

# VA CASH-OUT & RATE/TERM REFINANCE



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ELIGIBLE MORTGAGE PRODUCT & TERM	PRODUCT		EMPOWER	ENCOMPASS
	VA 30 year fixed rate mortgage		VAFX	VA30
	VA 30 year fixed High Balance			VA30HB
	VA 15 year fixed rate mortgage		VAF15	VA15
	VA 15 year fixed High Balance			VA15HB
	VA 5/1 ARM mortgage		VA5A	VA51
	VA 5/1 ARM High Balance		VA5AHB	VA51HB
MAXIMUM LOAN AMOUNT/LTV	<ul style="list-style-type: none"> <li>• <b>Cash Out</b> – Limited to 100% of appraised value including the VA Funding Fee                             <ul style="list-style-type: none"> <li>❖ FICO 620 – 639 with Corporate Investor Specific Approval</li> <li>❖ FICO Minimum of 680 with cash out over \$100,000</li> <li>❖ DU Approval maximum 50% DTI <b>and</b></li> <li>❖ Maximum cash out \$100,000 or maximum as specified by investor</li> <li>❖ FICO &lt; 640 allowed for Manual underwrite with 43% DTI with 3 VA Compensating Factors <b>and</b> Investor Specific Exception with Loan amounts ≤ \$453,100</li> <li>❖ FICO 640 ≥ allowed for Manual underwrite with 43% DTI with 3 VA Compensating Factors on High Balance loans                                     <ul style="list-style-type: none"> <li>• Property must have a lien to payoff; <u>See Seasoning Requirements for Refinances in these guidelines.</u></li> </ul> </li> </ul> </li> <li>• <b>Rate/Term</b> – Limited to 100% excluding the VA Funding Fee (maximum cash out of \$500)                             <ul style="list-style-type: none"> <li>❖ AUS Approval with limit of 55% DTI.</li> <li>❖ FICO &lt; 640 Manual Underwrite with 45% DTI and 3 VA Compensating factors loan amount ≤ \$453,100</li> <li>❖ FICO 640 ≥ Manual Underwrite with 45% DTI and 3 VA Compensating factors for High Balance loan.</li> </ul> </li> </ul>			
VA LOAN LIMITS	UNITS	LIMITS EXCLUDE VA FUNDING FEE		
	1-4 Units	\$484,350		
	1-4 Units	\$484,350 - \$699,999		
	1-4 Units *	\$700,000 - \$1,000,000		
	1-4 Units *	\$1,000,001 - \$1,500,000		
	<ul style="list-style-type: none"> <li>• Loan amounts \$1,000,000 and above require exception from investor prior to docs</li> <li>• VA County Limits <a href="https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx">https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx</a></li> <li>• VA’s 2018 Loan Limits are the same as the Federal Housing Finance Agency’s limits- 2018 Loan Limits (Effective January 1, 2018). For purposes of determining the VA guaranty, underwriters are instructed to reference only the One-Unit Limit column in the FHFA Table “Fannie Mae and Freddie Mac Maximum Loan Limits for Mortgages Acquired in Calendar Year 2018 and Originated after 10/1/2011 or before 7/1/2007”.</li> </ul>			

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<b>VA LOAN LIMITS CONTINUED</b>	<ul style="list-style-type: none"> <li>* High Balance VA loans: DTI <math>\leq</math> 41% &gt; \$1,000,000 &amp; <math>\leq</math> \$1,500,000 maybe eligible, subject to <u>Corporate Underwriting Approval, Investor Specific Exception &amp; INVESTOR FORM 19 REQUIRED</u></li> <li>* VA Loans &gt; \$1,000,000 &amp; <math>\leq</math> \$1,500,000 maybe eligible subject to <u>Investor Specific Exception &amp; Investor form 19 required</u> from investor when DTI &gt; 41%.</li> <li>Underwriter to complete Investor Specific Form 19 and fax to 866-494-8905 with required documentation.</li> <li>Underwriter to add condition Investor Specific to WFB once Investor Exception has been granted.</li> </ul>
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### ENTITLEMENT/GUARANTY

LOAN AMOUNT	MAXIMUM POTENTIAL GUARANTY
< = \$45,000	50% of the loan amount
\$45,001 to \$56,250	\$22,500
\$56,251 to \$144,000	40% of the loan amount or maximum \$36,000
\$144,001 to \$453,100	25% of the loan amount or maximum \$106,025
\$453,101 to \$1,500,000	25% of the loan amount or maximum \$273,656

### VA ENTITLEMENT CODES

Use the separation, effective, or discharge date to determine the code as follows:

01 World War II	04 Vietnam War	07 Spouse of POW/MIA	10 Persian Gulf War
02 Korean War	05 Entitlement Restored	08 Post-World War II	11 Selected Reserve
03 Post-Korean	06 Un-remarried Surviving Spouse	09 Post-Vietnam	

**Calculating the max loan amount-** PBM Maximum Loan Worksheet is required to be used to validate 25% guarantee has been met.

**Entitlement/Guaranty** – Processed Certificate of Eligibility to certify current loan is active VA Loan of record  
Guaranty is Automatic

- Exempt/Non Exempt Status
- 2-4 Units- VA only allows guarantee under 1-Unit County Limits. Equity will be required to meet 25% guarantee.

### FUNDING FEE TABLE

First Time Use	Rate	Subsequent Use	Rate
Regular Service	2.15%	Regular Service	3.3%
Reservist/Nat'l Guard	2.40%	Reservist/Nat'l Guard	3.3%

- All VA Loans require a VA Funding Fee. Exceptions may be made to veterans with service-connected disabilities and to surviving spouses of veterans who die in service or from service connected disabilities.
- Funding Fee must be financed in full or paid in full in cash at closing. No partial payments allowed.
- Loan Amount > \$453,100
  - VA county limit may only be exceeded by the VA Funding Fee and still meet the 25% guarantee for VA
  - VA loan amounts exceeding county limits (excluding VAFF) require down payment for guarantee shortfall

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<ul style="list-style-type: none"> <li>▪ See <b>VA Maximum Loan Worksheet</b> for shortfall requirements</li> <li>• Cash-Out Refinance Worksheet required on all loans. Review VAFF Table to assure correct rate used.</li> </ul>	
<p style="text-align: center;"><b>AGE OF DOCUMENTS</b></p>	<ul style="list-style-type: none"> <li>• Appraisal- no older than 180 days at time of closing</li> <li>• Credit - no older than 120 days at time of closing</li> <li>• Income- no older than 120 days at time of closing</li> <li>• Assets- no older than 120 days at time of closing</li> <li>• Termite- no older than 120 days at time of closing.</li> </ul>
<p style="text-align: center;"><b>APPRAISAL REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>• LAPP Appraisal (VA Appraisal <b>ONLY</b>)</li> <li>• <b>NOV (Notice of Value) is valid for 6 months for all appraisals</b></li> <li>• UAD Compliant (Uniform Appraisal Dataset)</li> <li>• Interior photos to include: kitchen, bathroom, main living area, physical deterioration if present, restoration, remodeling or renovation if present.</li> <li>• Exterior photos to include: front and rear view, street scene, site features, improvements and views that would affect value.</li> <li>• Small Residential Income Property Appraisal Report, Freddie Mac Form 72, Fannie Mae Form 1025, if property has two to four living units</li> <li>• All loans must adhere to State and Local Property Laws (carbon monoxide, smoke detectors and lead based paint guidelines)             <ul style="list-style-type: none"> <li>○ If the appraiser notes the absence of a working carbon monoxide detector and appraisal is <b>“Subject To”</b> - A 1004D will be required evidencing the completion of the requirements.</li> <li>○ If the appraiser notes the absence of a working carbon monoxide detector, but appraisal reads, <b>“AS IS”</b> – a Lender’s Certification is acceptable to assure the work has been completed.</li> <li>○ If the appraiser does not mention the absence of a working carbon monoxide detector in the appraisal report, neither a 1004D nor a Lender’s Certification evidencing completion will be required in regards to the carbon monoxide detector.</li> </ul> </li> <li>• For loan amounts &gt; 1,000,000, be sure to request a certified appraiser when requesting the appraiser assignment from VA.</li> <li>• 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 is less, on purchases and non-IRRRL refinances.</li> </ul> <p><b>Access to Property</b>            Each property must be provided with a safe and adequate pedestrian or vehicular access from a public or private street.            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 agreements</li> </ul> <p>All streets must have an all-weather surface.</p>

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<p><b>APPRAISAL REQUIREMENTS CONTINUED</b></p>	<p><b><i>Lead Base Paint Requirements</i></b></p> <ul style="list-style-type: none"> <li>• <u>Real Estate Agent Lead Base Paint Disclosure</u> must be given to borrower and allow a minimum of 10 days in which to obtain an inspection prior to closing</li> <li>• Chipping and peeling paint noted on an appraisal (by appraiser or in photos of appraisal) for homes built prior to 1978 requires a certification by a licensed Lead Paint Abatement contractor.</li> <li>• Items that are excluded from the Lead Paint Abatement certification are as follows:             <ul style="list-style-type: none"> <li>○ Minor repair or maintenance activities that disturb six (6) square feet (2' x 3' space only) or less of paint repair per room inside the house. Square footage must be stated by the appraiser or abatement contractor</li> <li>○ Minor repair or maintenance activities that disturb twenty (20) square feet (4' x 5' space only) or less on the exterior of the home or building. Square footage must be stated by appraiser or abatement contractor.</li> </ul> </li> <li>• If the home was built after 1978, work can be completed by the seller or a licensed painting contractor. All bare wood must be primed or painted and the work verified by the appraiser, a licensed painting contractor, termite company or PBM.</li> </ul> <p><b><i>Unpermitted Property Additions:</i></b> Properties with “unpermitted” structural additions are allowed under the following conditions:</p> <ul style="list-style-type: none"> <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> </ul> <p><b><i>Termite Report/Repairs</i></b></p> <ul style="list-style-type: none"> <li>• All loans require a termite report (and clearance, if applicable)</li> <li>• Final termite reports (if clearance is issued that would be considered the final report) must be signed (not initialed) and dated as <u>Read and Approved by veteran before funding.</u></li> <li>• Termite reports require <b>ALL Section 1 items</b> to be cleared by the termite company or licensed contractor and referenced on the termite clearance prior to funding. If the clearance states items were completed by others and appear to be completed in a workman like manner, it must note the party that performed the work.             <ul style="list-style-type: none"> <li>• <u>Section 2</u> items that are required to be repaired are listed in the table below. The items listed below are the most critical items, but there are other items that may require repair (i.e. health &amp; safety, structural, misc. repairs) Section 2 items that are not listed below should be review with Corporate Underwriting for determination of repair requirements.</li> </ul> </li> </ul>
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APPRAISAL REQUIREMENTS CONTINUED	Section 2 Items	Requirement for Completion
	Water/Sewer Connection Requirements	<ul style="list-style-type: none"> <li>• For properties serviced by individual water and/or sewer (well and/or septic), 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</li> <li>• For properties where well water or septic test or certifications were required, the validity of those tests or certifications is 90 days unless the local health authority indicates otherwise</li> <li>• All NOV's issued on properties served by individual water and/or sewer systems will require NOV Item #6 to be checked only if required by the local building, planning or health authorities.</li> <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> </ul>
	Any indication of water leak or stain on ceilings	Inspected by appraiser or licensed contractor and/or repaired by licensed roofer
	All other major water leaks or stains (includes hot water heater)	Inspected and repaired by licensed plumber or general contractor. The appraiser or termite company may inspect minor leaks
	Loose or broken toilets	Inspected by appraiser or licensed contractor
	Broken or inoperable faucets	Inspected by appraiser or licensed contractor
	Broken or inoperable doors	Inspected by appraiser or licensed contractor
	Mold	Inspected and repaired by a licensed Mold Abatement company
	Broken or cracked windows	Repaired by licensed contractor
	Structural wood replacement or repairs	Structural wood repairs: i.e. A general or building contractor must complete removal and replacement of a patio deck, stairs, walls or beams. <b>All Wood that it is replaced or repaired must be painted.</b> Exposed wood of any kind is not acceptable. <b>The inspector must state that the wood has been primed and/or painted</b>
	<u>Cosmetic</u> wood replacement or repairs	Cosmetic wood repairs: i.e. doors, door jams, a licensed contractor, or the seller can complete the repairs. <b>All Wood that it is replaced or repaired must be painted.</b> Exposed wood of any kind is not acceptable. The inspector must state that the wood has been primed <b>and/or painted</b>

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<b>ASSETS</b>	<ul style="list-style-type: none"> <li>• DU/LP requirements must be met</li> <li>• Reserves required for the following: <ul style="list-style-type: none"> <li>○ SFR –Primary Residence no reserves required</li> <li>○ SFR- Primary Residence retained as Rental Property requires 3 months PITI reserves if rental income used to qualify. No rental income used and full PITI used to qualify no reserves required.</li> <li>○ 2-4 units = 6 months PITI reserves</li> <li>○ Rental Property per Schedule E- must have 3 months PITI reserves.</li> <li>○ Loan amounts <math>\geq</math> \$1,000,000 to \$1,500,000 require residual of \$2500 and 3 months reserves</li> </ul> </li> <li>• Gift funds can be used to pay off credit cards to qualify</li> <li>• Gift funds can be used to pay for the termite completion work on rate and term only.</li> <li>• Cash out funds should be used to pay for repairs prior to funds received by veteran at closing.</li> </ul>														
<b>BORROWER ELIGIBILITY</b>	<p>Borrower(s) must have been obligated on the original VA Loan. Change in Mortgagors are only permitted with the proper documentation in following cases:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 50%; text-align: center;">EXISTING VA LOAN</th> <th style="width: 50%; text-align: center;">NEW LOAN</th> </tr> </thead> <tbody> <tr> <td>Unmarried Vet</td> <td>Veteran and New Spouse</td> </tr> <tr> <td>Vet and Spouse</td> <td>Divorced Veteran only (Copy of 6 month cancelled checks)</td> </tr> <tr> <td>Vet and Spouse</td> <td>Veteran and New Spouse</td> </tr> <tr> <td>Veteran alone</td> <td>Different veteran who has substituted entitlement</td> </tr> <tr> <td>Veteran and spouse</td> <td>Veteran Widow/Widower 1 time Purchase.</td> </tr> <tr> <td>Veteran and non-veteran on title only</td> <td>Same (primary resident only)</td> </tr> </tbody> </table> <p>Veteran and Veteran single eligibility * see notes located in Underwriting Method section</p> <p>Veteran and veteran with dual eligibility * see notes located in Underwriting Method section</p> <ul style="list-style-type: none"> <li>• US Citizens</li> <li>• Permanent &amp; Non-Permanent Resident Aliens</li> </ul>	EXISTING VA LOAN	NEW LOAN	Unmarried Vet	Veteran and New Spouse	Vet and Spouse	Divorced Veteran only (Copy of 6 month cancelled checks)	Vet and Spouse	Veteran and New Spouse	Veteran alone	Different veteran who has substituted entitlement	Veteran and spouse	Veteran Widow/Widower 1 time Purchase.	Veteran and non-veteran on title only	Same (primary resident only)
EXISTING VA LOAN	NEW LOAN														
Unmarried Vet	Veteran and New Spouse														
Vet and Spouse	Divorced Veteran only (Copy of 6 month cancelled checks)														
Vet and Spouse	Veteran and New Spouse														
Veteran alone	Different veteran who has substituted entitlement														
Veteran and spouse	Veteran Widow/Widower 1 time Purchase.														
Veteran and non-veteran on title only	Same (primary resident only)														
<b>CAIVRS</b>	Required for all borrowers														
<b>CREDIT REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• 3 merge credit report required</li> <li>• All borrowers must have a valid Social Security Number</li> <li>• All borrowers must have at least (2) valid credit scores.</li> <li>• If a credit report is over 45 days old at funding, a Soft-Pull credit report must be obtained (no FICOs required) to determine any changes. If there are no significant changes to the Soft-Pull Report compared to the original report, the original credit report can be used to fund the loan but <b>CANNOT</b> be older than 120 days at funding.</li> </ul>														

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**CREDIT  
REQUIREMENTS  
CONTINUED**

- If there are significant changes to the Soft-Pull credit, including any new debt, a new credit report must be pulled and re-submitted to DU/LP. The file must then be re-underwritten to include the new credit and DU/LP findings.
- VA requires consideration of the spouse’s credit (whether or not the spouse will be personally liable on the note and whether or not the applicant and spouse choose to have the spouse’s income considered).
- Non-Traditional Credit is **NOT** allowed
- All judgments must be paid in full or subject to a repayment plan with a history of timely payments.
- **Credit Card debts with the balance reflected as the monthly payments:** The full monthly balance will be required to be used as payment for qualifying in the DTI. In order to use less than the full monthly balance, a monthly statement from the creditor, will be required to reflect a payment of less than full monthly balance. A credit supplement or monthly statement from the creditor will be required with a zero balance prior to final loan approval if no payment is used.

**BANKRUPTCY**

- **2 Years** elapsed since the discharge of Chapter 7, Chapter 13 Bankruptcy or Deed in Lieu/Short sale when the borrower was not delinquent at transfer.
  - Chapter 13 discharged <2 years required Corporate Exception
- AND**
- Paid as agreed status from chapter 13 Trustee for current term, not less than 12 months.

**FORECLOSURE/DEED-IN-LIEU/SHORT-SALE**

- 2 years since completion of foreclosure, deed-in-lieu/Short Sale with no lates
- 3 years elapsed since completion of Foreclosure, Deed in Lieu/Short Sale when the borrower was delinquent at time of transfer.

**Note:** In a case where the borrower(s) **initial loan application is taken before the 3 year time frame, but not less than 2 years, an Investor Specific by Corporate is required has less than 3 years, but over 2, an Investor Specific exception is required.**

- **Disputed accounts –**
  - Letter of explanation for disputed account plus copy of documentation to validate reason for dispute (i.e. LOE and copy of police report if reason was “stolen wallet or purse”)
  - Utilities not paid –Letter of explanation and proof not residing at residence at the time of issue.
  - Late payment dispute- Letter of explanation and proof the account was paid on time.
- **Collection-**
  - Isolated collection accounts (one or two unpaid medical or other collections) do not have to be paid off provided the credit report shows numerous satisfactory accounts.
  - Collection accounts must be considered part of the borrower’s overall credit history and unpaid collection accounts should be considered open, recent credit
  - Borrowers with a history of collection accounts should have re-established satisfactory credit in order to be considered a satisfactory credit risk.



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<b>CREDIT REQUIREMENTS CONTINUED</b>	<ul style="list-style-type: none"> <li>• <b>Alimony-</b></li> <li>• Can be used to either reduce income to qualify or</li> <li>• Be counted as a liability in the debt ratio</li> <li>• <b>High Balance-</b></li> <li>• No Foreclosure, Bankruptcy or Short Sale &amp; Deed-in-Lieu in the past 7 years (if less than 7 years Investor Specific approval from Corporate required with DU approval only)</li> <li>• No housing payment 30 days or more past due in the last 12 months</li> <li>• <b>Additional Debts Noted on the Paystubs-</b> <ul style="list-style-type: none"> <li>○ Exclude: 401(k) withdrawals, medical insurance expenses, savings/checking auto deposits (must be able to source the deposits on the borrower(s) bank statements in file).</li> <li>○ Include: example: Union Dues, child support, alimony, etc.</li> <li>○ All paystub deductions must be reviewed thoroughly and cleared. Any additional monthly debts are to be included in the DTI.</li> </ul> </li> </ul>
<b>DEMAND</b>	<ul style="list-style-type: none"> <li>• Payoff must reflect current loan balance and not more than 60 days interest. (example; closing month of May, May payment not made, interest for April &amp; May allowed on demand &amp; financed).</li> </ul>
<b>DISCOUNT POINTS</b>	Limited to 2%
<b>DOCUMENTATION REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• IRS 4506-T must be completed and dated at application and again at closing for all borrowers.</li> <li>• <b><u>4506-T W-2 Only with W-2 Transcripts</u></b> <ul style="list-style-type: none"> <li>○ W-2 only income documentation <i>with W-2 transcripts</i> – <b><u>no Investor Specific Required</u></b></li> <li>○ W-2 income can be derived from Base income and Overtime           <ul style="list-style-type: none"> <li>▪ Overtime income must be broken out on 1003 and DU</li> <li>▪ Overtime must meet VA guidelines to qualify</li> <li>▪ You will not be allowed to use commission or bonus income to qualify on a W-2 Only</li> </ul> </li> <li>○ 4506-T Record of Account not required</li> </ul> </li> <li>• <b><u>4506-T W-2 Only Without W-2 Transcripts</u></b> <ul style="list-style-type: none"> <li>○ W-2 only income <i>without W-2 transcripts</i> must be submitted for an <b><u>Investor Specific exception</u></b> along with a full <i>Work Number</i> VOE with last two years earnings obtained</li> <li>○ 4506-T Record of Accounts not required</li> </ul> </li> </ul> <p><b>Note:</b> Investor may pull 4506-T if the veteran(s) job title constitutes the filing of 2106 expenses.</p> <ul style="list-style-type: none"> <li>• Alive and Well Statement signed by veteran and/or Commanding officer (if veteran is deployed) dated prior to Note date</li> <li>• Power of Attorney allowed: Must be specific &amp; veteran must execute the initial or final 1003 with a live signature</li> <li>• Fully executed letter of explanation regarding the purpose of cash-out proceeds</li> <li>• Termite Report- if no clearance report must be signed by Veterans(s). If Termite Clearance issued only clearance needs to be signed by veteran(s)</li> </ul>

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<b>DOCUMENTATION REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>A statement from the borrowers disclosing the purpose for the cash out is required</li> </ul> <p><b><i>Fax and Internet Documentation</i></b></p> <ul style="list-style-type: none"> <li>Documentation consists of:             <ul style="list-style-type: none"> <li>The same information contained in a standard VOE, statements or VOD</li> <li>Clear identification of the employer and source of the information</li> <li>Name and telephone number of a person who can verify faxed information</li> <li>Internet must contain headers/footers and banner portion of the downloaded web page. Form must have URL with date and time period. A</li> </ul> </li> </ul>
<b>DTI RATIOS</b>	<ul style="list-style-type: none"> <li>DU/LP up to 50% (DU must be run 1<sup>st</sup> – LP is only allowed with Corporate Approval)</li> <li>DU/LP &gt; 50% requires Corporate 2<sup>nd</sup> Signature &amp; (3) VA Compensating Factors.</li> <li>43% limit for Manual underwrite (see required FICO Limitation &amp; Loan amount limits)</li> </ul>
<b>ELIGIBLE MORTGAGE PRODUCT-NEW LOAN</b>	<p><b><i>Fixed Rate 30 Year, 15 Year &amp; 5/1 Arm</i></b></p> <ul style="list-style-type: none"> <li>VA to VA Refinance</li> <li>Conventional to VA</li> <li>FHA to VA</li> </ul> <p><b>NOTE:</b> NO CASH OUT allowed on properties that are Free &amp; Clear.  <b>NOTE:</b> Refinance from a Private Note to a VA Loan is not allowed if the note is not a recorded lien. Deed of Trust must be recorded upon inception.</p>
<b>FICO</b>	<ul style="list-style-type: none"> <li>620-639 FICO with AUS and Corporate Investor Specific Approval</li> <li>620-639 FICO Manual underwrite with ≤45% DTI; requires 3 VA Compensating Factors and Investor Specific</li> <li>640 FICO for loan amounts ≥ \$453,100 to ≤ \$699,999 (Manual underwrite also allowed with ≤45% DTI, 3 VA Compensating Factors and Investor Specific Exception)</li> <li>660 FICO for loan amounts ≥ \$700,000 to ≤ \$999,999</li> <li>700 FICO for loan amounts ≥ \$1,000,000 to \$1,500,000 (Corporate Investor Specific Approval)</li> <li><b>See Rate Sheet for Additional Pricing Adjustment</b></li> </ul>
<b>HIGH COST/ HIGH PRICED</b>	<ul style="list-style-type: none"> <li>Not allowed</li> </ul>
<b>INCOME REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>DU/LP requirements must be met</li> <li>Verbal Verification of Employment (VVOE) within 10 days of Note</li> </ul> <p><b><i>INCOME FROM MILITARY</i></b></p> <ul style="list-style-type: none"> <li>A military Leave and Earnings Statement (LES) is required instead of a VOE</li> <li>LES must be dated no more than 120 days prior to the signed note date</li> <li>Service members can access a computer-generated LES through myPay</li> </ul>

# VA CASH-OUT & RATE/TERM REFINANCE



## INCOME REQUIREMENTS CONTINUED

- Service member within 12 months of release from active duty or end of contract term requires one of the following:
  - Documentation that the service member has already re-enlisted or extended period of active duty to a date 12 months beyond the projected closing date of the loan.
  - Verification of a valid offer of local civilian employment following the release from active duty. All data pertinent to sound underwriting procedures (start date of employment, rate of pay, title, etc.) must be included.
  - Statement from the service member that they intend to re-enlist or extend period of active duty to a date beyond a 12 months period **and**
  - Statement from the service member's commanding officer confirming that:
    - The service member is eligible to re-enlist or extend active duty as indicated and the commanding officer has no reason to believe that such re-enlistment or extension of active duty will not be granted **or**
    - Documentation of other unusually strong positive underwriting factors:
      - ✓ 10% down payment
      - ✓ Significant cash reserves
      - ✓ Clear evidence of strong ties to the community coupled with sufficient non-military spouse income thereby requiring minimal income from the Veteran to qualify.

### ***Base Pay***

- Consider the base pay as stable and reliable except if the applicant is within 12 months of release for active duty

### ***Military Quarters Allowance (BAH)***

- Military quarters allowance is effective income if verified on the LES or with proof of new allowance allotment if service member is relocating to a new base. Proof of new quarters allowance is required from the commanding officer of the new base.

### ***Subsistence and Clothing Allowance (BAS)***

- Any subsistence (rations) and closing allowances are indicated on the LES statement
- Subsistence and clothing allowance are non-taxable income and can be grossed up
- If the clothing allowance is noted as annual it can be re-calculated to monthly (total annual amount divided by 12 months)

### ***Other Military Allowances***

- Other military allowances (examples: pro-pay, flight pay, hazard pay, overseas pay, combat pay) may be used for qualifying if the type, amount and length of time it will be received is documented.
- These allowances are subject to periodic review and or testing therefore continuance must be verified to allow as effective income.
- This income is taxable per the IRS and may not be grossed up.

VA  
CASH-OUT & RATE/TERM REFINANCE



INCOME  
REQUIREMENTS  
CONTINUED

***Income for Reserves or National Guard***

- Income can only be used if effective income indicates a strong probability that reserve/guard income will continue
- 2-year history of receiving documented with W-2s, current paystub and letter from commanding officer for reserve/guard unit as to term of effective service remaining.

***Recently-activated Reservists or National Guard***

- If the Reservist has indicated that his/her unit has been activated to Active Duty status the underwriter must do the following:
  - Obtain a statement which affirms that an applicant's status has been ascertained and considered
  - Obtain copy of present order to active duty. Underwriter must confirm new tour of duty time frame. Since income is normally affected with this change, income must be evaluated as to the impact on the applicant's current earnings:
    - Will the income be reduced from current earning or increased?
    - What is the time frame of these changes?
    - How will it impact the Veteran's ability to repay the loan?
  - There are no clear-cut procedures that can be applied to all cases. Evaluate all aspects of each individual case.
  - **The file must be carefully and thoroughly documented.** This includes any reasons for using or not using reservist income. The underwriter must clearly explain how the new loan will not place the Veteran in financial hardship.
  - Contact Corporate Underwriting with any questions regarding using mobilized service member income.

***Income of Recently Discharged Veterans***

- Obtain VOE or necessary documentation to validate the following: New Employment, Retirement Income, and/or Military Separation Payments
- If Veteran has been employed in the new position for only a short time, the employer must provide probability of continued employment and a statement confirming the applicant is performing the duties of the job satisfactorily
- Analyze if the duties of the present position is similar or directly related to prior duties in the military
- If current job requires skills for which the Veteran has not had training or experience, income will not be considered stable. Unstable income cannot be used to qualify for the loan.
  
- Continuity of employment is essential for a Veteran with no retirement income or insufficient retirement income to support the loan obligation.
- Contact Corporate Underwriting with any questions regarding short-term employment

***Voluntary Separation Payments***

- Special Separation Benefits(SSB) are a one-time lump sum, taxable in the year received and treated as substantial cash reserves

# VA CASH-OUT & RATE/TERM REFINANCE



**INCOME  
REQUIREMENTS  
CONTINUED**

- Voluntary Separation Incentive (VSI) are:
  - Annual payments
  - Taxable in the year received
  - Include in effective income
  - Calculated by multiplying Veteran's years of service x 2
  - Requires a minimum of six years of service which equates to a minimum 12 years of annual payments
- If Veteran will receive both VSI and VA Disability compensation payments, the VSI will be reduced by the amount of the disability compensation. However, if the VSI was related to a later period of service than the VA disability, both will be allowed at full value.

**INCOME FROM NON-MILITARY EMPLOYMENT**

- Verify a minimum of two years' employment with current employer
- If less than two full years –
  - Verify prior employment plus present employment covering two full years
  - Provide an explanation for why two years consecutive employment could not be verified
  - Compare any different types of employment and verifications obtained with W-2 and/or tax returns for consistency, and
  - Clarify any substantial differences in the data that would have a bearing on the qualifications of the applicant.
  - Income less than 12 months is not considered stable or reliable. Unless the borrower's position directly relates to a skilled position or can provide proof of schooling (for example, nurse, medical technician, lawyer, paralegal, computer systems analyst, etc.)
- VOE and current paystubs covering at least the most recent 30-days or as required by AUS
  - If the employer does not indicate the probability of continued employment on the VOE, the underwriter is not required to request anything additional on the subject
- W-2s, 1099s, and or Tax Returns for the most recent two years
- Income less than 12 months but greater than 6 months can be used to offset debts of 10 to 24 months duration as long as the income is deemed stable.

**VERBAL VOE**

- A Verbal VOE is required for all income types:
  - **Hourly, salaried, part-time, second jobs** – all require a verbal VOE performed at time of approval and at funding
  - **Self-employed borrowers (Schedule C, Corporations, S-Corporations, Partnerships and LLC)** are required a have a third-party verbal VOE. The borrower(s) self-employment must be validated to verify that the borrower is in fact self-employed.
    - If the borrower is self-employed Schedule C and self-prepares income tax returns, provide one of the following to support self-employment:
      - Current business license from the city;
      - Business card with borrower and business's name with website that can be verified; or

# VA CASH-OUT & RATE/TERM REFINANCE



<p style="text-align: center; margin: 0;"><b>INCOME REQUIREMENTS CONTINUED</b></p>	<ul style="list-style-type: none"> <li style="margin-bottom: 10px;"> <ul style="list-style-type: none"> <li>• Verify business through on-line advertising (such as Google or Facebook)</li> </ul> </li> <li>• <b><i>Overtime, Part-Time, Second Jobs and Bonuses</i></b> <ul style="list-style-type: none"> <li>○ Must have a two-year history</li> <li>○ Income must be regular and predictable and likelihood it will continue per VOE</li> <li>○ Income 12-24 months can only be used to offset a fixed debt of 10 to 24 months duration. Must also include an explanation for income less than 2 years.</li> </ul> </li> <li>• <b><i>Commission Income</i></b> <ul style="list-style-type: none"> <li>○ When all or a major portion of the income is derived from commissions, obtain the following documentation:           <ul style="list-style-type: none"> <li>▪ Written VOE that covers:               <ul style="list-style-type: none"> <li>• actual amount of commissions paid year to date and basis of payment (salary plus commission, straight commission, or draws against commission)</li> <li>• When commissions are paid (monthly, quarterly, semi-annually, or annually)</li> </ul> </li> <li>▪ Most recent 2 years' individual tax returns</li> <li>▪ Commission income received for less than 2 years cannot be considered effective income</li> </ul> </li> </ul> </li> <li>• <b><i>Building Trades, Seasonal Workers, or Climate-Dependent Work</i></b> <ul style="list-style-type: none"> <li>○ Documentation evidencing the applicant's total earnings year to date</li> <li>○ Signed and dated individual income tax returns for the previous 2 years <b>and</b></li> <li>○ If the applicant works out of a union, evidence of the union's history with the applicant.</li> <li>○ Two years' employment is not required if the underwriter can conclude that the income is stable, reliable and anticipated to continue for the foreseeable future</li> <li>○ W-2 forms for the previous 2 years</li> </ul> </li> <li>• <b><i>Rental Income (vacating property)</i></b> <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. This rent income <b>MAY NOT</b> be included in the 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 very strong.</li> <li>○ 3 months reserves required</li> <li>○ No reserve requirement when full PITI is used to qualify</li> </ul> </li> <li>• <b><i>Rental Income ( Schedule E Property)</i></b> <ul style="list-style-type: none"> <li>○ Rental Income from Schedule E property- (refer to reserves required under Assets)</li> <li>○ Income would be determined from the individual income tax returns, signed and dated, plus all applicable schedules for last 2 years, which show rental income generated by the property. Property depreciation claimed as a deduction on tax returns can be added back for income.</li> <li>○ Little or No prior rental history           <ul style="list-style-type: none"> <li>▪ Document of the applicant's prior experience managing rental units or other background involving both property maintenance and rental <b>and</b></li> <li>▪ Any leases on the property <b>and</b></li> <li>▪ The strength of the local rental market</li> </ul> </li> </ul> </li> </ul>
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**VA  
CASH-OUT & RATE/TERM REFINANCE**



<p style="text-align: center;"><b>INCOME REQUIREMENTS CONTINUED</b></p>	<ul style="list-style-type: none"> <li>• <b>Verification: Multi-Unit Property (2-4 Units)</b> <ul style="list-style-type: none"> <li>○ Verify cash reserves totaling at least 6 months mortgage payments (principal, interest, taxes, and insurance – PITI), and</li> <li>○ Documentation of the veteran’s prior experience managing rental units or other background involving both property maintenance and rental.</li> </ul> </li>   <li>• <b>Analysis: Multi-Unit Property Securing the VA loan</b>            Include the prospective rental income in effective income only if:           <ul style="list-style-type: none"> <li>○ Evidence indicates the applicant has a reasonable likelihood of success as a landlord, and</li> <li>○ Cash reserves totaling at least 6 months mortgage payments are available.</li> <li>○ The amount of rental income to include in effective income is based on 75% of :               <ul style="list-style-type: none"> <li>▪ Verified prior rent collected on the units (existing property), or</li> <li>▪ The appraiser’s opinion of the property’s fair monthly rental</li> </ul> </li> </ul> </li>   <li>• <b>2106 Expense- Effective for applications taken on or after June 1, 2016</b> <ul style="list-style-type: none"> <li>○ Borrower who qualified using base pay, bonus, overtime or commission income of <u>less than 25%</u> of total annual employment income:</li> <li>○ IRS form 2106 expenses <u>are not</u> required to be deducted from income even if they are reported on IRS form 2106 and are not required to be added as a monthly liability. (Example- Police Officer, Teacher or Construction Worker etc. 2106 expenses do not have to be deducted unless borrower receives commission income in conjunction with other W-2 pay and is less than 25% of total annual income)</li> <li>○ Borrower earning commission income that is <u>25% or more</u> of annual employment income, IRS form 2106 expenses <u>must be</u> deducted from gross commission income regardless of the length of time the borrower has filed the expenses with the IRS.</li> <li>○ On exception to the policy clarification concerns an automobile lease or loan payment. Automobile lease or loan payments are not subtracted from the borrower’s income; they are considered part of the borrower’s recurring monthly debt obligations in Section D on the VA form 26-6393 (Loan Analysis).</li> <li>○ Tax returns are required to document the source of income and deductions.</li> <li>○ If the borrower reports an automobile allowance as part of the monthly qualifying income, the underwriter must determine if the automobile expenses reported on IRS form 2106 should be deducted from income or treated as a liability.</li> <li>○ If the reported expense exceeds the automobile allowance, the amount must be deducted from income as a net calculation in Section D on the VA Form 26-6393(Loan Analysis).</li> <li>○ If the reported expense is less than the automobile allowance, the amount must be treated as net income and added to the borrower’s monthly income.</li> </ul> </li>   <li>• <b>Self- Employed Borrower(s)</b> <ul style="list-style-type: none"> <li>○ Each borrower (regardless of income source) must complete and sign separate IRS Form 4506-T at application and again with loan documents. P&amp;L and Balance Sheet required if the borrower’s tax year ending has elapsed by more than 3 months</li> </ul> </li> </ul>
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**VA  
CASH-OUT & RATE/TERM REFINANCE**



<b>INCOME REQUIREMENTS CONTINUED</b>	<ul style="list-style-type: none"> <li>○ If using the borrower YTD P&amp;L to qualify, both P&amp;L and Balance sheet need to be audited.</li> <li>○ Borrower(s) who have significant declining income compared to the previous 2 years, require an explanation from their accountant to verify the stability of the self-employment income.</li> </ul> <p style="text-align: center;"><b><u>2017 Tax Return Transcripts</u></b></p> <p>Loans closed on or after June 15, 2018 must include the 2017 Tax Return Transcripts to be eligible for purchase. If a borrower has filed an extension, we require:</p> <ul style="list-style-type: none"> <li>○ Evidence in the file that the extension was filed, and</li> <li>○ A 2017 Tax Transcript showing “No record of return filed”</li> </ul> <p><b>Note:</b> Loans that do not require income (non-credit qualifying VA IRRRLs) are exempt.</p> <ul style="list-style-type: none"> <li>● <b>Other Income</b> – If it is reasonable to conclude that other types of income will continue in the foreseeable future, income may be included as effective income.             <ul style="list-style-type: none"> <li>○ Other types of income which may be considered as effective income include, but are not limited to:                 <ul style="list-style-type: none"> <li>▪ Pension or other retirement benefits</li> <li>▪ Disability income (i.e. Maternity Leave)</li> <li>▪ Dividends from stocks</li> <li>▪ Interest from bonds &amp; savings accounts</li> <li>▪ Royalties</li> </ul> </li> <li>○ The underwriter may include verified income from public assistance programs as effective income if evidence indicates it will probably continue for 3 years or more.</li> <li>○ The underwriter may include verified workers’ compensation income that will continue for the foreseeable future, if the veteran chooses to reveal it.</li> <li>○ The underwriter may include verified income received specifically for the care of any foster child/children. Generally, foster care income is to be used only to balance the expenses of caring for the foster child/children against any increased residual income requirements.</li> <li>○ Do not include temporary income items such as VA educational allowances and unemployment compensation in effective income.</li> </ul> </li> </ul> <p><b>NOTE:</b> If unemployment compensation is a regular part of the applicant’s income due to the nature of his or her employment (i.e. seasonal work) it may be included.</p> <p><b>NOTE:</b> For information on Income, please refer to VA Guide Chapter (4) Income 4-26</p> <p><b>NOTE:</b> Non-Taxable income gross-up factor is <u>120%</u>. The grossed-up portion cannot be included in the residual income calculation.</p>
<b>IRS/STATE TAX RETURN DEBT</b>	<ul style="list-style-type: none"> <li>● Minimum payment history of 12 months <b>or</b></li> <li>● Will be required to be PAID IN FULL</li> </ul>
<b>LDP/GSA</b>	Required for all borrowers
<b>OTHER REAL ESTATE</b>	<ul style="list-style-type: none"> <li>● Maximum number of financed properties is four (4) Including PBM Loan</li> </ul>



# VA CASH-OUT & RATE/TERM REFINANCE



<b>PROPERTY REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• Single Family Residence</li> <li>• PUD</li> <li>• Condo                             <ul style="list-style-type: none"> <li>○ Must be on VA-Approved Condo list in the VA Portal</li> <li>○ Minimum HOA Certificate requirement                                     <ul style="list-style-type: none"> <li>▪ List number of units delinquent on HOA dues</li> <li>▪ Note any litigation involving the HOA</li> </ul> </li> </ul> </li> <li>• 2-4 Units (per guideline requirements)</li> <li>• Owner Occupied Primary Residence only</li> <li>• 2-4 units not available for loan amounts over &gt; \$453,100</li> <li>• Manufactured Home (Rate &amp; Term Only) – refer <i>to FHA-VA Manufactured Home</i> in Quick Look Manual</li> </ul>																																																																																
<b>RESIDUAL INCOME</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="5" style="text-align: center;">Table of Residual Income by Region for loan amounts of \$79,999 and below</th> </tr> <tr style="background-color: #cccccc;"> <th style="text-align: center;">Family Size</th> <th style="text-align: center;">Northeast</th> <th style="text-align: center;">Midwest</th> <th style="text-align: center;">South</th> <th style="text-align: center;">West</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">\$390</td> <td style="text-align: center;">\$382</td> <td style="text-align: center;">\$382</td> <td style="text-align: center;"><b>\$425</b></td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">\$654</td> <td style="text-align: center;">\$641</td> <td style="text-align: center;">\$641</td> <td style="text-align: center;"><b>\$713</b></td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">\$788</td> <td style="text-align: center;">\$772</td> <td style="text-align: center;">\$772</td> <td style="text-align: center;"><b>\$859</b></td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">\$888</td> <td style="text-align: center;">\$868</td> <td style="text-align: center;">\$868</td> <td style="text-align: center;"><b>\$967</b></td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">\$921</td> <td style="text-align: center;">\$902</td> <td style="text-align: center;">\$902</td> <td style="text-align: center;"><b>\$1,004</b></td> </tr> <tr> <td style="text-align: center;">Over 5</td> <td colspan="4">Add \$75 for each additional member up to a family of 7</td> </tr> <tr style="background-color: #cccccc;"> <th colspan="5" style="text-align: center;">For Loan Amounts of \$80,000 and above</th> </tr> <tr style="background-color: #cccccc;"> <th style="text-align: center;">Family Size</th> <th style="text-align: center;">Northeast</th> <th style="text-align: center;">Midwest</th> <th style="text-align: center;">South</th> <th style="text-align: center;">West</th> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">\$450</td> <td style="text-align: center;">\$441</td> <td style="text-align: center;">\$441</td> <td style="text-align: center;"><b>\$491</b></td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">\$755</td> <td style="text-align: center;">\$738</td> <td style="text-align: center;">\$738</td> <td style="text-align: center;"><b>\$823</b></td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">\$909</td> <td style="text-align: center;">\$899</td> <td style="text-align: center;">\$899</td> <td style="text-align: center;"><b>\$990</b></td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">\$1,025</td> <td style="text-align: center;">\$1,003</td> <td style="text-align: center;">\$1,003</td> <td style="text-align: center;"><b>\$1,117</b></td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">\$1,062</td> <td style="text-align: center;">\$1,038</td> <td style="text-align: center;">\$1,038</td> <td style="text-align: center;"><b>\$1,158</b></td> </tr> <tr> <td style="text-align: center;">Over 5</td> <td colspan="4">Add \$80 for each additional member up to a family of 7</td> </tr> </tbody> </table> <p>Note:</p> <ul style="list-style-type: none"> <li>• For loan applications in which either the borrower or the spouse is an active-duty service person, the residual income figures above may be reduced by 5% if there is a clear indication that the borrower or spouse will continue to receive the benefits resulting from the use of nearby military-based facilities</li> <li>• This reduction may also be applied to retired military applicants when the property is located reasonable near a military base or installation (this reduction applies to both of the above tables).</li> </ul>	Table of Residual Income by Region for loan amounts of \$79,999 and below					Family Size	Northeast	Midwest	South	West	1	\$390	\$382	\$382	<b>\$425</b>	2	\$654	\$641	\$641	<b>\$713</b>	3	\$788	\$772	\$772	<b>\$859</b>	4	\$888	\$868	\$868	<b>\$967</b>	5	\$921	\$902	\$902	<b>\$1,004</b>	Over 5	Add \$75 for each additional member up to a family of 7				For Loan Amounts of \$80,000 and above					Family Size	Northeast	Midwest	South	West	1	\$450	\$441	\$441	<b>\$491</b>	2	\$755	\$738	\$738	<b>\$823</b>	3	\$909	\$899	\$899	<b>\$990</b>	4	\$1,025	\$1,003	\$1,003	<b>\$1,117</b>	5	\$1,062	\$1,038	\$1,038	<b>\$1,158</b>	Over 5	Add \$80 for each additional member up to a family of 7			
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<b>SAME-SEX MARRIED COUPLES</b>	<p><b>Lender Processing:</b> Same-sex married couples when executing the 1003 and 1802a acknowledge that they meet the following VA requirements:</p> <ul style="list-style-type: none"> <li>• The marriage was legal in the place where the Veteran or the Veteran’s spouse resided at the time of the marriage;</li> <li>• Legal in the place where the Veteran or the Veteran’s spouse resided at the time the completed 1003 and 1802a were submitted to PBM;</li> </ul>																																																																																

**VA  
CASH-OUT & RATE/TERM REFINANCE**



<b>SAME-SEX MARRIED COUPLES</b>	<ul style="list-style-type: none"> <li>Legal in the place where the Veteran or the Veteran’s spouse resided in at the time of closing;</li> <li>If the borrower asserts a spousal relationship in item 19 (1802a) and signs the form, which includes a certification by the borrower that “the information is true and complete to the best of their knowledge and belief”, PBM may process the loan per normal practices without submitting a loan package to VA for approval of spousal status:</li> </ul> <p>If the borrower informs the PBM that he or she is uncertain as to whether the marriage may be recognized for VA purposes, the underwriter must request that VA make a determination regarding whether the marriage can be recognized.</p> <p>The following information should be provided to Phoenix Regional Loan Center via email at: <a href="mailto:LPGC.VBAPHO@va.gov">LPGC.VBAPHO@va.gov</a> for further review:</p> <ul style="list-style-type: none"> <li>Date and state of marriage;</li> <li>State(s) of residence of the parties at the time of marriage;</li> <li>State where the subject property is located;</li> <li>Current state(s) of residence of the parties;</li> <li>Estimated date of loan closing; and</li> <li>Whether VA has previously recognized the marriage for the purpose of a different VA benefit or service. The underwriter should request this information from the borrower if not already available.</li> </ul>
<b>SEASONING REQUIREMENT FOR REFINANCES</b>	<p>In order to be eligible for cash out or rate &amp; term, the loan must meet the following seasoning requirements:</p> <ul style="list-style-type: none"> <li>The borrower has made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date; and</li> <li>The NOTE date of the new loan occurs no earlier than 210 days after the first payment due date of the loan paid off through the transaction.</li> <li>Refinance of a loan without a payment history would be ineligible for delivery to Ginnie Mae.             <ul style="list-style-type: none"> <li>Examples- Without Payments                 <ol style="list-style-type: none"> <li>1. Reverse Mortgages</li> <li>2. HELOC’s or other liens of credit with no monthly payments</li> <li>3. Private loans with no monthly payments</li> <li>4. Property with only Judgements, tax liens and no monthly payments.</li> </ol> </li> </ul> </li> </ul>
<b>SOLAR/ENERGY EFFICIENT IMPROVEMENTS</b>	<ul style="list-style-type: none"> <li><b>Solar Equipment</b> <ul style="list-style-type: none"> <li><u>Veteran Owns Free and Clear</u>- No requirements needed allowed to state on property. This service can be paid through the new loan. Anything over \$6,000 requires VA value determination &amp; approval.</li> <li>Appraiser may issue value to the system, but must have additional comp with solar owned unit.</li> <li><u>Veteran Leased Equipment</u>- No value can be given to appraisal</li> <li>Solar lease agreement must be reviewed by Corporate to validate foreclosure position meets VA guidelines. (Solar company to have following foreclosure verbiage-Must remove equipment without recourse to the lender or VA and return roof to water tight status)</li> </ul> </li> </ul>

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**SOLAR/ENERGY  
EFFICIENT  
IMPROVEMENTS  
CONTINUED**

- Utility payment for new leased solar equipment cannot exceed the allowable Maintenance/Utility cost per VA guidelines. (Example- 14 cents x sq. ft. of home (1700) = \$238. New lease payment cannot exceed this amount. If greater then difference will need to be added as debt)
- **PACE/HERO-(Investor- Specific Required)**
- Properties that are or will remain encumbered with a PACE/HERO obligation may be eligible for VA-guaranteed financing provided that the underwriter determines that the following requirements are met:
  - Under the laws of the state where the property is located, the PACE/HERO obligation must be collected and secured by the creditor in the same manner as a special assessment against the property.
  - The property may be subject to the full PACE/HERO obligation; however, the property shall not be subject to an enforceable claim (i.e., a lien) superior to the VA-guaranteed loan for the full outstanding PACE/HERO obligation at any time.
  - The property may, however, be subject to an enforceable claim (i.e., a lien) that is superior to the VA-guaranteed loan for delinquent regularly scheduled PACE/HERO special assessments.
  - There are no terms or conditions that limit the transfer of the property to a new homeowner. Legal restrictions on conveyance arising from a PACE/HERO obligation that could require the consent of a third party before the owner can convey the real property are prohibited, unless such provisions may be terminated at the option of, and with no cost to, the owner.
  - The existence of a PACE/HERO obligation on a property is readily apparent to the mortgagees, appraisers, borrowers, and other parties to a VA-guaranteed loan transaction; information on PACE/HERO obligations must be readily available for review in the public records where the property is located.
  - At the time of purchase, the sales contract must include whether the PACE obligation will remain with the property or be satisfied by the seller at, or prior to closing. Where the PACE/HERO obligation will remain, all terms and conditions of the PACE/HERO obligation must be fully disclosed to the borrower and made part of the sales contract between the seller and the borrower.
  - Where improvements have been made to the property through a PACE/HERO program, and the PACE/HERO obligation will remain outstanding, the appraiser must analyze and report the impact on the value of the property, whether positive or negative, of the improvements and any additional obligation (i.e., increased tax payments).
- **Energy Efficient Improvements-**
  - Energy Efficiency Improvements up to \$3,000- This is allowed so long as the increase in loan payments will be offset by a reduction in the utility costs.
  - Energy Efficiency Improvements up to \$3,0001 to \$6,000- The underwriter must determine if the increase in monthly mortgage payments does not exceed the likely reduction in monthly utility costs. Rely on locally available information provided by utility companies, municipalities, state agencies or other reliable sources (HERS Report) and document the determination.

# VA CASH-OUT & RATE/TERM REFINANCE



## SOLAR/ENERGY EFFICIENT IMPROVEMENTS CONTINUED

- Energy Efficiency Improvements above \$6,000- underwriter MUST exercise discretion and consider-
  - Whether the increase in monthly mortgage payments exceeds the likely reduction in monthly utility costs, and
  - Whether the veteran's income is sufficient to cover the higher loan
  - Energy Efficiency Improvements above \$6,000- VA PRIOR APPROVAL and issuance of the VA Certificate of Commitment before the decision to make energy efficiency improvements over \$6,000 and must be returned to VA for determination that the applicate still qualifies before CD. (This is a full VA office approval for complete loan only).
  - Underwriter MUST- determines that the proposed weatherization and/or energy conservation improvements are reasonable for the particular property.
  - Underwriter MUST- determines that the veteran has the ability to pay the increase loan amount payments caused by the addition of energy efficient improvements.
  - Underwriter MUST- determines that the appraiser has received all necessary paperwork in regards to all energy efficient improvements and has notated all information on the appraisal
- **NOV- for Solar /Energy Efficient Improvements-**
  - Case assignment done by Va Construction & Valuation Team to assign a special valuation/appraisal
  - SAR will need to provide Veteran with following notice-  
 "the buyer may wish to contact a qualified person/firm form home energy audit to identify needed energy efficiency improvements to the property. In some localities, the utility company may perform this service. The mortgage amount may be increased as a result of making energy efficiency improvements such as: Solar or conventional heating/cooling systems, water heaters, insulation, weather-stripping/caulking, and storm windows/doors. Other energy related improvements may also be considered"
- **Calculate Guarantee and Entitlement Use-**
  1. Calculate guaranty on the loan **without** the portion attributable to the energy efficiency improvements. (Underwriter will need to do this manually)
  2. Calculate guaranty on the energy efficiency improvements portion by applying the same percentage used in step 1
  3. Add the results of 1 & 2 to arrive at guaranty on the entire loan.  
**Note-** the veteran's entitlement will **only** be charged the amount arrived at  
 Step 1; it is based upon the loan amount **before** adding the cost of the energy efficiency improvements.  
 (EXAMPLE: veteran has full entitlement and applies for loan of \$144,000, the 25% guarantee on the loan will only require the use of \$36,000 entitlement, 25% guarantee of energy efficient improvement is \$6,000 or \$1,500; total Guarantee dollar amount would be \$37,500)

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<b>STUDENT LOANS</b>	<ul style="list-style-type: none"> <li>• <b>Student loans-</b> <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 closing, the underwriter must consider the anticipated monthly obligation in the loan analysis and utilize the payment as shown below.</li> <li>○ Calculate each loan at a rate of 5% of the outstanding balance divided by 12 months (example: \$25,000 student loan balance x 5% = \$1,250 divided by 12 months = \$104.17 per month is the monthly payment for debt ratio purposes) <ul 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 <b>greater</b> than the threshold payment calculation above.</li> <li>– (2) If the payment reported on the credit report is <b>less than</b> 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). <ul style="list-style-type: none"> <li>▪ The statement 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> <li>▪ It is the underwriter’s discretion as to whether the credit report should be supplemented with this information.</li> </ul> </li> </ul> </li> </ul> </li> </ul>
<b>TEMPORARY BUYDOWNS</b>	<ul style="list-style-type: none"> <li>• Not available</li> </ul>
<b>TITLE</b>	<ul style="list-style-type: none"> <li>• Closing Protection Letter</li> <li>• Non-Borrowing Spouse can only be on title if they sign the Deed of Trust at closing. VA will not allow added non-borrowing spouse after closing.</li> <li>• Title to be taken in name of veteran, veteran and spouse, or two veterans separately. No trusts allowed for vesting.</li> </ul>
<b>UNDERWRITING METHOD</b>	<ul style="list-style-type: none"> <li>• Follow DU/LP findings- Fico scores must be met regardless of DU/LP findings.</li> <li>• Manual underwriting only for DU/LP approvals downgraded by underwriter as long as all of the following are met; <ul style="list-style-type: none"> <li>○ 700 FICO Score</li> <li>○ 0x30x12 Mortgage history, Management VOR or Cancelled checks</li> <li>○ Maximum 45% DTI, <b>and</b></li> <li>○ Loan must comply with all VA requirements for manual underwriting.</li> <li>○ Contact Secondary for Investor Specific approval, <b>and</b></li> <li>○ In the “Note” section of LOS be sure to note loan is a manual underwrite &amp; the reason why, <b>and</b></li> <li>○ Include this information on the Loan Analysis.</li> </ul> </li> <li>• Fully executed Max Loan Worksheet to be completed by Underwriter</li> </ul>

# VA CASH-OUT & RATE/TERM REFINANCE



<b>UNDERWRITING METHOD</b>	<ul style="list-style-type: none"> <li>• Cash-Out Loans issued to 2 veterans with single or dual eligibility 50/50) require VA to underwrite and approve the loan. <b>(Excludes a husband and wife with dual eligibility when only one spouse’s Eligibility is being used to qualify)</b> <ul style="list-style-type: none"> <li>▪ <u>Dual Eligibility/Joint Loan (50/50 Guarantee is used)</u> – Two Veterans with shared eligibility qualification as follows:                             <ul style="list-style-type: none"> <li>❖ Two Veterans with joint eligibility will use 50% of each borrower’s guarantee. Each Veteran will need to qualify for his/her half of the mortgage payment</li> </ul> </li> <li>▪ <u>Two Veterans with Single Eligibility (only one Veteran’s guarantee is used)</u> <ul style="list-style-type: none"> <li>❖ Two Veterans without joint eligibility will only be allowed to use 50% of eligibility; the balance will need to be equity. This would result in a mandatory down payment. Veteran using eligibility would need to qualify for his/her half of the payment without co-borrower.</li> </ul> </li> </ul> </li> <li>○ Once the loan has been completely processed and underwritten at the branch, the file needs to come to Corporate Office for review by Corporate Govt. Underwriter.</li> <li>○ Once a Corporate Underwriter has reviewed the file for completeness, the file will be sent to VA for approval.</li> <li>○ Turn times for VA will depend on VA’s current work load.</li> <li>• 1802A and 1003 must be processed as follows:             <ul style="list-style-type: none"> <li>○ Initial 1003 &amp; pages 1 &amp; 2 only of the 1802A must be executed prior to loan documents. The 1003 page 3 and Page 1 of the 1802A must be signed by the loan officer.</li> <li>○ Final 1003 &amp; pages 1 &amp; 2 only of the 1802A must be executed at closing. Pages 1 of the 1802A are to be executed by PBM VA Approved Underwriter with final loan approval date.</li> </ul> </li> <li>• VA Statement of Itemization to Closing Disclosure (located in <i>Forms</i>)</li> </ul>
<b>USEFUL LINK</b>	<a href="http://www.warms.vba.va.gov/pam26_7.html">http://www.warms.vba.va.gov/pam26_7.html</a>
<b>VA ALLOWABLE FEES</b>	<ul style="list-style-type: none"> <li>• <b>VA Allowable Fees-</b> <ul style="list-style-type: none"> <li>○ <b>The Veteran can up to 1% Origination fee or 1% of the total loan amount towards non allowables.</b></li> <li>○ Appraisal</li> <li>○ Recording of Deed of Trust</li> <li>○ Credit Reports</li> <li>○ Prepays</li> <li>○ Hazard Ins.</li> <li>○ Flood Zone Determination</li> <li>○ Termite Fees or work completed</li> <li>○ Title Policies</li> <li>○ VAFF Additional third party fees that the veteran has authorized (Home Inspection)</li> </ul> </li> </ul>

# VA CASH-OUT & RATE/TERM REFINANCE



<p><b>VA NON-ALLOWABLE FEES</b></p>	<ul style="list-style-type: none"><li>• <b>NON-Allowable Fees-</b><ul style="list-style-type: none"><li>○ Base Escrow Fee</li><li>○ Loan Tie-in Fee</li><li>○ Demand/Payoff Statement fee (ok on refinance <b>only</b>)</li><li>○ Sub Escrow Fee (title payoff fee)</li><li>○ Reconveyance Fee (ok on refinance <b>only</b>)</li><li>○ Prepayment penalties (ok on refinance <b>only</b>)</li><li>○ Any Lender Document Fee</li><li>○ Processing Fee</li><li>○ Warehouse Fee</li><li>○ Loan Discount Points</li><li>○ Charges by other Lenders</li><li>○ Tax Service Contract</li><li>○ Underwriting Fee</li><li>○ Administration Fee</li><li>○ Photo Inspection Fee</li><li>○ Recording Fee (grant deed)</li><li>○ Messenger or Delivery Fees</li><li>○ Notary Fee</li><li>○ Homeowners Assoc. Transfer Fee</li><li>○ Assignment Fees</li><li>○ Documentary Transfer Tax Fee</li><li>○ Bring Down Fee</li><li>○ Change of Ownership Fee</li><li>○ Commission</li><li>○ Transaction Coordinator Fee</li><li>○ Title Policy Endorsement Fees</li></ul></li></ul> <p><b>Note:</b> As long as there is no origination fee being charged to the veteran, the veteran can pay up to 1% of the total loan amount in NON-Allowable fees.</p>
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