

VA GUIDELINES

PURCHASE – Standard and High Balance				
Units	Loan Amount ¹	Maximum LTV / CLTV	FICO	Reserves
1 Unit	VA Loan Limit	100 / 100	580 ²	N/A
2-4 Units				6 months
CASH OUT REFINANCE – Standard and High Balance				
Units	Loan Amount ^{1,2,3}	Maximum LTV / CLTV	FICO	Max Cash to Veteran
1 Unit	VA Loan Limit	90 / 90	580 ^{2,4}	No Maximum
2-4 Units		100 / 100 ⁵	600	
1-4 Units				
IRRRL – Standard and High Balance ⁷				
Units	Loan Amount ^{1,2,7}	Maximum LTV / CLTV	FICO	Max Cash to Veteran
1 Unit	VA Loan Limit	90 / 90	580 ⁶	\$500
1-4 Units		125 / Unlimited	600	

¹[2023 VA Loan Limits](#) Note: If your county is not showing on the CA County Limits use \$726,200 as your maximum County Limit

²Minimum loan amount \$75,000; Maximum loan amount \$1,500,000

- Manufactured Home requires a minimum 640 credit score.
- Total Loan amount exceeding \$1,000,000 requires a minimum 700 credit score.

³Total loan amount exceeding \$1,000,000 requires AUS Approve/Eligible

⁴Borrowers with a credit score of 580-599 are subject to specific guideline restrictions. See [Credit Score 580-599 Section](#) for details.

⁵Cash-out > 90% LTV limited to 30-year fixed rate, conforming loan amounts only.

⁶IRRRL:

- Non-credit qualifying requires minimum 640 credit score, 1-unit properties only. 2-4 units require credit qualifying.
- Transactions with 580-599 credit score must meet specific requirements. See [Credit Score 580-599 Section](#) for details.

⁷IRRRL loan amount > Conforming Limit subject to the following:

- Credit Score 580-639 requires full credit documentation.
- Credit score ≥ 640 non-credit qualifying eligible.
- Maximum LTV is 100%
- Full credit report required on both credit and non-credit qualifying to verify mortgage history.
- Mortgage History requirements:
 - 0x30x12 for credit qualifying
 - 0x30x24 for non-credit qualifying

FUNDING FEE TABLE			
(For loans with Note date prior to April 7, 2023)			
Type of Loan	Down Payment	% First Lien Use	% Subsequent Use
Purchase	None	2.30%	3.60%
	5% but less than 10%	1.65%	1.65%
	10% or more	1.40%	1.40%
Cash-Out Refinance	N/A	2.30%	3.60%
IRRRLs	N/A	0.50%	0.50%
FUNDING FEE TABLE			
(For loans with Note date on or after April 7, 2023)			
Type of Loan	Down Payment	% First Lien Use	% Subsequent Use
Purchase	None	2.15%	3.3%
	5% but less than 10%	1.5%	1.5%
	10% or more	1.25%	1.25%
Cash-Out Refinance	N/A	2.15%	3.3%
IRRRLs	N/A	0.5%	0.5%
*Funding Fee waived for members of the Armed Forces who are serving on active duty and provide, on or before the date of loan closing, evidence of having been awarded the Purple Heart. See Funding Fee Waiver Section below for eligibility requirements.			
Example 1: Borrower has full entitlement available. New loan amount is \$140,000			
<ul style="list-style-type: none">\$140,000 x 25% = \$35,000 – No Down payment required			
Example 2: Veteran has full entitlement available. New loan amount is \$600,000			
<ul style="list-style-type: none">\$600,000 x 25% = \$150,000 (Max Guaranty and Entitlement available). Veteran does not need a down payment			
Example 3: Veteran has previously used entitlement that has not been restored. New loan amount is \$600,000. Entitlement used and not restored is \$50,000. Freddie Mac conforming loan limit is \$510,400			
<ul style="list-style-type: none">\$600,000 x 25% = \$150,000 (amount of guaranty required)\$510,400 x 25% = \$127,600 (amount of guaranty available based on Freddie Mac loan limits)\$127,600 - \$50,000 = \$77,600 (amount of guaranty available)\$150,000 is the amount of guaranty required however, the Veteran only has \$77,600.\$150,000 - \$77,600 = \$72,400 – Amount of down payment or equity required.			

GENERAL REQUIREMENTS																									
Calculating Maximum Loan Amount	<p>Maximum Base Loan Amount ≤ VA Conforming Loan Limits. Lesser of:</p> <ul style="list-style-type: none">Existing VA loan pay off – Unpaid principal balance (including any charges/misc. fees charged by current lender to pay the loan in full), plus allowable VA closing costs, plus VA funding fee (if applicable), plus up to 2 discount points, orThe appraised value (AMV or 2055) x125%. <p>Maximum Base Loan Amount > VA Conforming Loan Limits. Lesser of:</p> <ul style="list-style-type: none">Existing VA loan pay off – Unpaid principal balance, (including any charges/misc. fees charged by current lender to pay the loan in full), plus allowable VA closing costs, plus VA funding fee (if applicable), plus up to 2 discount point, orThe appraised value (AVM or 2055) x 100% as applicable.																								
Certificate of Eligibility	<p>Lenders are not expected to submit VA Form 26-8937 to VA when the COE already lists the information the lender is seeking to verify. (Refer to Circular 26-21-03)</p> <p>Lenders should only submit VA Form 26-8937 to VA in cases where the lender needs additional information from VA. For instance,</p> <ul style="list-style-type: none">An active-duty Service member has received a proposed or memorandum rating or a pre-discharge claim for VA disability compensation is pending;A COE condition expressly states that VA Form 26-8937 must be submitted to VA; orSystem limitations cause anomalies on the COE and lenders are unable to resolve such anomalies after calling VA at 877-827-3702. <p>In circumstances where VA Form 26-8937 will still be submitted to VA, upload VA Form 26-8937 to WebLGY (VA is unable to process via fax). Select “New Application” under “Electronic Application” in WebLGY. Upload under correspondence in “E-Docs” as “Form 26-8937” document type.</p> <p>Note: VA recognizes that there could be cases where a Veteran’s compensation award increases after the effective date of the COE. In such cases, lenders should reply on the Veteran’s award letter to verify the increase. It is not necessary to submit VA Form 26-89337.</p> <p>IRRRIs for Surviving Spouse of a Veteran Who is Deceased</p> <p>If a surviving spouse of a deceased Veteran was a co-borrower of a VA-guaranteed loan, the surviving spouse is eligible for an IRRRI to refinance the VA-guaranteed loan. Lenders should utilize the “New Application” under the surviving spouse’s name, not the deceased Veteran’s name. Note: Information about the loan being refinanced will not appear on the COE.</p>																								
Condo Insurance	<p>Condo’s must be approved by VA check eligibility in WEBLGY</p> <p>The certificate of insurance policy must contain the borrower’s name and unit number. An individual hazard insurance policy is not required for condominium unit. Lender must verify coverage of \$1,000,000 is in force for the entire project before the mortgage loan is delivered.</p> <p>For attached PUD’s and condominiums, the amount of hazard insurance coverage must be at least equal to 100% of the insurable replacement costs of the project improvements, including individual units. A hazard insurance policy which includes a guaranteed replacement cost endorsement, or a replacement cost endorsement satisfies this requirement. If the hazard insurance policy includes co-insurance clause, an agreed amount endorsement waiving the co-insurance clause is required.</p>																								
Escrow Waivers	Not permitted																								
Internet Links	<ul style="list-style-type: none">The Appraisal System. Order Case Numbers. Appraisals and obtain Automated Certificates of Eligibility http://www.benefits.va.gov/HOMELoANS/appraiser.asp?expandable=0&subexpandable=1VA Lenders Handbook. http://benefits.va.gov/warms/pam26_7.asp																								
Prepayment Penalty	Not permitted																								
BORROWER ELIGIBILITY																									
Borrower Eligibility	<ul style="list-style-type: none">VeteranVeteran and SpouseVeteran and Veteran (see requirements in VA Prior Approval section)Un-remarried surviving spouse of VeteranVeteran and non-Veteran (see requirements in VA Prior Approval and VA Loan Joint with Non-Veteran sections)National Guard Service <p>NOTE: All veterans must have sufficient entitlement as evidenced by a current Certificate of Eligibility (COE). Once a COE is issued there may be conditions on the COE which must be met to receive a guaranty. Refer to VA Handbook for a list of conditions that could appear on the COE.</p> <table><tr><th colspan="2">VA Entitlement Codes</th></tr><tr><td>01</td><td>World War II</td></tr><tr><td>02</td><td>Korean War</td></tr><tr><td>03</td><td>Post-Korean</td></tr><tr><td>04</td><td>Vietnam War</td></tr><tr><td>05</td><td>Entitlement Resorted</td></tr><tr><td>06</td><td>Un-Married Surviving Spouse</td></tr><tr><td>07</td><td>Spouse of POW/MIA</td></tr><tr><td>08</td><td>Post-World War II</td></tr><tr><td>09</td><td>Post-Vietnam</td></tr><tr><td>10</td><td>Persian Gulf War</td></tr><tr><td>11</td><td>Selected Service</td></tr></table>	VA Entitlement Codes		01	World War II	02	Korean War	03	Post-Korean	04	Vietnam War	05	Entitlement Resorted	06	Un-Married Surviving Spouse	07	Spouse of POW/MIA	08	Post-World War II	09	Post-Vietnam	10	Persian Gulf War	11	Selected Service
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Entitlement	<p>Maximum Entitlement Amounts (Refer to example in Matrix above)</p> <p>The maximum amount of guaranty entitlement available to Veterans for loans above \$144,000 for purchase and cash-out refinance are as follows:</p> <ul style="list-style-type: none">• Full Entitlement: For Veterans with full entitlement, the maximum amount of guaranty entitlement available to the Veteran is 25% of the loan amount.• Partial Entitlement: For Veterans who have previously used entitlement and such entitlement has not been restored, the maximum amount of guaranty entitlement available to the Veteran is 25% of the Freddie Mac conforming loan limit (CLL), reduced by the amount of entitlement previously used (not restored) by the Veteran. <p>Note: Entitlement for a cash-out refinance of active VA-guaranteed loans may be restored when ordering or correcting the Certificate of Eligibility (COE). Step-by-step instructions on how to obtain a cash-out refinance conditional COE and/or correct a COE are located at: https://www.benefits.va.gov/HOMELOANS/documents/docs/LGY_COE_Quick_Reference_Document.pdf</p> <p>The cash-out refinance restoration condition must be shown on the COE for the entitlement to be restored.</p> <table><tr><th>Example A</th></tr><tr><td>Loan amount is \$765,000; Entitlement used (not restored) is \$70,000; Freddie Mac conforming loan limit is \$724,000.</td></tr><tr><td>$\\$765,000 \times 25\% = \\$191,250$ [25% of Loan Amount]</td></tr><tr><td>$(\\$724,000 \times 25\%) - \\$36,000 = \\$89,000$ [Guaranty Entitlement Available]</td></tr><tr><td>$\\$111,000 / \\$765,000 = 14.51\%$ [Maximum Guaranty]</td></tr></table> <table><tr><th>Example B</th></tr><tr><td>Loan amount is \$200,000; Entitlement used (not restored) is \$36,000; Freddie Mac conforming loan limit is \$500,000.</td></tr><tr><td>$\\$200,000 \times 25\% = \\$50,000$ [25% of Loan Amount]</td></tr><tr><td>$(\\$500,000 \times 25\%) - \\$36,000 = \\$89,000$ [Guaranty Entitlement Available]</td></tr><tr><td>$\\$50,000 / \\$200,000 = 25.00\%$ [Maximum Guaranty]</td></tr></table> <table><tr><th>Example C</th></tr><tr><td>Loan amount is \$400,000; Entitlement used (not restored) is \$161,000; Freddie Mac conforming loan limit is \$600,000. The Veteran does not have entitlement available for this purchase.</td></tr><tr><td>$\\$400,000 \times 25\% = \\$100,000$ [25% of Loan Amount]</td></tr><tr><td>$(\\$600,000 \times 25\%) - \\$161,000 = (\\$11,000)$ [No Guaranty Entitlement Available]</td></tr></table>	Example A	Loan amount is \$765,000; Entitlement used (not restored) is \$70,000; Freddie Mac conforming loan limit is \$724,000.	$\$765,000 \times 25\% = \$191,250$ [25% of Loan Amount]	$(\$724,000 \times 25\%) - \$36,000 = \$89,000$ [Guaranty Entitlement Available]	$\$111,000 / \$765,000 = 14.51\%$ [Maximum Guaranty]	Example B	Loan amount is \$200,000; Entitlement used (not restored) is \$36,000; Freddie Mac conforming loan limit is \$500,000.	$\$200,000 \times 25\% = \$50,000$ [25% of Loan Amount]	$(\$500,000 \times 25\%) - \$36,000 = \$89,000$ [Guaranty Entitlement Available]	$\$50,000 / \$200,000 = 25.00\%$ [Maximum Guaranty]	Example C	Loan amount is \$400,000; Entitlement used (not restored) is \$161,000; Freddie Mac conforming loan limit is \$600,000. The Veteran does not have entitlement available for this purchase.	$\$400,000 \times 25\% = \$100,000$ [25% of Loan Amount]	$(\$600,000 \times 25\%) - \$161,000 = (\$11,000)$ [No Guaranty Entitlement Available]
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Funding Fee Waiver	<p>Eligibility</p> <p>Members of the Armed Forces serving on active duty who are in receipt of the Purple Heart award are eligible for the VA funding fee waiver, <i>even if the Purple Heart was awarded during a prior period of military service</i>. For example,</p> <ul style="list-style-type: none">• The Veteran was awarded the Purple Heart in May 2018 and was honorable discharged from the military in July 2018. The Veteran later returned to active-duty military service in October 2019 to present. The Veteran (now active duty servicemember) is eligible for the Purple Heart waiver (exemption) of the VA funding fee unless discharged or released from active duty on or before the date of loan closing. <p>Evidence</p> <p>VA will accept the following as sufficient evidence to demonstrate eligibility for the Purple Heart funding fee waiver:</p> <ul style="list-style-type: none">• Purple Heart Certificate, a DD214 clearly showing the Purple Heart award, or military orders. Evidence of the Purple Heart award must be received by VA or Lender on or before the date of loan closing. DO NOT send original documents to VA. If evidence is received by Lender on or before the date of loan closing but is unable to verify waiver eligibility with VA prior to loan closing, then Lender must follow current policies related to uncertain exemption status. In such cases, VA will issue a refund to the Veteran if eligibility for the Purple Heart waiver of the funding fee is established. However, if evidence of the Purple Heart award is received <i>after</i> the date of loan closing, the active duty servicemember will not be entitled to a refund of the funding fee paid to VA. <p>Certificate of Eligibility (COE)</p> <p>The following conditions on the COE will denote eligibility for the funding fee waiver: <i>Active Duty Servicemember, Purple Heart Recipient, and Funding Fee</i>. Note: <u>All three conditions must be present to establish the waiver.</u></p> <ul style="list-style-type: none">• A COE that indicates a Purple Heart funding fee waiver expires upon discharge of the active duty servicemember. If the active duty servicemember is discharged or scheduled to be discharged on or prior to loan closing, a new COE is required.• If the COE does not include the referenced COE conditions and the active duty servicemember is eligible for the Purple Heart funding fee waiver, evidence of the Purple Heart award must be uploaded into the COE record in the VA portal for review on or before the date of loan closing. <p>Funding Fee Waiver (Circular 26-21-11)</p> <p>The statutory waiver of funding fees applies to the following:</p> <ol style="list-style-type: none">1. A Veteran who is receiving disability compensation (or who, but for the receipt of retirement pay or active service pay, would be entitled to receive compensation).2. A surviving spouse of any Veteran (including a person who died in the active military, naval, air, or space service) who died from a service-connected disability.3. A Veteran who is rated eligible to receive compensation as the result of a pre-discharge disability examination and rating or based on a pre-discharge review of existing medical evidence (including service medical and treatment records) that results in the issuance of a memorandum rating. (See <i>Other Loan Types</i> below)4. A member of the Armed Forces who is serving on active duty and who provides, on or before the date of loan closing, evidence of having been awarded the Purple Heart. <p>IRRRL</p> <p>A COE is not necessary for IRRRLs. VA’s system provides for more accurate funding fee exemption information at the time the VA loan number is requested and on the IRRRL Appraisal Case Initiated screen of the loan record in WebLGY. Lenders</p>														

Funding Fee Waiver (cont.)	<p>can print this verification at any time throughout the loan origination process enabling lenders to expedite the loan origination process for IRRRL borrowers.</p> <p>(NOTE: a surviving spouse who was a co-obligator under an existing VA-guaranteed loan is eligible for an IRRRL to refinance the VA-guaranteed loan).</p> <p>Other Loan Types</p> <p>For all other loan types, the funding fee exemption information will be displayed on the COE. If the COE displays “Non-Exempt”, the lender should ask the borrower if he/she has a pending compensation claim with VA. If the borrower indicates that a claim is pending, the lender should request an updated COE before loan closing (preferably not more than five days before closing) to verify whether the borrower is exempt. While the majority of COEs are processed instantaneously, there are rare cases where processing times may take up to five business days. Plan accordingly to avoid delaying loan closings.</p> <p>NOTE: If an Active-Duty Service member has a pre-discharge claim pending, submit VA Form 26-8937, <i>Verification of VA Benefits</i>. If a proposed or memorandum rating is not obtained and a closing takes place, the funding fee exemption does not apply, and the Service member will not be entitled to a refund.</p>
Guaranty	<p>Maximum Guaranty Amounts</p> <p>The maximum amount of guaranty for loans above \$144,000 made to purchases and cash-out refinances are as follows:</p> <ul style="list-style-type: none">Full Entitlement: For loans above \$144,000, the maximum amount of guaranty may not exceed 25% of the loan amount.Partial Entitlement: For loans above \$144,000, the maximum amount of guaranty may not exceed the lesser of 25% of the loan amount OR 25% of the Freddie Mac CLL.Married Veterans: When a Veteran and the Veteran’s spouse, who is also a Veteran, use dual entitlement to guaranty a loan above \$144,000, the maximum amount of guaranty is 25% of the loan amount so long as one of the Veterans has full entitlement. VA will charge entitlement for married Veterans according to their preference. If both Veterans have partial entitlement, the maximum amount of guaranty may not exceed the lesser of 25% of the loan amount OR 25% of the Freddie Mac CLL.Joint Loans: When more than one Veteran (Vet-Vet) seeks to use their entitlement on a loan above \$144,000, if at least one Veteran has partial entitlement, the maximum amount of guaranty may not exceed the lesser of 25% of the loan amount OR 25% of the Freddie Mac CLL. VA will charge entitlement to each Veteran equally. However, unequal charge of entitlement may be made with a signed written agreement from the Veterans if provided to VA prior to the issuance of the VA guaranty. If all Veterans seeking to use their entitlement on a loan above \$144,000 have full entitlement, then the maximum amount of guaranty is 25% of the loan amount. All other existing VA policies regarding joint loans, such as Veteran/Non-Veteran joint loans, remain the same.
Higher Priced Mortgage Loans (HPML)	<p>High Priced Mortgage Loans</p> <ul style="list-style-type: none">Not allowed with IRRRLsMust follow Rebuttable Presumption GuidelinesEscrow account must be established and maintained for at least five (5) years.Master Insurance Policy Exemption:<ul style="list-style-type: none">Insurance premiums are exempt for units in a condominium or PUD when the unit’s property is covered by a master insurance policy.Income must be likely to continue for a period of 7 years (in lieu of 3 years). This includes income from all sources including but not limited to disability, social security, child support, etc.
Maintenance and Utility Costs	<p>14 cents per square foot</p> <ul style="list-style-type: none">Example: 1500 square foot home X .14 =\$210.00 / month
Occupancy	<p>All loans (except IRRRLs) MUST be Owner Occupied</p> <ul style="list-style-type: none">Veteran is expected to occupy within 60 daysSpouse of Veteran can satisfy occupancyDependent child currently occupying the subject property or will occupy the subject property can satisfy occupancy.<ul style="list-style-type: none">The Veteran’s attorney-in-fact or the dependent child’s guardian must certify occupancy.Veteran on active duty must occupy within 12 months <p>IRRRL</p> <p>The veteran or the spouse of an active servicemember must certify that he or she previously occupied the property as his or her home. This is different than the requirement for non-IRRRL VA loans where the veteran must intend to personally occupy the property as his or her home.</p>
Power of Attorney	<ul style="list-style-type: none">For requirements refer to Power of Attorney Job Aid and Checklist
Properties Recently Listed	<p>Cash Out and IRRRL - Properties listed for sale within the previous 12 months</p> <ul style="list-style-type: none">Property must be off the market at least one day prior to application date.If the property was listed for sale within the prior 12 months but is not currently listed for sale:<ul style="list-style-type: none">Cash-Out eligible if listing is expired/canceled or withdrawn 180 days prior to application date.The appraised value should be at least 10% below the lowest listing price.If the appraised value is not at least 10% less than the lowest list price, the Underwriter must address the variance satisfactorily.Borrower must provide written confirmation of intent to occupy the property as Primary Residence.
Real Estate Owned	<p>Limitation on Other Real Estate Owned</p> <ul style="list-style-type: none">There is no limit on the number of properties owned; however,<ul style="list-style-type: none">3 months PITIA is required for all rental properties ownedRental Income from “other” properties owned/rented

Real Estate Owned (cont.)	<ul style="list-style-type: none">○ 2 years tax returns, signed and dated, plus all applicable schedules required<ul style="list-style-type: none">▪ If there is little or no prior rental history on the property, documentation must be provided of the borrower(s) prior experience managing rental units or other background involving both property maintenance and rental. Include any leases on the property and the strength of the local rental market.○ Positive Net Rental Income from 1040 will be included in the qualifying income if borrower has 2-year landlord history.○ Negative Net Rental Income will be included in monthly obligations to determine DTI regardless of longevity. <p>Converting Current Residence to Rental</p> <ul style="list-style-type: none">• Obtain a copy of the rental agreement on the property.• Prospective rental income may be used only to offset the mortgage payment on the rental property and only if there is no indication that the property will be difficult to rent.<ul style="list-style-type: none">○ Prospective rental income may not be included in effective income.○ If there is no lease on the property but the local rental market is very strong, the prospective rental income may still be considered for offsetting purposes.																																																																																										
Rebuttable Presumption	<p>If the APR is greater than 1.5 of the APOR the loan has a Rebuttable Presumption of Compliance with ATR and will require:</p> <ul style="list-style-type: none">• Borrower to provide Fully Executed Budget Letter• Below are the tables for Residual income requirements by region <table><tr><th colspan="5">Residual incomes for loan amounts <\$80,000</th></tr><tr><th>Family Size</th><th>Northeast</th><th>Midwest</th><th>South</th><th>West</th></tr><tr><td>1</td><td>\$390</td><td>\$382</td><td>\$382</td><td>\$425</td></tr><tr><td>2</td><td>\$654</td><td>\$641</td><td>\$641</td><td>\$713</td></tr><tr><td>3</td><td>\$788</td><td>\$772</td><td>\$772</td><td>\$859</td></tr><tr><td>4</td><td>\$888</td><td>\$868</td><td>\$868</td><td>\$967</td></tr><tr><td>5</td><td>\$921</td><td>\$902</td><td>\$902</td><td>\$1,004</td></tr><tr><td colspan="5">\$75 for each additional family member up to 7</td></tr></table> <table><tr><th colspan="5">Residual incomes for loan amounts +> \$80,000</th></tr><tr><th>Family Size</th><th>Northeast</th><th>Midwest</th><th>South</th><th>West</th></tr><tr><td>1</td><td>\$450</td><td>\$441</td><td>\$441</td><td>\$491</td></tr><tr><td>2</td><td>\$755</td><td>\$738</td><td>\$738</td><td>\$823</td></tr><tr><td>3</td><td>\$909</td><td>\$889</td><td>\$889</td><td>\$990</td></tr><tr><td>4</td><td>\$1,025</td><td>\$1,003</td><td>\$1,003</td><td>\$1,117</td></tr><tr><td>5</td><td>\$1,062</td><td>\$1,039</td><td>\$1,039</td><td>\$1,158</td></tr><tr><td colspan="5">\$80 for each additional family member up to 7</td></tr></table> <p>To determine residual income:</p> <ul style="list-style-type: none">• Determine Gross Income minus Federal, State, Social Security, Medicare and Works Comp.<ul style="list-style-type: none">○ Calculator for deductions can be accessed at paycheckcity.com• Subtract from that all debt including childcare expenses.• Subtract from that the total housing payment plus maintenance and utilities.• The remaining amount is the residual income <table><tr><th colspan="2">Key to Geographic Regions on the Above Tables</th></tr><tr><td>Northeast</td><td>Connecticut, Maine Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont</td></tr><tr><td>Midwest</td><td>Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota Wisconsin</td></tr><tr><td>South</td><td>Alabama, Arkansas, Delaware, District of Columbia Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico South Carolina, Tennessee, Texas, Virginia West Virginia</td></tr><tr><td>West</td><td>Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming</td></tr></table>	Residual incomes for loan amounts <\$80,000					Family Size	Northeast	Midwest	South	West	1	\$390	\$382	\$382	\$425	2	\$654	\$641	\$641	\$713	3	\$788	\$772	\$772	\$859	4	\$888	\$868	\$868	\$967	5	\$921	\$902	\$902	\$1,004	\$75 for each additional family member up to 7					Residual incomes for loan amounts +> \$80,000					Family Size	Northeast	Midwest	South	West	1	\$450	\$441	\$441	\$491	2	\$755	\$738	\$738	\$823	3	\$909	\$889	\$889	\$990	4	\$1,025	\$1,003	\$1,003	\$1,117	5	\$1,062	\$1,039	\$1,039	\$1,158	\$80 for each additional family member up to 7					Key to Geographic Regions on the Above Tables		Northeast	Connecticut, Maine Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont	Midwest	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota Wisconsin	South	Alabama, Arkansas, Delaware, District of Columbia Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico South Carolina, Tennessee, Texas, Virginia West Virginia	West	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming
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VA Loan- Joint with Non-Veteran (non- spouse)	<p>VA will only guarantee the Veterans portion of the loan when doing a VA loan that is Joint with a Non-Veteran (non-spouse). The required guarantee on a VA loan is 25% of the total loan amount. When doing a Veteran/Non-Veteran loan VA will only guarantee 25% of the Veterans portion, therefore the Non-Veteran must bring in the difference as a down payment.</p> <p>Qualifying Requirements</p> <p>Veteran’s credit must be satisfactory, and Veteran’s income must be sufficient to repay that portion of the loan allocable to the non-Veteran. The credit of the non-Veteran must be satisfactory. However, the combined income of both borrowers can be considered in evaluating repayment ability.</p> <p>In other words</p> <ul style="list-style-type: none">Income strength of the Veteran may compensate for income weakness of the non-Veteran, butIncome strength of the non-Veteran cannot compensate for the income weakness of the Veteran in analyzing the Veteran’s ability to repay his or her allocable portion of the loan. <p>For Example: The lesser of the sales price or appraised value is \$424,100.00. The required guarantee is \$106,025.00 (\$424,100.00 x 25% = \$106,025.00). VA is only guaranteeing the Veterans portion of the loan therefore the guarantee from VA would only be \$52,125.00 (\$424,100.00 divided by 2 = \$212,050.00 x 25% = \$53,012.50). Since the total required guarantee is \$104,250.00 and VA will guarantee only \$52,125.00 (veteran’s portion).</p> <p>“Joint loan” generally refers to a loan for which:</p> <ul style="list-style-type: none">A veteran and another person(s) are liable, andThe veteran and the other obligor(s) own the security. <p>A joint loan is a loan made to:</p> <ul style="list-style-type: none">Veteran and one or more non-Veterans (not spouse),Veteran and one or more Veterans (not spouse) who will not be using their entitlement,Veteran and the Veteran’s spouse who is also a Veteran, and both entitlements will be used, orVeteran and one or more other Veterans (not spouse), all of whom will use their entitlement. <p>A loan involving a veteran and his or her spouse will not be treated as a “joint loan” if the spouse is:</p> <ul style="list-style-type: none">not a Veteran, ora Veteran who will not be using his or her entitlement on the loan. <p>A loan to a Veteran and fiancé who intend to marry prior to loan closing and take title as Veteran and spouse will be treated as a loan to a Veteran and spouse (conditioned upon their marriage), and not a joint loan.</p> <p>Guaranty is limited to that portion of the loan allocable to the veteran’s interest in the property.</p> <p>Example:</p> <table><tr><th>Borrowers and Available Entitlement</th><th>Total Loan Amount</th><th>Veteran’s Portion</th><th>Maximum Potential Guaranty on Veteran’s Portion</th><th>Entitlement Charge</th></tr><tr><td></td><td></td><td></td><td></td><th>T=Total</th></tr><tr><td>Veteran \$36,000 Non-Veteran \$0</td><td>\$100,000</td><td>\$50,000</td><td>\$22,500</td><td>\$22,500</td></tr><tr><td>Veteran \$36,000 Non-Veteran \$0</td><td>\$290,000</td><td>\$145,000</td><td>\$36,250</td><td>\$36,250</td></tr><tr><td>Veteran \$27,500 Veteran \$36,000 Non-Veteran \$0</td><td>\$108,000</td><td>Total for both Veterans = \$72,000</td><td>Total for both Veterans \$28,800</td><td>\$14,400 \$14,400 T=\$28,800</td></tr><tr><td>Veteran \$25,000 Veteran \$11,000 Non-Veteran \$0</td><td>\$201,000</td><td>Total for both Veterans = \$134,000</td><td>\$36,000</td><td>\$25,000 \$11,000 T=\$36,000</td></tr></table>	Borrowers and Available Entitlement	Total Loan Amount	Veteran’s Portion	Maximum Potential Guaranty on Veteran’s Portion	Entitlement Charge					T=Total	Veteran \$36,000 Non-Veteran \$0	\$100,000	\$50,000	\$22,500	\$22,500	Veteran \$36,000 Non-Veteran \$0	\$290,000	\$145,000	\$36,250	\$36,250	Veteran \$27,500 Veteran \$36,000 Non-Veteran \$0	\$108,000	Total for both Veterans = \$72,000	Total for both Veterans \$28,800	\$14,400 \$14,400 T=\$28,800	Veteran \$25,000 Veteran \$11,000 Non-Veteran \$0	\$201,000	Total for both Veterans = \$134,000	\$36,000	\$25,000 \$11,000 T=\$36,000
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VA Loans using Joint Entitlement	<p>Guaranty Guidelines:</p> <ul style="list-style-type: none">The maximum guaranty amount for loans up to and including \$144,000 is \$36,000The maximum guaranty amount for loans above \$144,000 is calculated as Sales Price/Appraised Value (whichever is less) X 25%The minimum guaranty of 25% must be based on the lesser of the purchase price or appraised valueVA’s guaranty will be limited to that portion of the loan allocable to the veteran’s interest in the property. see chart below<ul style="list-style-type: none">The Veteran must qualify for his or her percentage of ownership interest in the property; i.e., if ownership is 50/50, the veteran must qualify for half (50%) of the PITI plus his or her portion of other personal debts. <table><tr><th>Veterans and Available Entitlement</th><th>Total Loan Amount</th><th>Maximum Potential Guaranty</th><th>Total Entitlement Charge Per Vet</th></tr><tr><td>Veteran 1 \$36,000</td><td rowspan="2">\$100,000</td><td rowspan="2">\$36,000</td><td>\$18,000</td></tr><tr><td>Veteran 2 \$36,000</td><td>\$18,000</td></tr></table> <p>Note: See VA Prior Approval section below for additional guidance</p>	Veterans and Available Entitlement	Total Loan Amount	Maximum Potential Guaranty	Total Entitlement Charge Per Vet	Veteran 1 \$36,000	\$100,000	\$36,000	\$18,000	Veteran 2 \$36,000	\$18,000																				
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VA Prior Approval (does not apply to IRRRL loans)	<p>Prior approval by VA prior to CTC is required when:</p> <ul style="list-style-type: none">Loans to veterans in receipt of VA non-service-related pension.Loans to veterans rated incompetent by VA.Joint loan to Veteran and one or more non-Veterans (not spouse).Joint loan to Veteran and one or more veterans (not spouse) who will not be using entitlement.Joint loans in which the Veteran will hold title to the property and any person other than the Veteran’s spouseLoans where the COE states VA prior approval is required.																														

VA Prior Approval (does not apply to IRRRL loans) (cont.)	<p>Approval by VA completed after loan is funded uploaded by Shipping (refer to Circular 26-19-13) when:</p> <ul style="list-style-type: none">Joint loans involving a Veteran and the Veteran’s spouse who is also a Veteran, and both entitlements will be used.Veteran and one or more other Veterans (not spouse), all of whom will use their entitlement. <p>Note: Extended turn times will apply</p> <p>Loan will be uploaded by UW once all prior to doc conditions are received, and file is ready to be reviewed by VA.</p> <p>Loan may not be clear to close until VA prior approval is received, and all conditions satisfied.</p>												
FINANCING TYPES													
Financing Type	<p>Purchase</p> <p>Cash-Out Refinance Type I and Type II</p> <ul style="list-style-type: none">VA considers all non-IRRRL refinances cash-out refinances, regardless of whether the borrower receives cash at closing. Refer to table below for cash-out refinance definitions.For Seasoning Requirements - Refer to Seasoning Requirements Section below.Subject Property MUST have an existing lien. <p>Interest Rate Reduction Refinance (IRRRL)</p> <ul style="list-style-type: none">VA to VA Refinances ONLYAdditional pricing appliesAVM through Protek required. Refer to Appraisal Section for additional requirements.Cannot be a HPMLMaximum cash back at closing is \$500 (\$0.00 in Texas)Maximum curtailment at disbursement is \$500PITI increase of 20% or more will require Credit/Income qualifyingFor Seasoning Requirements – Refer to Seasoning Requirements Section below. <p>36 months recoupment calculation</p> <p>To calculate the 36-month recoupment period the following is required</p> <ul style="list-style-type: none">Complete the VA Rate Reduction Certification (the following is required)<ul style="list-style-type: none">Copy of current Note which includes the current VA LIN Number, Rate, Term, Date of Note, and Principal and Interest payment of current loan.Closing costs = All closing costs (except prepaids) – lender credit for closing costs dividedCurrent Principal & Interest Payment – New Principal & Interest Payment = savings per month.Closing costs divided by savings per month = recoupment months. (must be 36 or less)Example 1: Current principal & interest \$1408.99 – New Principal & Interest \$1342.14 = \$66.85 savings per month. Closing costs \$3536 divided by \$66.85 = 52 months to recoup = this loan is not QM Safe Harbor and is not eligible.Example 2: Current Principal & Interest \$1408.99 – New Principal & Interest \$1342.14 = \$66.85 savings per month. Closing costs \$2049 divided by \$66.85 = 31 months to recoup = loan is QM Safe Harbor and is eligible. <table><tr><th colspan="2">TYPE I Cash Out Refinance - A refinance in which the loan amount (including VA Funding Fee) does not exceed the payoff amount of the loan being refinanced.</th></tr><tr><th>VA to VA</th><th>Non-VA to VA</th></tr><tr><td><ul style="list-style-type: none">LTV ≤ 100% (including all financed fees and charges) includes VA Funding FeeAt least 1 of 8 net tangible benefits have been met (see below).Lender must provide lender comparison disclosure at application and closing.Loan seasoning requirement is met (see below).Must meet fee recoupmentMust meet rate requirements (if existing loan is fixed rate) see below.</td><td><ul style="list-style-type: none">LTV ≤ 100% (including all financed fees and charges) includes VA Funding FeeAt least 1 of 8 net tangible benefits have been met (see below).Lender must provide lender comparison disclosure at application and closing.Loan seasoning requirement is met (see below).</td></tr></table> <table><tr><th colspan="2">TYPE II Cash Out – A refinance in which the loan amount (including VA Funding Fee) exceeds the payoff amount of the loan being refinanced.</th></tr><tr><th>VA to VA</th><th>Non-VA to VA</th></tr><tr><td><ul style="list-style-type: none">LTV ≤ 100% (including all financed fees and charges) includes VA Funding FeeAt least 1 of 8 net tangible benefits have been met (see below).Lender must provide lender comparison disclosure at application and closing.Loan seasoning requirement is met (see below).</td><td><ul style="list-style-type: none">LTV ≤ 100% (including all financed fees and charges) includes VA Funding FeeAt least 1 of 8 net tangible benefits have been met (see below).Lender must provide lender comparison disclosure at application and closing.Loan seasoning requirement is met (see below).</td></tr></table> <p>Loan to Value Calculation</p> <ul style="list-style-type: none">Total loan amount (including VAFF, if applicable) divided by property value = LTV <p>Net Tangible Benefit (NTB) - At least one of the following must be satisfied:</p> <ul style="list-style-type: none">Eliminate monthly mortgage insurance	TYPE I Cash Out Refinance - A refinance in which the loan amount (including VA Funding Fee) does not exceed the payoff amount of the loan being refinanced.		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Financing Type (cont.)	<ul style="list-style-type: none">• Decrease the loan term• Decrease monthly (P&I) payments• Reduce the interest rate• Maintain LTV equal to or less than 90%• Refinance an interim construction loan• Increase monthly residual income• Refinance from an adjustable-rate loan to a fixed rate loan <p>For Seasoning Requirements – Refer to Seasoning Requirements Section below.</p> <p>TYPE I Interest Rate Requirements</p> <ul style="list-style-type: none">• Fixed rate to Fixed rate:<ul style="list-style-type: none">○ The interest rate of the new loan must be a minimum of 0.5% less than the interest rate on the loan being paid off.• Fixed rate to Adjustable rate:<ul style="list-style-type: none">○ The interest rate of the new loan must be a minimum of 2.0% less than the interest rate on the loan being paid off<ul style="list-style-type: none">▪ Discount points > 1%: if discount points are included in the refinance loan amount, the maximum LTV is 90% (including VAFF)▪ Discount points ≤ 1%: If the discount points are included in the refinance loan amount, the maximum LTV is 100% LTV (including VAFF) <p>Fee Recoupment – Applies to TYPE I Cash Out Refinance - VA to VA only</p> <ul style="list-style-type: none">• Recoupment of all fees, expenses, and closing costs included in the loan amount and paid outside of closing must be recouped through lower Principal and Interest (P&I) payments within 36 months from the date of closing• The lender must certify to VA that the fee recoupment requirement is met.• Recoupment Calculation<ul style="list-style-type: none">○ Divide all fees (not including VA funding fee), expenses, and closing costs included in the loan and paid outside of closing by the reduction of monthly principal and interest.<ul style="list-style-type: none">▪ Escrow and prepaid expenses, such as, insurance, taxes, special assessments, and homeowner’s association (HOA) fees may be excluded from the 36-month recoupment calculation.○ Example:<ul style="list-style-type: none">▪ PI (VA loan being refinanced): \$654.00▪ PI (new VA refinancing loan): - <u>\$604.00</u>▪ Reduction of monthly PI: = \$ 50.00 <p>If the loan being refinanced has been modified, the reduction of monthly PI should be computed using the modified monthly PI of the loan being refinanced.</p> <ul style="list-style-type: none">○ Example:<ul style="list-style-type: none">▪ Fees/expenses/closing cost: \$1,436.49▪ Reduction of monthly PI: ÷ <u>\$ 50.00</u>▪ Fee Recoupment Period: = 29 months (28.72 months rounded) <p>Comparison Disclosure Requirements</p> <ul style="list-style-type: none">• Must be provided to borrower within 3 days of application and at closing & borrower must sign and/or acknowledge receipt of both disclosures. The following must be included in the comparison:<ul style="list-style-type: none">○ Loan amount vs. payoff amount○ Loan type○ Interest rate○ Loan term○ Total amount the Veteran will have paid after making all payments as scheduled○ LTV○ Home Equity being removed from the property <table><tr><th colspan="4">Acceptable Vesting</th></tr><tr><th colspan="2">Parties Obligated on Old VA Loan</th><th>Parties to be Obligated on new IRRRL</th><th>Is IRRRL Possible?</th></tr><tr><td>1</td><td>Unmarried veteran</td><td>Veteran and new spouse within the last 12 months</td><td>Yes</td></tr><tr><td>2</td><td>Veteran and spouse</td><td>Divorced veteran alone within the last 12 months</td><td>Yes</td></tr><tr><td>3</td><td>Veteran and spouse</td><td>Veteran and different spouse</td><td>Yes</td></tr><tr><td>4</td><td>Veteran alone</td><td>Different veteran who has substituted entitlement</td><td>No</td></tr><tr><td>5</td><td>Veteran and spouse</td><td>Spouse alone (veteran died)</td><td>Yes</td></tr><tr><td>6</td><td>Veteran and nonveteran joint loan obligors</td><td>Veteran alone</td><td>No</td></tr><tr><td>7</td><td>Veteran and spouse</td><td>Divorced spouse alone</td><td>No</td></tr><tr><td>8</td><td>Unmarried veteran</td><td>Spouse alone (veteran died)</td><td>No</td></tr><tr><td>9</td><td>Veteran and spouse</td><td>Different spouse alone (veteran died)</td><td>No</td></tr><tr><td>10</td><td>Veteran and nonveteran joint loan obligators</td><td>Nonveteran alone</td><td>No</td></tr></table>	Acceptable Vesting				Parties Obligated on Old VA Loan		Parties to be Obligated on new IRRRL	Is IRRRL Possible?	1	Unmarried veteran	Veteran and new spouse within the last 12 months	Yes	2	Veteran and spouse	Divorced veteran alone within the last 12 months	Yes	3	Veteran and spouse	Veteran and different spouse	Yes	4	Veteran alone	Different veteran who has substituted entitlement	No	5	Veteran and spouse	Spouse alone (veteran died)	Yes	6	Veteran and nonveteran joint loan obligors	Veteran alone	No	7	Veteran and spouse	Divorced spouse alone	No	8	Unmarried veteran	Spouse alone (veteran died)	No	9	Veteran and spouse	Different spouse alone (veteran died)	No	10	Veteran and nonveteran joint loan obligators	Nonveteran alone	No
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Seasoning Requirements	<p>Seasoning Definition</p> <p>Loan seasoning applies to all IRRRLs and cash-out refinance loans (Type I and Type II) made to refinance a VA-guaranteed home loan (VA-to-VA) or Non-Guaranteed Loan (Conventional to VA). A loan is considered seasoned only if it meets the following condition:</p> <p>The note date of the refinance loan must be on, or after, the later of:</p> <ul style="list-style-type: none">• The date on which the borrower has made at least six consecutive monthly payments on the loan being refinanced; and• The date that is 210 days after the first payment due date of the loan being refinanced. <p>(Note: A credit score of 580-599 requires a minimum 24-month mortgage seasoning on the loan currently being refinanced. Loans with < 2 years seasoning are ineligible.)</p> <p>Note: Loans that have been modified (e.g., due to COVID-19 Forbearance), the above seasoning requirement is calculated from the first payment due date on the loan modification agreement.</p>
Temporary Buydowns	<ul style="list-style-type: none">• Lender paid buydown• Qualify at note rate• 100% Maximum LTV• Primary Residence• Purchase Only• Min 640 credit score required. All borrowers must have a credit score.• Ineligible property types<ul style="list-style-type: none">◦ Manufactured Home◦ Leasehold properties• Loans in Texas are not eligible
VA Allowable Fees	<p>Allowable fees and charges to borrower for ALL Financing Types</p> <ul style="list-style-type: none">• 1% of the loan amount and the following fees:<ul style="list-style-type: none">◦ Appraisal fees◦ Recording charges◦ Credit report◦ Taxes and Assessments◦ Hazard Insurance◦ Surveys◦ Title Examination and Insurance◦ Flood zone determination and life of loan service• Reasonable Discount points<ul style="list-style-type: none">◦ VAIRRRL – maximum of 2% discount point may be financed into the loan amount anything over 2% must be paid by borrower in cash or lender credit.
CREDIT	
Bankruptcy / Deed-in-Lieu / Foreclosure/ Short Sale	<p>Bankruptcy</p> <ul style="list-style-type: none">• Chapter 7: Discharged minimum of 2 years• Chapter 13<ul style="list-style-type: none">◦ If the borrower has satisfactorily made at least 12 months’ worth of payments, and◦ The Trustee or Bankruptcy judge approves of the new credit, the lender may give favorable consideration.◦ If Chapter 13 BK is discharged seasoning requirements do not apply. If AUS does not issue an approval, follow manual underwriting guidelines below. <p>Deed-in-Lieu / Foreclosure / Short Sale</p> <ul style="list-style-type: none">• 2 years from discharge date to closing date• 2-4 unit properties subject to a Short Sale Agreement must have been listed on the MLS for a minimum of 30 days prior to the execution of the sales contract. Properties designated as an “Exclusive Listing” are ineligible.
Charge-Offs / Disputed Accounts / Judgments	<p>Charge-Offs</p> <p>The underwriter must address the circumstances regarding the negative credit history when reviewing the overall credit of the borrower(s).</p> <p>Disputed Accounts</p> <p>A Veteran’s claim of bona fide or legal defenses regarding unpaid debts may be considered except when the debt has been reduced to judgment. The underwriter must document the reason(s) for not considering an account.</p> <p>Judgments</p> <ul style="list-style-type: none">• Account balances reduced to judgment by a court must either be paid in full or subject to a repayment plan with a history of timely payments, typically considered as making 12 payments to reestablish credit.• In certain cases when a judgment has only been in place for a few months, a shorter repayment history may be justified if the documentation indicates the borrower immediately addressed the judgment after it was filed and began a repayment plan.
Credit	<ul style="list-style-type: none">• Minimum 580 fico score required.<ul style="list-style-type: none">◦ Cash Out LTV > 90% - Minimum 600 fico score required.◦ Cash Out LTV ≤ 90% with credit score 580-599 – see Credit Score 580-599 requirements below.◦ IRRRL Non-Credit Qualifying – Minimum 640 fico score required.◦ Manufactured Home – Minimum 640 fico score required.• Clear CAIVRS required for all borrowers• Delinquent child support paid current or in payment plan• Delinquent Federal/State Tax liens must be paid in full or in an approved repayment plan• IRS Installment plan/agreement:<ul style="list-style-type: none">◦ 6 monthly payments are required, and these cannot be prepaid or paid in advance• Student Loans

Credit (cont.)	<div><ul style="list-style-type: none">○ If the borrower provides written evidence that the student loan debt will be deferred at least 12 months beyond the closing date, a monthly payment does not need to be considered.○ If a student loan is in repayment or scheduled to begin within 12 months from the date of the loan closing, the anticipated monthly obligation must be considered by using the following calculation method:<ul style="list-style-type: none">▪ Calculate each loan at 5% of the outstanding balance divided by 12 months (example: \$25,000 student loan balance x 5% = \$1,250 divided by 12 months = \$104.17 per month is the monthly payment for debt ratio purposes).▪ The payment reported on the credit report for each student loan(s) must be used if the reported payment is greater than the threshold payment calculation above.▪ If the payment reported on the credit report is less than the threshold payment calculation above, the loan file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan(s). The statement(s) must be dated within 60 days of loan closing and may be an electronic copy from the student loan servicer’s website or a printed statement provided by the student loan servicer.<ul style="list-style-type: none">• Child Care <u>is</u> considered a monthly obligation• Non-borrowing Spouse Credit in Community Property States (see below)• Borrowers who are paying off revolving debt to qualify are <u>not</u> required to close that account• Simultaneous second mortgage payment must be included• 30-day charge accounts – determine if the borrower(s) pays the balance in full each month and has verified funds to cover the account balance in addition to any funds required for closing.<ul style="list-style-type: none">○ If there are sufficient funds, the payment does not need to be included in the DTI○ If there are not sufficient funds, a minimum payment of 5% of the balance should be used in the DTI calculation.<p>Contingent Liability</p><p>A contingent liability (also known as co-signed obligations) refers to liabilities that result in the obligation to repay when a borrower cosigns for a loan or obligation for another party. The lender may exclude the loan payments from the monthly obligations if:</p><ul style="list-style-type: none">• There is evidence that the loan payments are being made by someone else and the obligation is current, and• There is no reason to believe that the borrower will have to participate in repayment of the loan.<p>Business Debt in Borrowers Name</p><p>Business debt in borrowers name refers to liabilities reported on the borrower’s personal credit report, but payment for the debt is paid through the borrower’s business. When business debt is reported on the borrower’s personal credit report the debt must be included in the debt ratio unless all of the following documentation can be provided. (Note: account being excluded must be an account that is used for business that is in borrower personal name. i.e. auto loan for auto needed for business etc. regular credit accounts i.e. student loans etc. are not considered business debt.)</p><ul style="list-style-type: none">• 12 months cancelled checks showing the business pays the debt directly to the lien holder; and<ul style="list-style-type: none">○ (Note: business account used to pay these debts cannot be a co-mingled account i.e. if this is the only account borrower has and they pay all bills, groceries etc. through this account it is not an eligible account.)• Evidence the business writes the debt off through the business as evidenced by the most recent 1040’s or business returns.</div>
Credit Score 580-599	<div><p>Credit Score 580-599:</p><ul style="list-style-type: none">• Cash Out Max 90% LTV/CLTV. Minimum 2-year payment history on current loan with 0x30x24 required.• 1-Unit properties only (SFR, PUDs, condos)• 10% down payment from the borrower’s own funds is required.<ul style="list-style-type: none">○ No gift funds/DPA can be utilized until after 10% of the borrower’s own funds has been contributed.○ 2 months bank statements dated prior to loan application date and signed letter attesting all funds are borrower funds required.• Maximum payment shock is 100%. Payment Shock 50.01% - 100% requires double residual income.• Property flips are ineligible (property re-sold ≤ 90 days from acquisition).<p>IRRRL: Credit Score 580-599:</p><ul style="list-style-type: none">• Credit qualifying only.• 1-unit only• Conforming and high balance loan amounts allowed.• Maximum 90% LTV/CLTV• Minimum 2-year payment history on the loan being refinanced with a 0x30 in previous 24 months required.</div>
Manual Underwriting	<div><p>For loans that are manually underwritten the minimum documentation needed will be:</p><ul style="list-style-type: none">• Minimum 580 credit score• DTI over 41% requires additional 20% residual income (same as AUS approved loan)• Minimum of 3 compensating factors• 30 days’ worth of paystubs with YTD earnings• Complete written VOE• 2 years W-2 and 2 years 1040’s if applicable• VOD or 2 months bank statements• Mortgage or Landlord rating• Additional documentation may be required by the VA SAR Underwriter’s discretion• Note: Manual underwriting is not permitted with manufactured home.</div>
Mortgage/Rental History	<div><p>≤ VA Conforming Loan Limits</p><ul style="list-style-type: none">• Credit Qualifying/Non-Credit Qualifying: 0x30 in previous 12 months.<p>> VA Conforming Loan Limits</p><ul style="list-style-type: none">• Credit Qualifying: 0x30 in previous 12 months• Non-Credit Qualifying: 0x30 in previous 24 months<p>See Credit Score 580-599 section above for mortgage history requirements.</p></div>

Non-Purchasing Spouse in a Community Property State	<p>Community Property States: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin</p> <p>If property is in a community property state, or the borrower resides in a community property state the following requirements apply:</p> <ul style="list-style-type: none">A credit report for the non-purchasing spouse (NPS) is required to determine joint and individual debts. The NPS's authorization to pull a credit report must be obtained. If the NPS refuses to provide authorization for the credit report, the loan must be rejected.<ul style="list-style-type: none">Even if the NPS does not have a social security number a credit report is required.The credit report for the NPS should not be a joint report, it must be obtained separatelyObligations must be considered in the qualifying ratios.<ul style="list-style-type: none">Disputed debts of the NPS need not be counted provided the file contains documentation to support the dispute.The non-purchasing spouse's (NPS) credit history does not need to be considered; however, the NPS's liabilities must be considered to determine the extent of the household liabilities. Credit History of the NPS should not be the basis for declining the loan.
Qualifying Rate	<ul style="list-style-type: none">Qualify at Initial Note Rate (Fixed and 5/1 ARMs)
Qualifying Ratios	<p>AUS Approved Loans:</p> <ul style="list-style-type: none">Max 65% DTI. Loans with ratios exceeding 41% will require the Veteran to have an additional 20% in residual income.<ul style="list-style-type: none">Credit Score \geq 660 – Max 65% regardless of AUS ApprovalCredit Score < 660 – Max 60% regardless of AUS ApprovalCredit Score 580-619 must be downgraded to a manual underwrite if the following exist:<ul style="list-style-type: none">Mortgage history 1x30 in most recent 12 monthsBorrower is in an IRS tax repayment planActive disputed tradelinesSubject loan was previously a restructured/modified mortgage.<ul style="list-style-type: none">A minimum of 12 months of 0x30 payments have been made on the modified mortgage.If the mortgage was in default at the time of modification, it is not eligible. <p>AUS Refer Loans (Manual Underwrite):</p> <ul style="list-style-type: none">Maximum 45% DTI. DTI exceeding 41% up to 45% will require an additional 20% in residual income and significant documented compensating factors. <p>Examples of compensating factors include:</p> <ul style="list-style-type: none">Excellent Credit HistoryConservative use of consumer creditMinimal consumer debtTax Benefits of home ownershipSatisfactory homeownership experienceLittle or no increase in shelter expenseThe existence of equity in refinancing loansMilitary BenefitsSignificant Liquid AssetsSizable down paymentLong Term EmploymentTax Credits for Child Care
INCOME	
Employment / Income	<ul style="list-style-type: none">Refer to VA Handbook for all income typesAll loans require an IRS Form 4506-C<ul style="list-style-type: none">Form 4506-C must be processed per AUS <p>Income from Non-Military Employment</p> <ul style="list-style-type: none">Verify a minimum of 2 years of employment. If the borrower has been employed by the present employer less than 2 years:<ul style="list-style-type: none">Verify prior employment, plus present employment covering a total of 2 years, orProvide an explanation of why 2 years of employment could not be verified,Compare any different types of employment verifications obtained for consistency, andClarify any substantial differences in the data that would have a bearing on the qualification of the borrower(s).Additional documentation for a borrower employed in building trades or other seasonal or climate-dependent work must provide, in addition to the standard documentation (VOE and pay stub(s)), the following:<ul style="list-style-type: none">Documentation of the borrower's total earnings years-to-date,Signed and dated individual income tax returns for the previous 2 years, andIf borrower works out of a union, evidence of the union's history with the borrower.

Rental Income (including 2-4 Unit Properties)	<p>Analysis using Rental Offset of the Property Occupied Prior to the New Loan</p> <p>Use of prospective rental income only to offset the mortgage payment on the rental property, and only if there is no indication that the property will be difficult to rent. This rental income may not be included in effective income.</p> <p>Verification of Rental Property Income</p> <p>Obtain the following:</p> <ul style="list-style-type: none">Documentation of cash reserves totaling at least 3 months mortgage payments (PITI), andIndividual income tax returns signed and dated or lender obtained tax transcripts, plus all applicable schedules for the previous 2 years, which show rental income generated by the property. <p>If the borrower has multiple properties, the borrower must have 3 months PITI documented for each property to consider the rental income.</p> <p>If there is no lien on the property, 3 months reserves to cover expenses such as taxes, hazard insurance, flood insurance, etc. should be documented for each property.</p> <ul style="list-style-type: none">Equity in the property cannot be used as reserves.Cash proceeds from a VA refinance cannot be counted as the required PITI on a rental property. The reserves must be in the borrower's account before the new VA loan closes.Gift funds cannot be used to meet reserve requirements. <p>Analysis of Rental Property Income</p> <ul style="list-style-type: none">Each property must have a 2-year rental history itemized on the borrower's tax return.Property depreciation claimed as a deduction on the tax returns may be included in effective income.If after adding depreciation to the negative rental income, the borrower still has rental loss, the negative income should be deducted from the overall income as it reduces the borrower's income.If rental income will not, or cannot be used, then the full mortgage payment should be considered and reserves do not need to be considered. <p>2-4 Unit Properties</p> <p>Prospective rental income may only be included in effective income if both of the following are met:</p> <ul style="list-style-type: none">Evidence indicates the borrower has a reasonable likelihood of success as a landlord. Documentation to support the borrower's prior experience managing rental units or other background involving both property maintenance and rental must be provided ANDBorrower has cash reserves totaling 6 months mortgage payments (PITI). Note: if each unit is separate and not under one mortgage, 6 months PITI must be verified for each separate unit.<ul style="list-style-type: none">Equity in the property cannot be used as reserves to meet PITI requirements. This must be the borrower's own funds, not a gift.Cash proceeds from a VA regular "cash-out" refinance cannot be counted as the required PITI on a rental property. The reserve funds must be in the borrower's account before the new VA loan closes.The amount of rental income to include in effective income must be based on 75% of either:<ul style="list-style-type: none">Verified prior rent collected on the units of existing properties ORThe appraiser's opinion of the subject property's fair monthly rental for new construction.
ASSETS	
Assets / Down Payment	<p>Cash to Close</p> <ul style="list-style-type: none">Must have sufficient liquid assets to close. Verify any liquid assets that may have a bearing on the overall credit analysis (significant assets). Use VA Form 26-8497a, VOD or certified copies of the borrower's last two bank statements.Retirement accounts (i.e., 401K retirement accounts) may be used as an asset for cash to close or reserves.<ul style="list-style-type: none">Cash to close must be liquidated and deposited into the borrowers account.Reserves use 60% of the value and provide a statement to verify the amount used as reserves. <p>Minimum Borrower Investment:</p> <ul style="list-style-type: none">No minimum borrower investment is required for loan amounts up to VA County Limit.Down Payment may apply if Veteran does NOT have full entitlement.No portion of cash down payment can be derived from borrowed funds.
Gift Funds	<p>A gift can be provided by a donor that does not have any affiliation with the builder, developer, real estate agent, or any other interested party to the transaction. A gift letter must:</p> <ul style="list-style-type: none">Specify the dollar amount of the gift,Include the donor's statement that no repayment is expected, andIndicate the donor's name, address, telephone number, and relationship to the borrower.Must verify that sufficient funds to cover the gift have been transferred to the borrower's account or will be documented as received by the closing agent at the time of closing. Acceptable documentation includes:<ul style="list-style-type: none">Evidence of the borrower's deposit,A copy of the donor's funds by check/electronic transfer to the closing agent, orThe CD showing receipt of the donor's funds.Gift given in the form of cash is not acceptable.
Reserves	<p>VA does not require the borrower(s) to have additional cash to cover a certain number of mortgage payments, unplanned expenses or other contingencies on the residence, or refinance of the Veteran's residence.</p> <p>However, the borrower's ability to accumulate liquid assets and the current availability of liquid assets for unplanned expenses should be considered in the overall credit analysis.</p> <p>Note: Reserves are required for borrower's using rental income to qualify. Refer to Income Job Aid for requirements.</p>
Secondary Financing	<ul style="list-style-type: none">Cannot be used to offset required down payment, pay closing costs, or cover any portion of the purchase price that exceeds the reasonable value.Interest rate of the second mortgage cannot exceed the rate of the VA loan.The second lien should not restrict the veteran's ability to sell the property.The total CLTV should never exceed 100% of the lesser of the sales price or appraised value.

Secondary Financing (cont.)	<ul style="list-style-type: none">Loan must be assumable <p><u>Down Payment Assistance Programs (DPAs)</u></p> <ul style="list-style-type: none">Must be VA and Product Development ApprovedMust be a federal, state, or local government agency or VA approved non-profit agency considered by VA to be an instrumentality of government.Non-profit agencies not considered by VA to be instrumentalities of government require prior approval from VA.
Seller Contributions	<ul style="list-style-type: none">Seller can pay 100% discount points and borrowers non allowable closing costsSeller can provide an additional amount not to exceed 4% of the allowable closing costs and prepaids.
PROPERTY	
Appraisal	<p>IRRRL transactions:</p> <ul style="list-style-type: none">An AVM or 2055 is required for all loans:<ul style="list-style-type: none">Conforming Loan Amount:<ul style="list-style-type: none">An AVM with a standard deviation ≤ 18 for all loan amounts. If standard deviation > 18, a 2055 will be required; orAn AVM with a confidence score of 80% or more and/or a “high” confidence rating. If confidence score is < 80%, a 2055 will be required.High Balance Loan Amount:<ul style="list-style-type: none">A confidence score of ≥ 90% or a 2055 is required. <p>Valuation required for Kansas Primary Residence.</p> <ul style="list-style-type: none">One of the following may be used to determine value:<ul style="list-style-type: none">Most recent tax assessment value by the county2055 Drive-by Appraisal ReportN2 Funding approved AVM, such as CoreLogicIf the LTV exceeds 100%, a Kansas High Loan-to-Value Notice must be provided to the borrower not less than three (3) days prior to closing and a copy of the valuation provided to the borrower.
Private Roads and Shared Driveways	<ul style="list-style-type: none">Refer to Circular 26-22-17 for requirements.
Private Transfer Fee	<ul style="list-style-type: none">Also known as Community Transfer Fee. Refer to Private Transfer Fee Job Aid for requirements.Credit Score 580-619 not eligible with Private Transfer Fee
Property Types	<p>Eligible</p> <ul style="list-style-type: none">1-4 UnitsPUDCondos (VA Approved)Manufactured Homes (must meet VA property requirements) <p>Ineligible</p> <ul style="list-style-type: none">Properties with C5 or C6 condition ratingsCondotelsWorking FarmsCo-ops
Solar / Energy Improvements	<ul style="list-style-type: none">Refer to Solar Energy Job Aid for specific requirements.
Water / Sewer Connection Requirements	<ul style="list-style-type: none">For properties served by individual water and/or sewer systems, connection to public water and/or public sewer will only be mandatory when such connection is required by local building, planning or health authorities.For properties on individual water and/or sewer (septic) systems where well water or septic tests or certifications were required, the validity of those tests or certifications is 90 days unless the local health authority indicates otherwise. (See also Individual Water Supply System Testing below)All Notices of Value (NOVs) issued on properties served by individual water and/or sewer systems will require NOV Item #6 to be checked for connection to public water or public sewer only if the local building, planning or health authority requires such connection. <p>Individual Water Supply System Testing</p> <ul style="list-style-type: none">All testing must be performed by a disinterested third party. This includes the collection and transport of the water sample collected at the water supply source. The sample may be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the Veteran or other interested party collect and/or transport the sample.For VA purposes, the test is valid for 90 days from the date certified by the local health authority. After 90 days, another sample must be taken, and test completed.The water supply must meet the requirements established by the local health authority. If the local health authority has not established specific requirements, then requirements established by the State health authority will be used. In the case where there are no state requirements, then requirements established by the Environmental Protection Agency (EPA) will be used.