

AmericaHomeKey, Inc Program Description

VA Fixed Rate

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V15, V20, V30, V30G1, V30G2, V30BD, V30IRRRL, V15IRRRL

1. GENERAL DESCRIPTION

VA guaranteed fully amortizing loan with a maturity of 15, 20, or 30 years.

2. GENERAL INFORMATION

A) TERM:	15, 20, or 30 years
B) ARM INITIAL/ANNUAL LIFETIME CAPS:	N/A
C) MARGIN:	N/A
D) TEMPORARY BUYDOWN:	See Section 12
E) MINIMUM LOAN AMT:	\$0
F) ESCROW WAIVERS:	Not permitted.
G) REDUCED DOCUMENTATION:	Not permitted.
H) CODES:	V15: 15 year fixed rate V20: 20 year fixed rate V30: 30 year fixed rate V30G1: 30 year fixed GNMAI V30G2: 30 year fixed GNMAI V30BD: 30 year fixed /buydown V15IRRRL: 15 year fixed Interest Rate Reduction V30IRRRL: 30 year fixed Interest Rate Reduction
I) NARRATIVE DISCLOSURE:	N/A

3. LOAN LIMITS

PURCHASE

The maximum allowable loan amount is \$417,000.

VA updates the maximum amount of entitlement to an amount equal to 25% of the Freddie Mac conforming loan limit to keep pace with conventional conforming loan limits. The maximum amount of entitlement is \$104,250. Therefore, the maximum loan amount to maintain a 100% VA loan is \$417,000.

The amount of cash down payment (which may not be obtained by a second mortgage on the property) plus the amount of available VA guaranty must equal at least 25% of the lesser of:

- purchase price, or
- appraised value.

The funding fee cannot be included in this calculation. However, the funding fee MAY be added after this loan calculation is satisfied and 25% guaranty is considered met.

If the purchase price exceeds the appraised value, the difference will be required in the cash down payment, which may not be obtained by a second mortgage on the property. Loans for the simultaneous purchase of a home and energy conservation improvement are based solely on the appraised value amount.

The mortgage amount may exceed the appraised value amount only by the amount of a financed VA funding fee, however not to exceed the maximum loan amount calculated using the 25% guaranty.

IRRRL (Retail Only)

Since entitlement is transferred to the new loan a calculation is not necessary.

CASH OUT

The max LTV is 90%.

The total loan amount (Base Loan Amount plus Financed Funding Fee) may not exceed the conforming loan limits for the property type.

4. CONVERSION

N/A

5. ASSUMABLE

Yes, subject to qualification.

6. INDEX

N/A

7. PROPERTY TYPES

1-4 family properties.

VA approved Townhouses and Condos. (VA no longer requires PUDs to be approved.) No condo-tels or co-ops. VA no longer accepts FHA approved condos.

Manufactured Homes **NOT** eligible.

Properties in Broward and Miami-Dade Counties of FL are **NOT** eligible.

8. OCCUPANCY TYPES

Owner occupied primary residences only.

9. QUALIFYING RATIOS

Max DTI 41%, with the additional residual requirement per region and loan amount (higher ratios allowed if AU approve/eligible or accept).

Temporary buydowns must generally qualify at the note rate.

10. SUBORDINATE FINANCING

Terms of acceptable subordinate financing:

- Proceeds may be used for a variety of purposes including but not limited to closing costs or a down payment to meet secondary market requirements.
- Proceeds **may not** be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over VA's reasonable value, and **may not** be used as cash down payment in the base 25% guaranty calculation.
- No cash back to the veteran from the first or second mortgage.
- The veteran must qualify including the second mortgage payment as additional recurring monthly obligation.
- The rate on the second mortgage may exceed the rate on the VA-guaranteed first; however, it may not exceed industry standards for second mortgages.
- The second mortgage should not restrict the veteran's ability to sell the property any more than the VA first mortgage; should be assumable by creditworthy purchasers.

- There should be a reasonable grace period before a late charge comes due or commencement of foreclosure proceedings in the event of default.

VA has announced that Homebuyer Assistance Programs (HAP) provided by state, county or municipal government entities are permitted without prior approval by VA. Non-government sources must be approved by VA. Documents including program description, sample docs and a list of costs at closing or during the term of loan must be submitted to the VA Regional Center. This assistance may be used for closing costs and the difference when the sale price exceeds the VA reasonable value. Fees associated with HAPs may be paid by the Veteran (fees over \$250 must be approved by VA RLC). HAP funds cannot be used to cover veteran-paid un-allowed fees. See circular 26-08-14 for details.

11. VA FUNDING FEE

The maximum guaranty is the lesser of:

- The Vet's available entitlement, or
- The maximum potential guaranty amount as follows:

Loan amount	Loan type	Max Potential Guaranty	Special Provisions
Up to \$45,000	All	50% of the loan amount	
\$45,001 - \$56,250	All	\$22,500	
\$56,251 - \$144,000	All	\$40 of the loan amount, to a max of \$36,000	
>\$144,000	Must be used for: <ul style="list-style-type: none"> • Purchase or construction of a home • Purchase of a condo • IRRRL refi. 	Max 25% of agency conforming loan limit	
Any	<ul style="list-style-type: none"> • Joint Loans • Energy Efficient Mortgages 		See Chapter 7 of the VA Lender's Handbook.

The percentage and amount of guaranty is based on the loan amount including the funding fee portion when the fee is paid from loan proceeds.

Funding fee calculation:

Loan Type	Use	Downpayment	Active Duty or Veteran	National Guard/ Reservist
Purchase	Initial	0% - 4.99%	2.15%	2.40%
Purchase	Subsequent	0% - 4.99%	3.30%	3.30%
Purchase	Initial & Subsequent	5% - 9.99%	1.50%	1.75%
Purchase	Initial & Subsequent	10% or more	1.25%	1.50%
Cash Out Refinance	Initial	n/a	2.15%	2.40%
Cash Out Refinance	Subsequent	n/a	3.30%	3.30%
Assumption	n/a	n/a	.50%	.50%

Higher subsequent use does not apply if the Veteran's only prior use of entitlement was for a manufactured home.

The Funding Fee may be paid in cash, financed or a combination of cash or financed.

The Certificate of Eligibility should be examined carefully to ascertain if Veterans have previously used their entitlement. The number "5" posted in the block titled "Entitlement Code" indicates previous use. Another indicator of previous use is a loan number posted in the "Loan Number" block. If you are unsure

VA should be contacted.

Certain veterans are exempt from the funding fee as follows:

- Loans made to veterans receiving compensation for service-connected disabilities;
- Veterans who, but for receipt of retirement pay, would be entitled to receive compensation for service-connected disabilities;
- Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability examination and rating;
- Loans to surviving spouses of veterans who died in service or from service-connected disabilities. VA Form 26-8937 Verification of VA Benefit-Related Indebtedness must be completed by the VA for Veterans exempt from the funding fee.

12. UNDERWRITING GUIDELINES

All Loans must meet the VA Lender's Handbook Guidelines.

Wholesale loans require DU approve/eligible only and minimum 620 credit score regardless of AUS.

Loans may be submitted to DU. In Addition, regardless of DU findings, the Automatic Underwriter must confirm that borrower meets monthly residual income required by VA.

DU findings/actions:

- Approve/Eligible. Comply with all verification messages and/or approval conditions. However, the Automatic Underwriter must confirm that borrower meets monthly residual income required by VA.
- Approve/Ineligible. The borrower's credit and ability to repay are approved; however, the Loan is outside product parameters. The file may be referred to an Automatic Underwriter to determine if the ineligibility can be resolved. If overcome, comply with all verification messages and/or approval conditions. The Automatic Underwriter must confirm that borrower meets monthly residual income required by VA.
- Refer/Eligible (Retail Only). DU cannot determine credit approval based on data entry. Submit to an Automatic Underwriter for a manual underwrite to the VA Lender's Handbook.
- Refer/Ineligible (Retail Only). The borrower's credit and ability to repay are NOT approved and the Loan is outside product parameters. Submit to an Automatic Underwriter for a manual underwrite to the VA Lender's Handbook.

ELIGIBLE TRANSACTIONS

PURCHASES – Value is based on 100% of the VA reasonable value. The borrower may finance all or part of the Funding Fee and the cost of any energy efficient improvements up to \$6,000 on existing properties, provided the maximum loan amount does not exceed \$417,000.

Conversion of Principal Residence into Investment Property

If the veteran is converting a current principal residence to an investment property upon purchase of a new principal residence, the following requirements apply:

- both the current and proposed monthly housing expenses must be used to qualify
- rental income may not be used to offset the mortgage payment
- evidence of cash reserves totaling 6 months PITI for both properties must be provided

The following exceptions allow the veteran to qualify using 75% of the gross rental income to offset the mortgage payment and the reserve requirement is waived:

- The veteran is relocating with a new employer, or is transferred by the current employer to an area not within a reasonable and locally recognized commuting distance, or
- The veteran has documented equity of at least 30% in the existing property.

Pending Sale of Real Estate

In instances where the veteran intends to sell the property but it will not close before the purchase of a new principal residence occurs:

The principal, interest, taxes and insurance (PITI) on both the pending sale and the subject new property must be included in qualifying the borrower AND the following documentation must be obtained:

- Cash reserves totaling at least six months PITI for both properties

or

- Cash reserves totaling at least two months PITI for both properties if able to document equity of a least 30% in the existing property. Acceptable documentation for determining the equity position is either an appraisal from an approved appraiser or an AVM.

Note:

The PITI of the pending sale does not need to be included in qualifying the borrower as long as the six months of reserves (or two months with documented equity) for both properties are documented and the following additional documentation is provided:

- The executed sales contract for the current residence and
- Confirmation that any financing contingencies have been cleared.

Conversion of Principal Residence to a Second Home

If the veteran is converting a current principal residence to a second home upon purchase of a new principal residence:

- Both the current and proposed principal, interest, taxes and insurance (PITI) must be used to qualify the borrower for the new loan; and
- Minimum reserves of six months PITI for both properties are required. However, only reserves of two months PITI are required for both properties if 30% equity in the existing principal residence is documented with:
 - o An appraisal from an approved appraiser or
 - o An automated valuation method (AVM)

REFINANCES

IRRRL's - Interest Rate Reduction Refinancing Loans. This type of refinance allows a veteran to refinance a VA loan at a lesser interest rate without the use of additional loan entitlement. The basic provisions are:

- Retail Loans Only
- A full Conventional appraisal with 1004MC ordered in compliance with HVCC guidelines is required:
 - o Appraised value must be supported and be equal to or greater than the total loan amount (total loan amount = base loan plus funding fee)
 - o Required repairs must be addressed. Any repairs that effect safety, livability or habitability must be completed
 - o Property condition must be rated "average" or better
 - o Appraisal should not be submitted to VA with the guaranty package
- No credit underwriting is required by VA in connection with such loans, except to check CAIVRS as discussed in Credit section below. However, a mortgage history showing 0x30 in last 12 months is required.
- The existing loan must be current.
- Minimum 640 credit score
- A minimum 6 month payment history on the subject mortgage is required – if less than 6 months exists, the loan is ineligible for an IRRRL.

- Maximum loan amount is \$417,000
- The new loan must be at a lesser rate of interest than the old VA loan except when refinancing an existing adjustable rate mortgage with a new fixed rate mortgage, the term is shorter or energy efficient improvements are included. The Automatic Underwriter must evaluate the borrower's ability to pay if the PITI increase is greater than 20%.
- The term of the IRRRL may not exceed the original term of the loan being refinanced by more than 10 years, subject to the maximum term of 30 years and 32 days. (e.g., if the old loan was made with a 15 year term, the term of the new loan cannot exceed 25 years)
- The veteran may not obtain cash proceeds. No portion of the loan proceeds may be used to pay off debts, including second mortgages or other lien indebtedness. Any subordinate liens may be re-subordinated without regard to CLTV.
- The new loan amount may include the existing VA loan balance, plus allowable fees, closing prepaids, and up to 2 discount points, plus the cost of any energy efficiency improvements and the VA funding fee.
- If the veteran whose entitlement was used to obtain the existing VA loan has died, regardless of the cause of death, and the veteran's surviving spouse was a co-obligor, the surviving spouse is considered a veteran for the purpose of an IRRRL.
- If the existing loan was assumed by a veteran who substituted his/hers entitlement, the veteran transferee may refinance the loan under this program.
- For properties in Texas:
 - If the first mortgage is subject to Texas Section 50(a)(6), VA financing is not permitted
 - If an existing second lien is subject to Texas Section 50(a)(6), VA financing is not permitted
 - When VA financing is permitted, Underwriting conditions and closing instructions must indicate "**No cash back to borrower is permitted**"
- For properties in Colorado
 - Income must be stated on the application
 - No verification of income is required
 - No analysis of income is performed
- A verbal VOE is required for all borrowers

Cash Out Refinances - This type of refinance allows a veteran to refinance an existing mortgage and in addition, other liens of record such as; second mortgages, tax or judgment liens. Additional provisions are:

- These loans are subject to the same income, qualification, credit and property requirements as purchases.
- The amount of available entitlement must be considered when calculating the maximum loan amount.
- Surviving spouses of veterans are not eligible for cash out.
- The maximum cash-out refinancing LTV is limited to 90% of the appraised value plus the cost of any energy efficiency improvements and funding fee.
- The veteran must own and occupy the property as his/her primary residence.
- The file must be documented with a statement signed by the veteran showing the cash proceeds paid, an itemization of the debts paid from the loan proceeds and an identification of those debts secured by liens of record.
- The cash proceeds may refinance the existing mortgage, other lien indebtedness and provide the veteran with funds for an acceptable purpose. Refinances of foreclosed properties are not permitted.
- TX loans – borrowers cannot receive any cash out

TEMPORARY BUYDOWNS are allowed under the following conditions: **Temporary buydowns have been suspended temporarily until further notice due to disclosure issues**

- 30 year term only
- Max 2/1
- Qualify at the note rate

- Buydown funds may come from the property seller, lender or other interested third party

NON-ARMS LENGTH TRANSACTIONS

Allowed with conditions. See VA Lender's Handbook or contact your Automatic Underwriter.

BORROWERS

Eligible Veterans are:

- Veteran (single or married)
- Veteran and non-Veteran spouse
- Two Veterans who are married to each other
- Unmarried surviving spouse as a result of service-connected issue or spouse of active duty member listed as MIA or POW for at least 90 days.
- Has Certificate of Eligibility showing entitlement and eligibility

Additional eligibility:

- US Citizen
- Permanent Resident Alien
- Inter Vivos Revocable Trust

Ineligible Borrowers

- Two Veteran borrowers who are not married to each other
- Non-occupant co-borrowers
- Irrevocable trusts
- Life/estate trusts
- LLCs or corporations

INCOME

Two years employment history is preferred. Less than 24 months if the Automatic Underwriter evaluates circumstances such as recent military discharge and employment probability.

All borrowers must meet VA's residual income requirements, regardless of DU approval. See VA Lender's Handbook or contact the Automatic Underwriter.

Military Borrowers:

Document with Leave and Earnings Statement (LES) VA Form 26-8479.

Additional requirements for military borrowers due to discharge within the next 12 months – see VA Lender's Handbook or contact the VA Automatic Underwriter.

Non-Military Borrowers:

Salaried Borrowers:

- Two years history of employment required. Job changes in the same line of work for advancement are acceptable.
- Verbal VOE
- **For borrowers who have been on their current job for a minimum of 60 days follow the AUS findings for paystub requirements. A minimum of 1 paystub is required if using a full VOE regardless of DU findings to meet Investor Requirements.**
- **Borrowers who have been on their current job less than 60 days will require a minimum of 30 days worth of paystubs regardless of DU findings to substantiate qualifying income.**

Self-employed Borrowers:

- The business must have been established a minimum 2 years. 12-24 months may be considered with conditions. See VA Lender's Handbook or contact the VA Automatic Underwriter.
- Past 2 years signed individual tax returns
- Past 2 years signed business tax returns if a corporation, "S" corporation or partnership
- Balance sheet and P&L
- Business credit report for corporation or "S" corporation.
- If corporation or partnership, list all stockholders or partners showing the interest each holds in the business.

Non-employment income such as Social Security, pension/retirement, VA benefits, rental income and alimony/child support are permitted with conditions. See VA Lender's Handbook or contact

the VA Automatic Underwriter.

4506T must be signed at closing by all borrowers, all loans in addition to 4506T signed at application with exception of VA IRRRL.

ASSETS

Assets for closing costs or points not financed or for the difference in the sales price which exceeds the appraised value may be verified by:

- Written VOD plus most recent bank statement or
- Most recent 2 months bank statements. Gift funds are allowed without restrictions
- **Sourcing All Deposits Exceeding \$500: The underwriter has discretion to increase the amount without requiring sourcing the deposit as long as there are detailed notes on the VA Loan Analysis, FHA Loan transmittal or Conventional Transmittal Summary whichever is applicable. It must state the deposit information and a detailed explanation as to why the account was not sourced. The explanation needs to be supported by the file.**

Interested party contributions/seller concessions

For VA purposes, a seller concession is defined as anything of value added to the transaction by the builder/seller for which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide. Such concessions include payment by the seller of the buyer's VA funding fee, prepaid taxes and insurance, gifts such as a television set or microwave oven, extra discount points paid to provide permanent interest rate buydowns, escrowed funds to provide temporary interest rate buydowns or the payoff of credit balances on behalf of the buyer. (This list is not all inclusive.)

Excessive Concessions Any concession or combination of concessions which exceed 4% of the established reasonable value of the property is considered excessive for VA loan purposes. Normal discount points and payment of the buyer's closing costs will not be considered a concession for purposes of determining if total concessions are within the established limit.

Reserves are not required unless rental income is used to qualify. When that is the case reserves requirements are as follows:

- Subject property is 2-4 unit: 6 months PITI
- Borrower currently owns other properties than the subject: 3 months PITI.

VA has announced that Homebuyer Assistance Programs (HAP) provided by state, county or municipal government entities are permitted without prior approval by VA. Non-government sources must be approved by VA. Documents including program description, sample docs and a list of costs at closing or during the term of loan must be submitted to the VA Regional Center. This assistance may be used for closing costs and the difference when the sale price exceeds the VA reasonable value. Fees associated with HAPs may be paid by the Veteran (fees over \$250 must be approved by VA RLC). HAP funds cannot be used to cover veteran-paid un-allowed fees. See circular 26-08-14 for details.

CREDIT

DU will evaluate borrower's creditworthiness. If the file does not receive an "approve" finding, it must be submitted to an Automatic Underwriter for evaluation to VA's guidelines

All borrowers must have at least 1 valid credit score – Non Traditional credit is not allowed. The minimum qualifying credit score is 620.

The Credit Alert Interactive Response System (CAIVRS) must be checked for all borrowers, to determine if the borrower is delinquent or defaulted on any Federal debt or has received payment for an insurance claim.

AHK Policy: Collections totaling \$1000 or more in aggregate must be paid in full and documentation to support sufficient funds to do so must be evidenced in the file regardless of DU findings. This includes

medical collections incurred within the last 24 months. Any exceptions to this policy must be approved by either your Regional Underwriting Manager, Kathy Shadle, Pat Fowler in Corporate Underwriting and Training or Mary LaRussa in Secondary Marketing.

APPRAISAL

- Appraisals must be processed through LAPP. Exceptions that require submission to VA for a CRV are:
 - Master appraisals
 - Foreclosure appraisals
 - Those involving partial release of a VA loan security
 - Those involving HUD value determinations
 - See AHK Support Site/Processing and Underwriting page for AHK procedure to order VA appraisal
 - VA IRRRL requires a full Conventional appraisal with 1004MC ordered in compliance with HVCC guidelines.

- Acceptable forms
 - URAR 1004/70
 - Small Residential Income Property Appraisal Report (for 2-4) 1025/72
 - Individual condominium Unit Appraisal Report 1073/465
 - Operating Income Statement is required for 2-4 unit properties.
 - “Fair Condition” status is not eligible. The property must be brought up to at least “Average Condition” prior to closing. Include evidence in file.

- The appraiser should insert “Any Qualified Veteran” in the borrower field of the appraisal report for all VA case assignments.

- All VA appraisals must contain Fannie Mae form 1004MC.

13. UNDERWRITING SUBMISSIONS

Loans may be run through DU, but must be submitted to your designated Automatic Underwriter for final approval.

14. PROCESSING DOCUMENTATION

Standard VA Processing documents, as applicable:
Revocable Trust Rider if applicable
Initial Escrow Account Statement
VA Form 26-1820 Report and Certification of Loan Disbursement
VA Form 26-0503 Federal Collection Policy Notice
Form 26-1880 Request for Determination of Eligibility and Available Loan Guaranty
VA Form 26-8937 Verification of VA Benefit-Related Indebtedness
VA IRRRL Case Assignment screen to confirm new case number
IRRRL Request/Certification acknowledging understanding of effect of refinancing current loan.

15. INVESTOR SPECIFIC PROCESSING DOCUMENTATION

N/A

16. MISCELLANEOUS