

## Product Guidelines

### VA STANDARD and HIGH BALANCE PROGRAM

PROGRAM CODES: V30F, V25F, V20F, V15F, V10F, H30FVA, H25FVA, H20FVA, H15FVA, H10FVA

Version 4.9 – 09/06/17



PURCHASE				
Maximum LTV/CLTV*	Max Loan Amount	Min FICO	Max Ratios	Mortgage/Rental History
100% Excluding VA Funding Fee	Veteran must have combined entitlement and equity totaling 25% of the contract price.	500	Per AUS**	AUS Accept: Per AUS Manual Underwrite: 0 x 30 last 12 Months

\*Regardless of the LTV, the Veteran must have sufficient entitlement to guaranty the loan.

\*\* Refer to Debt Ratio topic below for information/requirements on DTI > 50% and compensating factors.

CASH OUT REFINANCE				
Maximum LTV/CLTV*	Max Loan Amount	Min FICO	Max Ratios	Mortgage/Rental History
100% Excluding VA Funding Fee	Veteran must have combined entitlement and equity totaling 25% of the appraised value.	620	Per AUS**	AUS Accept: Per AUS Manual Underwrite: 0 x 30 last 12 Months
100%*** Excluding VA Funding Fee	Veteran must have combined entitlement and equity totaling 25% of the appraised value.	500		

\*Regardless of the LTV, the Veteran must have sufficient entitlement to guaranty the loan.

\*\* Refer to Debt Ratio topic below for additional information/requirements on DTI > 50% and compensating factors.

\*\*\* Refer to Cash Out Refinance Section for additional detail.

**Loan MAY exceed 100% CLTV when a CMS approved Down Payment Assistance program is used in conjunction with the transaction - up to 110%**

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Version 4.9 – 09/06/17



#### Underwriting Guidelines Requirements

#### MAXIMUM LOAN AMOUNTS

	# of Units	Conforming Maximum	High Balance Minimum	High Balance Maximum
Continental U.S.	1-4 Units	\$424,100	\$424,101	\$1,223,475
Alaska and Hawaii	1-4 Units	\$636,150	\$636,151	\$1,835,200

Maximum Loan Amt (Base) Maximum base loan amount does not include the financed funding fee. If the base loan amount is greater than \$424,100, a down payment may be required and the LTV reduced accordingly.

#### VA FUNDING FEE TABLE Applies unless Veteran is Exempt Purchase Transactions

The VA 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, the veteran benefits from this reduction as the funding fee will be calculated on his/her portion of the loan. 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.

Type of Veteran/Military Status	Down Payment <sup>1</sup>	Percentage For First Time Use	Percentage For Subsequent Use <sup>2</sup>
	Less than 5%	2.15%	3.30%
5% or more (up to 10%)	1.50%	1.50%	
10% or more	1.25%	1.25%	
Reserves/National Guard	Less than 5%	2.40%	3.30%
	5% or more (up to 10%)	1.75%	1.75%
	10% or more	1.50%	1.50%

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Version 4.9 – 09/06/17



Disabled Veteran (Service-connected disability)	N/A	0.00%	0.00%
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- Does not include down payment from gift of equity or equity earned from lease-to-purchase transaction
- The higher subsequent use fee does not apply if the veteran's only prior use of entitlement was for a manufactured home NOT classified as real estate

### CASH OUT REFINANCE FUNDING FEES

There are no reduced funding fees for regular refinances based on equity. Reduced fees only apply to purchase loans where a down payment of at least 5% is made.

Type of Veteran/Military Status	Percentage for First-Time Use	Percentage for Subsequent Use
Regular Military	2.15%	3.30%*
Reserves/National Guard	2.40%`	3.30%*

\*The higher subsequent use fee does not apply to these types of loans if the veteran's only prior use of entitlement was for a manufactured home.

### COLLATERAL

Condos	Must be VA-approved condominium complex and meet all requirements.
Eligible Collateral	Owner Occupied Only. 1-4 Units. PUD's, Condos, Manufactured Homes permanently affixed to the foundation, built on or after June 15, 1976, and meet VA requirements, Modular Homes
Ineligible Collateral	Mobile homes, single-wide manufactured homes, State-approved medical marijuana producing properties, co-ops, Condo Hotels, energy efficient mortgages, properties with sink holes, properties serviced by hauled water, properties with cisterns, properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water), properties in Hawaii with water catchment systems, Hawaiian properties in Lava Zones 1 and 2, and Department of Hawaiian Home Lands (DHHL), loans are ineligible.

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Version 4.9 – 09/06/17



Recent MLS Activity/ Properties Listed For Sale	Property cannot be listed for sale at time of application. Underwriter to validate MLS cancellation prior to loan application date. Borrower to provide letter of explanation for all MLS activity within 6 months of application date and provide letter confirming intent to retain property as primary residence.
Appraisal Requirements	VA Approved/VA Fee panel appraisers. Appraisal must be <180 days old.
Limitations on other R.E. owned	None
Multiple Tax Parcels/Tracts/Lots with One Legal Description	On a case by case basis, CMS can allow for adjacent tax parcels/tracts/lots under one legal description. Parcels/tracts/lots that have a significant divide (like a river or road) or structures on each parcel/tract/lot would not be eligible.
<b>TYPES OF FINANCING</b>	
Purchase Transactions	Permitted. Refer to LTV matrix above
Cash Out Refinance	No Seasoning requirements. Must have existing lien. For Texas refinance requirements refer to the General Section below. No maximum cash out up to 100% LTV. LOE required stating purpose of cash out.
Down Payment Assistance	Down Payment Assistance programs are permitted. Please refer to the CMS Down Payment Assistance approved list and webpage for program details and requirements. <a href="http://carringtonhome.corp.int/mortgage/lending/Pages/Down-Payment-Assistance-Programs.aspx">http://carringtonhome.corp.int/mortgage/lending/Pages/Down-Payment-Assistance-Programs.aspx</a>
<b>CREDIT</b>	
Non-Traditional Credit	Borrowers who have no established credit references may be eligible using non-traditional credit references. A minimum of 3 credit references each rated for 12 months is required. There can be no housing lates and maximum 1x30 day late payment with the other credit references in the previous 12 months. There can be no major adverse or public records filed in the last 12 months. Non-traditional credit references may not be used to offset derogatory pay histories on traditional credit. Non-traditional credit may not be used to manufacture credit for borrowers with no credit history or enhance a credit history of a borrower with derogatory pay histories. All loans with non-traditional credit require a manual underwrite, maximum financing is allowed. Follow standard VA guidelines as outlined in the VA Lender's Handbook.

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Version 4.9 – 09/06/17



Insufficient Credit History	Borrowers with insufficient credit history may be eligible with adding non-traditional trade references. Non-traditional trade references may not be used to overcome poor pay histories of traditional credit. When using non-traditional trades to supplement an insufficient credit history, a minimum of 3 trade references rated for 12 months is required. Loans with insufficient credit history are to be run through the AUS. At the SAR Underwriter's discretion, the loan may be downgraded to a manual underwrite. Additional trade references or asset documentation may be required regardless of the AUS Findings. The max DTI for borrowers with insufficient credit history is 41%. Compensating factors for higher ratios are not applicable. 2 months PITi reserves after closing are required. Gift funds may not be used for reserves.
CAIVRS	CAIVR clearance must be obtained for all borrowers on the transaction.
Social Security Numbers	Required for ALL borrowers
Collections/Charge Offs	Manually underwritten loans: <ul style="list-style-type: none"> <li>• Medical collections &gt; \$10,000 may be required to be paid prior to or at closing.</li> <li>• Non-medical collections &gt; \$7500 may be required to be paid prior to or at closing.</li> <li>• Manually underwritten loans with non-medical collections &gt; \$7500 and DTI &gt; 41% require a minimum of 2 compensating factors.</li> </ul>
Re-established Credit	In circumstances not involving bankruptcy, satisfactory credit is generally considered to be reestablished after the veteran, or veteran and spouse, have made satisfactory payments for 12 months after the date the last derogatory credit item was satisfied. For example, assume a credit report reveals several unpaid collections, including some which have been outstanding for many years. Once the borrower has satisfied the obligations, and then makes timely payments on subsequent obligations for at least 12 months, satisfactory credit is reestablished.
Bankruptcy	Ch. 7 discharged for 24 mos. Discharged Ch. 13 requires 12 months satisfactory pay history and court permission to enter into transaction. Consumer counseling services must be paid in full prior to closing.
Judgments/Liens	All outstanding judgments and liens must be paid prior to or at closing. Includes judgments and tax liens of non-purchasing spouse.
Foreclosure / Deed-in-lieu	Must be >2yrs from date of trustee's deed. Documentation required, credit report is unacceptable. (CAIVRS-if applicable).
Late Payments	VA Credit Standards apply

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Version 4.9 – 09/06/17



FICO	Minimum FICO <b>500</b> . 2 reported credit scores required. Refer to Non-traditional credit section for borrowers with no established credit.
Minimum Payment	5% of outstanding balance for revolving accounts if no payment is indicated
Minimum Tradelines	AUS - no specific requirement. However, must meet the minimum FICO requirement and receive AUS approval. Manual Underwrite - refer to non-traditional credit and insufficient credit sections for requirements. Authorized tradelines are not acceptable for establishing a credit history and may invalidate the FICO score.
Mortgage/Rental History	AUS - per AUS decision. Mortgage/Rental Delinquencies: Loans will be ineligible if there is one or more housing delinquency that is 1x30 Manual underwriting - VOM/VOR with 0x30 in the previous 12 months required.
Non Purchasing Spouse	Credit report required in community property states. Debts must be added to DTI Ratio and Credit History may be considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property.
Community Property States	The following states are known community property states: AZ, CA, ID, LA, NV, NM, TX, WA, WI

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Version 4.9 – 09/06/17



### INCOME/ASSETS

#### Loan Amounts \$79,999 and below

Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1004
Above 5	Add \$75 for each additional member up to a family of seven			

#### Loan Amounts \$80,000 and below

Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Above 5	Add \$80 for each additional member up to a family of seven			

**\*States are broken down by Region. Check with Underwriting for breakdown**

**Residual Income Requirements**

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Version 4.9 – 09/06/17



Debt Ratio	<p>Loans with AUS Approve/Eligible - follow AUS Findings for DTI <math>\leq</math> 50%. DTI &gt; 50% requires a minimum of 2 compensating factors regardless of AUS findings.</p> <p>Manually underwritten loans - max DTI is 41%. The DTI may exceed 41% with compensating factors. Manually underwritten loans with DTI &gt; 50% require a minimum of 3 compensating factors and UW Manager second sign.</p> <p>All loans must meet the residual income requirements regardless of DTI or AUS approval. Debt Ratios exceeding 41% must meet 120% of the residual income guideline.</p> <p>Refer to CMS Lending Guide for a list of VA acceptable compensating factors.</p>
Non-Taxable Income	<p>Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement income may be grossed up. Allowances for BAS/BAH and VA Disability income verified through a Certificate of Eligibility (COE) may be grossed up without tax returns. Any other income, which could be subject to taxation, should be validated with tax returns from the borrower prior to grossing up.</p>
Income	<p>Residual income requirements apply and vary by region/loan amount/property type. See above matrix.</p>
Assets	<p>Must have sufficient assets to close. Non-liquid accounts may not be used as an asset for cash to close or reserves. Liquidated funds from non-liquid accounts can be used if liquidation and deposit into a demand deposit account are documented. Large deposits and/or deposits that are excessive for borrower's history need to be sourced and seasoned.</p>
Debt Payoff / Paydown to Qualify	<p>Accounts are not required to be closed. Payoff of revolving debt is allowed if paid in full prior to or at closing. Payoff &amp; zero balance must be documented directly from credit or be paid on the Closing Disclosure (CD).</p>
Documentation/4506T or 2907 Puerto Rico Tax Returns	<p>Full income documentation loans only. IRS Form 4506T must be processed and income validated for most recent 2 years. Borrowers with income from Puerto Rico must: Sign form Modelo SC 2907 to obtain tax transcripts, returned Modelo SC 2903 transcripts for 2 years, and transcripts must be translated to English and notarized by 3rd party. The 4506T must be in the file with confirmation that states "no records found" when using Puerto Rico tax returns. The confirmation must be from the IRS website and contain the borrowers name and SSN.</p>
Minimum Reserves	<p>1 Unit: None. 2-4 Units: Rental Income NOT used to Qualify: None. 2-4 Units: Rental Income USED to Qualify: 6 mos. PITI. Borrowers with non-traditional credit and insufficient credit require 2 months PITI reserves.</p>
Gifts	<p>Acceptable. Gift of Equity is acceptable but cannot be applied as down payment purposes to reduce VA funding Fee. Gift funds may not be used as reserves.</p>
Non Occupant co borrower	<p>Not permitted</p>



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Version 4.9 – 09/06/17



Buyer Contribution	No minimum investment required for loan amounts up to \$424,100. For 2-4 Units and loans > \$424,100, down payment may be required.
Seller Contribution	<p>Seller can pay 100% of discount points and borrowers non-recurring closing costs. 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. Maximum seller concession is 4%. Seller concessions include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• payment of the buyer's VA funding fee</li> <li>• prepayment of the buyer's property taxes and insurance</li> <li>• gifts such as a television set or microwave oven</li> <li>• payment of extra points to provide permanent interest rate buy-downs</li> <li>• provision of escrowed funds to provide temporary interest rate buy-downs, and</li> <li>• payoff of credit balances or judgments on behalf of the buyer.</li> </ul> <p>Seller concessions do not include payment of the buyer's closing costs, or payment of points as appropriate to the market.</p>

### GENERAL

Superior VA Lien	VA regulations require that every VA loan be secured by a first lien on the property except under circumstances. (38 CFR 36.4351 and 38 CFR 36.4352)
Underwriting	Underwritten by a VA Automatic & LAPP approved underwriter. AUS approval may follow documentation requirements. Manually underwritten loans follow standard VA documentation requirements. If loan requires VA prior approval, additional underwriting turnaround time is required.
VA Prior Approval Required for	<ul style="list-style-type: none"> <li>• Veterans in receipt of VA non-service related pension.</li> <li>• Veterans rated incompetent by VA.</li> <li>• Joint loans with two or more married Veterans who intend to use their entitlement and take title jointly.</li> </ul>
Borrower Eligibility	Must be a veteran who served the minimum duty with other than a dishonorable discharge. Active duty with at least 181 days of duty. DD Form 214 is required. Un-remarried surviving spouse of eligible veteran (COE). Reservists/National Guard. Certificate of Eligibility must have sufficient entitlement to meet minimum 25% guaranty. All borrowers must occupy the subject property.

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Version 4.9 – 09/06/17



Guaranty/Entitlement	Veteran must have sufficient entitlement and provide evidence of available entitlement.
Manual Underwrite	Loans receiving an AUS Refer and borrowers with no established traditional credit or insufficient credit may be eligible for a manual underwrite. Loans with a manual underwrite require a second level review by CMS. All manual underwrites require an AUS to be run and “refer eligible” findings uploaded into the LOS. The AUS findings must be uploaded even when the Underwriter knows the loan will be manually underwritten upfront or the loan will be downgraded to a manual underwrite.
Loan Terms Available	30, 25, 20, and 15 Year Fixed
Qualifying Fixed Products	Qualify at Note Rate
Co-Borrowers	Must be the veteran's spouse or a second veteran with a certificate of eligibility. Any co-borrower must occupy the subject property.
Assumptions	Permitted
Escrow waivers	Not permitted
Prepayment Penalty	Not permitted
Buydowns	Not permitted

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Version 4.9 – 09/06/17



Michigan Water Contamination	<p>Genesee County - When an appraisal is ordered, the following will apply:</p> <p>Proper mitigation of lead contaminated water must include a central filtering system which filters all water that could come in contact with the property's occupants. The central filtration system must be acceptable to the local health authority and when properly maintained, provide safe, potable water. Veterans and their families are encouraged to follow the manufacturer's guidelines for the maintenance, inspection, and repair of the filtering system.</p> <ol style="list-style-type: none"><li>a. Appraisers must comment and adjust for any market reaction discovered as a result of the water contamination, as well as any environmental stigma that may be attached to these properties, as appropriate. Appraisers must note if the subject property is connected to the Flint, Michigan water district and whether a filtration system is present. If an appraiser indicates that a property does not meet the MPRs, it must be repaired.</li><li>b. Lenders will condition the Notice of Value (NOV) on all properties that are connected to the Flint, Michigan water district for Water System Acceptability (item 5a), and if the filtration system is called out for repair (item 10). Certification of the filter system must be completed by a licensed plumber or local government building/utility inspector. Evidence that the water is safe and potable must be provided prior to loan guaranty.</li><li>c. The lender will also require an acknowledgement stating that the Veteran is aware the municipal water system is contaminated with lead and that the home contains a central water filtration system. In order for this to be effective, the system must be inspected and maintained to include filter replacements per the manufacturers' recommendations.</li><li>d. VA liquidation appraisals will still be conditioned ""As Is"" and any MPR items should be noted in the report.</li></ol>
Texas Refinance Transactions	<p>Refinance transactions are permitted in Texas as long as there is no prior TX A6 transaction (no cash out ever) to the borrower. No cash back to borrower, no payoff of consumer debt, limited to existing indebtedness on first lien and purchase money second, may receive \$0 funds, any excess funds must be applied as a principal reduction.</p>