

CONFORMING LIMITS¹

Property Type	PURCHASE		RATE/TERM REFINANCE ²		CASH-OUT REFINANCE	
	Max LTV/CLTV	MIN FICO	Max LTV/CLTV	MIN FICO	Max LTV/CLTV	MIN FICO
1 unit	100%	640	90/90% ²	640	90/90%	640
2-4 units	100%	640	90/90% ²	640	90/90%	640

HIGH-BALANCE^{1,3}

Property Type	PURCHASE		RATE/TERM REFINANCE		CASH-OUT REFINANCE	
	Max LTV/CLTV	MIN FICO	Max LTV/CLTV	MIN FICO	Max LTV/CLTV ⁴	MIN FICO
1-4 Units	100%	640	90/90%	640	90/90%	640

- Eligible Veterans, service members, and survivors with full entitlement no longer have limits on loans over \$144,000.
 - Borrowers have full entitlement if they meet either of the requirements listed below:
 - At least one of these must be true:
 - ✓ Borrower has never used home loan benefit, or
 - ✓ Borrower paid a previous VA loan in full and sold the property (in this case, borrower would have full entitlement restored), or
 - ✓ Borrower has used home loan benefit, but had a foreclosure or compromise claim (also called a short sale) and repaid VA in full
 - For purposes of program coding Rate/Term is technically a VA refinance of a non-VA loan, with no cash out for non-mortgage debt allowed. Technically this is a “cash out” transaction in accordance with VA guidelines and the transaction type for this loan will be “cash out” in the loan origination system.
 - High Balance total loan amount: ≥ \$766,551+
 - For subordinate liens that are HELOCs, the CLTV is determined by the FULL amount of the accessible credit line—OR—current balance, whichever is greater.

Please note the following:

- * **AK & HI conforming limit is \$1,149,825**
- * **Conforming loans inclusive of Funding Fee over the maximum loan limit are considered high balance and must meet high balance guidelines.**

Regardless of loan amount, the VA guaranty plus cash/equity must be equal to at least 25% of the purchase price or Notification of Value (NOV), whichever less, on purchases and non-IRRRL refinances.

PRODUCT NAME	PRODUCT CODE	PRODUCT NAME	PRODUCT CODE
W VA 15 Yr Fixed	WGV15-000	W VA High Balance Fixed 30	WGVHB30-000
W VA 20 Yr Fixed	WGV20-000	W VA Fixed 15 Cash Out	WGV15CO-000
W VA 25 Yr Fixed	WGV25-000	W VA Fixed 15 Rate/Term	WGV15RT-000
W VA 30 Yr Fixed	WGV30-000	W VA Fixed 30 Cash Out	WGV30CO-000
W VA 30 Yr Fixed DAP	WGV30DAP-000	W VA Fixed 30 Rate/Term	WGV30RT-000



GENERAL REQUIREMENTS

ELIGIBILITY	<ul style="list-style-type: none"> All VA guidelines apply. MCC's (Section 8) is ineligible. DU or LP Approval - Credit Risk / Ratios determined by AUS acceptability. Manual Underwriting not allowed.
LOAN AMOUNT	<ul style="list-style-type: none"> Loan amount is based on the lower of the appraised value or purchase price plus Funding Fee, if financed. VA loan limits are available at http://benefits.va.gov/homeloans/purchaseco_loan_limits.asp. When the loan amount exceeds the conforming loan limit of \$766,550 or the maximum loan amount for properties located in high-cost counties identified by VA, the amount of the borrower's VA entitlement or the entitlement plus down payment or borrower equity must equal. <ul style="list-style-type: none"> 25% of the purchase price or the appraised value, whichever is lower, OR In accordance with Chapter 3, 4-a of the VA Lender's Handbook, which states, "the percentage and amount of guaranty is based on the loan amount including the Funding Fee portion when the fee is paid from loan proceeds." Either guaranty calculation will be acceptable for all VA purchase, new construction and non-IRRRL refinance transactions delivered to FMC for purchase consideration. See difference between the purchase price or the appraised value and the maximum loan limit for the county for examples of the calculation. The maximum loan amount limits below are base loan amounts and do not include the financed VA Funding Fee: <ul style="list-style-type: none"> Fannie Mae 1-unit conforming loan limit of \$766,550, or Maximum VA county loan amount for VA High-Cost Counties. <ul style="list-style-type: none"> Total loan amounts inclusive of funding fee are used to determine conforming verses high balance loans.
PROPERTY ELIGIBILITY	<ul style="list-style-type: none"> SFR, PUD, 2-4 Units, and Manufactured (MH). <ul style="list-style-type: none"> High Balance Manufactured Home are Ineligible <ul style="list-style-type: none"> Please see VA Manufactured Guidelines for requirements specific to Manufactured Homes
BORROWER ELIGIBILITY	<ul style="list-style-type: none"> Maximum number of 4 borrowers, including accommodation mortgagors. Ineligible Borrowers: <ul style="list-style-type: none"> Borrowers with ITIN numbers. Borrowers that are not legal residents including, but not limited to the following borrowers: <ul style="list-style-type: none"> Diplomatic Immunity/Embassy Personnel, Borrowers with deferred action status, which includes DACA, Foreign Nationals, and Borrowers with Temporary Protected Status (TPS). Veteran is a person who has served on active duty in the Army, Navy, Air Force, Marines or Coast Guard and who (except for service member on active duty) was discharged or released from active duty under conditions other than dishonorable. Must have a clear CAIVRS. Must be a veteran with eligibility documented with a Certificate of Eligibility (COE), which also indicates the Veterans Entitlement. Un-remarried surviving spouse of an eligible service member who died as a result of service or service-connected injuries. Non-Veteran Co-borrowers that are not married to the Veteran are limited to 50% of entitlement. Resident Alien permitted as long as primary borrower is a veteran. OCCUPANCY: <ul style="list-style-type: none"> Owner occupied primary residences only. If buyer is active duty the spouse may certify occupancy. No non-occupying borrowers. The following criteria applies: <ul style="list-style-type: none"> Minimum wartime service is 90 days' active duty. Minimum 181 days of continued active duty during peacetime. Members of Reserves of National Guard completing 6 years of service.



GENERAL REQUIREMENTS (CONTINUED)

CREDIT

CREDIT SCORES:

- All borrowers with a credit score must reflect at least 640.

QUALIFYING RATIOS:

- Ratios determined by AUS acceptability. Any allotments reflected on the LES or paystubs must be investigated, to determine if the allotment has an affiliated debt.
- Max DTI is 55% regardless of AUS approval.
- DU or LP Refer/Eligible recommendations are not eligible.
- VOM/VOR as a standalone document is not permitted.
 - Evidence must be supported by 12 months cancelled checks or auto payment with a copy of the lease/note to confirm the terms required.
- A fully complete and signed 4506T for each borrower is required.
- Current year IRS taxes due:
 - If borrower has not paid current year taxes due and is on extension, taxes must be paid current or taxes must be filed and have an approved IRS installment plan established.
- Land Home Financial Services, Inc. will run Undisclosed Debt Monitoring (UDM) prior to closing which may require additional information or affect borrower's loan approval if additional credit is obtained or late payments are reported. Prior to closing, any new inquiries and/or debt must be documented.
 - Chapter 13: Bankruptcies must be fully discharged before eligible for financing.
 - All delinquent credit that will impact title must be paid off prior to or at closing.
 - VA recommends that if the borrower has a history or pattern of collections that they be paid, and 12 months of satisfactory credit is documented:
 - Reestablished Credit: In circumstances not involving bankruptcy, satisfactory credit is generally considered to be reestablished after the veteran, or veteran and spouse, have made satisfactory payments for 12 months after the date the last derogatory credit item was satisfied. For example, assume a credit report reveals several unpaid collections, including some which have been outstanding for many years. Once the borrower has satisfied the obligations, and then makes timely payments on subsequent obligations for at least 12 months, satisfactory credit is reestablished.
 - Collections: Isolated collection accounts do not necessarily have to be paid off as a condition for loan approval. For example, a credit report may show numerous satisfactory accounts and one or two unpaid medical (or other) collections. In such instances, it would be preferable to have collections paid. However, collection accounts must be considered part of the borrower's overall credit history and unpaid collection accounts should be considered open, recent credit.
- Cannot be delinquent on any Federal Debt unless the delinquent account has been brought current or a satisfactory arrangement has been made.
- Outstanding charge-offs:
 - A letter of explanation with supporting documentation, for each outstanding charge off account must be provided and consistent with the loan file.
 - All outstanding judgments must be paid in full.
- Housing payment history per AUS.
 - Loan must be current at the time of closing/Note date and have no 30-day or greater mortgage late payments in the most recent 12 months.
- Borrowers with a history of overdrawn bank accounts require further evaluation to determine if there is a mismanagement of finances. Additional conditions, including but not limited to letter of explanation may apply.
- Non-Traditional credit not allowed.
- If the subject property is located in a community property state and the borrower has a non-purchasing spouse, a credit report for the non-purchasing spouse must also be ordered.
- Borrowers must have a clear CAIVRs rating.
- LOE required for all credit inquiries for the past 120 days.
- All inquiries made within the last 90 days must be included on the report.
 - Full tri-merged credit report is required for all transactions.



GENERAL REQUIREMENTS (CONTINUED)

CREDIT CONTINUED

- Student Loans:
 - If the Veteran or other borrower provides written evidence that the student loan debt will be deferred at least 12 months beyond the date of closing, 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 VA loan closing, LHFS will consider the anticipated monthly obligation in the loan analysis and utilize the payment established in paragraph (1) or (2) below.
 - Calculate each loan at a rate of 5 percent of the outstanding balance divided by 12 months, example below:
 - \$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.
 - 1. LHFS will use the payment(s) reported on the credit report for each student loan(s) if the reported payment is greater than the threshold payment calculation above.
 - 2. 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 VA loan closing and maybe an electronic copy from the student loan servicer's website or a printed statement provided by the student loan servicer.
- High Balance Loan Amounts over \$484,350 up to \$700,000:
 - 2 years elapsed since the discharge of Ch. 7, Ch. 13 Bankruptcy or Deed in Lieu/Short Sales when the borrower was not delinquent at transfer.
 - 3 years elapsed since completion of Foreclosure, Deed in Lieu/Short Sale when the borrower was delinquent at time of transfer.
- Loan Amounts equal to or greater than \$700,000 - No foreclosure, deed in lieu, loan modification or bankruptcy in last 7 years.
- Waiting period for significant derogatory credit or mortgage late payments is determined by the application date.
- No housing payment 30 days or more past due in the last 12 months.

FRONT AND BACK END RATIOS:

- 31/43:
 - No Compensating Factors required, however must have verified/documented cash reserves equal to or exceeding 1 total monthly mortgage payment for 1-2 units.
- 37/47:
 - Require 1 Compensating Factor
- 40/50:
 - Require 2 Compensating Factors (One must be: "Minimal Increase in Housing Payment")

APPLY COMPENSATING FACTORS IF THE RATIO EXCEEDS 41 PERCENT:

- Compensating factors include, but are not limited to the following:
 - residual income of 120% or higher,
 - excellent credit history,
 - conservative use of consumer credit,
 - long-term employment,
 - low debt-to-income ratio,
 - tax credits for childcare,
 - Verified/documented cash reserves equal to or exceeding 6 total monthly mortgage payment, or
 - Minimal increase in housing payment
 - New total monthly mortgage payment doesn't exceed current total monthly housing payment by more than \$100 or 5% (whichever is less); and
 - There is a documented 12-month housing payment history with no more than one 30-day late payment.
- May not be used as a compensating factor if the borrower has no current housing payment.

SEASONING

SEASONING / WAITING PERIOD	< \$700,000	≥ \$700,000
Foreclosure	2 years	7 years
Deed-in-Lieu	2 years	7 years
Chapter 7 Bankruptcy	2 years	7 years
Chapter 13 Bankruptcy	1 year (must be fully discharged before loan is submitted to underwriting)	7 years
Short Sale	2 years	7 years

RESIDUAL INCOME

- Residual Income is the borrower's net effective income minus monthly shelter expenses and debts.
- Residual Income must be in accordance with regional table and is a required calculation in addition to DTI.
- Please use www.paycheckcity.com for calculation of taxes (i.e., FIT; SIT; etc.).
- Net Effective Income is taken from Line 41 of VA Form 26-6393.
- Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393.



GENERAL REQUIREMENTS (CONTINUED)

EMPLOYMENT / INCOME

- Borrowers who have new employment in the prior two years with increased earnings will require recent educational related experience to support the career and/or income change.
- LES must show at least 12 months remaining for current enlistment or commanding officer must confirm the borrower is eligible for reenlistment and Borrower's intent to reenlist must be documented to include activity duty pay in effective income.
- Positions with variable income or varying hours will require a minimum of twelve months to effectively calculate the stable monthly qualifying income.
- Amended tax returns are only acceptable for documented errors or omissions.
- Paystubs and W-2's may not be substituted with a written verification of employment.
- Rental income received from a relative requires a documented 12-month payment history of rents.
- Subject Property Rental Income used for qualifying for 2-4 Units:
 - 6 months PITIA reserves; and
 - Documentation of the borrower's prior experience managing rentals; then
 - The verified prior rent collected by the borrower on the units as reported on the tax returns or lessor of 75% of the appraiser's opinion of fair monthly rental income or current rents may then be used to qualify.
- Currently departing or previously departed (since last tax filing) rental income may not be used to qualify unless:
 - Copy of the rental agreement, if applicable, should be provided or evidence of current market rents for the area; and
 - 75% of the rental income may be used to offset and PITI payment.
 - No rental income may be included in the effective income.
- Rental income may be used to qualify if the borrower has a 2-year history reported on tax returns.
 - Requires 3 months PITI reserves for each property.
 - If there is not a lien on the property, 3 months reserves to cover expenses such as taxes, hazard insurance, flood insurance, homeowner's association fees, and any other recurring fees should be documented for the property(ies).
 - 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 reserve funds must be in the borrower's account before the new VA loan closes.
 - Gift funds cannot be used to meet reserve requirements.
 - Little or no history of rental income on other rental properties:
 - If the borrower has documented background supporting experience managing rentals;
 - Copies of lease agreements; and
 - The local rental market is strong then an exception may be made to use rental income as effective income.
- Non-taxable income:
 - Borrower's non-taxable income may be grossed up by their applicable tax bracket using all income as confirmed by tax bracket calculator or copies of the Borrower's tax returns reflecting non-taxable and taxable portions of income.

VERBAL VERIFICATION OF EMPLOYMENT (VOE'S):

- If a VOE cannot be obtained, alternative income documentation is acceptable to support a borrower who has an active source of income, such as:
 - SSA Award Letter / Pension Letter,
 - 1099 or Tax Returns for other types of income, or
 - Divorce Decree or Child Support Statement.
- A Verbal Verification of Employment (VVOE) is required on VA loans prior to closing. A verbal verification of employment is required for all borrowers. This policy applies to all income types with the exception of passive income.
- For salaried borrowers, the verbal verification of employment must be completed within 10 days prior to note date.
- For self-employed borrowers, the verbal verification of employment must be completed within 30 days prior to note date.
- For military income, a military Leave and Earnings Statement dated within 30 days prior to note date is acceptable in lieu of a verbal verification of employment.



GENERAL REQUIREMENTS (CONTINUED)

ASSETS	<ul style="list-style-type: none"> • Gift donors cannot be on title or purchase contract as they do not meet the definition of “Gift” per agency definition. • VOD’s are not acceptable for asset documentation alone. <p>RESERVES:</p> <ul style="list-style-type: none"> • 1 Unit: No reserves are required. • 2-4 Units & rental income IS USED to qualify: 6 months PITIA reserves required. • Other rental properties not secured by VA loan: 3 months PITIA required for each additional property. • The applicant or spouse must have sufficient cash to cover: <ul style="list-style-type: none"> • any closing costs or points that are the applicant’s responsibility and are not financed in the loan, • the down payment, if a GPM, and • the difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA. • Source must be documented for any down payment and closing costs the borrower is paying for. All DAPS must be VA approved.
TITLE	<ul style="list-style-type: none"> • Any borrower holding title only must be a legal U.S. Resident. • Revocable Trusts (Living Trust) may be eligible on a case-by-case basis. • Split vesting is not allowed. Vesting must be 100% in a trust or 100% individual. <ul style="list-style-type: none"> • May be allowed on conforming conventional loans on an exception basis. • Title report may not be over 90 days old at the time loan docs are prepared. • Power of Attorney (POA’s) are eligible on purchase and rate/term transactions only. <ul style="list-style-type: none"> • All POA’s must be reviewed and approved prior to loan documents. If Veteran is currently deployed, an alive and well statement from their commanding officer will be required. • Escrow / Impounds are required for all VA transactions regardless of Loan to Value. • Subordinate Financing: <ul style="list-style-type: none"> • If there is an existing subordinate lien on the property, the entire lien must be subordinated at refinance. • Secondary financing must be financed by Government, Agency or non-profit institutions. • New subordinate financing is not permitted on refinance transactions. • Permitted for closing costs and/or down payment but must conform to the above CLTV limitations. • Texas – Payoff of subordinate financing used for purchase or home improvements or the subordination of a second can be done as long as the first mortgage was not a home equity/cash-out Section 50(a)(6) loan. <ul style="list-style-type: none"> ◦ No negative amortization on the subordinate financing. The repayment terms of the subordinate must provide for regular payments that cover no less than interest due. ◦ The interest rate on the subordinate should be less than the rate on the first. • Should not restrict the borrower from selling the property.
SELLER CONTRIBUTIONS / CONCESSIONS	<ul style="list-style-type: none"> • All closing costs and discount points may be paid by the seller, regardless of the amount. • All other interested party contributions are limited to 4% of the lesser of the purchase price or appraised value.
OTHER CONSIDERATIONS	<ul style="list-style-type: none"> • Maximum days allowed for seller rent back 60 days. • All loan documentation should not be over 90 days old at submission. • Property Assessed Clean Energy (PACE) aka: Home Energy Renovation Opportunity (HERO) subordination not permitted. Must be paid in full prior to closing. • Temporary Buy down loans not permitted. • Base Loan amounts exceeding the “Standard” Loan Limits are considered “High Balance.” • All HPML loans must pass Safe Harbor in order to be eligible for closing.



GENERAL REQUIREMENTS (CONTINUED)

PROPERTY COLLATERAL

APPRAISAL / AVM:

- Loan Amounts <= \$650,000: VA Appraisal Required.
- Loan Amounts \$650,001 to \$1,000,000: VA Appraisal Required, plus enhanced desk review. Loan Amounts > \$1,000,000: VA Appraisal Required, plus field review by certified appraiser. The NOV is valid for 6 months and FNMA Form 1004MC is required for all appraisals.
- Any repairs that impact safety, livability, or habitability must be completed. The property condition must be rated “average” or better. Ratings of “fair” or less are not acceptable.
- Transferred appraisals are not allowed.

DISASTER POLICY:

- A post-disaster inspection will be required when the appraisal occurred before the incident date of the disaster.

WELL & SEPTIC:

- Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.
- Properties vacant 90+ days require a well and septic certification.

CONDO REQUIREMENTS:

VA approved condominiums:

- Condos VA Approved. The approval condo list is available at:
 - <https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>
- Condominium/PUD Insurance Requirements Interior Walls (HO-6) Requirements.
 - Loans that are in attached projects (including 2-4 unit projects) require coverage for 100 percent of the insurable value for the complete project (interior and exterior units). The walls in policy must be sufficient to repair the interior of the unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, a policy covering the interior walls (HO-6 or its equivalent) for the individual unit is required.
- 2-4 Unit Condominium Insurance Requirements.
 - HOA insurance is required for 2-4 Unit Projects. Should exterior damage occur, the individual unit coverage may not be sufficient to cover the claims, therefore, individual homeowner’s insurance will not be accepted in lieu of an insurance policy in the name of the HOA.
- Certification for individual unit financing dated within 30 days prior to date of closing is required to be present in the loan file.

INELIGIBLE PROPERTIES / LOCATIONS:

- LHFS does not offer financing to properties that are secured by community land trusts (i.e., Illinois Land Trust).
- Co-ops.
- 2-4 Units in the state of New Jersey.
- Mixed-Use.
- Working farms/ranches.
- Manufactured Homes – see [LHFS MH Guidelines](#).
- Texas (a)(6) cash-out refinance.
- Unincorporated territories of the United States (borrowers and properties) are ineligible for financing:
 - Puerto Rico,
 - US Virgin Islands,
 - Guam,
 - American Samoa, and
 - Swains Island.

UNPERMITTED PROPERTY ADDITIONS:

Unpermitted Property Additions are eligible under the following conditions:

- The subject addition complies with all VA guidelines;
- The quality of the work is described in the appraisal and deemed acceptable (“workmanlike quality”) by the appraiser;
- The addition does not result in a change in the number of units comprising the subject property (e.g., a 1 unit converted into a 2 unit).
- If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal:
 - Non-Permitted additions are typical for the market area and a typical buyer would consider the “unpermitted” additional square footage to be part of the overall square footage of the property.
 - The appraiser has no reason to believe the addition would not pass inspection for a permit.
- Hawaii only requires permits or a waiver is required.



GENERAL REQUIREMENTS (CONTINUED)

DEPARTING RESIDENCE	<p>PENDING SALE</p> <ul style="list-style-type: none"> Both the current and proposed mortgage payments must be included in qualifying the Borrower for the new transaction. <p>CONVERTING TO 2ND HOME</p> <ul style="list-style-type: none"> Both the current and proposed mortgage payments must be included in qualifying the Borrower for the new transaction. <p>CONVERTING TO INVESTMENT PROPERTY</p> <ul style="list-style-type: none"> Rental income earned can only be used to offset the existing mortgage payment. Extra positive cash generated may NOT be used as qualifying income.
PURCHASE / SALES CONTRACT	<ul style="list-style-type: none"> Re-negotiated purchase agreements that increase the sales price after the original appraisal has been completed will not be accepted if: <ul style="list-style-type: none"> The appraised value is higher than the contracted sales price provided to the appraiser, and The new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and The only change to the purchase agreement is an increase in sales price. If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the loan-to value will be based on the lower of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> Re-negotiation of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables. These seller-paid closing costs and/or pre-pays cannot exceed the allowable guidelines, or An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.
DOCUMENTATION REQUIREMENTS	<ul style="list-style-type: none"> 1003 – Loan Application: <ul style="list-style-type: none"> <u>Credit Qualifying:</u> <ul style="list-style-type: none"> Fully completed loan application is required. Signed HUD/VA Addendum. Nearest Living Relative. Completed Veteran's Acknowledgement form. VA Case Number Assignment. Completed Loan Comparison Worksheet.
ENTITLEMENT	<ul style="list-style-type: none"> Entitlement is the amount of VA Guaranty available to a Veteran for use on a loan. The amount of entitlement will be displayed near the center of the COE. Veterans with partial entitlement are allowed provided the loan conforms to GNMA secondary market guidelines which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity. Compromised Entitlement is acceptable as long as the event that caused the compromise occurred more than three years prior to the date of the application. The COE will never reflect any additional specific entitlement amount over \$36,000 for loans greater than \$144,000 but will reflect "Available."
FUNDING FEE	<p>The Funding Fee may be financed in the loan. The following Veterans are exempt from paying the Funding Fee:</p> <ul style="list-style-type: none"> Veterans receiving VA compensation for service-connected disabilities. Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay. Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability exam and rating. Veterans entitled to receive compensation, but who are not presently in receipt of the compensation because they are on active duty. Surviving spouses of veterans who died in service or from service-connected disabilities, whether or not such surviving spouses are veterans with their own entitlement and whether or not they are using their own entitlement on the loan.
JOINT LOANS (DUAL ENTITLEMENT) (MUST BE SUBMITTED TO VA FOR PRIOR APPROVAL – ALLOW 10 BUSINESS DAYS EXTRA TO UNDERWRITING TURN TIME)	<p>A joint loan refers to a loan made to a veteran and another person(s). All parties will be liable, and all will own the property. A joint loan is a loan made to:</p> <ul style="list-style-type: none"> A veteran and one or more non-veterans (other than the spouse). A veteran and one or more veterans (not including a spouse) who will not be using entitlement. A veteran and the veteran's spouse, who is also a veteran, where both entitlements will be used. A veteran and one or more other veterans (not including a spouse), all of whom will use their entitlement.



GENERAL REQUIREMENTS (CONTINUED)

REFINANCING REQUIREMENTS

Rate/Term Refinance and Cash-Out Refinance:

- When refinancing any loan to a new VA loan, the loan must be seasoned 300 days, and
- Six consecutive monthly payments have been made on the loan being refinanced.
- Loan seasoning example below:
 - Loan closes 5/1/2018 with a first payment date of 7/1/2018. Borrower makes the first payment on 7/30/2018. (The payment is late; however, the payment is not 30 days late)
 - The calculation is from 7/30/2018 + 210 days to date of new note = 300.
 - Therefore, the eligible seasoned date would be 2/25/2019 and after.
- New subordinate financing is not permitted.
- Appraisal Required.
- Full credit information and underwriting are always required.
- Can refinance any type of lien.
 - The liens to be paid off may be:
 - current or delinquent, and
 - from any source, such as
 - tax or judgment liens, or
 - VA, FHA, or conventional mortgages.
- The loan must be secured by a first lien on the property.
- The maximum loan amount is 100 percent of the appraised value. Inclusion of any Funding Fee that is financed, in part or whole, cannot cause the loan to exceed the reasonable value of the property.
- The veteran must certify that he or she intends to personally occupy the property as his or her home.

Rate/Term Refinance:

- Maximum incidental cash back to borrower = \$500 (principal reductions are not permitted).
- Proceeds may be used to pay off existing first mortgage liens and properly seasoned secondary liens.
- Secondary liens being paid off through the VA refinance must be seasoned at least 12 months and may not have had any draws totaling \$1,000 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 the draws used in the last 12 months were used for documented home improvement which can be substantiated by receipts and supported in the appraisal, the transaction will not be considered consolidation of non-mortgage debt.

Cash-Out Refinance:

- A cash-out refinancing loan is a VA-guaranteed loan that refinances any type of lien or liens against the secured property.
- Cash-out funds may be used to pay off non-seasoned secondary liens, other non-mortgage debt.
- Loan proceeds beyond the amount needed to pay off the lien(s) may be taken as cash by the borrower for any purpose acceptable to LHFS.
- Cash proceeds from the loan may be used to pay allowable fees and charges and discount points.
- Minimum 6 months of occupancy – no exceptions. (borrowers relocating into current investment property will not be eligible for a cash out loan).
- Manual underwriting not allowed on cash out transactions.
- Net Tangible Benefit (NTB) standards apply to all cash-out refinancing loans.
 - NTB: All cash-out refinancing loans must past pass the NTB test. This requirement is met if the refinancing loan satisfies at least one of the following:
 - The new loan eliminates monthly mortgage insurance; or
 - Loan term of the new loan is less than the loan term of the loan being refinanced; or
 - Interest rate of the new loan is less than the interest rate of the loan being refinanced. (Note: If the loan being refinanced had an adjustable interest rate or was modified, the current interest rate must be used when determining if this requirement has been met.); or
 - The monthly (principal and interest) payment of the new loan is less than the monthly (principal and interest) payment of the loan being refinanced; or
 - The Veteran's monthly residual income is higher as a result of the new loan. (residual income, including refinancing monthly PITI (principal, interest, taxes, and insurance) payment vs. current residual income, including monthly PITI payment of the loan being refinanced.) In cases where TI amounts are changing between the application date and the closing date of the refinance transaction, the new TI amount will be used in determining residual income for both the current and refinanced loan); or
 - The new loan is used to pay off the Veteran's interim construction loan; or
 - The new loan LTV is equal to or less than 90 percent of the reasonable value of the home, i.e. LTV ≤ 90%; or
 - Refinance of an adjustable-rate mortgage to a fixed-rate mortgage.



GENERAL REQUIREMENTS (CONTINUED)

HELPFUL LINKS	<p><u>Land Home Financial Additional Resources:</u></p> <ul style="list-style-type: none"> • LHFSWholesale.com • VA Submission Checklist (LHFS Disclosed) • VA Submission Checklist (TPO Partner Disclosed) • VA - Manufactured Housing Guidelines • VA - IRRRL Matrix • VA - IRRRL - Manufactured Housing Matrix • VA - Fees and Charges Veteran Can Pay 	<p><u>Agency Guidelines:</u></p> <ul style="list-style-type: none"> • VA Lenders Handbook • VA Maximum Mortgage Worksheet • Certificate of Eligibility • Appraiser Fee Schedule • Instructions ordering VA Appraisals • VA County Loan Limits • Guaranty Calculation Example
----------------------	--	--

Each loan files layers of risk (i.e., payment shock; gift funds; assets/reserves not verified; multiple layers of risk, etc.) may require additional documentation or explanations above and beyond the AUS requirements (i.e., rental history; budget letters; excessive commute detail, etc.).

Guidelines are for use by mortgage professionals only and subject to change without notice.



VA FUNDING FEE TABLE – EFFECTIVE ON OR AFTER JANUARY 1, 2020

LHFS LOAN TYPE	VETERAN	RESERVES / NATIONAL GUARD
PURCHASE – ZERO DOWN	2.30%	2.30%
SUBSEQUENT USE – ZERO DOWN	3.60%	3.60%
PURCHASE & SUBSEQUENT USE 5% DOWN	1.65%	1.65%
PURCHASE & SUBSEQUENT USE 10% DOWN	1.40%	1.40%
REFINANCE LOAN	2.30%	2.30%
REFINANCE LOAN – SUBSEQUENT USE	3.60%	3.60%

RESIDUAL INCOME REQUIREMENTS

TABLE OF RESIDUAL INCOMES BY REGION FOR LOAN AMOUNTS OF \$79,999 AND BELOW				
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
Over 5	Add \$75 for each additional member up to a family of 7			
TABLE OF RESIDUAL INCOMES BY REGION FOR LOAN AMOUNTS OF \$80,000 AND ABOVE				
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
Over 5	Add \$80 for each additional member up to a family of 7			

ENTITLEMENT – MAXIMUM GUARANTY

THE MAXIMUM GUARANTY, WHEN THE VETERAN HAS FULL ENTITLEMENT, IS SHOWN IN THE TABLE BELOW	
LOAN AMOUNT	MAXIMUM POTENTIAL GUARANTY
Up to \$45,000	50% of the loan amount
\$45,001 to \$56,250	\$22,500
\$56,251 to \$144,000	40% of the loan amount, with a maximum of \$36,000
\$144,001 to \$484,350	25% of the loan amount
Greater than \$484,350	The lesser of 25% of the VA County loan limit; or 25% of the loan amount
Note: The percentage and amount of guaranty is based on the loan amount including the Funding Fee portion when the fee is paid from loan proceeds.	

CLICK HERE FOR: [VA GUARANTY CALCULATION EXAMPLES](#)



ENTITLEMENT CODES

VA ENTITLEMENT CODES	
ENTITLEMENT CODE	SEPARATION, EFFECTIVE, OR HONORABLE DISCHARGE ERA
01	World War II
02	Korean War
03	Post-Korean War
04	Vietnam War
05	Entitlement Restored
06	Un-remarried Surviving Spouse
07	Spouse of POW/MIA
08	Post World War II
09	Post-Vietnam
10	Gulf War
11	Selected Reserves

DATES THAT CORRESPOND TO THE ABOVE ERAS

ERA	DATES	MINIMUM SERVICE*
WWII	09/16/40 – 07/25/47	90 continuous days
PEACETIME	07/26/47 – 06/26/50	181 days
KOREAN	06/27/50 – 01/31/55	90 days
POST-KOREAN	02/01/55 – 08/04/64	181 days
VIETNAM	08/05/64 – 05/07/75	90 days
POST-VIETNAM	05/08/75 – 09/07/80	181 days
POST-VIETNAM	09/08/80 – 08/01/90	2 years
PERSIAN GULF	8/2/90 – undetermined	2 years or period called to active duty, not less than 90 days

*Veterans discharged due to a service-connected disability may be eligible for a VA home loan even though they served less than the minimum service requirement.

ADDITIONAL ELIGIBILITY OPTIONS

VA ENTITLEMENT CODES	
ENTITLEMENT CODE	SEPARATION, EFFECTIVE, OR HONORABLE DISCHARGE ERA
Active Duty (Valid while on Duty)	90 continuous days (181 days in peacetime)
Active Reserve or National Guard	6 years in Selected Reserves
Unmarried Surviving Spouse	No time requirement
Spouse of POW / MIA	Veteran has been POW/MIA for 90 days

