Homebridge Wholesale
A division of Homebridge Financial Services, Inc.

VA Program

Conforming and High Balance

Fixed Rate and ARMs

Primary Residence Full Documentation					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount***	***Credit Score***
Purchase	1-4	100%	100%	VA Limit [1,2,3,4,5]	580 [4,5,9]
Cash-Out [6,7 8]	1-4	100% [7]	115%	VA Limit [1,2,3,4,5]	580 [4,5,9]

Refer to the Homebridge VA IRRRL matrix for IRRRL guidelines.

Footnotes:

1. VA county limits apply to transactions where the veteran has partial entitlement, entitlement cannot be restored or the loan amount is ≤ $144,000. View 2024 county limits at FHFA.gov

   NOTE: Transactions utilizing **2024** loan limits, **and** the Veteran has partial entitlement, entitlement **cannot** be restored or the loan amount is ≤ $144,000, **the Note must be dated January 1, 2024 or after.** This requirement **<u>does not</u> apply** to Veterans with full entitlement/first time use/or full entitlement is restored
2. Minimum loan amount $60,000
3. Maximum total loan amount and veteran has partial entitlement or entitlement **cannot** be restored is $1,000,000 excluding Hawaii; maximum loan amount in Hawaii is $1,500,000. Loan amounts that exceed the county limit established by VA will require a down payment from the borrower.
4. Maximum total loan amount for 1-unit properties **and** veteran has full entitlement with 100% financing, all LTVs, is subject to the following:
   - $1,500,000 with minimum credit score of 700. Loan amounts > $1,000,000 to $1,500,000 will require Homebridge management review and approval.

     NOTE: Loan amounts up to $2,000,000 will be considered on a case-by-case basis with Homebridge management review and approval. **A down payment, determined by Homebridge management, will be required**
   - $1,250,000 with minimum credit score of 680
   - $1,149,825 with minimum credit score of 580
5. Maximum total loan amount for 2-4 unit properties **and** veteran has **full entitlement** with 100% financing, all LTVs:
   - 2-units: $1,472,250
   - 3-units: $1,779,525
   - 4-units: $2,211,600, **OR**
   - Maximum allowed for the number of units in the applicable county where the property is located**, if less**. **View 2024** county limits at FHFA.gov
6. Cash-out transactions must meet seasoning requirements; refer to the Transaction Types topic for requirements
7. Calculate the LTV by dividing the **total** loan amount (**including** the VA funding fee, if financed) by the value of the property as determined by the appraiser. **VA <u>will not</u> guaranty cash-out refinance transactions when the LTV exceeds 100%**.
8. Cash-out transactions with an LTV > 90% require a fixed rate with a 30 year loan term, **no exceptions; ARMs and loan terms < 30 years are ineligible**
9. New York transactions **ONLY**: Minimum 600 credit score required

VA Funding Fee*			
Type of Loan	**Down Payment**	**Percentage for First Time Use**	**Percentage for Subsequent Use**
Purchase	< 5%	2.15%	3.30%
	5% but < 10%	1.50%	1.50%
	10% or more	1.25%	1.25%
Cash-Out Refi	N/A	2.15%	3.30%
IRRRL	N/A	0.50%	0.50%
Loan Assumption	N/A	0.50%	0.50%

*The Certificate of Eligibility (COE), issued by VA, will indicate if the veteran/active duty servicemember is exempt or not exempt from paying the VA Funding Fee and the amount of the veteran's entitlement.

Refer to the Certificate of Eligibility (COE) - Funding Fee topic for requirements if COE indicates veteran/servicemember is **not** exempt, surviving spouse, and active duty service member awarded Purple Hear information

VA guidelines can be found at: VA Lenders Handbook - VA Pamphlet 26-7

Topic	Guideline
COVID-19 Temporary Flexibility Policies	• The temporary documentation flexibilities allowed by VA and Homebridge policy changes due to COVID-19 are being added to the guidelines to incorporate all temporary policy in one place for reference • It is important to remember there is **no change** to VA's standard underwriting policies to determine borrower qualification and any policy not addressed under COVID-19 temporary policies topic is subject to standard guidance
COVID-19 Temporary Appraisal Policy	The VA temporary appraisal flexibility policy has expired. Standard VA appraisal policy now applies; refer to the Appraisals topic for requirement
COVID-19 Temporary Income Policy	The underwriter will perform a reasonability test of the borrower's income to consider the likelihood of continuance since certain industries are far more affected than others (e.g. service industries that rely heavily on tips – restaurant, casing, hair/nail salons, etc. vs. industries deemed "essential" or where telecommuting is a viable option)
COVID-19 Temporary Forbearance Policy	Refer to the Forbearance Plan Policy section in the Mortgage/Rental History topic for requirements that apply when the borrower is in a forbearance plan
COVID-19 Temporary Water System Acceptability	The VA temporary flexibility appliable to water system acceptability has expired. Standard VA inspection policy now applies; refer to the Inspections topic for requirements

4506-C	• Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are **not** required NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.) • Homebridge will order transcripts at random for quality control purposes
Age of Documents	• All credit, income and asset documentation must be ≤ 120 days from the Note date • Appraisal must be dated within 180 days of the Note date or a new appraisal is required.
Appraisals	• Appraisal must be performed by a VA appraiser. Appraisals are ordered through VA. A copy of the sales contract and any applicable addendums must be provided to the appraiser within one (1) business day of the appraisal assignment on purchase transactions. • The Notice of Value (NOV) must be provided to the veteran within 3 business days. • The NOV must be issued at the appraised value reflected on the appraisal report. • The appraisal must include clear, illustrative, original photographs showing the front and rear view (preferably including a different side view in each photogram) and a street scene of the subject property. • The interior photos must include the following: - Kitchen, - All bathrooms, - Main living area, - Examples of any physical deterioration, if present, and - Examples of any recent updates, such as restoration, remodeling, and renovation if present. • Modular/prefabricated homes: The appraiser must address the marketability of the property. • A photograph of the front of each comparable is required. Photographs of the comparable listings are not required. • The appraiser must address and identify any leased mechanical equipment/systems (e.g. solar/wind systems, fuel/propane storage tanks, etc.) in the appraisal. The appraiser must comment on any detrimental effect the leased equipment may have on the value of the property and no value should be given to the leased equipment. • A minimum of 3 closed comparable sales are required. The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: - MLS, or - Comps Inc., or - GeoData Plus (NY only), or - PropertyShark (NY only), or - StreetEasy (NY only) **NOTE:** Comparables from a public independent source are **only eligible** in rural areas of Maine, New Hampshire, and Vermont where MLS is **not** common • Copies of photographs from the multiple listing service are acceptable only with an explanation of why original photos are not provide, i.e. gated communities where access may require trespass to photograph, etc.

Appraisals (cont.)	• Comparable sales used for new construction properties are subject to the following:
	- If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
	- If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or public source (public source Vermont/Maine only). the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard signs, website, etc.).
	- Additionally, the following applies:
	  - One of the comparable sales must be outside the project the subject property is located in and be from an MLS or MRIS, MRED, or NTREIS, or public source (public source Maine/New Hampshire/Vermont only).
	  - Two of the comparable sales must be from sources other than the subject property builder.
	NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.
	• Appraisals are valid for 180 days. A new appraisal is required if the original appraisal is dated > 180 days from the Note date. A recertification of value not allowed.
	• Properties that do not meet the "minimum property standards" requirement may be eligible for an escrow holdback. Holdback/repair escrows are subject to Homebridge approval. If approved, the appraiser must confirm the work completed will bring the property up to average condition. Refer to the Escrow Holdbacks topic for more details.
	• The subject and all comparable must be appropriately identified. Refer to the Minimum Property Standards topic for property requirements.

Appraisals – Manufactured Housing	In addition to standard appraisal requirements VA requires the following on appraisals completed for manufactured housing:
	• The appraisal should be completed on the Manufactured Home Appraisal Report (Fannie Mae form 1004C/Freddie Mac form 70B)
	• The appraiser must enter the manufactured home unless it is new and has **not** been delivered to the site
	• The value must be supported by the sales comparison approach. The cost approach may be used to support the sales comparison in rural areas that only have recent sales of stick-built homes or much older manufactured homes.
	Comparables
	• When there are no other manufactured homes classified as real estate on a permanent foundation available VA requires the appraisal report to:
	  - State that information in the appraisal, **and**
	  - Show in the market analysis grid that the sales prices of the best comparable conventional home sales available were properly adjusted
	New Construction
	When the appraiser is unable to access/inspect the new home, the appraiser must obtain the following documents that must be included in the appraisal:
	• Manufactured home design/floor plans that show the room layout and exterior dimensions for the home and the elevation plans
	• The home specifications that identify all items included such as flooring, heating, plumbing, electrical equipment, and appliances
	• Information on any selected options or upgrades included in the subject sale, and
	• The foundation plan

Assets	• If assets are required to close the following is required to indicate sufficient funds:
	  - 2 months bank statements **or** per DU/LPA Findings (all pages)
	• Verification and documentation of the deposit amount and source of funds is required, if the earnest money:
	  - Exceeds 2% of the sales price, or
	  - Appears to be excessive based on the borrower's history of accumulated savings.
	    - Satisfactory documentation includes:
	      - Copy of the cancelled check and a copy of the bank statement showing the withdrawal
	      - Certification from the deposit holder acknowledging receipt of the funds
	      - Bank statements (all pages) for the most recent 2 months.
	      NOTE: VODs are **not** acceptable as the primary source of verification.
	• Cash on hand and unsecured funds are ineligible sources for assets
	• Real estate commissions earned by a borrower who is a licensed real estate agent are eligible for down payment (if applicable) and closing costs when purchasing a property. The CD must reflect the commission earned and the credit toward the transaction
	• **Funds to Close**: The following applies:
	  - If the veteran will be using funds from a joint account and an individual is on the account who is **not** a borrower **and** the ownership on the account is the borrower "**AND**" the individual (example #1 below) an access letter, signed by the non-borrower account owner(s), including a non-borrowing spouse, stating that the veteran has full access to the funds in the account **is required**, **or**
	  - If the account ownership is held as borrower "**OR**" other individual (example #2 below), an access letter is **not required**, **or**
	  - The account ownership does **not** specify "and/or" an access letter is **not required** (example #3 below),
	  Examples:
	  1. John Smith **and** Mary Smith - access letter **is required**
	  2. John Smith **or** Mary smith – access letter **not required**
	  3. John Smith, Mary Smith – access letter **not required**
	  - If the other party is **not** the veteran's spouse, an explanation of the relationship is required and it must be noted if they will also be occupying the property **regardless of how account ownership is held**
	  - Large Deposits/Recently Opened Accounts:
	    - Verification and documentation of any recent large deposit(s) is required. Large deposits are defined as a deposit that **exceeds**:
	      ▪ 1% of the property's sales price on a purchase transaction, and
	      ▪ 1% of the appraised value on a refinance transaction when the borrower is bringing funds to close
	    - Verification that no debt was incurred to obtain the deposited funds is also required

Assumptions	Not allowed

AUS	• All loans are run through DU or LPA. Homebridge accepts the following AUS Findings on VA loans:
	- "Approve/Accept Eligible" **or**
	- "Refer/Eligible". A "Refer/Eligible" will require a manual underwrite
	• An "Approve/Accept Eligible" Finding **must be downgraded** to a manual underwrite when any of the following are present:
	- The mortgage history has a 1 x 30 in the previous 12 months
	- There is disputed information and the **cumulative outstanding balance(s) for all borrowers is ≥$1,000**. Disputed information is defined as:
	  - Disputed tradelines with late payments in the last 24 months, **and/or**
	  - Collection accounts, **and/or**
	  - Charge-off accounts
	  NOTE: Disputed medical accounts and disputed accounts that are the result of identity theft (documented with police report or other appropriate document) are **excluded** from the calculation for cumulative balances
	  - Disputed accounts may be required to be resolved at the discretion of the underwriter
	  - A manual downgrade is **not required** when:
	    - The cumulative balance is < $1,000, and/or
	    - The disputed account is > 24 months old.
	- Subject loan was a previously restructured/modified mortgage are subject to the following:
	  - Mortgages in default at time of loan modification must meet standard VA credit guidelines
	  - A minimum of 12 months of 0x30 payments have been made on the restructured/modified loan

Available Markets	• All 50 states • Guam, Puerto Rico and the Virgin Islands are ineligible.
Borrowers – Eligible	• Veteran • Veteran and spouse The following circumstances are **ineligible** with Homebridge as VA requires them to be submitted to VA for review and approval: • Joint loan (two veterans who are **not** married) • Loans to a veteran in receipt of VA non-service connected pension • Veteran has been rated incompetent by the VA • Proposed construction that is ≤ 95% complete • IRRRL to refinance a loan 30 days or more past due

CAIVRS/LDP/GSA and Mortgage Fraud	• **CAIVRS at CAIVRS** - All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. Borrowers identified with a CAIVRs claim are generally ineligible. Borrowers with a CAIVRS claim number due to a short sale are eligible for a VA loan if a minimum of two (2) years have passed since the short sale and the borrower otherwise qualifies for the loan. The borrower is required to provide an explanation of the event. • **LDP / GSA** - All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. - Borrower(s) and Borrower(s) AKA name (if applicable) - Seller(s), - Real Estate Listing and Selling Agent(s), - Appraiser, - Appraisal Company (**not** the AMC) - Broker - Loan Officer, Loan Officer Assistant - Loan Processor, - Underwriter, - Closing/Settlement Agent, - Title/Settlement Company, and - 203(k) Consultant • Borrowers previously convicted of mortgage fraud are ineligible • Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management

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<td>Certificate of Eligibility (COE) – Funding Fee</td>
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The Certificate of Eligibility (COE) is required and it will indicate if the veteran or active duty servicemember is exempt or not exempt from paying the VA funding fee. The following applies:
<u>COE Indicates Veteran/Servicemember is Exempt</u>
If the COE indicates the veteran is exempt from paying the funding fee, no additional documentation is required.
<u>COE Indicates Veteran/Servicemember is Not Exempt</u>
If the COE indicates the veteran/servicemember is not exempt from the VA funding fee the following applies:

Active Duty Servicemember: One of the following, completed and signed by the servicemember is required to validate if the servicemember has a pre-discharge claim pending:

VA Form 26-8937 Verification of Benefits, or
Homebridge VA Indebtedness Questionnaire (Section II)

Veteran: If the COE indicates the veteran is not exempt from the funding fee one of the following must be provided to document if the veteran does/does not have a pending claim for compensation filed with VA and maintained in the loan file:

An email/written documentation from the veteran, OR
Homebridge VA Pending Claims Certification, OR
Homebridge VA Indebtedness Questionnaire (Section II)

NOTES:

Forms available on the Homebridge website on the Forms page, under VA Specific
A Broker/Non-Delegated Correspondent version of the Pending Claims Cert or Indebtedness Questionnaire is acceptable as long as it includes the same/similar language as the Homebridge version

<u>Borrower is Surviving Spouse</u>
Surviving Spouse COE Requirements
If the veteran is deceased and the borrower is the surviving spouse, the COE must:

Reflect the surviving spouse’s name under “Name of Veteran”, and
Reflect the last 4 digits of the surviving spouse’s social security number, and
The Entitlement Code must indicate “06”

<u>Purple Heart Recipient: Funding Fee Exemption Eligibility</u>
Active duty service members who have been awarded a Purple Heart are exempt from paying the funding fee.

The COE must reflect all three (3) of the following conditions to be eligible for the waiver:

Active duty servicemember, and
Purple Heart recipient, and
Funding fee

NOTE: Homebridge management review and approval of the COE for the active duty service member with Purple Heart exemption, is required
If the COE does not reflect all three (3) of the conditions listed above, evidence of the Purple Heart award will be required.

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Compensating Factors	VA considers the following when considering compensating factors: • Excellent credit history • Conservative use of consumer credit • Minimal consumer debt • Long-term employment • Military benefits • High residual income • Low DTI ratio • Significant liquid assets • Sizable down payment • The existence of equity in refinance loans • Little or no increase in shelter expense • Satisfactory homeownership experience • Tax credits for childcare • Tax benefits of home ownership • Temporary buydown
Credit Report/Scores	• A minimum credit score of 580 is required regardless of DU/LPA Findings **NOTE**: New York transactions require minimum 600 credit score • A tri-merged credit report is required for all borrowers. • The representative credit score is determined as follows: - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used • Credit Inquiries - The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days, specifically **stating the name of the creditor(s)** and the result of the inquiry/inquiries (i.e. was new credit obtained or not). Examples of acceptable/unacceptable responses below: - **Acceptable Response**: "The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit" - **Unacceptable Response**: "We did not obtain any additional credit as a result of the credit inquiry/inquiries listed on our credit report" (unacceptable since name of creditors **not** listed) • Veterans with an absence of credit history are eligible. Non-traditional credit sources will be used (utilities, rent, car insurance, etc.) to determine satisfactory credit risk
Derogatory Credit	**Bankruptcy** • ***Chapter 13*** - If the veteran has finished making all payments and the payments were paid satisfactorily, the veteran is considered to have re-established credit. - If the veteran has not finished making payments the veteran is eligible subject to: - A minimum of 12-months' payments have been made satisfactorily, and - The trustee or bankruptcy judge provides written permission for the veteran to enter into the mortgage transaction • ***Chapter 7*** - > 2 years since discharge date to application date eligible - If bankruptcy was discharged within 1 to 2 years (discharge date to application date) may be considered if **both** of the following are met: 1. The bankruptcy was due to documented circumstances beyond the borrower(s) control (e.g. unemployment, medical bills not covered by insurance, death, etc. Divorce is generally **not** considered a circumstance beyond control), **and** 2. The borrower(s) have obtained credit subsequent to the bankruptcy and accounts have made satisfactory payments over a continued period. - Discharged < 12 months is ineligible • A letter of explanation for any bankruptcy filing is required

Derogatory Credit (cont.)	**Loans with an Application Date <u>Prior to</u> January 1, 2024: <u>Collections/Charge-Off Accounts/Judgments</u>** • Collection and charge-offs are generally not required to be paid off, however follow AUS findings if payoff is required • Judgments must be paid in full or in a repayment plan for 12 months with 0x30x12 • A letter of explanation is required for all collection/charge-off/judgment accounts. **NOTE**: At underwriter discretion, payoff may be required regardless of account balance • Borrowers with a history of collection/charge-off accounts should have re-established a 12 month satisfactory credit history. **Loans with an Application Date <u>On or After</u> January 1, 2024: <u>Medical Collection and Medical Charge-Off Accounts</u>** • Identifiable medical collection accounts and/or charge-off accounts may be disregarded and do not have to be paid off as a condition for loan approval **and** are not included in the borrower's DTI calculation • A letter of explanation is **not required** **NOTE:** If the medical collection account has been converted to a judgment or lien it must be paid in full or in an acceptable repayment plan. Refer to the Judgments topic for requirements **Loans with an Application Date <u>On or After</u> January 1, 2024: <u>Non-Medical Collection Accounts</u>** • Non-medical collection accounts are considered when determining the borrower's overall credit worthiness. • Isolated non-medical accounts are generally not required to be paid off as a condition for loan approval - While VA prefers collection accounts be paid off, if the borrower has numerous accounts with a satisfactory payment history, the account(s) may remain open **NOTE**: At underwriter discretion, payoff may be required • Borrowers with a history of collection accounts should have re-established satisfactory credit • Non-medical collection accounts will be considered in the borrower's DTI ratio - If the payment amount is listed on the credit report, that payment will be used - If the payment is not listed on the credit report, 5% of the outstanding balance will be used • A letter of explanation is required from the borrower for all non-medical collection accounts • Non-medical accounts that have been converted to a judgment or lien must be paid in full or in a repayment plan. Refer to the Judgments topic for details **Loans with an Application Date <u>On or After</u> January 1, 2024: <u>Charge-Off Accounts</u>:** • The underwriter must review and address the circumstances regarding the negative credit history when reviewing the overall credit of the borrower(s) • A letter of explanation is required from the borrower for all charge-off accounts **NOTE:** This guidance **does not** apply to medical charge-off accounts **Loans with an Application Date <u>On or After</u> January 1, 2024: Judgments** • VA generally requires a judgment/lien to be paid in full **or** be in a repayment plan with a history of timely payments for 12 months (0x30x12) - In cases where a judgment has only been in place for a few months, a shorter repayment period may be acceptable if documentation is provided that indicates the borrower immediately addressed the judgment after it was filed and began a repayment plan. • A letter of explanation is required from the borrower for all judgments **Consumer Credit Counseling** • > 1 year of the payout has elapsed • All payments have been paid on time as agreed, and • Written permission from the Counseling Agency to enter into a mortgage transaction is required

Derogatory Credit (cont.)	**Delinquent Child Support** Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review **Disputed Accounts** • When the borrower has disputed accounts and the **cumulative outstanding balance(s) for all borrowers is ≥$1,000** the loan must be downgraded to a manual underwrite. Disputed information is defined as: - Disputed tradelines with late payments in the last 24 months, **and/or** - Collection accounts, **and/or** - Charge-off accounts NOTE: Disputed medical accounts and disputed accounts that are the result of identity theft (documented with police report or other appropriate document) are **excluded** from the calculation for cumulative balances - Disputed accounts may be required to be resolved at the discretion of the underwriter - A manual downgrade is **not required** when: - The cumulative balance is < $1,000, and/or - The disputed account is > 24 months old. **Foreclosure** • > 2 years since completion to application date eligible • If foreclosure completed within the past 1-2 years (foreclosure settlement date to application date) the borrower may be eligible subject to the following: - The foreclosure was due to documented circumstances beyond the borrower(s) control (e.g. unemployment, medical bills not covered by insurance, death, etc. Divorce is generally **not** considered a circumstance beyond control), **and** - The borrower(s) have obtained credit subsequent to the foreclosure and have made satisfactory payments for a minimum of 12 months after the event • No late housing or installment payments after the foreclosure • A letter of explanation as to the reason for foreclosure. • If the foreclosure was included in a bankruptcy the beginning date of the re-established credit period is the **latest date** of: - The discharge date of the bankruptcy, **OR** - The transfer of title date for the home • If the foreclosure was on a VA loan, the applicant may not have full entitlement available. Homebridge requires a minimum 25% guaranty **Judgments** Judgments must be paid or in a repayment plan for 12 months with 0 x 30 in 12 month history. **Short Sale/Deed-in-Lieu (DIL)** • Documentation supporting the circumstances of the short sale/DIL must be provided • **Borrower Current on Mortgage at Time of Short Sale/DIL**: If the borrower was current on the mortgage payment at the time of the short sale/DIL **and** the borrower was voluntarily communicating with the servicer, a waiting period is not required • **Borrower Not Current on Mortgage at Time of Short Sale/DIL**: If the borrower was not current on the mortgage and the date of transfer of the short sale/DIL was within the prior 1-2 years, the borrower may be eligible subject to the following: - The circumstances surrounding the short sale/DIL were due to documented circumstances beyond the borrower's control (e.g. unemployment, medical bills not covered by insurance, death, etc.) Divorce is generally **not** considered a circumstance beyond control, **and** - The borrower(s) have obtained credit subsequent to the short sale/DIL and have made satisfactory payments for a minimum of 12 months • If the short sale/DIL was included in a bankruptcy the beginning date of the re-established credit period is the **latest date** of: - The discharge date of the bankruptcy, **OR** - The transfer of title date of the home • If the short sale/DIL was on a VA loan, the applicant may not have full entitlement available. Homebridge requires a minimum 25% guaranty.

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<tr><td>Derogatory Credit (cont.)</td><td>Restructured/Modified
If the subject loan was a previously restructured/modified mortgage the following applies.
• Loan is subject to a manual downgrade
• A minimum of 12 months of 0x30 payments have been made on the modified loan
NOTE: If the mortgage was in default at the time of modification standard VA credit guidelines apply
Federal Tax Debt/Delinquent Tax
• Delinquent
Borrowers with delinquent tax debt are ineligible unless currently in repayment plan.
• Repayment Plan
Tax liens are not required to be paid in full if documentation is provided indicating the borrower is in a valid payment plan. The following is required:
- The borrower must have made a minimum of 3 months of scheduled payments and documentation of the payments is required.
- The payment must be included in the DTI calculation.
- The borrower cannot prepay the payments to meet the 3 month payment requirement
NOTE: Borrowers with delinquent taxes may or may not have a tax lien. Borrowers currently in a repayment plan, and the IRS has not filed a tax lien, are not required to meet the minimum 3 month payment requirement. The payment to the IRS will be included in the DTI calculation.
• Borrowers with Taxes Due
Borrowers who owe taxes and the loan is closing prior to the tax deadline of April 15th the following is required:
- Proof the borrower has already paid the tax liability, or
- Deduct the amount of monies owed from the qualifying income.
Reminder: Borrowers in this situation are not delinquent</td></tr>
<tr><td>Down Payment</td><td>Not required unless:
• The purchase price exceeds the full reasonable value of the property
• The veteran only has partial entitlement or entitlement cannot be restored, and the loan amount exceeds the county limit established by VA, then a down payment is required by the borrower from the borrower's own funds
NOTE: First time use, full entitlement/entitlement restored and, when approved by Homebridge management, a loan amount > $1,500,000 to $2,000,000 will also require a down payment which will be determined by Homebridge management
• VA also requires a down payment on all GPMs.</td></tr>
<tr><td>Down Payment Assistance/Grants</td><td>Funds from grants/ down payment assistance (DPA) programs are eligible per VA guidelines. Grants and down payment assistance program funds must be currently approved with Homebridge. Currently approved programs are posted at Homebridge Wholesale under "Working with Homebridge".
Specially Adapted Housing (SAH) Grant
• The VA provides SAH grants to disabled veterans to purchase a home. The veteran applies for the grant directly with the VA.
• The SAH grant approval is issued by the local VA RLC and the approval and funds must be obtained prior to loan closing. VA has indicated the approval may take several months.
NOTE: Homebridge is not involved in the approval of the SAH grant; the veteran works directly with VA
• There are no unique requirements for transactions with an SAH, however VA may apply additional minimum property requirements (MPR) which will be identified, if applicable, by the VA RLC</td></tr>
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DTI	• DTI > 41% requires additional documentation/justification unless:
	- The ratio is > 41% is due solely to the existence of tax-free income, or
	- Residual income exceeds the guidelines by at least 20%
	- File must include justification including all compensating factors.
	• DTI maximum 59.99% DTI **regardless of DU/LPA Findings**
	NOTE: DTI 55% - 59.99% requires Homebridge management review and approval
	• The debt-to income ratio includes the following:
	- Monthly housing expense, and
	- Additional recurring charges extending 10 months or more, such as
	  - Installment accounts,
	  - Child support or separate maintenance payments,
	  - Revolving accounts,
	  - Alimony.
	• Non-taxable income may be grossed up 125% when calculating the DTI ratio only (**not** for residual income).
	• Debts that will be paid off in < 10 months must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage during the months immediately after close especially when the borrower will have limited or no cash assets after loan closing.
	NOTE: Monthly payments on revolving or open-end accounts, regardless of their balances, are counted as liabilities for qualifying purposes even if the accounts appear likely to be paid off within 10 months or less.

Employment/ Income	• A two year employment history is required.
	- If the wage earner borrower has not been with their current employer for 2 years, documentation of previous employment required to meet 2 year employment history.
	- Borrowers with 12-24 months history may be eligible with Homebridge management approval and the following:
	  - The income is considered stable, reliable, and anticipated to continue for the foreseeable future. The underwriter must include an explanation for using < 2 years of income in the loan file
	- Borrowers with < 12 months employment are generally **not** eligible as VA does not consider the income to be stable and reliable. An exception may be considered with Homebridge management approval and the following:
	  - There is a well-supported probability the employment is likely to continue, **and**
	  - The borrower recently completed training/education for a skilled position (i.e. the training/education completed prior to employment must **specifically apply to the new job).** Examples of skilled positions include nurse, lawyer, computer systems analyst, etc.
	  - The underwriter must include an explanation, with **specific details**, as to why income of < 12 months was used for qualifying
	NOTE: Income from a borrower employed < 12 months may also be considered to offset short term debt 10-24 months) if employed for a minimum of 6 months and there is a good probability the employment will continue
	• A verbal verification of employment (VVOE) is required within10 calendar days of loan closing.
	• A military Leave and Earnings Statement (LES) is required for active duty military in lieu of a VVOE
	• A current paystub with YTD of at least one month, and W-2s for prior 2 years

Employment/ Income (cont.)	• **Self-employed borrowers**
	- Follow AUS Findings for documentation requirements
	- **Manual underwrite** requires:
	  - 2 years signed personal tax returns
	  - 2 years signed business/corporate tax returns, at underwriter discretion
	  - A business credit report if corporation or partnership
	  - Only income from the tax returns can be used unless P&L audited by CPA
	  - A YTD P&L and balance sheet is required if the most recent years tax returns have not been filed **OR** if more than 6 months of the current calendar year has elapsed
	  - Income must not be declining more than 10% per year or must use lowest income to qualify
	  - Depreciation and /or depletion may be added back, and
	  - Business use of home may not be added back

Employment/ Income: **Automobile Allowance**	• Income received as an automobile allowance may be added to the borrower's monthly qualifying income • The lease or loan payment must be considered in the borrower's DTI calculation
Employment/ Income: **Commission**	• Commission income is eligible if it has been received for a minimum of 2-years and there is a reasonable assumption it will continue. • At underwriter discretion, commission income received for < 2 years may be considered stable if the borrower has had previous related employment and/or extensive specialized training.
Employment/ Income: **Other Income Types**	• Other income includes, but is not limited to: - Pension or other retirement benefits - Disability income - Dividends from stocks - Interest from bonds, savings accounts, etc. and - Royalties • Other income may be included in the borrower's effective income when it may be reasonably expected to continue for the foreseeable future. Verify with: - Federal tax returns, or - Award Letter (aka Benefits Letter/Budget Letter), or - Other documentation that verifies on-going receipt of the income • If it is not reasonable to assume the income will continue for the foreseeable future, the income may be used to offset borrower debt obligations with 10 to 24 months duration • Temporary income (e.g. VA educational allowances, unemployment income) is generally not eligible. • Unemployment income that is a regular part of the borrower's income due to the nature of their employment (e.g. seasonal work) may be included in the borrower's effective income • Union workers and other seasonal/climate dependent workers will require additional documentation as follows: - Evidence of borrower's total YTD earnings, **and** - Signed and dated tax returns for previous two (2) years, **and** - If borrower is a union worker, evidence of their history with the union must be provided
Employment/ Income: **Projected Income**	**Projected Income from a New Job** Subject to Homebridge management approval projected income from a new job that the borrower is scheduled to start is eligible subject to the following: • The borrower must be scheduled to start the new position within 60 days of loan closing, **no exceptions.** • A non-revocable, guaranteed employment contract is required. • Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from loan closing to the start of the new job.

Employment/ Income: **Public Assistance Programs**	• Income from public assistance programs may be included in the borrower's effective income if evidence indicates it is likely to continue for three (3) or more years. • Income received for the care of foster care is generally only eligible to balance the expenses for caring for foster children against any increased residual include requirements

Employment/ Income:
Rental Income
	Rental Income
	• ***Conversion of Current Residence***
	- The prospective rental income may be used to offset the mortgage payment on the rental property. It may not be included in the effective income.
	- If the borrower has a rental agreement it must be provided. If there is no rental agreement, the prospective rental income may still be considered if the local rental market is determined to be strong and the property will probably not be difficult to rent. Realtors/appraisers are examples of parties who can identify local rental market trends.
	• ***Rental Property***
	Rental income from investment properties owned by the borrower is eligible subject to the following:
	- Borrowers with a history of being a landlord may use rental income from other property as follows:
	  - A 2-year history of receiving the rental income, itemized on the borrower's tax return is required (for each rental property). The borrower's previous 2-year's individual tax returns, with all applicable schedules, is required to document receipt
	  - Documented 3 months PITI reserves for each rental property. **Reserves not required if rental income not used for qualifying**
	  NOTE: Properties owned free and clear, 3 months PITI in reserves to cover taxes, insurance, and HOA fees, if applicable, are required
	  - Gift funds are ineligible to satisfy reserve requirements
	  - Equity in the property cannot be used to meet reserve requirements
	  - Property depreciation deducted on the tax returns may be included in the effective income; negative rental income must be deducted from the borrower's effective income.
	• ***Multi-Unit Property Securing the Subject VA Loan***
	- The prospective rental income may be included in the veteran's effective income if:
	  - The veteran will occupy one (1) unit as their primary residence
	  - The veteran has a documented history of being a landlord***** and there is reasonable likelihood of continued success,
	  - There are 6 months PITI cash reserves**. Reserves are not required if rental income is not used for qualifying**
	  - Gift funds are ineligible to satisfy reserve requirements
	  - Equity in the property cannot be used to satisfy reserve requirements
	  - The amount of rental income included in the effective income is based on 75% of:
	    - The amount indicated on the lease or rental agreement unless a greater percentage can be documented (existing property), or
	    - The appraiser opinion of the property's fair monthly rent (new construction).
	***NOTE:** VA prefers a 2-year history of managing rental units (or property maintenance and rental) documented with tax returns; 1-year considered on a case-by-case basis subject to Homebridge management review and approval

Employment/ Income: Social Security	**Social Security Income Documentation Requirements** Income received from the Social Security Administration (e.g. social security, Supplemental Security Income (SSI), disability, etc.) is eligible for qualifying the borrower when the income can be verified and it is likely to continue form a minimum of three (3) years from the date of the mortgage application. NOTE: Income that will not continue for a minimum of three (3) years may only be considered as a compensating factor. ***Verifying SSA Income***: Any of the following is acceptable: • Federal tax returns, • Social Security Award Letter (aka Benefits Letter/Budget Letter), • Social Security Benefits statement (SSA 1099/1042S), or • Most recent bank statement evidencing receipt of the income from SSA. ***Verifying Continuance of SSA Income***: • To document the continuance of the SSA income for three (3) years obtain the most recent Notice of Award Letter or equivalent documentation. • If an expiration date is not stated it can be considered likely to continue. Additional information is **not** required to establish length of receipt. Additionally, **never** request documentation concerning the nature of disability or medical condition and evidence of a pending or current re-evaluation of medical eligibility **should not** be considered an indication the benefits will not continue. • The income stated on an initial Notice of Award Letter (or equivalent), which indicates the borrower will be receiving benefits, may be used as effective income as of the start date of the income as stated on the Award Letter. The borrower must have other income to qualify for the mortgage until the start date of the benefit. ***Other Long-Term Disability Income:*** Other long term disability income (workers compensation, private insurance) may also be used for qualifying income following the guidelines above.
Escrow Holdbacks	**Home Fixer – Repair Escrow Option Program** • Maximum amount of repairs is limited to $5,000 • Required repairs cannot impact the habitability or safety of the subject property • An estimate from a licensed contractor or other qualified professional, listing all repairs required • 1.5 times the amount of the estimate will be held in escrow • Repairs must be completed within 14 days of loan disbursement and the final inspection must be received within 72 hours NOTE: Properties that do not meet the “minimum property standards” appraisal requirement may be eligible for an escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.
Escrow/Impound Account	Required on all loans, no exceptions

Fees and Charges

VA allows the following fees and charges:

- 1% origination fee based on total loan amount. Fees determined by VA as unallowable **cannot** be charged, **or**
- 1% unallowable fees based on the total loan amount. An origination fee **canno**t be charged, **or**
- 1% blend of origination fee and unallowable fees based on the total loan amount. Fees cannot exceed 1% of the total loan amount.
- The veteran **cannot** pay any of the following fees:
  - Attorney fees (unless the veteran independently retains an attorney)
  - Pre-payment fees
  - Real estate broker/commission fees
  - Re-inspection fees

Unallowable Fees

The following fees **cannot** be charged if a 1% origination fee is charged.

- Lender's Inspection
- Lender's Appraisal
- Closing/Settlement Fee
- Doc Prep Fees
- Conveyance Fee
- Underwriting Fee
  Well/Septic Fee
- Escrow Fees
- Notary Fee
- Commitment fee
- Interest Rate Lock Fee
- Postage/Mail Charges
- Amortization Schedule
- Tax Service Fee
- Attorney's Services other than title work
- Loan Application/Processing Fee
- Fees for preparing Truth-in-Lending
- Prepayment Penalties (refinance)
- Any other fee not listed as allowable by VA
- Fees to Loan Brokers, Finders or other 3rd party fees
- Trustee Fee

Allowable Closing Costs:

The following fees may be charged:

- Loan Origination Fee
- Reasonable Discount Points
- Appraisal Fee / Compliance Inspection
- Credit Report Fee (actual
- Title examination / Title Insurance Fees
- Recording Fees & Taxes
- Prorated Taxes
- Hazard Insurance
- Flood Insurance
- Flood Determination
- Federal Express/Express Mail (Refi only)
- Closing Protection Letter
- VA Funding Fee
- MERS Registration
- Survey / Plot Plan
- Pest Inspection Fee

Refer to the VA Handbook for detailed guidance on allowable fees and charges.

Fees and Charges (cont.)	**Third Party Charges** Third party charges are limited to the invoice charge regardless of the amount charged for the loan origination fee (i.e. you cannot charge the borrower more than the invoice amount even if the total amount of fees is less than 1% of the total loan amount). VA limits the fee charged for an appraisal. View the appraisal fee list at VA Appraisal Fee Schedules. *Example:* The loan amount is $100,000 and the lender is charging an $800.00 origination fee. The charge for the credit report on the CD is $50.00 however the invoice for the credit report indicates a charge of $20. The borrower must be refunded the $30.00 overcharge. *Example:* The loan amount is $100,000 and the lender is charging an $800.00 origination fee. The charge for the appraisal on the CD is $500.00 however the maximum fee VA allows for an appraisal in the state where the property is located is $425.00. The borrower must be refunded the $75.00 overcharge. **Subordination Fees** Subordination fees cannot be financed into the loan regardless of the amount charged for the origination fee. If a subordination fee is charged the borrower must either pay the fee in cash or have a premium pricing credit that is large enough to cover the subordination fee.
Financed Properties	• Owner-occupied properties: No limit. • Multiple properties financed (5-10): Must meet Fannie Mae guidelines. • Homebridge limits its exposure to a maximum of 4 loans per borrower.

<table>
<tr>
<td>Gift Funds</td>
<td>Gifts, grants, and down payment assistance programs are eligible per VA guidelines. There must be no expected or implied repayment requirement of the gift funds.

A gift is acceptable if the donor is:

A relative of the borrower,
A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or fist-time homebuyers.

Gift funds must be evidenced by a gift letter, signed by the donor and it must:

Specify the dollar amount,
Be signed by the donor and the borrower,
Specify the date the funds were transferred,
Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
Include a statement by the donor that no repayment of the gift funds is expected.

The gift donor may not be a person/entity with an interest in the sale of the property including:

Seller
Real estate agent or broker
Builder or associated entity

Gifts from these sources are considered “inducements to purchase” and must be subtracted from the sales price.
Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below:

Gift funds given prior to closing

Copy of the donor’s cancelled check (front and back) and conclusive evidence that the money was withdrawn from the donor’s account (conclusive evidence might be a withdrawal slip or bank statement and the borrower’s deposit slip and/or bank statement verifying the deposit.

Gift funds given to closing agent: (cannot be on day of closing)

Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.
A copy of donor’s check to the closing agent is required, and
Gift must be reflected on CD.

NOTE: When a bank statement is used to document funds, the donor may be required to document large deposits to ensure the funds did not come from an interested third party. The donor is not required to provide a full bank statement
Regardless of when gift funds are made available to the borrower, the underwriter must be able to determine that the gift funds were not provided by an unacceptable source and were the donor’s own funds. The transfer from donor to borrower must be fully documented.
NOTE: Donor’s may borrower gift funds from an acceptable source provided the borrowers are not obligors to any Note securing the money borrowed to give the gift.
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<tr>
<td>Gift of Equity</td>
<td>
A gift of equity is allowed; however, VA does not consider it cash so a gift of equity cannot be used for:

Down payment,
Assets,
Reserves,
Funds to close,
Funding fee reduction,
Consideration as a seller concession

When the seller is providing a gift of equity, the gift of equity may only be used to reduce the sales price
The gift of equity must be from an immediate family member and a gift letter must be provided
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Guaranty/ Entitlement

- **A minimum 25% guaranty required**
- The guaranty is limited to the veteran's portion of ownership in the property. (i.e. if the veteran is the only person on the Note but **adds someone other than their spouse to title**, the final loan guaranty would be half of the veteran's entitlement)
- If the veteran has previously used their entitlement, the entitlement must be restored prior to the closing of the new loan.

First Time Use, Veteran has Full Entitlement or Full Entitlement is Restored:

- County loan limits **do not** apply. VA does not impose a maximum loan amount
- The guaranty is based on 25% of the loan amount

NOTE: While VA does not impose a maximum loan amount, Homebridge limits the loan amount based on specific criteria. Refer to the Maximum Loan Amount topic for detailed information

Veteran has Partial Entitlement, Entitlement Cannot be Restored, Loan amount is ≤ $144,000:

County limits apply. Refer to the Maximum Loan Amount topic for detailed information

- The maximum guaranty is based on the lesser of:
  - 25% of the loan amount, **OR**
  - 25% of the county loan limit

Example 1 Eligible: Loan amount is $200,000. Veteran has used $36,000 entitlement. County limit is $500,000

1. $200,000 (loan amount) x 25% = $50,000
2. $500,000 (county limit) x 25% **minus** $36,000 (used entitlement) = $89,000
3. $50,000 (lesser of above) divided by $200,00 = 25% entitlement available (**meets 25% guaranty requirement**

Example 2 Ineligible: Loan amount is $765,000. Veteran has used $70,000 in entitlement which cannot be restored. County limit is $766,500.

1. $850,000 (loan amount) x 25% = $212,500
2. $766,500 (county limit) x 25% **minus** $70,000 (used entitlement) = $121,625 (guaranty/entitlement available)
3. $121,624 (lesser of the above) **divided by** $850,000 = 14.31% guaranty (**does not meet minimum 25% guaranty requirement**)

Reminder: The 1-unit column limit of the FHFA table is used to determine the applicable guarantee for all properties, **including** 2-4 units

Fannie Mae and Freddie Mac Conforming Loan Limits for Mortgages Acquired in Calendar Year 2024

(These limits were determined under the provisions of the Housing and Economic Recovery Act of 2008)

Always use the amount in the 1-unit column when determining guaranty

FIPS State Code	FIPS County Code	County Name	State	CBSA Number	One-Unit Limit	Two-Unit Limit	Three-Unit Limit	Four-Unit Limit
01	001	AUTAUGA COUNTY	AL	33860	$ 766,550	$ 981,500	$ 1,186,350	$ 1,474,400
01	003	BALDWIN COUNTY	AL	19300	$ 766,550	$ 981,500	$ 1,186,350	$ 1,474,400
01	005	BARBOUR COUNTY	AL	21640	$ 766,550	$ 981,500	$ 1,186,350	$ 1,474,400
01	007	BIBB COUNTY	AL	13820	$ 766,550	$ 981,500	$ 1,186,350	$ 1,474,400

Dual Entitlement: Married Veterans

- Maximum combined guaranty cannot exceed 25% of the loan amount when at least one veteran has full entitlement
- VA will charge entitlement for married veterans per their request
- If both Veterans have partial entitlement, entitlement cannot exceed **the lesser of**:
  - 25% of the loan amount, **OR**
  - 25% of the county loan limit

Joint Loans: Unmarried Veterans

- Maximum combined guaranty equals 25% of the loan amount when **both** veterans have full entitlement
- If at least one Veteran has partial entitlement the guaranty cannot exceed the lesser of:
  - 25% of the loan amount, **OR**
  - 25% of the county loan limit
- VA will charge entitlement to each Veteran equally, unless the Veteran provides a signed written agreement to VA to handle otherwise, **PRIOR TO** guaranty of the new loan

Joint Loans: Veteran and Non-Veteran

All existing VA policies continue to apply

Inspections	• **Termite Inspection**: A termite inspection is required in all states where the probability of termite infestation is "very heavy" or "moderate to heavy" (per the VA Termite Infestation Probability Map) **and** the appraiser has indicated a need for a pest inspection on the NOV.
	• **Well Inspections:** Well inspections are required in all cases (private or shared) and **must be performed by a disinterested third party.** Additionally the following applies:
	- The disinterested third party may be:
	  - A local health authority,
	  - A commercial testing laboratory,
	  - A licensed sanitary engineer, or
	  - Other party that is acceptable to the local health authority.
	- The sample must be collected and transported by the disinterested third party
	- **The sample cannot be collected or transported by the borrower or any interested party to the transaction**.
	- The water must meet the requirements established by the local authority. If the local authority has not established specific water requirements then the applicable State health authority or, if no state requirements, then the Environmental Protection Agency (EPA) standards will be applied.
	- The test is valid for 90 days from the date certified by the local health authority.
	• **Septic Inspections**: Septic inspection is required when the appraiser indicated the need for one. Septic tests or certifications are valid for 90 days unless local law requirements vary.
	NOTE: Connection to public water and/or sewer is only mandatory when required by local building, planning or health authorities.

Liabilities	All debts will be run through DU/LPA to ensure accurate DU/LPA Findings

Liabilities - Contingent	A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.
	• **Co-Signed Debt**
	- Co-signed debt is **not required** to be included in the borrower's DTI calculation if all of the following applies:
	  - Documentation is provided that the borrower is not primarily responsible for payment of the debt, and
	  - The credit report indicates no late payments on the account, and
	  - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).
	- Co-signed debt must **be included** in the borrower's DTI calculation if:
	  - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or**
	  - A 12 month pay history, by the primary party, cannot be established, **or**
	  - The credit report indicates there have been late payments on the debt, **or**
	  - Another party is making the payments but the borrower is the only party responsible for the debt.
	• **Business Debt**
	- ***Sole Proprietorship or Partnership:*** The business is not an entity that can borrow and any debt used by the business is personal obligations regardless of how the debt is paid.
	  - This type of debt must be included in the borrower's DTI. The debt may be added back to the business income so the debt is not counted twice
	- ***Corporations (Includes Sub-S and most LLCs):*** A corporation is a legal entity that can be obligated for debts. Officers of the corporation or members of an LLC are often required to personally sign as additional guarantors for debts owed by the Corporation or LLC.
	  - Debts may be excluded from the DTI, if:
	    - A minimum of 12 consecutive most recent cancelled checks are provided by the corporation/LLC for payment on the debt

Liabilities – Installment Debt	Installment debt is subject to the following: • Included in the DTI if > 10 months remaining, **or** • Included if ≤ 10 months remaining **AND** payment is > $100.00 and/or at underwriters discretion NOTE: The borrower **cannot** pay debt down to meet the 10 month requirement • Installment debt may be excluded from the borrower's DTI if the account will be paid in full prior to or at close. The credit report will be used to determine the payoff amount. - **If paid off prior to close**: - Documentation must be included in the file that the account was paid in full, **and** - The funds used to pay off the account must be sourced, **and** - Verification that the borrower did not incur additional debt to pay off the account is required, **and** - Assets must be updated to reflect the funds available for loan closing after the account has been paid off, **and** - The payoff amount must be reflected on the Closing Disclosure - **If paid off at close by the borrower (not using loan proceeds)**: - Verification that the borrower did not incur additional debt to pay off the account and source of funds is required, **and** - The payoff amount must be reflected on the Closing Disclosure - **If account will be paid at closing with loan proceeds**: - The payoff amount must be reflected on the Closing Disclosure
Liabilities – Revolving Debt	Revolving debt must be included in the DTI calculation if there is a balance indicated on the credit report. If the credit report does not include the monthly payment for the account use: • The payment indicated on the current account statement, or • 5% of the outstanding balance. Revolving debt may be excluded from the borrower's DTI if the account will be paid in full prior to or at close. The credit report will be used to determine the payoff amount. • **If paid off prior to close**: - Documentation must be included in the file that the account was paid in full, **and** - The funds used to pay off the account must be sourced, **and** - Verification that the borrower did not incur additional debt to pay off the account is required, **and** - Assets must be updated to reflect the funds available for loan closing after the account has been paid off, **and** - The payoff amount must be reflected on the Closing Disclosure • **If paid off at close by the borrower (not using loan proceeds)**: - Verification that the borrower did not incur additional debt to pay off the account is required and source of funds is required, **and** - The payoff amount must be reflected on the Closing Disclosure • **If account will be paid at closing with loan proceeds**: - The payoff amount must be reflected on the Closing Disclosure NOTE: The revolving account is **not required** to be closed.

Liabilities – Student Loans	• **Payments Deferred > 12 Months from Loan Closing:** Payments deferred or in forbearance > 12 months from the Note date may be excluded from the DTI ratios • **Payments Beginning ≤ 12 Months from Loan Closing**: Payments scheduled to begin within 12 months of the Note date must be included in the borrower's monthly debt obligations. The following steps are required: **Step 1**: Take the student loan balance(s) and multiply by 5% and then divide by 12 to determine the monthly payment amount (acceptable documentation copy of Note or loan statement provided by veteran). The credit report balance **cannot** be used for this calculation. *Example*: $25,000 x 5%=$1250. $1250 divided by 12 = $104.17 monthly payment **Step 2:** Review the payment listed on the credit report. If the payment listed on the credit report is **higher** than the calculation in Step 1, **the loan is qualified using the higher amount identified on the credit report.** If the payment on the credit report is **lower**, go to Step 3. **Step 3:** If the payment on the credit report is **lower** than the 5% payment calculated in Step 1, **VA requires a letter from the student loan servicer**. The letter **must be dated within 60 days of loan closing (electronic or printed version acceptable) and must include**: • The terms and conditions of the loan(s), **and** • The payment amount. **Step 3 NOTES:** If the servicer **cannot** provide the actual payment amount, t**he 5% payment calculated in Step 1 must be used.** VA will accept the payment provided by the servicer, including "income based" repayment schedules • Payments in forbearance due to financial hardship must be included in the DTI calculation
Manufactured Housing - Overview	• VA defines a manufactured home as a home that is permanently affixed to a lot **and** considered real estate under state law • Homebridge follows VA guidelines unless otherwise noted in these guidelines. To view VA's complete manufactured housing requirements refer to VA's website at [VA Lenders Handbook]
Manufactured Housing – General Terms	**HUD Certification Label (aka HUD label, seal or tag)** A 2"x4" metal plate affixed to the **exterior** of each transportable section of the manufactured home. The plate includes the HUD certification label number which evidences compliance with the Federal Manufactured Home Construction and Safety Standards. Information from the HUD Certification Label is included in the appraisal report if available. If not available a letter of label verification is required. **Institute for Building Technology and Safety** The Institute for Building Technology and Safety must provide a letter of label verification if the HUD Certification Label is missing from the manufactured home. **HUD Data Plate (aka Compliance Certificate)** A paper label mounted **inside** the manufactured home that includes the manufacturer's name, trade/model name, year manufactured, serial number, a list of the Certification Label number(s). Information from data plate is included on the appraisal report **Engineer's Certification for Manufactured Housing Foundation:** A certification the home's permanent foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH) **New Manufactured Home** A home that is purchased directly from a retailer or a developer and has never been occupied and has never been affixed to a permanent foundation on another site **HUD Codes** – Regulations Applicable to Manufactured Homes • Federal Manufactured Home Construction and Safety Standards (MHCSS 24 CFR Part 3280) • Manufactured Home Procedural and Enforcement Regulations (24 CFR Part 3282) • Model Manufactured Home Installation Standards (MIS 24 CFR Part 3285/3286)

Manufactured Housing – Eligibility	The following applies to manufactured housing: • It must be classified **and** taxed as real property • The home must be a 1-unit single family dwelling • The home must be a multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide • The home must be properly affixed to a permanent foundation • The home must have been directly transported from the manufacturer/dealer to the home site • The towing hitch and running gear must be removed and the space beneath the home must be properly enclosed with a continuous wall that is adequately secure to the perimeter of the unit and allows for proper ventilation of the crawl space • It must substantially conform with VA's minimum property requirements; refer to the Minimum Property Standards topic for details • It must conform with applicable building code and zoning requirements for real estate • A 30 year loan term is required • The HUD Certification Label must be affixed to the home **or** a letter of label verification must be provided evidencing the house was constructed on or after June 15, 1976 in compliance with the Federal Manufactured Home Construction and Safety Standards NOTE: The letter of label verification must be obtained from the Institute for Building Technology and Safety (IBTS) **Ineligible** The following are **ineligible** with Homebridge: • A second home or investment property secured by a manufactured home • A home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site. • A manufactured home subject to a lease hold • A single wide manufactured home • A manufactured home located in a condominium project • A manufactured home located in a senior community • A manufactured home that involves a trade equity or traded home • A transaction secured by a manufactured home that involves the payoff of a land contract • Construction to perm if foundation not complete and home not completely installed prior to loan documents

Manufactured Housing – Proposed or Under Construction	In cases where the foundation has not been fully completed and the manufactured home is considered proposed or under construction the construction exhibits must include all of the following: • Specifications for the foundation and a plot plan (same requirements as for a site built home) • A detail of the mating line piers, if applicable • The foundation plan showing the location and a cross-sectional detail of the supporting piers and must include drawings of the foundation anchorage details. The foundation must meet VA requirements as detailed in VA Lender's Handbook Chapter 12 • A floor plan of the unit and exterior elevation drawings/photographs of the front and rear of home. These may be provided in the manufacturer's advertising or technical installation manual. NOTE: Not required if the manufactured home is physically located on the site to be appraised **or** the appraiser has access to the unit on the dealer's lot. • If the home is located in a state or locality that require the underside of the unit to be completely enclosed, details of the perimeter enclosure indicating the enclosure complies with the state/local requirements • Details of any revisions made to the manufacturer's installation manual that were required for the property to be in compliance with state/local requirements • Construction exhibits for any on-site improvements made to the home (e.g. decks, enclosed patio, garage, carport, etc.) that will be financed with the loan • A certification signed and dated by a technically qualified and property identified individual (i.e. builder, architect, engineer, etc.) that states the following: - "I certify that the construction exhibits (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping." **OR** - HUD Form 92541 ***Builder's Certification of Plans, Specifications and Site***, dated 03/2016. When using Form 92541 the identifying information at the top **must be completed** as well as: - Items 2 and 4, **or** - Items 5, 6, 9, 10, 12, and 13 • The manufacturer must provide a one-year warranty indicated on VA Form 26-8599, Manufactured Home Warranty **Required Inspections** VA requires the following inspections on new manufactured homes: • First and final inspection to verify that home is properly attached to the permanent foundation as specified in the construction exhibits and that all onsite and offsite improvements are properly completed NOTE: The final inspection requires the completion of VA form 26-1839 ***Compliance Inspection Report*** dated JUL 2014
Manufactured Housing – Existing Construction	VA considers a manufactured home where the foundation has been fully completed and the home installed to be existing construction. The following is required for existing construction: • The home and any other on-site improvements must meet VA minim property requirements, and • The home must be property attached to a permanent foundation system, constructed to withstand both supporting loads and wind-overturning loads that meet local building authority standards

Manufactured Housing – Used Manufactured Home	VA considers a manufactured home to be "used" when it is purchased and then moved to the purchaser's lot to be affixed to a permanent foundation. **All** of the following **additional** inspections, completed by a qualified third-party inspector after the installation and set-up of the home on the lot, are required to ensure the dwelling's safety: • VA Form 26-8731a: Water-Plumbing Systems Inspection Report • VA Form 26-8731b: Electrical Systems Inspection Report • VA Form 26-8731c: Fuel and Heating Systems Inspection Report, **and** • A certification that the roof was coated after set-up on the site (may be completed by the lender in lieu of a third party inspector) **Warranty** • The manufacturer must provide a 6 month warranty indicated on VA Form 26-8599, Manufactured Home Warranty
Manufactured Housing – Purchase Transaction Maximum Loan Amount	**Purchase of Manufactured Home – Borrower Currently Owns Lot** • The maximum loan amount is the **lesser of**: - The sum of the purchase price plus the cost of all other real property improvements, **OR** - The total reasonable value of the unit, lot, and real property improvements, **PLUS** - The VA funding fee **Purchase of Manufactured Home AND the Lot** • The maximum loan amount is the **lesser of**: - The total purchase price of the manufactured home **and** the lot **plus** the cost of all other real property improvements, **OR** - The purchase price of the manufacture home plus the cost of all other real property improvements **plus** the balance owed by the borrower on a deferred purchase money mortgage or contract for the purchase of the lot, **OR** - The total reasonable value of the unit, lot, and property improvements, **PLUS** - The VA funding fee
Manufactured Housing – Refinance Transaction Maximum Loan Amount	**Refinance of Existing Manufactured Home and Purchase of Lot** • The maximum loan amount is the **lesser of**: - The sum of the balance of the loan being refinanced **plus** the purchase price of the lot, not to exceed its reasonable value **plus** the cost of the necessary site preparation as determined by VA **plus** a reasonable discount on the portion of the loan used to refinance the existing loan on the manufactured home **plus** allowable closing costs, **OR** - The total reasonable value of the unit, lot, and real property improvements, **PLUS** - The VA funding fee • Refer to the Homebridge VA IRRRL Guidelines for IRRRL requirements

Manufactured Housing: Required Documentation	**Existing Construction Specific Required Documentation**
	In addition to the standard documentation **all** of the following is also required for existing manufactured homes:
	• **VA Form 26-8731a**: Water-Plumbing Systems Inspection Report, **and**
	• **VA Form 26-8731b**: Electrical Systems Inspection Report, **and**
	• **VA Form 26-8731c**: Fuel and Heating Systems Inspection Report, **and**
	• A certification that the roof was coated after set-up on the site (may be completed by the lender in lieu of a third party inspector), **and**
	• A 6 month warranty evidenced by VA Form 26-8599, Manufactured Home Warranty, **and**
	• **HUD Certification Label**: Verification of the HUD Certification Label:
	  - Verify if identified on appraisal, **or**
	  - A letter of label verification from the Institute for Building Technology and Safety (IBTS) is required, **and**
	• **HUD Data Plate**: Information as detailed in the appraisal topic must be included in the appraisal report when available
	Proposed/New Construction Specific Required Docs
	In addition to the standard documentation all the following is also required for proposed/new manufactured homes:
	• **HUD Form 92541** ***Builder's Certification of Plans, Specifications and Site*** (dated 3/2016) **or** A certification signed and dated by a technically qualified and property identified individual stating the construction exhibits meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping, **and**
	• **VA Form 26-1839** ***Compliance Inspection Report (dated Jul 2014):*** Completed at time of final inspection, **and**
	• A one-year warranty on VA Form 26-8599, Manufactured Home Warranty, **and**
	• **HUD Certification Label**: Verification of the HUD Certification Label:
	  - Verify if identified on appraisal, **or**
	  - A letter of label verification from the Institute for Building Technology and Safety (IBTS) is required, **and**
	• **HUD Data Plate**: Information as detailed in the appraisal topic must be included in the appraisal report when available
	NOTE: Homebridge requires proposed/under construction transactions to have the foundation complete and the home fully installed prior to loan closing

Manufactured Housing: Legal/Closing Provisions	The loan must be secured by both the manufactured home and the land on which it sits and must be legally classified as real property under applicable state law. The owner of the home must own both the home **and** the land. The following also applies: **ALTA Endorsement** An American Land Title Association (ALTA) Endorsement 7, 7.1 or 7.2 or other endorsement allowing the home to be treated as real property is required and must be included in the loan file. **Affidavit of Affixture** The Affidavit of Affixture is the document that changes the manufactured home for personal to real property. An Affidavit of Affixture must be signed by the borrower and Homebridge indicating their intent the manufactured home be a permanent part of the real property securing the mortgage. The Affidavit must be notarized and recorded and a copy **must be** included in the loan file. Loans without the Affidavit are **ineligible** (continued on next page)

Manufactured Housing: Legal/Closing Provisions (cont.)	**Security Instrument and Manufactured Home Rider** The security instrument must: • Indicate that the manufactured home is an improvement to the land and an immovable fixture or similar language that the manufactured home will be treated as real property under applicable state law, **and** • Include a comprehensive description of the home and the land in the property section or on a separate, attached addendum. **Limited Power of Attorney** A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property. Any post-closing documents must be included in the loan file **Uniform Commercial Code (UCC)** If state law requires a UCC filing in order to perfect a security interest in the home, the filing is required.
Maximum Loan Amount	The maximum loan amount is determined by the veteran's entitlement status. **First Time Use, Veteran has Full Entitlement or Full Entitlement Restored** • Maximum total loan amount for 1-unit properties **and** veteran has full entitlement, with 100% financing, all LTVs, is subject to the following: - Minimum Credit Score 700: $1,500,000. Loan amounts up to $2,000,000 will be considered on a **case-by-case basis** subject to Homebridge management review and approval. A down payment, determined by Homebridge management will be required. - Minimum Credit Score 680: $1,250,000 - Minimum Credit Score 580 (as applicable): $1,149,825 • Maximum total loan amount for 2-4 unit properties **and** veteran has full entitlement with 100% financing for all LTVs: - 2-units: $1,472,250 - 3-units: $1,779,525 - 4-units: $2,211,600, **OR** - Maximum allowed for the number of units in the applicable county where the property is located, **if less.** View 2023 county limits at FHFA **Partial Entitlement or Entitlement Cannot be Restored, or Loan Amount ≤ $144,000** • Maximum base loan amount $766,500 (Alaska/Hawaii $1,149,825) • Maximum total loan amount $1,000,000 in all states except Hawaii • Maximum total loan amount $1,500,000 in the state of Hawaii • View the 2023 county limits at FHFA Reminder: The "One-Unit Limit" column is always used to determine the guaranty regardless of the number of units

Minimum Property Standards (MPR)	VA has the following minimum property standards (MPR).
	• Each property requires the following to assure a suitable living environment:
	- Living
	- Sleeping
	- Cooking and dining accommodations,
	- Sanitary facilities
	- Mechanical systems must:
	  - Be safe to operate
	  - Be protected from destructive elements
	  - Have a reasonable future utility, durability and economy, and
	  - Have an adequate capacity and quality
	- Heating must be adequate for healthful and comfortable living conditions
	  - Homes with wood burning stoves as the primary heating source must have a permanently installed conventional heating system that will maintain a temperature of 50° in areas where there is plumbing.
	- Each unit must have a water supply and sanitary facilities as follows:
	  - Domestic hot water
	  - A continuous supply of safe and potable water for drinking and other household uses,
	  - Sanitary facilities with a safe method of sewage disposal. A connection to a public or community water/sewage system is required when dictated by local building, planning or health authorities.
	  - Any required well or septic tests/certifications are valid for 90 days unless local health authority indicates differently.
	• An MPR for existing construction can be waived by the VA field office it:
	- A veteran is under contract to purchase the property, **and**
	- The property is habitable from the standpoint of safety, structural soundness and sanitation, **and**
	- VA is satisfied the non-conformity has been depreciated accurately in the VA value.

Mortgage/Rental History	• 0 x 30 in 12 months. A manual downgrade is required for any mortgage debt with 1 x 30 in 12 months.
	• Mortgage must be current and due for the month closing
	• Verification of Mortgage (VOM) or Verification of Rent (VOR) are required if an "Approve/Eligible" Finding is not received.
	• Copies of rent checks are required to document rental history, in lieu of rent checks, at the underwriter's discretion, the following may be acceptable:
	  - A direct verification of rent (VOR) provided by a professional management company, **or**
	  - Copies of Money Orders.
	Forbearance Plan Policy (Currently in Plan)
	<u>Subject Property, Other REO, or Subordinating Second Lien</u>
	• Eligible if borrower is current **or** has missed payment during forbearance; standard mortgage payment history requirements apply, **and**
	• **Other REO and Subordinating Second Lien ONLY:** Written evidence, provided directly from **the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan is required
	IMPORTANT REMINDER: VA seasoning requirements apply; refer to the <u>Forbearance Plan Payment Requirements</u> topic in these guidelines for requirements

Multiple VA Loans	• The entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once the entitlement is restored, it may be used again.
	• A previously used entitlement may be restored if:
	  - The property which secured the VA loan has been sold, **and**
	  - The loan has been paid in full, or
	  - An eligible veteran-transferee has agreed to assume the outstanding balance on a VA loan and substitute his/her entitlement for the same amount originally used on the loan. The assuming veteran must also meet occupancy, income and credit requirements.
	• In addition to the basic restoration criteria outlined above, a veteran may obtain restoration of the entitlement used on a prior VA loan as follows:
	  - The prior VA loan has been paid in full and the veteran has made application for a refinance loan to be secured by the same property which secured the prior VA loan (including refinancing situation in which the prior loan will be paid off at closing from a VA refinance of the same property, or
	  - The prior VA loan has been paid in full but the veteran has not disposed of the property securing the loan. The veteran may obtain restoration of the entitlement used on the prior loan in order to purchase a different property, **one time only**. Once this occurs, the veteran's Certificate of Eligibility will indicate the one-time restoration. Any future restoration will require disposal of the property obtained with a VA loan. A cash-out refinance is not eligible once the one-time restoration is used.

Non-Purchasing Spouse	• The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:
	  - The borrowers reside in a community property state, or
	  - The property being purchased is located in a community property state
	NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
	• The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law (see below for Louisiana). A credit report, that complies with VA guidelines, for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.
	• **Louisiana Non-Borrowing/Non-Purchasing Spouse:** The debts of the non-borrowing/non-purchasing spouse may be excluded subject to the following:
	  - An Intervention Affidavit, signed by the non-borrowing/purchasing spouse, is required. The Affidavit must be notarized and recorded with the mortgage, **and**
	  - The title company **and** the settlement agent must agree to allow the Affidavit

Occupancy	• Owner-occupied primary residence. • The veteran must certify their intent to occupy the property within a "reasonable time", generally within 60 days of loan closing. NOTE: Service members, while deployed from their permanent duty station are considered to be in a temporary duty status and able to meet the occupancy requirement.
Power of Attorney	Acceptable as follows: • General/Military POA acceptable if veteran signed contract and loan application. • Specific POA required if both contract and application were not signed. • The property must be identified on the POA • A clear intention to use all, or a specified amount, of the entitlement stated • The veteran's intention to use and occupy the property as their primary residence is required. • An "Alive and Well" statement is required if veteran not at closing.
Prepayment Penalty	Not permitted
Products	• **Fixed Rate:** - 15 to 30 years available in one year increments (i.e. 15, 16, 17, 18, etc. up to 30 years) - A 1/0, 1/1, 1/1/1, or 2/1 temporary buydown feature eligible on fixed rate purchase transactions; refer to the Temporary Buydown topic for complete eligibility requirements • **ARM:** - 3/1 and 5/1 ARM; Index: Treasury; 1/1/5 caps; 2.000 margin; qualify at Note rate **NOTE: The following transaction types <u>require</u> a fixed rate loan with a 30 year loan term, no exceptions**: • The loan is a cash-out refinance and the LTV is > 90%, or • The loan is secured by a manufactured home
Properties – Eligible	• 1-4 unit primary residence • Townhomes/PUDs (attached/detached) • Condominiums (VA approved prior to submission). Site condos require VA Project Approval. • New Construction (completed < 1 year and never occupied): - Builder must be VA approved, - 1 year VA Builder Warranty **or** enrolled in a 10 year protection plan, and - Construction must be > 95% complete • Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems • Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. Owner-occupied primary residence only (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are **ineligible**

Properties – Ineligible	• Proposed construction • Non-VA approved condo projects • Leasehold properties (unless prior VA approval is obtained) • Properties located within electrical line easements • Properties subject to regular flooding • Properties located in an unacceptable noise zone (e.g. airport) • Rural properties > 10 acres • Properties located in Hawaii in lava zone 1 NOTE: Properties in lava zone 2 eligible only if lava insurance equaling the loan amount can be obtained. • Second home or investment property refinance transactions secured by a manufactured home • Single wide manufactured/mobile homes • Manufactured home located on a leasehold estate • Manufactured home located in a condo project • Manufactured home located in senior projects • A manufactured home involving trade equity or traded manufactured home • A manufactured home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site.
Property Flips	Property flips are subject to additional underwriting review and are subject to the following: • Appraisal must sufficiently support the appraised value increases, • Two full appraisals may be required at underwriter discretion, and • The borrower must have an excellent credit history, employment history, a strong savings pattern, etc.
Property Acquired at Auction	If the subject property is purchased at auction, they buyer's premium may be included in the calculation of the final sales price. The amount of the buyer's premium must be reasonable and customary for the area. NOTE: The premium **cannot be included in the closing costs**
Refinance Transactions	• Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced. • Refer to the Transaction Types topic for additional requirements for refinance transactions.
Reserves	• 1-unit property: Not required • 2-4 unit property: 6 months PITI. Reserves **not** required if rental income **not used** for qualifying • Other rental real estate owned: 3 months PITI for each additional property owned. Reserves **not** required if rental income **not used** for qualifying.
Residual Income	• Residual income is the net income remaining after deducting: - Federal and state taxes, Social Security and Medicare, - Proposed PITI mortgage payment, - Revolving and installment debt, - Child support or alimony obligations, - Childcare or job expenses, and - Home maintenance (calculated at 14¢ per square foot)

Residual Income (cont.)

- Grossed-up income **cannot** be used to meet residual income requirements.
- Residual income requirement may be reduced by 5% if the veteran is on Active Duty.

The residual income chart below details VA requirements by loan amount, family size and region.

Loan Amounts ≤ 79,999				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$390	$382	$382	$425
2	$654	$641	$641	$713
3	$788	$772	$772	$859
4	$888	$868	$868	$967
5	$921	$902	$902	$1,004
Over 5	Add $75.00 for each additional family member up to 7.			
Loan Amounts ≥ 80,000				
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	$1003	$1,117
5	$1,062	$1,039	$1,039	$1,158
Over 5	Add $80.00 for each additional family member up to 7			

Refer to the following page for details of geographic regions

Exceptions to the above:

- Individuals may be omitted from the "family size" if they are fully supported from a source of verified income that is not included in the effective income analysis. For example:
  - A spouse not obligated on the Note what has stable and reliable income sufficient to support their living expenses, **or**
  - A child for whom sufficient foster care payments or child support payments are received regularly.

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

Seller Contributions	• VA defines seller concessions as anything of value added to the transaction by the seller or builder which is not customarily expected, is not required to pay or provide for which the borrower pays nothing. • Seller concessions include, but are not limited to: - Payment of the borrower's VA funding fee, - Prepayment of the borrower's property taxes and insurance, - Gifts (e.g. T.V., microwave, etc.) - Payment of extra points to provide permanent interest rate buydowns, - Provision of escrowed funds to provide temporary interest rate buydowns, and - Payoff of credit balances or judgments on behalf of the borrower. Seller concessions do **not** include payment of the buyer's closing costs or appropriate discount points (e.g. if customary discount points would be two the seller's payment of two points would not be a seller concession, however if the seller paid five points, three of the points would be considered a seller concession. • Maximum seller concession is 4% of the established reasonable value of the property. • Seller is allowed to pay 100% of the normal discount points and the borrower's non-recurring closing costs. Normal discount points and closing costs are **not** included in the 4% calculation
Special Flood Hazard Area (SFHA)	Properties located in an SFHA are eligible subject to the following: • Flood insurance is available and obtained • If proposed/new construction the elevation of the lowest floor must be located above the 100 year flood level and flood insurance is required NOTE: Properties located in areas subject to regular flooding, even if not in a designated SFHA, are **ineligible** regardless of whether flood insurance is obtained
Subordinate Financing	• Eligible subject to the CLTV limits on the matrix located on page 1. • Eligible at underwriter's discretion. The veteran cannot be placed in a substantially worse position than if the entire amount had been guaranteed by VA. • PACE/CA HERO programs are ineligible subordinate financing

Temporary Buydowns	Temporary buydowns allow the borrower to lower their monthly mortgage payment for a limited time through a temporary buydown of the initial interest rate
	The temporary buydown feature is subject to the following:
	• Fixed rate purchase transactions **only**
	• **Buydowns may be funded by one of the following:**
	  - Seller,
	  - Realtor - Selling Agent (aka Buyer's Agent) **or** Listing Agent (aka Seller's Agent), or
	  - Lender
	• Buydowns are qualified at the Note rate
	• The buydown plan may be considered a compensating factor to support the loan approval. If the residual income or DTI ratio is marginal, the buydown plan may be used to offset short-term debts
	• Temporary buydowns are considered a seller concession
	• A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 buydown available
	• Buydown funds are deposited into an escrow account and the Servicer will disburse funds from the escrow account each month to make the full mortgage payment
	Example of a 2/1 Buydown
	• Initial Note Rate: 5%
	• First Year: Interest rate is 3% (2% lower than initial)
	• Second Year: Interest rate is 4% (1% lower than initial)
	• Third Year: The initial Note rate of 5% is in place for the remainder of the loan term
	Example of a 3/2/1 Buydown
	• Initial Note Rate: 5%
	• First Year: Interest rate is 2% (3% lower than initial)
	• Second Year: Interest rate is 3% (2% lower than initial)
	• Third Year: Interest rate is 4% (1% lower than initial
	• Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term
	Example of a 1/1/1 Buydown:
	The Interest rate is 1% below the Note rate for the first 3-years of the loan
	• Initial Note Rate: 5%
	• First Year: Interest rate is 4% (1% lower than initial)
	• Second Year: Interest rate is 4% (1% lower than initial)
	• Third Year: Interest rate is 4% (1% lower than initial
	• Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

Transactions – Ineligible	• Transactions that require submission to VA for VA review and approval • EEM (Energy Efficient Mortgage) • MCC (Mortgage Credit Certificates) – Borrower allowed to do an MCC after closing, but MCC cannot be used to qualify. • Second home and investment transactions • Texas Section 50(a)(6) • Transaction with PACE/HERO program subordinate financing • Transactions where the property securing the loan is subject to a private transfer fee covenant

Eligible Transactions Quick Reference Guide

Transaction Types	Eligible
Fixed rate	Yes
ARM	No
Primary residence (1-4 units)	Yes
Purchase transactions	Yes
Refinance transactions	No
Manufactured	Yes

Transaction Types	**Purchase** The maximum loan amount is determined by the veteran's entitlement status. **First time use, Veteran's with full entitlement or full entitlement can be restored** are **not** subject to county limits. Refer to the Maximum Loan Amount topic for Homebridge loan amount requirements • **Veteran's with partial entitlement or entitlement cannot be restored** are subject to county limits. When the purchase price exceeds the county limit established by VA, the borrower will be required to make a cash down payment on the amount greater than the county limit to ensure a 25% guaranty is achieved. The funding fee can be financed. Refer to the Maximum Loan Amount topic for Homebridge loan amount requirements **Land Contracts** • Land contracts are a refinance transaction. Maximum mortgage amount is limited to 100% of the lesser of the sales price or Notice of Value (NOV). The following also applies: - Land contract must be recorded, - Seller on contract must be the owner of record, - No liens can be on title except for the lien to be paid with the proceeds of the transaction, and - 0 X 30 in previous 12 months required on the monthly payments. Copies of cancelled checks front and back are required to document payments. **Type I Cash-Out**: A refinancing loan in which the **total loan amount**, **including the VA funding fee** (if financed) **does not exceed** the payoff amount of the loan being. The following applies: • **Homebridge management review/approval required for all Type I loans** • **Type I loans have specific fee recoupment and LTV requirements.** Refer to the Type I Cash-Out VA-to-VA topic, Interest Rate for details **Type II Cash-Out:** A refinancing loan in which the **total loan amount**, **including the VA funding fee** (if financed), **exceeds** the payoff amount of the loan being refinanced **Cash-Out Transactions (Type I and Type II)** • **Maximum 100% LTV: Loans exceeding 100% LTV are ineligible** • **LTV Calculation**: The LTV is calculated by dividing the **total loan amount, including the VA funding fee**, if financed, by the value of the property as determined by the appraiser • The cash-out refinance may be used to pay off the current unpaid principal, allowable closing costs, points, prepaids, subordinate liens, including PACE/HERO loans, debt consolidation and cash to the veteran • The loan must be secured by a first lien on the property • Veteran must occupy the home (cont. on next page)

Transaction Types (cont.)	**Cash-Out (Type I and II)** (cont.) **Net Tangible Benefit:** A net tangible benefit **is required on all cash-out transactions**. **Refer to the Transaction Types - Documentation Requirements topic for documentation and timing requirements.** At least one of the following benefits **must apply**: • The new loan eliminates mortgage insurance or monthly guaranty insurance, • The term of the new loan is less than the remaining term of the loan being refinanced, • The interest rate on the new loan is lower than the interest rate on the loan being refinanced (if the loan being refinanced is an ARM or was modified, the current interest rate must be used), • The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced • The new loan increases the borrower's monthly residual income (i.e. the **current** amount of the borrower's residual income vs. the amount of residual income the borrower will have with the new loan). Transactions where the taxes and insurance amounts vary between the new and old loan, the new taxes and insurance amounts must be used when determining/comparing residual income • The new loan refinances an ARM to a fixed rate, • The new loan amount is ≤ 90% of the NOV, or • The new loan refinances an interim construction loan **Loan Comparison**: The veteran must be provided a document that compares their current loan to the new loan characteristics. **Refer to the Transaction Types - Documentation Requirements topic for documentation and timing requirements.** The comparison must provide the following information: • Current loan payoff amount vs. the loan amount of the new refinancing loan, • Loan type (ARM or fixed) of the current loan vs. new loan, • Interest rate of current loan vs. new loan, • Loan term of current loan vs. new loan, • The total the veteran will have paid after making all principal and interest payments, and mortgage insurance, as applicable, on the current loan vs. the new refinancing loan, and • The loan payoff (including fees, escrow shortages, and prorated interest) vs. the LTV of the new loan **Estimate of Home Equity:** The veteran must be provided with an estimate of the home equity that will be lost due to the new refinancing loan. **Refer to the Transaction Types - Documentation Requirements topic for documentation and timing requirements** **Loan Seasoning** (applies to first lien being paid off **only**): **All cash-out transactions must meet Ginnie Mae seasoning requirements regardless of the type of loan being refinanced as follows:** • A minimum of 6 consecutive payments have been made on the original loan and posted by the servicer on the loan being refinanced. The borrower cannot prepay the payment to meet the payment requirement and the 6th payment cannot be made at closing, **(see Forbearance Plan Payment Requirements topic below if borrower in forbearance)** **AND** • A minimum of 210 days must have passed between the first payment **due date** on the loan being refinanced (existing loan) and the Note date of the new mortgage (see "Modified Loans" topic below for modified loan requirements), **AND** • **Loan Refinancing within One Year of Original Closing:** Loans being refinanced within one (1) year from the date of the original loan closing **one** of the following must be obtained and included in the loan file: - The payment history on the loan from the loan servicer and include in the loan file, **OR** - A credit supplement that clearly identifies all payments made in the applicable timeframe, **OR** - A copy of the Note (cont. on next page)

Transaction Types (cont.)	• **Forbearance Plan Payment Requirements**
	- If the borrower made 6 consecutive payments **prior to** entering into a forbearance plan, **the 6 payment seasoning requirement has been met and the loan is eligible** even if the borrower is currently in forbearance.
	- If the borrower made 3 consecutive payments on the loan, then entered forbearance **and** made the next 3 consecutive payments while in forbearance the 6 consecutive payment requirement has been met and the loan is eligible even if the borrower is currently in forbearance
	Reminder: The 210 calendar days requirement must also be met
	- If the borrower **did not** make 6 consecutive payments prior to entering the forbearance plan, and missed the next scheduled payment(s) during forbearance, the following applies:
	  - The borrower is required to make 6 consecutive payments on the loan being refinanced **AFTER the forbearance period**
	  - Written documentation from the servicer, clearly stating the date the forbearance plan was cancelled/closed/withdrawn, must be obtained
	Example: If the borrower made 5 payments on the loan being refinanced but then entered into a forbearance plan and did not make the next scheduled payment (to satisfy the 6 **consecutive** payment requirement) the borrower will be required to make 6 payments on the loan being refinanced **AFTER** the forbearance period to meet the 6 consecutive payment made requirement
	(Refer to the Mortgage/Rental History topic for Homebridge forbearance plan policy
	• Seasoning requirements apply to **all** loans being paid off with a new VA cash-out loan (existing FHA, VA, conventional loans, and a private party mortgage))
	• **Modified Loans**: Seasoning requirements **apply** to a loan being refinanced that was previously modified. The 210 day seasoning requirement is measured **using the first payment due date of the modified loan (as identified on the modification documents), to the Note date of the new loan (<u>not</u> the first payment due date of the loan before it was modified) i.e. a minimum of 210 days must have passed between the first payment due date of the modified loan and the Note date of the new loan**
	• **No Scheduled Payment**: Loans **without** a scheduled payment (e.g. reverse mortgage, balloon mortgage) are **exempt** from seasoning requirements.
	NOTE: If a balloon mortgage requires IO payments (other than construction loans) seasoning requirements will apply
	• Seasoning requirements are determined by the financing structure of the new loan:
	- **New loan is purchase transaction**: Seasoning requirements **do not** apply
	- **New loan is refinance transaction**: Seasoning requirements **do** apply
	<u>Type I Cash-Out VA to VA Transactions ONLY:</u>
	Homebridge management review and approval is required on all Type I transactions. Fee recoupment and interest rate requirements detailed below **only apply to Type I cash-out VA to VA** transactions; they do **not** apply to the refinance of a non-VA loan or to any Type II cash-out transaction
	• **Fee Recoupment:**
	- All fees, closing costs (excluding taxes, escrow, insurance, and like assessments), expenses, and incurred costs **must be recouped within 36 months from the date of loan closing.** If fees are not recouped within 36 months or less, the loan is ineligible as a Type I cash-out
	- **Calculate the recoupment as follows**: Divide all fees, expenses and closing costs including in the loan amount and paid outside of closing (excluding the VA funding fee, taxes, escrow and prepaid expenses, insurance, and special assessments and HOA fees) by the reduction of the monthly principal and interest payment as a result of the refinance.
	NOTE: If the loan being refinanced has been modified, the principal and interest reduction must be computed/compared to the modified loan principal and interest monthly payment
	(cont. on next page)

Transaction Types (cont.)	• **Interest Rate**:
	- **Fixed Rate to Fixed Rate:** The interest rate of the new loan must be a minimum of 50 basis points (.5%) **less than** the interest rate on the loan being refinanced
	- **Fixed Rate to ARM:** The interest rate of the new loan must be a minimum of 200 basis points (2%) **less than** the interest rate on the loan being refinanced. Additionally, the following applies:
	  - **Discount Points > 1**%: If discount points > 1% are included in the new loan amount, the transaction is limited **to 90% LTV**
	  - **Discount Points ≤ 1%:** If discount points ≤ 1% are included in the new loan amount, the transaction is eligible for 100% LTV

Transaction Types- Documentation Requirements for Cash-Out	All cash-out transactions require the following documentation:
	• **Homebridge VA Cash-Out Refinance Comparison Certification.** The Homebridge Certification contains all NTB, loan comparison, and estimate of equity information required by VA.
	- Broker or NDC/EB to provide the initial Homebridge Certification form to the veteran **within three (3) business days of loan application**
	  - Brokers/NDC/EB must complete the initial Homebridge Certification using **reasonable estimates** of the required information based on the information available to at time of issuance.
	  - The Homebridge Certification is posted on the Homebridge website on the Forms page under "VA Specific – Homebridge VA Forms". **Homebridge will require the use of the Homebridge form**
	- Brokers/NDC/EB must submit the completed Homebridge Certification, signed and dated by the veteran acknowledging receipt of the Certification within three (3) days of application, at time of loan submission
	- **Brokered Transactions**: Homebridge will complete and provide the final Homebridge Certification to the veteran at loan closing for signature
	- **NDC/EB Transactions**: Homebridge will provide the completed final Homebridge Certification at time of CTC. NDC/EB is responsible to send to veteran with the loan documents for signature
	Refer to the Net Tangible Benefit topic for NTBs acceptable to VA
	Refer to the Comparison of Key Loan Characteristics topic for detailed requirements of what must be included
	Refer to the Estimate of Home Equity topic for specific requirements