineligible for cash out transactions in which the borrower consolidates non-mortgage debt and/or receives cash back at closing
- Second homes
- Investment properties
- Condotels
- Non-owner occupied properties
- Manufactured homes
- Modular On-Frame properties
- Co-operatives
- Working farms, ranches and orchards
- Condominiums without Homeowner’s Associations are ineligible
- Properties located in a “cancer cluster” or other health hazard area unless the local health authority provides written certification that the subject property is not affected by the health hazard and the borrower provides a written certification acknowledging the health hazard and its resolution
- Properties having Chinese drywall or properties previously having Chinese drywall, regardless of any drywall removal and/or efforts to cure the damage

AUS

- Loan receives an AUS “approve” or “accept” response
 - Loans that receive an automated “approve” or “accept” response may follow the approved ratio in the findings, subject to underwriter evaluation for data integrity
 - If the ratio exceeds 41%, residual income must be at least 20% higher than the VA’s requirement for the loan.
- Loans that receive an AUS ratio exceeding 50% to 60% and receives a DU approval must support at least 2 compensating factors below.

Compensation Factors

- Ratio guidelines may be exceeded when compensating factor(s) that support loan approval are documented in the file:
 - Excellent credit history
 - Conservative use of consumer credit
 - Minimal debt

- Long-term employment
- Significant liquid assets
- Sizable down payment
- Equity position in refinance loans
- Minimal or no increase in monthly housing expense
- Military benefits
- Satisfactory homeownership experience
- High residual income
 - For loans that exceed VA's 41% total debt ratio guideline, residual income must be at least 20% more than the loan's residual income requirement
 - Supervisory underwriter signature and written justification required when ratio exceeds 41% but borrower's residual income is < 120% of requirement
- Low debt-to-income ratio
- Tax credits for child care
- Tax benefits of homeownership

When any of the above factors have been evaluated by automated underwriting and the loan receives a “refer” response, automated underwriting has determined the compensating factor is not sufficient to render an “approve” or “accept” response. Alternative compensating factors must be provided for review.

Ratios

- DTI Ratio ≤ 60%
 - Purchases and Cash-Out transactions through which the borrower does not receive cash back and/or consolidate non-mortgage debt:
 - Single family properties – All borrowers must have a minimum credit score of 640
 - 2-4 unit properties – 640 fico
 - Non-mortgage debt paid off with the cash-out refinance must be seasoned at least 12 months and there may not have been any draws totaling more than \$1000 in the most recent 12 months. Draws > \$1000 for documented home improvements are acceptable
 - Cash-out refinance transactions through which the borrower receives cash back and/or consolidates non-mortgage debt:
 - Single-family residences only
 - 2-4 unit properties are ineligible
 - LTV ≤ 90% - All borrowers must have a minimum credit score of 640
- DTI Ratio > 60%
 - 1-4 unit properties - All borrowers must have a minimum score of 640
 - 2-4 unit properties are ineligible for cash-out transactions in which the borrower receives cash back and/or consolidates non-mortgage debt
 - Two months reserves from the borrower's own funds required – Reserves may not be gifted

VA Funding Fee

Loan Type	Veteran Type	Down Payment	First Time Use		Subsequent Use	
			11/17/11 to 11/21/211	11/22/11 to 9/30/16	11/17/11 to 11/21/211	11/22/11 to 9/30/16
Purchase	Regular Military	Less than 5% 5% (up to 10%) 10% or more	1.40% 0.75% 0.50%	2.15% 1.50% 1.25%	2.80% 0.75% 0.50%	3.30% 1.50% 1.25%
Purchase	Reserves/National Guard	Less than 5% 5% (up to 10%) 10% or more	1.65% 1.00% 0.75%	2.40% 1.75% 1.50%	2.80% 1.00% 0.75%	3.30% 1.75% 1.50%
C/O Refinance	Regular Military	Not applicable	1.40%	2.15%	2.80%	3.30%
C/O Refinance	Reserves/National Guard	Not Applicable	1.65%	2.40%	2.80%	3.30%

** Based off of the Note date

LTV/CLTV

- Purchases
 - LTV – Base loan amount may be up to 100% of the lower of the purchase price or appraised value. Entitlement plus down payment, if any, must be sufficient to guarantee at least 25% of the total loan amount, including the financed funding fee
 - CLTV – 100% of acquisition cost – purchase price plus closing costs, pre-paid expenses and discount points
 - Copies of the fully executed note and mortgage are required at closing and must be provided prior to funding or loan purchase
- Cash Out
 - LTV:
 - Borrower does not receive more than \$500 cash back and/or consolidate non-mortgage debt – Base loan amount may be up to 100% of the appraised value. Entitlement plus property equity must be sufficient to guaranty at least 25% of the total loan amount, including the financed funding fee
 - Borrower receives cash back and/or consolidates non-mortgage debt and credit score is ≥ 640 and property is a single family residence – Base loan amount may be up to 95% of the appraised value. Entitlement plus property equity must be sufficient to guaranty at least 25% of the total loan amount, including the financed funding fee (2-4 units are ineligible)
- Secondary liens being paid off through the VA refinance must be seasoned at least 12 months and may not have had any draws totaling \$1000 or more in the most recent 12 months or the transaction will be considered one in which the borrower consolidates non-mortgage debt. However, if all draws in the most recent 12 months were used for documented home improvements, the transaction will not be considered consolidation of non-mortgage debt
- CLTV
 - Existing subordinate financing -115% - Existing subordinate financing may be paid down and modified, provided the new CLTV does not exceed 115%



- New subordinate financing is not permitted
 - Copies of the fully-executed note and mortgage are required prior-to-closing

Max Loan Amount

- Purchases
 - Single Family Residence \
 - Borrowers with credit scores ≥ 640 – Maximum base loan amount is the lesser of \$729,750 or 100% of the lesser of the purchase price or appraised value – If veteran does not have full entitlement remaining, and/or loan exceeds VA's county loan limit, down payment is required
- 2-4 Unit – Maximum base loan amount is the lesser of \$650,000 or 100% of the lesser of the purchase price or appraised value - If veteran does not have full entitlement remaining, and/or loan exceeds VA's county loan limit, down payment is required

Documents and Expiration Dates

- A Certificate of Eligibility is required
- Fully executed VA Origination Statement itemizing all of the fees from lines 801 and 1101 and all of the credits in section 200 of the HUD-1 Settlement is required (can be signed at closing)
- Loans must close by the 7th calendar date of the months preceding the first payment date
- Closing documents must be signed and notarized on or before the closing date indicated on the closing documents, regardless of the state in which the property is located and/or whether it's an escrow state
- Credit reports must be dated within 60 days of the underwriting and must be dated within 120 days of the note
- Borrower must provide the name, address and phone number of the his or her nearest living relative: Report and Certification of Loan Disbursement (VA Form 26-1820)
- Title commitment must be no older than 60 days as of the initial underwrite and within 120 days of the note
- Appraisals are valid for 6 months

Credit

- The veteran must always be the primary borrower on the loan, regardless of whether income from the veteran is being used to qualify
- Social Security Number Validation form fully executed is required on all loans
- If credit report indicates a potential OFAC match, the credit report must be e-mailed by CMG to the investor for review. The loan may not close without clearance.

Credit Inquiries

- Inquiries within the most recent 90 days must be explained in writing, regardless of Total Scorecard response

- Fully executed *Undisclosed Debt Acknowledgement* is required for all loans having four or more inquiries in the most recent 90 days and may be used for all inquiry explanations, regardless of the number

Liabilities

- The following items must be included in the borrower's ratio:
 - PITI for subject property
 - If the borrower subordinates a HELOC, the monthly payment is calculated using the higher of the maximum accessible line of credit or existing balance
 - All other real estate debts, including taxes and insurance for properties owned free and clear
 - Installment debts
 - Revolving debts
 - Revolving debt paid off or significantly paid down prior-to or at closing may be excluded from the ratios, provided all of the following requirements are met:
 - The borrower may not have had any late payments on revolving or installment debt in the most recent 24 months
 - The borrower may not have had any judgments, public records or collections, other than medical, in the most recent 24 months
 - Gifts may not be used to pay off revolving debt for qualification purposes
 - If the borrower has any of the derogatory items listed above, the revolving debt must be included in the ratio and residual income calculations, regardless of whether the account will be paid off, paid down and/or closed prior-to or at closing
 - Auto leases, regardless of remaining term
 - Child support
 - Alimony
 - Child care expenses for all children ≤ 12 years of age – Child care expenses may be excluded when borrowers meet one of the following criteria:
 - Spouse does not work or
 - Spouse works part-time or
 - Spouse works full-time but provides proof that there are no child care expenses
 - Union dues and employment related expenses
 - Significant commuting expenses

Excluded Liabilities

- The following items may be excluded from the ratio:
 - Installment debts with fewer than ten payments remaining, provided they do not have a severe impact on the family's ability to make payments on the obligation
 - 401k loans
 - Student loans that are deferred more than 12 months after closing
 - Co-signed debts with the following documentation:
 - Evidence payments have been made in a timely manner for 12 months
 - Evidence payments have been made by the person for whom the borrower co-signed
 - If the person making the payments is not a borrower on the co-signed debt, the payment must be included in the ratio and residual income calculation

Foreclosure/Short Sale

- Foreclosures/Short Sale aged more than two years may be disregarded – The foreclosure time frame is measured from the foreclosure completion date, regardless of whether the home was also included in a bankruptcy

Chapter 7 Bankruptcies

- Chapter 7 bankruptcies discharged more than two years ago may be disregarded

Chapter 13 Bankruptcies

- Must document at least one year into the payout plan has elapsed
- Must document satisfactory payment history
- Must obtain court permission to enter into new mortgage
- When the bankruptcy is still in repayment, include Chapter 13 payment in the debt ratio
- If the borrower has satisfactorily completed the repayment, the borrower is considered to have re-established credit

Judgments

- Judgments must be paid in full prior to closing unless the borrower is in a re-payment plan – Provide the following:
 - Fully executed repayment agreement
 - Evidence timely payments have been made (Evaluated on a case-by-case basis generally for a minimum of a 12-month period) - Payment must be included in ratios when qualifying borrower
- Judgments belonging to a non-purchasing spouse in a community property state are subject to all of the above requirements

Income

4506

- Fully executed 4506 T must be included in all loan files
- Results for one year are required, or the most recent two years if required per AUS finding. In order to determine the percentage by which non-taxable income may be grossed up, 4506T results are required for borrowers who receive non-taxable income.

VVOE

- Should be completed on the day of or the day prior to closing but not more than ten business days prior to the loan closing

Income Documentation

- Income documentation requirements for AUS “approve” or “accept” responses and for manually underwritten loans are listed in *VA Pamphlet 26-7*

Income Types

- Non- military income
 - Borrowers with non-military employment must have a two-year history of employment prior to application
 - Verify all employment within the most recent two years
- Current employment < 12 months
 - Current employment less than 12 months is generally not considered stable and reliable. The following must be evaluated:
 - Employer's written statement of the probability of continued employment, if provided
 - Applicant's training and/or education related to the duties of the current position – This generally applies to skilled positions: nurses, medical technicians, lawyers, paralegals, computer systems analysts, etc.
 - Underwriter must provide justification in writing on the *Loan Analysis*, VA Form 26-6393 for use of income from a borrower employed by his or her current employer less than 12 months
- Job Changes
 - Frequent job changes for career advancement in the same or related field are acceptable – Borrower should be employed by current employer for the most recent 12 months unless there is strong justification provided by the employer for use of income
 - Frequent job changes from one field to another and/or that do not improve the borrower's position are not acceptable without strong justification. Underwriter explanation must accompany the file
- Maternity Leave
 - A borrower's regular, stable income may be considered as acceptable income when a maternity leave occurs. The employer must state in writing on their letterhead that the borrower's employment and wages will not be adversely affected and will be available when the borrower returns to work. The borrower must state in writing his or her intent to return to work.
- Active Duty Military Income
 - Obtain borrower's Leave and Earnings Statement (LES)
 - ETS (Expiration of Term of Service) date must be at least 12 months after loan closing. If ETS date is within 12 months of closing date, one of the following is required:
 - Documentation that active-duty service personnel has re-enlisted or extended period of active duty beyond 12 months after closing
 - A written statement from active-duty service personnel that he or she intends to re-enlist or extend period of active duty 12 months beyond closing and a written statement from commanding officer stating active-duty service personnel is eligible to re-enlist and commanding officer has no reason to believe re-enlistment will not be granted
 - Evidence of a valid offer of local civilian employment following release from active duty – Employer must document the following:
 - Date employment will begin
 - Earnings, etc.
 - If the ETS field on the Leave and Earnings Statement reflects "9999," evidence of 12 months remaining enlistment must be obtained from the veteran's commanding officer
 - Leave and earnings statements for officers will not have a date in the ETS field. The ETS field will be blank or contain "XXXX" - No documentation of remaining length of service is required

- In addition to base pay, active-duty military personnel receive various allowances and pays – allowances and pays may be included in income calculation when they are expected to continue due to the military personnel’s duty assignment
 - Allowances are non-taxable (clothing allowance is reflected on LES as an annual figure – divide by 12 to determine monthly amount)
 - Pro-pay, combat pay, etc. are taxable

- Commission
 - Averaged over two years
 - Obtain the following documentation:
 - Most recent two years’ signed and dated tax returns, including all schedules
 - Borrower’s unreimbursed business expenses from Schedule A of IRS Form 1040 must be deducted from the gross commission before averaging the commission income
 - Verification of employment or other written verification of YTD commissions, pay structure (salary plus commission, straight commission, or draws against commission), and when commissions are paid
 - Commission income received less than two years may only be considered when the borrower has previous related employment and/or extensive training
 - Commissions received less than one year are generally not allowable

- Overtime/bonus/Part-time employment/Second job
 - Acceptable when received two years and income is regular and predictable – Income is calculated by averaging the income over the most recent two years
 - If received between 12 and 24 months, may be used to offset debts with 10 to 24 months remaining

- Recently discharged veterans
 - Employment Income
 - If applicant is employed less than 12 months in current position and does not have related experience and/or education or training, obtain a statement from employer that verifies applicant is performing job duties satisfactorily and probability of continued employment is favorable
 - Underwriter must provide justification for use of income from a borrower employed by his or her current employer less than 12 months

- Reserve/National Guard income
 - May be used when the expiration date of the applicant’s current contract indicates a strong probability that the reserve/guard income will continue
 - Underwriters must consider whether income for Reserve/National Guard borrowers is subject to change due to activation
 - If the income will be reduced, consideration must be given to applicant’s ability to repay the loan during activation
 - If income will increase, consideration must be given to applicant’s ability to repay the loan once activation is terminated

- Self Employment
 - Averaged over two years

- Obtain the following documentation:
 - Year-to-date profit and loss and balance sheet for the business – Required if an AUS “refer” response is received for a loan originated > seven months from the business’ fiscal year end
 - Most recent two years’ signed and dated personal tax returns
 - Most recent two years’ signed and dated business or corporate returns, including all applicable schedules and list of stockholders or partners showing percentage of ownership – Refer to findings for AUS “approve” or “accept” response requirements
 - Business credit report as needed
- Self-employment income received less than two years may be considered when borrower has previous related employment and/or extensive specialized training
- Self-employment income received less than one year is ineligible

Rental Income

- Converting Existing Homes to rentals
 - Single-family residences:
 - Rental income from the borrower’s current primary residence may be used to offset the mortgage payment only, provided at least one of the following requirements is met. The income may not be used as effective income. Provide evidence of one of the following:
 - The borrower obtains new employment or a job transfer that is not within a reasonable commuting distance of the current primary residence or
 - The borrower has a 25% equity position in the current primary residence as evidenced by an appraisal or sales price within the most recent six months. An exterior only appraisal may be used to determine the borrower’s equity position.
 - If one or both of the requirements above are met, all of the following documentation is required:
 - Fully executed lease agreement (A 25% vacancy factor will be applied to the lesser of the appraiser’s estimate of rent or the actual monthly rent stated on the lease agreement) and
 - Evidence of the borrower’s receipt of the security deposit and
 - Evidence of the borrower’s deposit of the security deposit to his or her bank account
 - 2-4 unit properties:
 - Rental income from the unit the borrower is vacating is not permitted
 - Rental income may be used from the currently rented units only. Rental income is calculated using Schedule E of IRS Form 1040 only, regardless of property acquisition date
- 2-Unit subject property – Purchase
 - If rental income is being used to calculate the borrower’s ratio and residual income, the borrower must document previous experience managing rental units and/or property maintenance and rental experience
 - If rental income is being used to calculate the borrower’s ratio and residual income, six months reserves from the borrower’s own funds required
 - Rental income from the second unit may be used, provided all of the following documentation is provided:

- Fully executed lease agreement – Borrower may provide a copy of the seller’s fully executed existing lease agreement or a fully executed new lease agreement. If neither an existing or new lease agreement exists, rental income is not permitted
 - A 25% vacancy factor will be applied to the lesser of the appraiser’s estimate of rental income for the unit or the actual rental income stated on the lease agreement
 - Maximum financing of 100% of the lesser of the purchase price or appraised value is permitted

- 3-4 Unit subject property – Purchase
 - If rental income is being used to calculate the borrower’s ratio and residual income, the borrower must document previous experience managing rental units and/or property maintenance and rental experience
 - If rental income is being used to calculate the borrower’s ratio and residual income, six months reserves from the borrower’s own funds required
 - Loan must receive a Total Scorecard “approve” or “accept” response
 - LTV < 90%:
 - Rental income from the non-owner occupied units is permitted, subject to all of the following documentation:
 - A fully executed lease agreement and
 - A 25% vacancy factor will be applied to the lesser of the appraiser’s estimate of rent or the actual monthly rent stated on the lease agreement and
 - If the non-owner occupied units are not currently leased, rental income may not be used for qualification
 - LTV 90% - 100%:
 - The borrower must qualify with the full PITI. Rental income from the units the borrower will not occupy may not be used

- 2 Unit – C/O and borrower does not receive cash back
 - Property was acquired during the previous calendar year or earlier - Rental income is calculated using Schedule E of IRS Form 1040 unless the loan is being underwritten prior to April 15 of the calendar year after property acquisition
 - Lease agreements may be used to calculate rental income only if the property was acquired during the current calendar year or the loan is being underwritten prior to April 15 of the calendar year after property acquisition
 - Fully executed current lease required
 - 25% vacancy factor applies
 - If the second unit is not currently leased, rental income may not be used
 - If rental income is being used to calculate the borrower’s ratio and residual income, the borrower must document previous experience managing rental units and/or property maintenance and rental experience
 - If rental income is being used to calculate the borrower’s ratio and residual income, six months reserves from the borrower’s own funds required
 - Maximum LTV – 100%

- 3-4 Unit – C/O and veteran does not receive cash back
 - The loan must receive a Total Scorecard “approve” or “accept” response
 - LTV < 90%:
 - Rental income from the non-owner occupied units is permitted, subject to all of the following documentation:

- Property acquired in current calendar year:
 - A fully executed lease agreement and
 - A 25% vacancy factor will be applied to the lesser of the appraiser's estimate of rent or the actual monthly rent stated on the lease agreement and
 - If the non-owner occupied units are not currently leased, rental income may not be used for qualification
 - Property acquired in previous calendar years:
 - Rental income from the units the borrower does not occupy is calculated using Schedule E of IRS Form 1040. Lease agreements may not be used to calculate rental income from properties acquired in previous calendar years
 - LTV 90% - 100%:
 - The borrower must qualify with the full PITI. Rental income from the units the borrower does not occupy may not be used, regardless of acquisition date
 - If rental income is being used to calculate the borrower's ratio and residual income, the borrower must document previous experience managing rental units and/or property maintenance and rental experience
 - If rental income is being used to calculate the borrower's ratio and residual income, six months reserves from the borrower's own funds required
- 2-4 Unit – C/O and borrower receives cash back and/or consolidates non-mortgage debt
 - Ineligible
- Additional investment properties owned by the veteran – not subject property
 - 1-2 Unit Properties
 - One to two unit properties acquired during the current calendar year – Rental income must be documented with all of the following items:
 - Fully executed lease agreement(s) between the borrower and the renter(s)
 - A 25% vacancy factor will be applied to the rental income stated on the lease agreement(s)
If the units are not currently leased, rental income may not be used for qualification
 - Rental income from properties acquired during previous calendar years must be calculated using Schedule E of IRS Form 1040
 - Additional conditions may apply
 - If rental income is being used to calculate the borrower's ratio and residual income, the borrower must document previous experience managing rental units and/or property maintenance and rental experience
 - If rental income is being used to calculate the borrower's ratio and residual income, three months reserves from the borrower's own funds required
 - 3-4 Unit Properties
 - Rental income is calculated using Schedule E of IRS Form 1040 only, regardless of property acquisition date
 - If rental income is being used to calculate the borrower's ratio and residual income, the borrower must document previous experience managing rental units and/or property maintenance and rental experience
 - If rental income is being used to calculate the borrower's ratio and residual income, three months reserves from the borrower's own funds required

Assets

Funds to close

- When required, must be documented from an acceptable source. See below:
 - Earnest Money Deposit
 - Must be verified prior to closing, regardless of the amount of the deposit
 - Savings and Checking Accounts
 - Funds must be verified via one or more of the following:
 - Original or certified true copies of the most recent two months' bank statement or and URL signature at top and/or bottom of document
 - All large deposits must be verified (non-payroll)
 - When one or more of the bank account owners is not a borrower on the loan, the non-borrowing joint account owner(s) must provide a letter stating the borrower has access to the funds
 - Proceeds from the sale of real estate
 - Sale of personal assets
 - Savings bonds
 - Retirement savings
 - Stocks and/or bonds
 - Rent credit

Down payment

- No minimum down payment or cash investment required unless:
 - veteran's available entitlement is less than 25% of the total loan amount, including funding fee or
 - Co-borrower is not a veteran or the spouse of the veteran borrower

Down Payment Assistance/Subordinate Financing

Down Payment:

- Government Entities – VA approval not required when administered by state, county or municipal government
- Private Entities – Regional Loan Center review and approval required. Submit the following documents to the Regional Loan Center having jurisdiction over the state in which the property is located:
 - Program description
 - Samples of all documents
- Regardless of source of down payment assistance, only grant funds may be used to pay the difference between purchase price and appraised value if the purchase price exceeds the appraised value – secondary financing, including a silent second is not permitted for the difference between sales price and appraised value
- Down payment assistance funds are typically wired to the closing agent – Wire transfer documentation must be included in the file prior to funding or purchase
- All community second and grant programs must be approved with CMG

Subordinate Financing:

- Subordinate financing includes any financing that creates a lien against the subject property, even if it is a “soft”, “silent”, or “forgivable” second:
- Subordinate financing programs typically wire funds to the closing agent – Wire transfer documentation must be included in the file prior to funding or purchase
- Homebuyer Assistance Programs that are administered by government entities have blanket approval with VA
- Homebuyer Assistance Programs administered by private entities must also be approved by VA prior to loan closing – Provide the following documents to the Regional Loan Center having jurisdiction over the state in which the property is located:
 - Program description
 - Sample loan documents
- Proceeds from the second may be used to pay closing costs and down payment
 - Unallowable closing costs and fees may not be paid by the Homebuyer Assistance Program
- When the sales price exceeds the appraised value, secondary financing may not be used to pay the required down payment for the difference between the sales price and the appraised value
- Veteran may not receive cash back
- If repayment is required (loan is not a “silent” second), payment must be included in the ratio
- If the second mortgage requires the borrower to occupy the property for a specified length of time, the borrowers must certify they understand the repayment requirements
- If the Homebuyer assistance program requires the borrower to pay fees that exceed \$250, contact the regional loan center that has jurisdiction over the state in which the property is located for approval
- Second mortgage may not restrict the veteran’s ability to sell the property any more than the VA first mortgage, and it should be assumable by creditworthy purchasers (Second mortgages from instrumentalities of government are eligible, regardless of assumability)
- Copies of the note and mortgage are required:
 - Purchase transactions – Copies of the fully executed note and mortgage are required at closing and must be provided prior to funding or loan purchase
 - Refinance transactions – Copies of the fully executed note and mortgage are required prior to closing

Gift funds

- Eligible Gift donors
 - Borrower’s relative
- Ineligible Gift donors
 - Any person or entity with an interest in the sale of the property, such as the seller, real estate agent or broker, builder, or any entity associated with any of the above
- Gift documentation
 - Fully executed gift letter
 - Evidence of donor’s withdrawal of funds (e.g. Copy of donor’s cancelled check, bank statement or bank-validated withdrawal slip)
 - Cash-on-hand is not an acceptable source of donor’s gift funds
 - Evidence of deposit into borrower’s account
 - Excess gift funds may not be considered as reserves but may be considered as a compensating factor
- Gift of Equity

- Only family members may provide equity credit as a gift on a property being sold to other family members

Seller contributions

- Seller may pay all reasonable and customary closing costs and discount points without limit
- Seller may pay up to 4% of the purchase price toward any combination of the following:
 - Pre-paid expenses
 - Funding fee
 - Buydown fees
 - Gifts, such as lawn mowers, televisions, etc.
 - Payoff of borrower liabilities, such as collections, judgments or other credit balances

Property

Occupancy

- Veteran is required to occupy the subject property for the new VA loan
 - Veteran must either occupy the home at the time of closing (cash-out refinances) or certify that he or she will occupy within 60 days of loan closing
 - The veteran's spouse who occupies the home satisfies the occupancy requirement when the veteran cannot occupy the home due to active-duty assignment
 - Active-duty veterans must occupy within 12 months of loan closing
 - Veterans who will retire within 12 months of loan closing satisfy VA's occupancy requirement when the following is presented:
 - Copy of veteran's application for retirement submitted to current employer (must indicate a retirement date within 12 months of loan closing)
 - Evidence borrower will meet ratio and residual income requirements using post-retirement income

Seasoning

- Purchases
 - Seller must have owned the property for at least 30 days – Purchase agreement must be executed by the borrower(s) at least 31 days after the seller acquired the property
 - The following sellers are exempt from the 30 day seller seasoning requirement:
 - State and Federally chartered financial institutions and government sponsored entities (Fannie Mae and Freddie Mac)
 - Sales by HUD of its real estate owned properties
 - Local and State government agencies
 - Non-profits approved to purchase HUD REO properties
 - Sales of properties located in presidentially-declared disaster areas, provided the exemption is announced by an FHA mortgagee letter
 - Sales of properties acquired through inheritance – Seller's inheritance must be documented
 - Sales of properties acquired by employers or relocation agencies in connection with relocations of employees

- Sales of REO properties by lenders and property disposition firms they hire or with whom they are affiliated
- Builders selling a newly built home or building a home for a borrower
- For Profit or non-profit entities that purchase abandoned or foreclosed properties using Neighborhood Stabilization Program funds are temporarily exempt from the 90-day lock-out period.
 - Seller must be a duly incorporated entity
 - A copy of the written agreement granting the seller NSP funds is required
- C/O refinance
 - Property must be off the market at least six months prior to application
- C/O refinance – Borrower does not receive cash back
 - LTV < 70% - Property must be off the market at least one day prior to application
 - LTV ≥ 70% - Property must be off the market at least three months prior to application

Power of Attorney

- VA permits the following Powers of Attorney for active-duty military personnel stationed overseas and other veterans who cannot be present at closing:
 - General Power of Attorney
 - Veteran must sign purchase agreement and initial 1003
 - Specific Power of Attorney
 - Veteran does not need to sign the 1003, purchase agreement or any other application documents
 - Specific power of attorney must include all of the following information:
 - Entitlement – Must state the veteran intends to use all or a specified amount of entitlement
 - Loan Purpose – Must state veteran intends to purchase, construct, or refinance
 - Property – Must list address and legal description, if available
 - Sales Price – Must state the purchase price for the property
 - Loan Terms – Must state loan type and term
 - Occupancy – Veteran must state he or she intends to meet VA occupancy requirements
 - Verify veteran is alive and not missing in action on the day of closing for all loans that close with either general or specific powers of attorney – Missing in action certification is not required for veterans who are retired or discharged from the military and therefore not classified as active-duty. However, the alive and well verification is required for retired or discharged veterans who are not on active-duty
 - E-Mail, fax or letter from the veteran or
 - If veteran cannot be reached due to deployment, E-Mail, fax or letter from veteran’s commanding officer or
 - If neither veteran or commanding officer can be reached, provide lender certification of conversation with commanding officer or rear detachment personnel – Include the following information in the lender certification:
 - Name and rank/title of VA personnel with whom you communicated
 - Date of conversation
 - Method of communication, including phone number, if applicable

- All signatures on the power of attorney must be notarized, and the power of attorney must be reviewed by an Investor underwriter. All signatures must match the signatures in the file
- There must be more than one borrower on the loan and at least one borrower must be present at closing
 - POA is not allowed for single borrower transactions.
- Title policy may not include any exceptions related to the POA

Termite Inspections

- Required for properties located in areas where the termite infestation probability is "very heavy" or "moderate to heavy" according to the Termite Infestation Probability Map published in the International Residential Code – Refer to Geographic Restrictions section for state requirements
- If the property is a low-rise condo or high-rise condo, the termite inspection is required only if the appraiser notices a potential problem

Hazard Insurance

1-4 UNIT SINGLE FAMILY

- All files **must have** an original homeowner's insurance policy and contain all of the following:
 - Insured's name and property address, which must match, mortgage records (mortgage, note and title policy) exactly.
 - Policy inception and expiration dates must be clearly indicated. Annual premium must be indicated along with paid receipt.
 - Insurance carrier and agent must be indicated.
 - Property insurance for home mortgages must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement.
- Amount of coverage:
 - Coverage amount must be equal the lesser of the following:
 - 100% of the insurable value of the improvements, as established by the property insurer; or
 - The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If above requirements are not met, then coverage that does provide the minimum required amount must be obtained.

PLANNED UNIT DEVELOPMENTS

- Requirements for 1-4 family and multifamily properties apply to similar residential properties within a planned unit development (PUD). The unit owners' own Homeowner's Policy (if not covered by the Master Policy) must follow the same criteria as 1-4 family properties. Borrowers must show evidence of hazard insurance coverage for all properties with attached units that cover fixtures, equipment, and other personal property inside individual units if they will be financed by the mortgage. Borrowers must show evidence of a "walls-in" coverage policy unless they can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that may have made to the unit.
- If the individual units are covered by insurance purchased by their respective owners, the PUD homeowner's association must maintain "all risk" coverage for common areas and property for 100

percent of their insurable value and providing for loss or damage settlement on a replacement cost basis. The association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following where applicable and available:

- Agreed Amount
- Demolition Cost
- Increased Cost of Construction
- Boiler and Machinery
- **COVERAGE MINIMUM**
 - The insurer's minimum liability per accident under boiler and machinery coverage must equal the insurable value of the building housing such boiler or machinery or \$2 million whichever is less.
- **BLANKET POLICY**
 - CMG will also accept blanket insurance covering all units in the PUD as well as insurable common areas and property, if called for in the PUD's constituent documents. Such coverage must meet the requirements applicable to each PUD unit and those applicable to insurable common areas and property. Deductibles are allowed under this blanket coverage provided that the deductible for losses to an individual does not exceed the lower of \$1,000 or 1 percent of the unit's insurable value. Funds for any deductibles must be included in the association's reserves and be so designated. The PUD's insurance policy must name the insured in substantially the same language indicated below:

"Association of Owners of the ... Planned Unit Development for the use and benefit of the individual owners (designate by name, if required by law or the constituent document.)"

CONDOMINIUMS

- The condominium owner's association must maintain blanket "all risk" coverage for the following:
 - General and limited common elements within the condominium
 - Fixtures, machinery, equipment, and supplies maintained for the service of the condominium
 - Fixtures, improvements, alterations, and equipment within the individual units
- Coverage must be for 100 percent of the insurable value of the common elements or property described above and provide for loss or damage settlement on a replacement cost basis.
- The additional coverage required of PUD homeowners' associations are also required of condominium owners' associations where applicable and available.
- Required verbiage:
 - The insurance policy of the condominium owners' association must name the insured using substantially the same language as indicated below:
 - Association of Owners of the ...Condominium for the use and benefit of the individual owners (designated by name, if required by law or the constituent documents)."
- HO-6 policy required to cover 20% of the appraised value if the master policy does not cover "walls In"
- Fidelity Insurance:
 - For projects having 20 or more units, provide evidence of Fidelity (employee dishonesty) coverage in an amount that is at least three months of the project's HOA assessments. The HOA must be named as the insured.

Condos Requirements



- For all VA loan purposes, condos, including site condos must be VA-approved o If the condo project was approved by FHA prior to December 7, 2009, send evidence of approval to VA, and they will add the project to the VA-approved condo list. VA will not accept FHA condo approvals having approval dates on or after December 7, 2009