



## VA Purchase

This matrix is intended as an aid to help determine whether a property/loan qualifies for certain financing. It is not intended as a replacement for VA guidelines. Users are expected to know and comply with VA requirements.

NOTE: This matrix includes overlays, which may be **more restrictive** than VA requirements.

### Program Qualifications

- LSM's VA Purchase program is designed for the purchase of owner occupied single family residences using a VA insured home loan.

### Eligibility Matrix Loan Amount & LTV Limitations

#### VA - Primary Residence Purchase

Units	Maximum Base LTV
1-4	100% Maximum LTV, excluding the financed Funding Fee
Regardless of the LTV, the veteran must have sufficient entitlement to guaranty the loan. See <i>Guaranty/Entitlement</i>	

### Maximum Loan Amount

Continental US, Alaska and Hawaii	
Units	Highest Maximum Total Loan Amount
1	\$1,000,000
2 - 4	VA County Loan Limit or \$1,000,000 whichever is less

Refer to *Required Cash Down Payment Worksheet* located at the end of this document to calculate loan amount.

If the total loan amount, including financed funding fee, is greater than **\$424,100**, a down payment may be required and the LTV reduced accordingly. If the veteran does not have full entitlement remaining, and/or the loan exceeds VA's county loan limit, a down payment is required.

### Product Description

- VA Fixed Rate 15 and 30 year term; fully amortized
- VA Fixed Rate 15 and 30 year term, high balance; fully amortized
- VA 3/1 and 5/1 ARMs, including high balance

### Product Codes

15 Years	Product Code
VA 15 Years	VF15
VA 15 Years High Balance	VF15HB (base loan amount above <b>\$424,100</b> ; Exception: base loan above <b>\$636,150</b> in Alaska and Hawaii)

30 Years	Product Code
VA 30 Years	VF30
VA 30 Years High Balance	VF30HB (base loan amount above <b>\$424,100</b> ; Exception: base loan above <b>\$636,150</b> in Alaska and Hawaii)

Hybrid ARM	Product Code
VA 3/1 ARM	VA31
VA 3/1 High Balance	VA31HB (base loan amount above <b>\$424,100</b> ; Exception: base loan above <b>\$636,150</b> in Alaska and Hawaii)
VA 5/1 ARM	VA51
VA 5/1 High Balance	VA51HB (base loan amount above <b>\$424,100</b> ; Exception: base loan above <b>\$636,150</b> in Alaska and Hawaii)



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### Eligibility Requirements

<b>Adjustable Rate Details</b>	<table border="1"> <tr> <td><b>Interest rate adjustment caps</b></td> <td>3/1 and 5/1 ARM = 1/1/5 Initial: 1% up/down; Subsequent: 1% up/down; Lifetime : 5% up</td> </tr> <tr> <td><b>Margin</b></td> <td>2.00%</td> </tr> <tr> <td><b>Index</b></td> <td>1-Year CMT, defined as the weekly average yield on United States (U.S.) Treasury securities adjusted to a constant maturity of one year</td> </tr> <tr> <td><b>Interest rate Floor</b></td> <td>The interest rate Floor is equal to the Margin</td> </tr> <tr> <td><b>Change dates</b></td> <td>3/1 - Initial interest rate change date will occur within 36 to 42 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. 5/1 - Initial interest rate change date will occur within 60 to 66 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. Must meet GNMA requirements. Government ARM initial change dates are the first day of January, April, July, or October, depending on disbursement date.</td> </tr> <tr> <td><b>Conversion Option</b></td> <td>None</td> </tr> <tr> <td><b>Assumption</b></td> <td>Permitted after the first adjustment for qualified borrowers.</td> </tr> <tr> <td><b>Temporary Buydowns</b></td> <td>Temporary Buydowns may not be used with an ARM product</td> </tr> <tr> <td><b>Qualification</b></td> <td>Borrowers qualify at the note rate</td> </tr> </table>	<b>Interest rate adjustment caps</b>	3/1 and 5/1 ARM = 1/1/5 Initial: 1% up/down; Subsequent: 1% up/down; Lifetime : 5% up	<b>Margin</b>	2.00%	<b>Index</b>	1-Year CMT, defined as the weekly average yield on United States (U.S.) Treasury securities adjusted to a constant maturity of one year	<b>Interest rate Floor</b>	The interest rate Floor is equal to the Margin	<b>Change dates</b>	3/1 - Initial interest rate change date will occur within 36 to 42 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. 5/1 - Initial interest rate change date will occur within 60 to 66 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. Must meet GNMA requirements. Government ARM initial change dates are the first day of January, April, July, or October, depending on disbursement date.	<b>Conversion Option</b>	None	<b>Assumption</b>	Permitted after the first adjustment for qualified borrowers.	<b>Temporary Buydowns</b>	Temporary Buydowns may not be used with an ARM product	<b>Qualification</b>	Borrowers qualify at the note rate
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<b>Appraisal Requirements</b>	<p>LAPP Notification of Value (NOV) to be issued by LAPP approved underwriter via WebLGY</p> <p>Note: Appraisers must look for and report evidence of wood destroying insect infestation, fungus growth, and dry rot. This is in addition to any VA requirement for an inspection of the property by a wood destroying insect inspector (Lender Manual 12.06)</p> <p>Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.</p> <p>VA requires a copy of the agreement of sale or sales contract be provided to the fee appraiser by the requester of the VA appraisal immediately upon assignment, but not later than 1 business day after the date of assignment. <b>Should the requester fail to provide the agreement of sale to the appraiser, the appraiser will, upon notice to the requester, hold the assignment and notify VA of the delay.</b></p> <p><b>If the agreement of sale/sales contract is amended during the appraisal process</b> (prior to the Effective Date of the appraisal), the underwriter/requester must provide the updated contract to the appraiser to ensure the appraiser has the opportunity to consider any changes and their potential impact on value.</p> <p><b>If the agreement of sale/sales contract is amended subsequent to the Effective Date of the appraisal</b>, but prior to loan closing, the LAPP/SAR must use due diligence in determining whether the amendment(s) could reasonable be thought to affect the estimated value of the property. If so, the LAPP/SAR must forward the amended agreement of sale/sales contract to the VA fee appraiser for consideration. The appraiser will be responsible for determining the impact of the amended sales agreement and compliance with all provisions of USPAP in developing and reporting credible assignment results. <b>Depending upon on the amount of time or the extent of changes, the appraiser may consider this a new assignment under USPAP, and an additional fee may be warranted up to the full amount of a new appraisal. Such additional fees may be paid by the veteran.</b></p> <p><b>If the LAPP/SAR fails to perform said due diligence</b> in reviewing any subsequent agreement of sale/sales contract amendment(s), and/or fails to forward the contract amendment appropriately, said loan may be subject to review for indemnification agreement, or any claim against the guaranty may be subject to adjustment <b>(Circular 26-17-03, dated 2-6-17)</b></p> <p><b>Lead-based paint (chipping, flaking, peeling)</b> Homes built prior to 1978 will be assumed to have lead-based paint. This is a health issue, not solely a cosmetic issue. This repair item requires a fee appraiser to inspect after mitigation.</p> <p>Repairs other than lead-based paint may be certified by the LAPP/SAR. Provide photos of complete repairs and on-compliance items.</p> <p><b>New appraisal required for new purchaser.</b> An appraisal on a home where the transaction did not move forward may not be transferred or used by a different veteran. A new veteran/borrower on a transaction requires a new appraisal.</p>																		

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	<p><b>Site Condos</b> VA appraisals for site condos must be on condo appraisal form (1073)</p> <p><b>Value Adjustments and Photographs (Circular 26-17-05, dated 2-10-17)</b> SAR's may only issue the NOV at the appraised value reflected in an appraisal report that is acceptable to VA.</p> <p><b>Interior photographs are required for all VA appraisals and should include the following:</b></p> <ul style="list-style-type: none"> <li>• The kitchen</li> <li>• All bathrooms</li> <li>• Main living area</li> <li>• Examples of physical deterioration, if present</li> <li>• Examples of recent updates, such as restoration, remodeling, and renovation, if present.</li> </ul> <p>Exterior photographs should include photos showing the front view, rear view (preferable including a different side view in each photograph), and street scene of the subject property. The front view of each comparable sale is also required. Photos of comparable listings are encouraged, but not required.</p> <p><b>Clarification of Locational Requirements of Comparable Sale Properties (Circular 26-17-14, dated 5-19-17)</b> Comparable sales should be located as close to the subject as practical. In suburban or rural communities, the market areas may be greatly expanded and suitable comparable sales may be many miles away from the subject. In such cases, the appraiser should specify why those comparable sales were used and how they compare/compete with the subject. The appraiser should evaluate whether extended distances are normal for this market, submit a description of the market area, and determine whether the comparable sales are within the subject's market. The appraiser should also indicated whether or not any adjustments were made for locality or proximity. If there are any other recent comparable sales closer to the subject, include a discussion regarding why they were not used.</p> <p><b>Notification of Point of Contact for Appraisals (Circular 26-17-18 dated 7-19-17)</b> The requester on the appraisal request form (26-1805) should designate a point of contact (POC) for the appraiser in the event the appraiser requests additional sale information as part of the Tidewater process (when it appears the appraised value will be lower than the sales price of the property). The POC may be whomever the requester feels is most appropriate including the realtor, loan officer/originator, etc. If a POC is not selected, the appraiser will contact the requester. The POC should be entered in field #30. See the Circular for complete details.</p>
<b>Appraiser Requirements</b>	VA approved/VA Fee panel appraisers selected automatically via VA Portal
<b>Assets</b>	<p><b>Cash to Close</b><sup>1</sup></p> <ul style="list-style-type: none"> <li>• Must have sufficient liquid assets to close</li> <li>• Two months bank statements to cover any funds necessary to close</li> </ul> <p><b>Minimum Borrower Investment</b></p> <ul style="list-style-type: none"> <li>• No minimum borrower investment is required for total loan amounts up to \$424,100 (subject to entitlement)</li> <li>• For 2-4 unit dwellings, if the total loan amount is greater than the limit for a 1 unit dwelling, a down payment may be required. Refer to Maximum Total Loan Amount and LTV Limitations</li> </ul> <p><b>Seller Contributions</b></p> <ul style="list-style-type: none"> <li>• Seller can pay 100% of discount points and borrower's non-recurring closing costs</li> <li>• Seller can provide an additional amount not to exceed 4% of the estimated reasonable value to assist the borrower's payment of prepaid expenses and funding fee</li> </ul> <p><b>Gifts</b></p> <ul style="list-style-type: none"> <li>• Acceptable</li> <li>• Gift of Equity is acceptable but cannot be applied as down payment purposes to reduce VA Funding Fee</li> </ul> <p><b>Down Payment Assistance Programs</b></p> <ul style="list-style-type: none"> <li>• Eligible - must be approved by LSM and allowed by VA</li> </ul> <p><b>Cash Reserves</b></p> <ul style="list-style-type: none"> <li>• 1 unit - no reserves required</li> <li>• 2-4 units when rental income <b>is not being used to qualify</b>- no reserves required</li> <li>• 2-4 units when rental income <b>is being used to qualify</b>- 6 months reserves required</li> <li>• <b>Retaining current principal residence as 2nd Home</b>- refer to Special Requirements/Restrictions <sup>1</sup></li> <li>• <b>When converting current principal residence to rental property</b> – refer to Special Requirements/Restrictions</li> <li>• <b>When the pending sale of the other real estate is scheduled after the purchase date of the current principal residence</b>; refer to Special Requirements/Restrictions when rental income from other real estate owned by borrower is used to qualify. – 3 months reserves required</li> </ul> <p><b>Footnotes</b></p> <p><sup>1</sup> Non-liquid accounts must be discounted by 30% of vested value to be used to meet reserve requirements</p>



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<b>Assumptions</b>	Permitted – Credit worthy borrowers only
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• Must be a veteran who served the minimum duty with other than a dishonorable discharge</li> <li>• Active duty with at least 181 days of duty</li> <li>• Un-remarried surviving spouse of eligible veteran (COE)</li> <li>• Reservists/National Guard</li> <li>• Certificate of Eligibility must have sufficient entitlement to meet minimum 25% guarantee</li> <li>• Joint loans involving a veteran and a non-veteran who is not the veteran's spouse (VA prior approval required. Refer to <i>Special Requirements/Restrictions</i> for more details)</li> <li>• Joint loans involving two unmarried veterans (VA prior approval required. Refer to <i>Special Requirements/Restrictions</i> for specifics)</li> <li>• Inter Vivos Revocable Trust is allowed for owner occupied property only               <ul style="list-style-type: none"> <li>○ Note: A Power of Attorney is not allowed for properties held in a trust</li> </ul> </li> </ul> <p><b>Ineligible</b></p> <ul style="list-style-type: none"> <li>• Non-Permanent Resident Aliens are ineligible</li> </ul>
<b>Co-borrowers</b>	All borrowers must occupy the subject property (exceptions may be available)
<b>Credit</b>	<p>VA Credit Standards apply</p> <p><b>Housing (Mortgage/Rental) Payment History (PITI/AA) is inclusive of all liens regardless of position, as well as all occupancy types.</b></p> <ul style="list-style-type: none"> <li>• AUS Approve loans – Credit evaluated by AUS</li> <li>• AUS Refer and manually underwritten loans           <ul style="list-style-type: none"> <li>• For purchase transactions: 12 month housing payment (mortgage/rental) history via a credit report, cancelled checks or VOM to reflect no more than 0 x 30 in the previous 12 months.</li> <li>• Non-traditional credit is ineligible</li> </ul> </li> </ul> <p><b>Minimum Fico Score Requirements</b></p> <ul style="list-style-type: none"> <li>• <b>580</b>, AUS Approve/Eligible or LP/Accept</li> <li>• <b>600</b>, Manual underwriting due to Refer/downgrade</li> </ul> <p>Non-traditional credit ineligible</p> <p>Credit reports charged to veterans are limited to the <u>actual invoice price charged to the lender</u>, not to exceed a maximum combined total of \$100. Charge must be substantiated with an invoice</p> <p>AUS fees charged to veterans are limited to the <u>actual evaluation fee charged to the lender in lieu of a credit report charge</u> not to exceed a maximum total of \$100. Charge must be substantiated with an invoice.</p> <p>The only time where both a credit report and an AUS can be charged to the veteran is on AUS "Refer" cases. A maximum total of \$100 still applies for the combined total of the credit report and AUS charges. See Circular 26-14-36, dated 11-18-14).</p> <p><b>Collections</b> For an AUS Approve/Eligible loan, collections can be ignored so long as they are not manually omitted when running the AUS.</p>
<b>Documentation</b>	<p><b>Important</b> – Review Circular 26-17-11 and Exhibits A and B, <i>Instructions Regarding Documentation of Allowable Fees and Charges on the TILA-RESPA TRID-CD Form</i> (dated 4-11-17)</p> <p><b>VA no longer accepts an itemized list of credits and charges.</b> Lenders must document all allowable fees and charges assessed against the borrower, in accordance with 38 C.F.R. 36.4313, as well as any lender and seller credits on the TRID-CD.</p> <p>Fees charged to the veteran must be listed in the "Borrower Paid" column of the TRID-CD. Seller credits must be entered in the "Seller-Paid" column. Lender credits are to be listed in the "Paid by Others" column. Borrower closing costs, paid for by either the seller or the lender, should be placed in either the "Seller Paid" or "Paid by Others" column, as appropriate. This breakout eliminates the need to provide a separate itemized list of fees and charges.</p>
<b>Escrow Holdback</b>	Ineligible
<b>Escrow Waivers</b>	Ineligible
<b>Financing Types</b>	<p>Purchase Mortgages</p> <p>Refinance Transactions refer to LSM's VA Standard Refinance Option or LSM's VA Streamline Refinance Option Matrix</p> <p>Construction to Permanent mortgages are ineligible</p>



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<b>Geographic Locations/ Restrictions, as applicable</b>	<p>Eligible states are as follows:</p> <ul style="list-style-type: none"> <li>• AZ, CA, CO, DC, FL, GA, IL, IN, KY, LA, MD, MA, MT, MI, MN, NC, NV, NM, NJ, OH, OK, OR, TX, UT, WA and WI</li> </ul> <p>Texas Cash-out 50(a)(6) is ineligible</p> <p>State specific regulatory requirements supersede all underwriting guidelines set forth by LSM.</p>
<b>Guaranty / Entitlement</b>	<p>Regardless of the LTV, the veteran must have sufficient entitlement to guaranty the loan. Link to county loan limits for VA guaranty: <a href="http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp">http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp</a></p> <p>Use the One-Unit maximum loan amount for all VA loans on 1-4 unit properties.</p> <p>Effective January 1, 2015, VA's effective guaranty limits have been reset to FHFA's limits. Note: The VA county loan limits (for guaranty purposes) do not apply to IRRRLs. VA will guarantee 25 percent of the principal balance on an IRRRL, regardless of whether the loan exceeds the limit for the particular county.</p> <p>Financing above the VA county loan limits is permissible but will require the borrower to make a down payment or to have equity, which when added to the amount of their available VA guaranty, equals at least 25% of the gross loan amount, including the funding fee.</p> <p>VA loans with partial entitlement are allowed per VA guidelines. Must meet VA guaranty and GNMA guaranty requirements. See worksheet for calculation of loan amounts.</p>
<b>High-Cost Mortgage Loans</b>	<p>LSM does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)</p>
<b>Income</b>	<p><b>Income used for loan qualification related to Cannabis (aka marijuana) is disallowed</b> This applies to all types of employment and income, including:</p> <ul style="list-style-type: none"> <li>• Self-employed owners of farms, shops, dispensaries, etc.</li> <li>• Workers/wage earners paid from businesses above</li> <li>• Regardless of state laws, filing of tax returns, receipt of 1099s/W-2s</li> </ul>
<b>Internet Links</b>	<p><b>The Appraisal System.</b> Order Case Numbers, Appraisals and obtain Automated Certificates of Eligibility at VA Portal <a href="https://vip.vba.va.gov/portal/VBAH/Home">https://vip.vba.va.gov/portal/VBAH/Home</a> VA Lenders Handbook <a href="http://www.benefits.va.gov/warms/pam26_7.asp">http://www.benefits.va.gov/warms/pam26_7.asp</a> VA Lender Resources <a href="http://benefits.va.gov/homeloans/lenders.asp">http://benefits.va.gov/homeloans/lenders.asp</a> VA Regional Loan Centers <a href="http://www.homeloans.va.gov/rlcweb.htm">http://www.homeloans.va.gov/rlcweb.htm</a> VA Forms <a href="http://www.va.gov/vaforms/">http://www.va.gov/vaforms/</a></p>
<b>Liabilities</b>	<p><b>Student Loans (Lender's Handbook Ch. 4, section 5, para G) (VA Circular 26-17-02)</b></p> <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, the underwriter must consider the anticipated monthly obligation in the loan analysis and utilize the payment established in (1) or (2) below. Calculate each loan at a rate of 5 percent 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).             <ol style="list-style-type: none"> <li>(1) The underwriter must 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 may be an electronic copy from the student loan servicer's website or a printed statement provided by the student loan servicer.</li> </ol> </li> </ul>
<b>Limitations on Other Real Estate Owned</b>	<p>None Refer to <i>Special Requirements/Restrictions</i> and <i>Assets</i> (located at the end of this document.) regarding converting current principal residence to rental property or second homes</p>
<b>Loan Amount</b>	<p>Minimum loan amount \$75,000</p>



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<b>Mortgage Insurance</b>	Refer to <i>VA Funding Fee</i> for specifics located at the end of this document
<b>Occupancy</b>	<p>Primary Residence</p> <p>In cases where a Veteran is unable to occupy the property because of his/her active duty status as a member of the Armed Forces, certification of occupancy by the Veteran's spouse is sufficient.</p> <p>Under P.L. 112-154, the occupancy requirement is also considered met if a dependent child occupies, or will occupy, the property as a home and the Veteran's attorney-in-fact or the dependent child's legal guardian makes the occupancy certification. The new VA Form 26-1820 accommodates this change (see Circular 26-12-9)</p>
<b>Prepayment Penalty</b>	None
<b>Property Types</b>	<p>Eligible Properties</p> <ul style="list-style-type: none"> <li>• 1 – 4 units</li> <li>• Refer to <i>Special Requirements/Restrictions</i> for restrictions regarding 2 - 4 unit properties</li> <li>• Condos - VA approved <ul style="list-style-type: none"> <li>○ All condos must be VA approved, even 2 unit condos require VA approval</li> <li>○ LSM will not submit condo projects for VA approval</li> </ul> </li> <li>• PUDs</li> <li>• Modular housing</li> <li>• <u>Manufactured Housing acceptable to VA that is classified as real estate and subject to the following restrictions:</u> <ul style="list-style-type: none"> <li>○ Primary Residence Only</li> <li>○ Multi-width property only – no single wide</li> <li>○ No High Balance Loans</li> <li>○ Fixed Rate only, no ARMs</li> <li>○ No Manufactured Homes in Condo Projects</li> <li>○ MFH may not have been re-sited</li> <li>○ No MFH on leased land</li> <li>○ Built after June 15, 1976 as evidenced by HUD labels</li> <li>○ Permanently affixed to a foundation (see VA Lender Manual 12.10)</li> </ul> </li> </ul> <p>Contiguous parcels are allowed so long as the parcels are a single marketable real estate entity. Properties divided by a road or waterway will be analyzed on a case by case basis.</p> <p>Property must be residential in character and any commercial use may not exceed 25%.</p> <p><u>Ineligible Properties</u></p> <ul style="list-style-type: none"> <li>• Condo Hotels</li> <li>• Co-ops</li> <li>• Leasehold properties</li> <li>• Properties with greater than 25 acres</li> <li>• Uniquely designed properties such as dome homes, log cabins, earth berms, and underground homes</li> <li>• Properties located in a Coastal Barrier Resources System (CBRS) area</li> <li>• Properties on which Cannabis (aka marijuana) is grown, stored, or dispensed regardless of state laws.</li> </ul>
<b>Qualifying Rate and Ratios</b>	<p><b>Qualifying Ratios</b></p> <p>Qualify at note rate for all fixed and hybrid ARMs (e.g., 3/1, 5/1)</p> <p>AUS Approve loans – Ratios evaluated by AUS</p> <p>AUS Refer loans - 41%</p> <p>The DTI ratio of 41% may be exceeded provided this ratio does not exceed 50%</p> <p>DTI Ratios &gt;41% &lt;=50% require residual income exceeding 120% in addition to significant documented compensating factors such as:</p> <ul style="list-style-type: none"> <li>• Excellent credit history</li> <li>• Conservative use of consumer credit</li> <li>• Minimal consumer debt</li> <li>• Long-term employment</li> <li>• Significant liquid assets</li> <li>• Sizable down payment</li> <li>• The existence of equity in refinancing loans</li> <li>• Little or no increase in shelter expense</li> <li>• Military benefits</li> <li>• Satisfactory homeownership experience</li> <li>• Tax credits for child care</li> <li>• Tax benefits of home ownership</li> </ul>

## VA Purchase

<b>Secondary Financing</b>	<p>Permitted. However, secondary financing cannot be used to offset required down payment, pay closing costs or cover any portion of the purchase price that exceeds the reasonable value          No cash back to the veteran from the VA first mortgage or second mortgage is permitted          The second lien should not restrict the veteran's ability to sell the property (i.e. assumability feature)</p> <ul style="list-style-type: none"> <li>• <b>New combo seconds at the time of purchase, if used, must be assumable</b></li> </ul> <p>For new subordinate financing (purchases only), the total CLTV should never exceed 100% of the lesser of the sales price or appraised value.          Secondary financing must meet requirements in VA Lender Handbook, Secondary Borrowing, Chapter 9, Section 4.</p> <p><b>Down Payment Assistance Programs</b></p> <ul style="list-style-type: none"> <li>• Eligible - must be approved by LSM and allowed by VA</li> </ul>
<b>Special Requirements/Restrictions</b>	<p><b>NOTE: The Energy Efficient Mortgage Program is not available.</b></p> <p>Form 4506-T must be processed prior to underwriting.</p> <ul style="list-style-type: none"> <li>• A new IRS Form 4506 T is required to be signed with the closing package as well as at application even when the form has been processed.</li> </ul> <p><b>CAIVR System</b>          Access the FHA Connection to check CAIVRS for all borrowers on the transaction: Borrowers, co-borrowers and co-signors if applicable</p> <p><b>'A' in front of the CAIVRS number deems the authorization acceptable</b>  <b>'C' in front of CAIVRS number means the borrower has an open federal debt. Debt must be documented as:</b></p> <ul style="list-style-type: none"> <li>• Paid in full, or</li> <li>• Payment plan established (documented payments)</li> </ul> <p><b>FHA 'C' CAIVRS numbers can be ignored because FHA loans require monthly mortgage insurance and there is no debt. FHA posts these 'C' claims to track their own foreclosure time frames.</b></p> <p><b>2 - 4 Unit Properties</b></p> <ul style="list-style-type: none"> <li>• Prospective rental income may only be included in effective income if <i>both</i> of the following are met             <ul style="list-style-type: none"> <li>• Evidence indicates the borrower has a reasonable likelihood of success as a landlord                 <ul style="list-style-type: none"> <li>• Documentation to support the borrower's prior experience managing rental units or other background involving both property maintenance and rental must be provided</li> </ul> </li> <li>• It can be verified that borrower has cash reserves totaling minimum 6 months PITIA</li> </ul> </li> <li>• The amount of rental income to include in effective income is based on 75% of either             <ul style="list-style-type: none"> <li>• Verified prior rent collected on the units of existing properties <b>OR</b></li> <li>• The appraiser's opinion of the subject property's fair monthly rental for new construction</li> </ul> </li> </ul> <p><b>Converting Current Principal Residence to Rental Property</b></p> <ul style="list-style-type: none"> <li>• Obtain a copy of the rental agreement on the property, if any</li> <li>• Use the 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. (Document market conditions in the loan file)              This rental income may <b>not</b> be included in effective income.</li> <li>• Obtain a working knowledge of the local rental market. If there is no lease on the property, but the local rental market is <u>very strong</u>, the underwriter may still consider the prospective rental income for offset purposes. (Document market conditions in the loan file)</li> </ul> <p><b>Pending Sale of Real Estate</b></p> <ul style="list-style-type: none"> <li>• Qualify veteran with both PITIA for Pending Sale and PITIA for new property</li> <li>• Omit PITIA of Pending Sale from qualifying DTI, if financing contingencies to purchase home have been cleared and documented and cash reserves described below are met.</li> <li>• When pending sale of other real estate is scheduled after the purchase date of current principal residence. – 6 months reserves required for both properties OR 2 months reserves required if 30% equity in existing residence is documented</li> </ul> <p><b>Joint Loans</b></p> <ul style="list-style-type: none"> <li>• Joint loans must be underwritten by lender and then forwarded to the VA for final approval before closing</li> <li>• A joint loan is a loan made to:             <ul style="list-style-type: none"> <li>○ The veteran and one or more non-veterans (not spouse)</li> <li>○ The veteran and one or more veterans (not spouse) who <u>will not</u> be using their entitlement</li> <li>○ The veteran and one or more veterans (not spouse) <b>ALL</b> of whom <u>will use</u> their entitlement.                  Example: Two unmarried veterans</li> <li>○ The veteran and the veteran's spouse who is also a veteran and <u>both</u> entitlements to be used                 <ul style="list-style-type: none"> <li>▪ A loan involving a veteran and his/her spouse <b>will not</b> be treated as a joint loan if the spouse is not a veteran or is a veteran who will not be using his/her entitlement on the loan</li> </ul> </li> </ul> </li> </ul>



## VA Purchase

**Spousal Income Qualification in Jurisdictions that Recognize Same-Sex Marriage (Circular 26-13-18)**

VA will now review applications for the home loan guaranty benefit submitted by married same-sex couples. On a case-by-case basis, VA will determine whether same-sex married couples can use both spouses' incomes to qualify for a loan.

Lenders receiving loan applications from same-sex married couples should forward the following information to the appropriate VA Regional Loan Center for further review:

1. Date and State of marriage;
2. State of residence at time of marriage;
3. State where subject property is located;
4. Current State of residence; and
5. Estimated date of loan closing.

VA staff will then notify the underwriter if both spouses' incomes may be applied. If so, underwriters should process the loan in WebLGY as "Sole Ownership," as they would with loans made to opposite-sex married couples.

**Maintenance and utility costs for all regions:**

- 14 cents per square foot  
Example: 1500 square foot home X .14 = \$210.00 / mo

**VA Geographic Regions for Residual Income Guidelines**

Midwest	South	West	Northeast
Illinois	Alabama	Alaska	Connecticut
Indiana	Arkansas	Arizona	Maine
Iowa	Delaware	California	Massachusetts
Kansas	District of Columbia	Colorado	New Hampshire
Michigan	Florida	Hawaii	New Jersey
Minnesota	Georgia	Idaho	New York
Missouri	Kentucky	Montana	Pennsylvania
Nebraska	Louisiana	Nevada	Rhode Island
North Dakota	Maryland	New Mexico	Vermont
Ohio	Mississippi	Oregon	
South Dakota	North Carolina	Utah	
Wisconsin	Oklahoma	Washington	
	Puerto Rico	Wyoming	
	South Carolina		
	Tennessee		
	Texas		
	Virginia		
	West Virginia		

**Non-Purchasing Spouse in a Community Property State**

Community Property States are as follows.

- Arizona
- California
- Idaho
- Louisiana
- Nevada
- New Mexico
- Texas
- Washington
- Wisconsin

**If property is located in a community property state, or the borrower resides in a community property state, the following requirements apply**

A credit report for the non-purchasing spouse is required to determine any joint or individual debts. The spouse's authorization to pull a credit report must be obtained. If the spouse refuses to provide authorization for the credit report, the loan must be rejected

- Even if the non-purchasing spouse does not have a social security number, the credit reporting company should verify that the non-purchasing spouse has no credit history and no public records recorded against him/her.
- Credit Company should be given non-purchasing spouse information: Name(s), address, birth date and any other significant information requested in order to do the records check.

The debts of the non-purchasing spouse must be considered in the qualifying ratios.

The greater of the monthly payment amount or 5% of the outstanding balance if minimum payment is not reflected on credit report if the non-purchasing spouse must be included in the qualifying ratios

All defaulted federal debt, open judgments and liens, including those of the non-purchasing spouse, must be satisfied prior to or at closing.



## VA Purchase

<p>Disputed debts of the non-purchasing spouse need not be counted provided the file contains documentation to support the dispute. Credit history of the non-purchasing spouse should not be the basis for declining the loan.</p> <p><u>Access to property / Private Road Maintenance Agreement (Ch. 12, Sec 12.05)</u> Private streets must be</p> <ul style="list-style-type: none"> <li>Protected by a permanent easement, and</li> <li>Maintained by a homeowners association or joint maintenance agreement</li> </ul> <p>All streets must have an all-weather surface (Dirt is not acceptable; gravel is acceptable with maintenance agreement)</p> <p><b><u>Properties Subject to Flooding</u></b> Proposed or new construction that is located in a Special Flood Hazard Area or where there is an indication that the property is subject to regular flooding is not eligible.</p> <p><b><u>Water/Sewer Connection Requirements (VA Circular 26-13-24)</u></b> 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 the local building, planning, or health authorities.</p> <p>For properties on individual water and/or sewer (septic) systems where well water or septic tests or certifications are required, the validity of those tests or certifications is 90 days unless the local health authority indicates otherwise.</p> <p>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 <b>ONLY</b> if the local building, planning, or health authority requires such connection.</p> <p><u>Water Quality (Ch. 12, Sec 12.08)(NOV #5)</u> A water quality test is required anytime there is a well present, and hookup to public water is not available.</p> <p>Water quality for an individual water supply must meet the requirements of the health authority having jurisdiction. If the local authority does not have specific requirements, the maximum contaminant levels established by the Environmental Protection Agency (EPA) will apply.</p> <p><u>Clarification of Individual Water Supply System Testing (Circular 26-17-19, dated 7-19-17)</u></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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. For further information please see: <a href="https://www.epa.gov/privatewells/private-drinking-water-well-programs-your-state">https://www.epa.gov/privatewells/private-drinking-water-well-programs-your-state</a> or <a href="https://www.cdc.gov/healthywater/drinking/private/wells/testing.html">https://www.cdc.gov/healthywater/drinking/private/wells/testing.html</a></li> </ul> <p>Generally septic inspections are not required unless the appraiser notes specific issues with the septic (usually an odor or seepage). Some states do require septic inspections regardless if the appraiser notes issues or not.</p> <ul style="list-style-type: none"> <li>This generally is only for purchase transactions</li> <li>Refer to local requirements page for states where this may apply: <a href="http://www.benefits.va.gov/HOMELOANS/appraiser_cv_local_req.asp">http://www.benefits.va.gov/HOMELOANS/appraiser_cv_local_req.asp</a></li> </ul> <p><b><u>Wood Destroying Insect Information</u></b> Underwriter must check the appropriate items in the NOV if the property is located in an area where the probability of termite infestation is “very heavy” or “moderate to heavy” according to the Termite Infestation Probability Map published in The Council of American Building Officials (CABO) One and Two Family Dwelling Code. Link to TIP Zones map: <a href="http://www.npmapestworld.org/techresources/hud.cfm">http://www.npmapestworld.org/techresources/hud.cfm</a></p> <p>If there is a question about the location of an infestation probability boundary line in relation to the subject property, contact the VA office of jurisdiction to determine if this requirement is applicable. Inspection reports are valid for VA purposes for 90 days from the date of inspection.</p> <p>When required, the inspection must be performed by a qualified pest control operator (inspector must be affiliated with pest control company) who meets all requirements for pest control operators with the state in which the property is located</p>
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## VA Purchase

	<p>Inspection reports are valid for VA purposes for 90 days from the date of inspection.</p> <p><b>New required pest forms for new and proposed construction (Circular 26-17-07 dated 2/14/17)</b>          VA requires the use of the current HUD-NPMA-99A and HUD-NPMA-99B.          Prior forms NPCA-99-A and NPCA-99-B are obsolete and should not be used.</p>
<b>Temporary Buydown</b>	Ineligible
<b>Underwriting</b>	<p>Underwritten by a VA Automatic &amp; LAPP approved underwriter</p> <ul style="list-style-type: none"> <li>• AUS Approve loans – may follow documentation requirements</li> <li>• AUS Refer and manually underwritten loans – must follow manual underwriting requirements</li> <li>• Refer to Credit for requirements</li> <li>• If loan requires VA's prior approval, additional underwriting turnaround time is required             <ul style="list-style-type: none"> <li>○ All Prior Approval loans require manual underwriting.</li> </ul> </li> </ul> <p><b>VA Prior Approval Required For</b></p> <ul style="list-style-type: none"> <li>• Joint loans involving a veteran and non-veteran who is not the veteran's spouse (not on IRRRL loans)             <ul style="list-style-type: none"> <li>○ A non-veteran on a joint VA loan is not required to certify occupancy. Any borrower on a joint loan who does not use entitlement for the loan (such as a non-veteran), does not have to intend to occupy the property.</li> </ul> </li> <li>• Joint loans involving two or more veterans who intend to use their entitlement and take title jointly.(not on IRRRL loans)</li> <li>• Note: A loan made to a married couple in which both applicants are veterans using their Certificates of Eligibility (COEs) is not required to be sent to VA for prior approval.</li> <li>• Loans to veterans in receipt of VA non-service related pension (not on IRRRL loans)</li> <li>• Loans to veterans rated incompetent by VA (Not on IRRRL loans)</li> </ul> <p>Prior approval loans must be uploaded through WebLGY See the Prior Approval Reference Guide at:  <a href="http://www.benefits.va.gov/homeloans/documents/docs/prior_approval_LP_lenders.pdf">http://www.benefits.va.gov/homeloans/documents/docs/prior_approval_LP_lenders.pdf</a>          Lenders must follow the guidelines in Chapter 5 of VA's Lender's Handbook for prior approval procedures including the stacking order in topic 4, section c.</p> <ul style="list-style-type: none"> <li>• The underwriter must furnish a cover letter with the upload, that states the reasons for the prior approval and explains any unique circumstances. In addition, the cover letter must include the submitting underwriter's name, phone number, e-mail address and his or her manager's name, phone number and e-mail address.</li> </ul> <p>A joint loan with a veteran and a non-veteran will require a down payment. Only the veteran's portion (half) of the loan is covered by VA guaranty. The non-veteran's portion will require a <b>minimum 25% down payment</b>. As with all VA loans, GNMA requirements must be met as well.</p> <p><b>VA Reserves or National Guard Certification</b></p> <ul style="list-style-type: none"> <li>• All veteran applicants whose income is being used to qualify for the loan transaction must complete and sign a <b>VA Reserves or National Guard Certification</b>.</li> <li>• The VA Underwriter must then use this information to determine the veteran borrower's true monthly qualifying income.</li> </ul> <p><u>Property Flipping</u>          When the Seller of the property has been on title less than 90 days extra diligence must be taken with the transaction. Underwriter in its sole discretion reserves the right to condition for additional information and collateral support to include desk review, field review, or additional appraisal in order to support value. There is not a specific VA requirement.</p> <p>A copy of the divorce decree is required when the loan file indicates income or liability due to divorce.</p> <p><u>Inspection Documents</u>          Underwriter may request a copy of any inspection where repairs or remediation (monetary or other) are specified in a purchase contract, regardless of whether repairs have been completed.</p>
<b>VA Funding Fee</b>	<p>VA Funding Fee applies unless veteran is exempt. See <i>VA Funding Fee Table</i> for specific percentages.</p> <p><b>VA Funding Fee may be split with part paid in cash and part financed.</b></p> <p>The funding fee is calculated on the veteran's portion of the loan. If a reduced funding fee percentage is required as a result of a down payment requirement, the veteran benefits from this reduction as the funding fee will be calculated on his/her portion of the loan</p> <p>Down payment must be made in liquid funds. Gift equity, borrowed funds or seller-equity is not an acceptable down payment to reduce the funding fee</p>



**VA Purchase**

From Circular 26-11-19

November 22, 2011

P.L. 112-154 extended the Funding Fee structure through September 30, 2017

See VA Circular 26-12-9

<b>VA Funding Fee Table - Loan Fee Structure for VA-Guaranteed Loans</b>		
	Veteran	Reservist/National Guard
<b>First Time Use</b>		
Downpayment		
Less than 5 percent <sup>1</sup>		
*November 22, 2011 through September 30, 2017	2.15%	2.40%
At least 5 percent but less than 10 percent		
*November 22, 2011 through September 30, 2017	1.50%	1.75%
10 percent or more		
*November 22, 2011 through September 30, 2017	1.25%	1.50%
<b>Second and Subsequent Use</b>		
Downpayment		
Less than 5 percent <sup>1</sup>		
*November 22, 2011 through September 30, 2017	3.30%	3.30%
At least 5 percent but less than 10 percent		
*November 22, 2011 through September 30, 2017	1.50%	1.75%
10 percent or more		
*November 22, 2011 through September 30, 2017	1.25%	1.50%
<b>Refinancing Loans</b>		
Interest Rate Reduction	0.50%	0.50%
<b>Other</b>		
Assumptions	0.50%	0.50%
Service-connected disabled Veterans	0.00%	0.00%

<sup>1</sup> includes 'Cash-Out' Refinancing loans regardless of LTV



VA Purchase

**REQUIRED CASH DOWNPAYMENT AND PERCENTAGE OF GUARANTY CALCULATION  
WORKSHEET**

**FOR TOTAL LOAN AMOUNTS up to and including \$424,100  
(or \$636,150 in AK & HI)**

**Purchase Transactions**

**Refer to current VA County limits**

Link: [http://www.benefits.va.gov/homeloans/loan\\_limits.asp](http://www.benefits.va.gov/homeloans/loan_limits.asp)

**If the county name does not appear on this list, the VA limit is set at \$424,100**

The primary goal is to verify that the minimum guaranty required by Ginnie Mae is satisfied through veteran's available entitlement/maximum VA guaranty and or cash down payment.

**Special reminders:**

- No portion of the cash down payment may be derived from borrowed funds.
- Minimum Guaranty required by Ginnie Mae is calculated as 25% of the lesser of the sales price or Appraised Value.
- Maximum VA Guaranty/Available Entitlement is based on the loan amount including the funding fee, if financed into the loan. Refer to table below.

Loan Amount (Base Loan plus Financed Funding Fee)	Maximum Potential Guaranty (subject to veteran's available entitlement)
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
\$144,001 to \$424,100	25% of the loan amount or 25% of the county limit, whichever is less

**Example 1: Veteran has Full Entitlement**

Property is located in:	Montgomery County, PA
VA County Limit for Montgomery County	\$424,100
Sales Price (SP)	\$300,000
Appraised Value (AV)	\$300,000
Veteran Funding Fee factor (First Time Use of entitlement)	2.15%
Borrower is requesting Loan Amount (Base + Financed FF)	\$306,450
Min Guaranty required by GNMA ( 25% of \$300,000 (SP)	\$ 75,000
Maximum VA Guaranty/Available Entitlement = 25% of \$306,450	\$ 76,612.50
Since the Min Guaranty required by GNMA is less than the maximum guaranty VA will provide, no cash down payment is required from the borrower and the requested loan amount is acceptable	



VA Purchase

<b>Example 2 – Veteran has Partial Entitlement Available            (Veteran has used \$36,000 of entitlement on a prior loan, which may not be restored)</b>	
Property is located in	Montgomery County, PA
VA County Limit for Montgomery :	<b>\$424,100</b>
Property Appraised for	\$320,000
Sales Price	\$320,000
Veteran Funding Fee factor (Subsequent Use of entitlement)	3.3%
Borrower is requesting Loan Amount of (Base + Financed FF)	\$330,560
Min Guaranty required by GNMA = 25% of \$320,000 (AV)	\$80,000
Maximum VA Guaranty/(Remaining) Available Entitlement = 25% of <b>\$424,100</b> = <b>\$106,025</b> less \$36,000	<b>\$70,025</b>
Since the Min Guaranty required by GNMA is greater than the maximum guaranty VA will provide less the entitlement in use, the veteran needs to have a cash down payment to meet the GNMA requirement	
Down payment = Minimum GNMA Requirement less Remaining Available Entitlement	
\$80,000 less <b>\$70,025</b>	<b>\$9,975</b>
Since a down Payment is required, the base loan amount must be reduced by the amount of the down payment	
Adjusted base loan amount = Sales Price less Down Payment	
\$320,000 less <b>\$9,975</b>	<b>\$310,025</b>
Percentage of Guaranty = Available Entitlement plus cash down payment divided by sales price	
<b>\$70,025</b> plus <b>\$9,975</b> = \$80,000 divided by \$320,000	25%
	Min Guaranty is met – loan is saleable
Adjusted Funding Fee = Base Loan Amount X applicable factor	
<b>\$310,025</b> X 3.3%	<b>\$10,230.83</b> (round down to \$10,230 for loan amount calculation)
Adjusted Total Loan Amount = Base Loan Amount plus Funding Fee	
<b>\$310,025</b> plus <b>\$10,230</b>	<b>\$320,255</b>