

## MAXIMUM LTV/CLTV – CONFORMING LOAN AMOUNTS ONLY

	PURCHASE		RATE / TERM REFINANCE		CASH OUT REFINANCE	
Max LTV/CLTV	MIN FICO	Max LTV/CLTV	MIN FICO	Max LTV/CLTV	MIN FICO	
100%	640	90%	640	90%	640	

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.

### LHFS PROGRAM CODES

LHFS PROGRAM	PROGRAM CODE	LHFS PROGRAM	PROGRAM CODE
VA MH 30 Year Fixed	WMHVA30-000	VA MH 25 Year Fixed	WMHVA25-000
VA MH 20 Year Fixed	WMHVA20-000	VA MH 15 Year Fixed	WMHVA15-000
VA MH 10 Year Fixed	WMHVA10-000		

## (VA) VETERANS ADMINISTRATION MORTGAGE BENEFITS – CONFORMING LOANS

- Guaranteed by the Department of Veterans Affairs
- 100% financing (no down payment – primary home)
- 30-, 25-, 20- & 15-year fixed-rate and 5-year ARM loans available
- LHFS does not charge an admin fee on VA loans
- Veterans receiving VA disability compensation are exempt from the VA Funding Fee
- Can be assumed by qualified persons
- VA limits certain closing costs a Veteran can pay



## GENERAL REQUIREMENTS

<b>ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>All <a href="#">VA guidelines</a> apply.</li> <li>MCC's (Section 8) is ineligible.</li> <li>DU or LP Approval - Credit Risk / Ratios determined by AUS acceptability.</li> <li>Manual Underwriting not allowed.</li> </ul>
<b>LOAN AMOUNT</b>	<ul style="list-style-type: none"> <li>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 <a href="http://benefits.va.gov/homeloans/purchaseco_loan_limits.asp">http://benefits.va.gov/homeloans/purchaseco_loan_limits.asp</a>.</li> <li>When the loan amount exceeds the conforming loan limit of \$510,400 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"> <li>25% of the purchase price or the appraised value, whichever is lower, <b>OR</b></li> <li>In accordance with <a href="#">Chapter 3, 4-a</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."</li> <li>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 <a href="#">between the purchase price or the appraised value and the maximum loan limit for the county</a> for examples of the calculation.</li> </ul> </li> <li>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"> <li>Fannie Mae 1-unit conforming loan limit of \$510,400, or</li> <li>Maximum VA county loan amount for VA High Cost Counties.                 <ul style="list-style-type: none"> <li>Total loan amounts inclusive of funding fee are used to determine conforming verses high balance loans.</li> </ul> </li> </ul> </li> </ul>
<b>PROPERTY ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>Manufactured (Conforming Only)</li> <li>Classified and taxed as real property</li> <li>Properly affixed to a permanent foundation</li> <li>Substantially conform with VA MPRs, and</li> <li>Conform with applicable building code and zoning requirements for real estate.</li> <li>Home must be a multi-wide 1-unit dwelling built on or after 6/15/76.</li> </ul>
<b>BORROWER ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>Maximum number of 4 borrowers, including accommodation mortgagors.</li> <li>Ineligible Borrowers:             <ul style="list-style-type: none"> <li>Borrowers with ITIN numbers.</li> <li>Borrowers that are not legal residents including, but not limited to the following borrowers:                 <ul style="list-style-type: none"> <li>Diplomatic Immunity/Embassy Personnel,</li> <li>Borrowers with deferred action status, which includes DACA,</li> <li>Foreign Nationals, and</li> <li>Borrowers with Temporary Protected Status (TPS).</li> </ul> </li> </ul> </li> <li>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.</li> <li>Must have a clear CAIVRS.</li> <li>Must be a veteran with eligibility documented with a Certificate of Eligibility (COE), which also indicates the Veterans Entitlement.</li> <li>Un-remarried surviving spouse of an eligible service member who died as a result of service or service-connected injuries.</li> <li>Non-Veteran Co-borrowers that are not married to the Veteran are limited to 50% of entitlement.</li> <li>Resident Alien permitted as long as primary borrower is a veteran.</li> </ul> <p><b>OCCUPANCY:</b></p> <ul style="list-style-type: none"> <li>Owner occupied primary residences only.</li> <li>If buyer is active duty the spouse may certify occupancy.</li> <li>No non-occupying borrowers.</li> </ul> <p>The following criteria applies:</p> <ul style="list-style-type: none"> <li>Minimum wartime service is 90 days' active duty.</li> <li>Minimum 181 days of continued active duty during peacetime.</li> <li>Members of Reserves of National Guard completing 6 years of service.</li> </ul>



## GENERAL REQUIREMENTS (CONTINUED)

**CREDIT**

**CREDIT SCORES:**

- All borrowers with a credit score must reflect at least 640.
- Cash-out refinance loans require a minimum of 640 credit score.

**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)

<p><b>CREDIT CONTINUED</b></p>	<ul style="list-style-type: none"> <li>• <u>Student Loans:</u> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Calculate each loan at a rate of 5 percent of the outstanding balance divided by 12 months, example below:               <ul style="list-style-type: none"> <li>• \$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.</li> </ul> </li> <li>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.</li> <li>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.</li> </ul> </li> </ul> <p><u>FRONT AND BACK END RATIOS:</u></p> <ul style="list-style-type: none"> <li>• 31/43:       <ul style="list-style-type: none"> <li>• No Compensating Factors required, however must have verified/documented cash reserves equal to or exceeding 1 total monthly mortgage payment for 1-2 units.</li> </ul> </li> <li>• 37/47:       <ul style="list-style-type: none"> <li>• Require 1 Compensating Factor</li> </ul> </li> <li>• 40/50:       <ul style="list-style-type: none"> <li>• Require 2 Compensating Factors (One must be: "Minimal Increase in Housing Payment")</li> </ul> </li> </ul> <p><u>APPLY COMPENSATING FACTORS IF THE RATIO EXCEEDS 41 PERCENT:</u></p> <ul style="list-style-type: none"> <li>• Compensating factors include, but are not limited to the following:       <ul style="list-style-type: none"> <li>• residual income of 120% or higher,</li> <li>• excellent credit history,</li> <li>• conservative use of consumer credit,</li> <li>• long-term employment,</li> <li>• low debt-to-income ratio,</li> <li>• tax credits for childcare,</li> <li>• Verified/documented cash reserves equal to or exceeding 6 total monthly mortgage payment, or</li> <li>• Minimal increase in housing payment           <ul style="list-style-type: none"> <li>• New total monthly mortgage payment doesn't exceed current total monthly housing payment by more than \$100 or 5% (whichever is less); and</li> <li>• There is a documented 12-month housing payment history with no more than one 30-day late payment.</li> </ul> </li> </ul> </li> <li>• May not be used as a compensating factor if the borrower has no current housing payment.</li> </ul>												
<p><b>SEASONING</b></p>	<table border="1"> <thead> <tr> <th>SEASONING / WAITING PERIOD</th> <th>CONFORMING LOAN LIMIT</th> </tr> </thead> <tbody> <tr> <td>Foreclosure</td> <td>2 years</td> </tr> <tr> <td>Deed-in-Lieu</td> <td>2 years</td> </tr> <tr> <td>Chapter 7 Bankruptcy</td> <td>2 years</td> </tr> <tr> <td>Chapter 13 Bankruptcy</td> <td>1 year (must be fully discharged before loan is submitted to underwriting)</td> </tr> <tr> <td>Short Sale</td> <td>2 years</td> </tr> </tbody> </table>	SEASONING / WAITING PERIOD	CONFORMING LOAN LIMIT	Foreclosure	2 years	Deed-in-Lieu	2 years	Chapter 7 Bankruptcy	2 years	Chapter 13 Bankruptcy	1 year (must be fully discharged before loan is submitted to underwriting)	Short Sale	2 years
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<p><b>RESIDUAL INCOME</b></p>	<ul style="list-style-type: none"> <li>• Residual Income is the borrower's net effective income minus monthly shelter expenses and debts.</li> <li>• Residual Income must be in accordance with regional table and is a required calculation in addition to DTI.</li> <li>• Please use <a href="http://www.paycheckcity.com">www.paycheckcity.com</a> for calculation of taxes (i.e. FIT; SIT; etc.).</li> <li>• Net Effective Income is taken from Line 41 of VA Form 26-6393.</li> <li>• Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393.</li> </ul>												



## 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.
- Rental income received from a relative requires a documented 12-month payment history of rents.
- 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.
  - 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.
- 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.
- 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.
- 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.

#### **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)

<p><b>ASSETS</b></p>	<ul style="list-style-type: none"> <li>• Gift donors cannot be on title or purchase contract as they do not meet the definition of "Gift" per agency definition.</li> <li>• VOD's are not acceptable for asset documentation alone.</li> </ul> <p><b>RESERVES:</b></p> <ul style="list-style-type: none"> <li>• 1 Unit: No reserves are required.</li> <li>• The applicant or spouse must have sufficient cash to cover:             <ul style="list-style-type: none"> <li>• any closing costs or points which are the applicant's responsibility and are not financed in the loan,</li> <li>• the down payment, if a GPM, and</li> <li>• the difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA.</li> </ul> </li> <li>• Source must be documented for any down payment and closing costs the borrower is paying for. All DAPS must be VA approved.</li> </ul>
<p><b>TITLE</b></p>	<ul style="list-style-type: none"> <li>• Any borrower holding title only must be a legal U.S. Resident.</li> <li>• Revocable Trusts (Living Trust) may be eligible on a case-by-case basis.</li> <li>• Split vesting is not allowed. Vesting must be 100% in a trust or 100% individual.             <ul style="list-style-type: none"> <li>• May be allowed on conforming conventional loans on an exception basis.</li> </ul> </li> <li>• Title report may not be over <b>90</b> days old at the time loan docs are prepared.</li> <li>• Preliminary title binder must reference an Alta 7 endorsement that will be included in the final policy.</li> <li>• Title binder to:             <ul style="list-style-type: none"> <li>• Reflect manufactured home has been relinquished from Department of Motor Vehicles and will be recorded as real property.</li> <li>• Include the improvement tax, that is, what the taxes will be once the manufactured home is converted to real property.</li> <li>• Survey requirements must be removed from the final title if the above two items are met.</li> <li>• Borrowers to execute Affixation Affidavit at closing.</li> </ul> </li> <li>• Power of Attorney (POA's) are eligible on purchase and rate/term transactions only.             <ul style="list-style-type: none"> <li>• 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.</li> </ul> </li> <li>• Escrow / Impounds are required for all VA transactions regardless of Loan to Value.</li> <li>• Dwelling coverage is determined by the insurer.</li> <li>• Subordinate Financing:             <ul style="list-style-type: none"> <li>• If there is an existing subordinate lien on the property, the entire lien must be subordinated at refinance.</li> <li>• Secondary financing must be financed by Government, Agency or non-profit institutions.</li> <li>• New subordinate financing is not permitted on refinance transactions.</li> </ul> </li> </ul>
<p><b>SELLER CONTRIBUTIONS / CONCESSIONS</b></p>	<ul style="list-style-type: none"> <li>• All closing costs and discount points may be paid by the seller, regardless of the amount.</li> <li>• All other interested party contributions are limited to 4% of the lesser of the purchase price or appraised value.</li> </ul>
<p><b>OTHER CONSIDERATIONS</b></p>	<ul style="list-style-type: none"> <li>• Maximum days allowed for seller rent back 60 days.</li> <li>• All loan documentation should not be over <b>90</b> days old at submission.</li> <li>• Property Assessed Clean Energy (PACE) aka: Home Energy Renovation Opportunity (HERO) subordination not permitted. Must be paid in full prior to closing.</li> <li>• Temporary Buy down loans not permitted.</li> <li>• All HPML loans must pass Safe Harbor in order to be eligible for closing.</li> </ul>



## GENERAL REQUIREMENTS (CONTINUED)

**PROPERTY COLLATERAL**

**APPRAISAL / AVM:**

- Manufactured Home Appraisal Report, Freddie Mac Form70B/Fannie Mae Form 1004C, if the property is a single-family manufactured home.
- Transferred appraisals not permitted.

**DISASTER POLICY:**

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

**MODULAR HOMES**

- Dwelling is constructed at the factory in modular sections in compliance with the local codes (state codes) and Uniform Building Codes (UBC) or International Residential Code (IRC). Although factory-built, it is treated the same as a standard property type and appraisal form 1004 is used.

**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.
- The following are required:
  - Satisfactory well water test completed by the local health department or commercial lab or licensed sanitary engineer. Well test is valid within 90 days of the closing date.
  - Satisfactory septic certification may be required when the appraiser indicates a problem with a septic system, indicates the subject location is in an area with soil percolation problems or is a condition of the NOV. Septic certification is valid for 90 days from the closing date.

**INELIGIBLE PROPERTIES / LOCATIONS:**

- LHFS does not offer financing to properties that are secured by community land trusts (i.e., Illinois Land Trust).
- Mixed-Use.
- Working farms/ranches.
- Condo, Co-ops, Parks
- Leasehold
- On-frame modular
- Multiple manufactured units on the same lot
- Single family with an accessory manufactured home (unless used for storage use only)
- Standard Properties (1-4 units) – see [LHFS VA 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.

**INSPECTION:**

- First and third (final) inspections:
  - To verify that the manufactured home is properly attached to the permanent foundation as specified in the construction exhibits, and that all onsite and offsite improvements are properly completed.
- In cases involving a used manufactured home moved to the purchaser's lot to be affixed to a permanent foundation, all of the following additional manufactured home inspection reports are required to ensure the safety of the dwelling:
  - Water-Plumbing Systems Inspection Report, VA Form 26-8731a
  - Electrical Systems Inspection Report, VA Form 26-8731b
  - Fuel and Heating Systems Inspection Report, VA Form 26-8731c, and
  - Certification that the roof was coated after set-up on the site.
- These reports must be completed by qualified third-party inspectors, for example, experienced plumbers, electricians, heating and air-conditioning contractors and manufactured home service personnel, following the installation and setup of the manufactured home on the lot.
- While inspectors will perform only those inspections for which they are qualified, licensed manufactured home service personnel will be permitted to perform any of the required inspections. No loan on a manufactured home with unsatisfactory inspections is eligible for VA guaranty.



## GENERAL REQUIREMENTS (CONTINUED)

<p><b>PROPERTY COLLATERAL (CONTINUED)</b></p>	<p><b><u>NEW CONSTRUCTION</u></b></p> <ul style="list-style-type: none"> <li>Any case in which the foundation has not been fully completed and the manufactured home unit installed is considered to be "proposed or under construction."</li> <li>In those cases, each set of construction exhibits must include             <ul style="list-style-type: none"> <li>specifications for the foundation and a plot plan as required for conventional site-built homes</li> <li>in double-wide homes, a detail of the mating line piers, if applicable</li> <li>a foundation plan showing the location and a cross-sectional detail of the supporting piers. In all cases, include drawings of the foundation anchorage details.</li> <li>a floor plan of the unit and exterior elevation drawings/photographs of the front and rear of the home, unless the unit is physically located on the site to be appraised or the appraiser has access to the unit on the dealer's lot. These may be provided in the manufacturer's advertising or technical installation manual.</li> <li>in States or localities that require the underside of the unit to be completely enclosed, details of the perimeter enclosure that comply with those requirements.</li> <li>since site conditions vary considerably from location to location, any revision needed to information provided in the manufacturer's technical installation manual in order to comply with local requirements.</li> <li>appropriate construction exhibits for any other on-site improvements, such as decks, enclosed patios, garages and carports, etc., to be financed with the loan proceeds.</li> </ul> </li> <li>Documentation Requirements:             <ul style="list-style-type: none"> <li>Engineer's Certification of Foundation</li> <li>Manufacturer's Warranty</li> <li>Certificate of Occupancy</li> <li>Document purchase price and delivery/setup expenses (sales contract)</li> <li>Pest soil treatment (<a href="#">NPCA-99a</a> and <a href="#">NPCA-99b</a> or <a href="#">NPMA-99a</a>, <a href="#">NPMA-99b</a>)</li> </ul> </li> </ul> <p><b><u>UNPERMITTED PROPERTY ADDITIONS</u></b></p> <p>Unpermitted Property Additions are eligible under the following conditions:</p> <ul style="list-style-type: none"> <li>The subject addition complies with all VA guidelines;</li> <li>The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser;</li> <li>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).</li> <li>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:             <ul style="list-style-type: none"> <li>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.</li> <li>The appraiser has no reason to believe the addition would not pass inspection for a permit.</li> </ul> </li> <li>Hawaii only requires permits or a waiver is required.</li> </ul>
<p><b>DEPARTING RESIDENCE</b></p>	<p><b><u>PENDING SALE</u></b></p> <ul style="list-style-type: none"> <li>Both the current and proposed mortgage payments must be included in qualifying the Borrower for the new transaction.</li> </ul> <p><b><u>CONVERTING TO 2ND HOME</u></b></p> <ul style="list-style-type: none"> <li>Both the current and proposed mortgage payments must be included in qualifying the Borrower for the new transaction.</li> </ul> <p><b><u>CONVERTING TO INVESTMENT PROPERTY</u></b></p> <ul style="list-style-type: none"> <li>Rental income earned can only be used to offset the existing mortgage payment. Extra positive cash generated may NOT be used as qualifying income.</li> </ul>
<p><b>DOCUMENTATION REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>1003 – Loan Application:             <ul style="list-style-type: none"> <li><u>Credit Qualifying:</u> <ul style="list-style-type: none"> <li>Fully completed loan application is required.</li> </ul> </li> </ul> </li> <li>Signed HUD/VA Addendum.</li> <li>Nearest Living Relative.</li> <li>Completed Veteran's Acknowledgement form.</li> <li>VA Case Number Assignment.</li> <li>Completed Loan Comparison Worksheet.</li> </ul>



## 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. 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, plus the VA Funding Fee.
- 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)

<p><b>PURCHASE / SALES CONTRACT</b></p>	<ul style="list-style-type: none"> <li>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"> <li>The appraised value is higher than the contracted sales price provided to the appraiser, and</li> <li>The new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and</li> <li>The only change to the purchase agreement is an increase in sales price.</li> </ul> </li> <li>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"> <li>Re-negotiation of only seller paid closing costs and/or pre-paid when seller paid closing costs/pre-paid are common and customary for the market and supported by the comparables. These seller-paid closing costs and/or pre-paid cannot exceed the allowable guidelines, or</li> </ul> </li> <li>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.</li> </ul>		
<p><b>ENTITLEMENT</b></p>	<ul style="list-style-type: none"> <li>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."</li> </ul>		
<p><b>FUNDING FEE</b></p>	<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"> <li>Veterans receiving VA compensation for service-connected disabilities.</li> <li>Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay.</li> <li>Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability exam and rating.</li> <li>Veterans entitled to receive compensation, but who are not presently in receipt of the compensation because they are on active duty.</li> <li>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.</li> </ul>		
<p><b>JOINT LOANS (DUAL ENTITLEMENT)        (MUST BE SUBMITTED TO VA FOR PRIOR APPROVAL – ALLOW 10 BUSINESS DAYS EXTRA TO UNDERWRITING TURN TIME)</b></p>	<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"> <li>A veteran and one or more non-veterans (other than the spouse).</li> <li>A veteran and one or more veterans (not including a spouse) who will not be using entitlement.</li> <li>A veteran and the veteran's spouse, who is also a veteran, where both entitlements will be used.</li> <li>A veteran and one or more other veterans (not including a spouse), all of whom will use their entitlement.</li> </ul>		
<p><b>HELPFUL LINKS</b></p>	<table border="0"> <tr> <td data-bbox="370 1381 1008 1709"> <p><b><u>Land Home Financial Additional Resources:</u></b></p> <ul style="list-style-type: none"> <li><a href="#">eScenarios</a></li> <li><a href="#">LHFSWholesale.com</a></li> <li><a href="#">VA Submission Checklist (LHFS Disclosed)</a></li> <li><a href="#">VA Submission Checklist (TPO Partner Disclosed)</a></li> <li><a href="#">VA – Standard Properties Guidelines</a></li> <li><a href="#">VA - IRRRL Matrix</a></li> <li><a href="#">VA - IRRRL - Manufactured Housing Matrix</a></li> <li><a href="#">VA - Fees and Charges Veteran Can Pay</a></li> </ul> </td> <td data-bbox="1008 1381 1546 1709"> <p><b><u>Agency Guidelines:</u></b></p> <ul style="list-style-type: none"> <li><a href="#">VA Lenders Handbook</a></li> <li><a href="#">VA Maximum Mortgage Worksheet</a></li> <li><a href="#">Certificate of Eligibility</a></li> <li><a href="#">Appraiser Fee Schedule</a></li> <li><a href="#">Instructions ordering VA Appraisals</a></li> <li><a href="#">VA County Loan Limits</a></li> <li><a href="#">Guaranty Calculation Example</a></li> </ul> </td> </tr> </table>	<p><b><u>Land Home Financial Additional Resources:</u></b></p> <ul style="list-style-type: none"> <li><a href="#">eScenarios</a></li> <li><a href="#">LHFSWholesale.com</a></li> <li><a href="#">VA Submission Checklist (LHFS Disclosed)</a></li> <li><a href="#">VA Submission Checklist (TPO Partner Disclosed)</a></li> <li><a href="#">VA – Standard Properties Guidelines</a></li> <li><a href="#">VA - IRRRL Matrix</a></li> <li><a href="#">VA - IRRRL - Manufactured Housing Matrix</a></li> <li><a href="#">VA - Fees and Charges Veteran Can Pay</a></li> </ul>	<p><b><u>Agency Guidelines:</u></b></p> <ul style="list-style-type: none"> <li><a href="#">VA Lenders Handbook</a></li> <li><a href="#">VA Maximum Mortgage Worksheet</a></li> <li><a href="#">Certificate of Eligibility</a></li> <li><a href="#">Appraiser Fee Schedule</a></li> <li><a href="#">Instructions ordering VA Appraisals</a></li> <li><a href="#">VA County Loan Limits</a></li> <li><a href="#">Guaranty Calculation Example</a></li> </ul>
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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 BEFORE DECEMBER 31, 2019**

LHFS LOAN TYPE	VETERAN	RESERVES / NATIONAL GUARD
PURCHASE – ZERO DOWN	2.15%	2.40%
SUBSEQUENT USE – ZERO DOWN	3.30%	3.30%
PURCHASE & SUBSEQUENT USE 5% DOWN	1.50%	1.75%
PURCHASE & SUBSEQUENT USE 10% DOWN	1.25%	1.50%
REFINANCE LOAN	2.15%	2.40%
REFINANCE LOAN – SUBSEQUENT USE	3.30%	3.30%

**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 \$453,100	25% of the loan amount
Greater than \$453,100	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](#)

## 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**

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

