

VA Fixed

The program is a fully amortizing mortgage guaranteed by the Department of Veterans Affairs (VA). The underwriting information contained in this section is intended for use in conjunction with pamphlet 26-7 Guaranty of Insurance of Loans to Veterans – GI Loan Programs, available at <http://www.va.gov> . All loans delivered to Reunion Mortgage must be in compliance with published VA guidelines. Loans that do not receive DU “Approve/Eligible” findings require second level review.

VA Lender ID 901913-00-00

Product Codes

- V30 30 year Fixed Rate GNMA I
- V30II 30 year Fixed Rate GNMA II

VA Loan Limits

Purpose	Units	LTV ¹	Total Loan Amount	FICO
Purchase	1-4	100	\$417,000	640
R/T, C/O	1-4	90	\$417,000	640

¹Based on loan amount prior to funding fee

Appraisals

- All individual properties, whether proposed construction, under construction, or existing construction, must meet specific VA appraisal requirements and standards.
- Ordering Process
 - Access The Appraisal System (TAS) at <http://tas.vba.va.gov> and provide all necessary information about the case
 - A VA 12-digit Loan Identification Number (LIN) is assigned to the case. (Also referred to as the case number)
 - An appraiser is assigned
 - A completed VA Form 26-1805-1, VA Request for Determination of Reasonable Value is produced
 - On the same day of assignment, e-mail, fax, or mail the TAS-generated VA Form 26-1805-1 along with a copy of the agreement of sale and all addenda to the appraiser. If the agreement of sale is amended during the process, the requester must provide the updated contract to the appraiser.
- URAR (Fannie Mae Form 1004) is required. However, appraisals written on the Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073) or the Small Residential Income Property Appraisal Report (Fannie Mae Form 1025) forms are also acceptable, as to applicable property types.
- Form 1004MC must be completed for each appraisal
- The Notice of Value (NOV) for property appraised as existing, new, proposed, or under construction is valid for six months.

AUS Underwriting Decisions

- All loans must be evaluated by DU and Findings provided with submission.
- Loans must receive Approve/Eligible, Refer/Eligible acceptable in certain circumstances.
- Approve/Eligible
 - Document loan per DU Findings unless downgraded to manual underwriting
- Refer/Eligible (See VA Lender Handbook for documentation requirements)
 - Second Level approval required
 - Compliance with all VA requirements and all Reunion Mortgage guidelines
 - Compensating factors that address the reason for DU Refer must be reflected on the VA Loan Analysis 26-6393 and the file must contain supporting documentation
- The underwriter must reconcile DU output against the documentation in the loan file to determine if there is any potentially derogatory or contradictory information that is not part of the data analyzed by DU. In the event that credit terms or loan information was not considered in the AUS decision, an Approve/Eligible decision must be downgraded to Refer and be manually underwritten. Circumstances requiring a downgrade, if not considered in the AUS decision, include but are not limited to:
 - Delinquent federal debt, CAIVRS, and suspended and debarred individuals

- Disputed accounts, significant inaccuracy or undisclosed debt
- Previous mortgage foreclosure (within 3 years of application) and bankruptcy (within 2 years of application)
- Collection accounts, tax lien, charge-off, judgment
- Delinquent items and any mortgage trade line, including mortgage line-of-credit payments, during the most recent 12 months consisting of any of the following:
 - Three or more late payments greater than 30 days
 - One or more late payments of 60 days plus one or more 30-day late payments
 - One payment greater than 90 days late
- NOTE: Loans with mortgage lates are not eligible
- Bank statements that indicate multiple non-sufficient funds (NSF) charges. Example: more than 1 or 2 isolated incidents over a 60 day period. An explanation for such NSFs will be required and additional asset statements may be required to decision the loan.
- Failure to meet the specific conditions of an AUS approval
- All conditions outlined in the DU findings report must be satisfied

Compensating Factors

- Compensating factors that may be used to justify approval of mortgage loans with ratios exceeding our benchmark guidelines are those listed below. Underwriters must record on the "remarks" section of the VA Form 26-6393, Loan Analysis the compensating factor(s) used to support loan approval. Any compensating factor used to justify mortgage approval must be supported by documentation.
 - excellent credit history
 - conservative use of consumer credit
 - minimal consumer debt
 - long-term employment
 - significant liquid assets
 - sizable downpayment
 - the existence of equity in refinancing loans
 - little or no increase in shelter expense
 - military benefits
 - satisfactory homeownership experience
 - high residual income
 - low debt-to-income ratio
 - tax credits for child care
 - tax benefits of home ownership

Contributions by an Interested Party

- VA regulations limit charges "made against or paid by" the borrower. They do not limit the payment of fees and charges by other parties.
- Any seller concession or combination of concessions which exceeds 4 percent of the established reasonable value of the property is considered excessive, and unacceptable for VA-guaranteed loans. (Do not include normal discount points and payment of the buyer's closing costs in total concessions for determining the 4% limit).

Credit Requirements

- A credit report must be obtained through DU.
- A valid/usable credit score is one that is generated based on the following
 - 3 trade lines rated for at least 12 months
 - 1 tradeline with a credit limit of at least \$5,000
 - Authorized User accounts may not be used to satisfy the trade line requirements
 - At least one active trade line (non-derogatory) in the past six months. An active trade line is defined by the date of last activity on the account and not a current open balance. A non-derogatory trade line is currently less than 90 days delinquent and non-collection.
- Recent inquiries must be explained
- Each borrower must have a minimum representative FICO score of 640. Middle of three, lowest of two for each borrower.
- The Decision Credit Score is determined for each applicant. It is the middle of three credit scores, the lower of two. If more than one borrower is on an application, the lowest Decision Credit Score is used as the final Decision Credit Score to determine MIP and pricing. If more than one borrower is on an application, the lowest Score is used as the final Decision Credit Score for pricing.
- Overall credit quality must meet VA guidelines for acceptable credit history. Refer to VA Lender's Handbook.
- Housing History
 - Mortgage history and/or rental history must be verified for the most recent 12 months if this information does not appear on the credit report
 - Payment shock must be addressed (increase in verified housing expense of more than 25%)
 - Landlord Rating / Rental History
 - A 12-month satisfactory landlord reference is required regardless of DU findings
 - All direct verifications must include the rental amount, payment history, and length of payment history.
 - If cancelled checks are used, copies (front & back) of twelve (12) month's consecutive (one (1) payment per month) rental payment canceled checks are required.
 - When the landlord is an interested party to the transaction (i.e., seller, broker, etc.) or a relative or employer of the Borrower, 12-months canceled checks reflecting a satisfactory payment history must be provided. In addition, a copy of the lease to verify the due date in lieu of a landlord reference must be provided.
 - Borrowers unable to document a housing history (i.e. live with family rent free or pay cash to roommate) must reflect -0- in current housing expense on their application and in DU. Payment shock must be analyzed by the underwriter along with all other risk factors
 - Mortgage Rating:
 - Loan must be current for the month due.
 - No mortgage payment may have been 30 days or more late within the past 12 months.
 - Obtain up to a 12 month or life of loan payment history via Credit Report, cancelled checks or VOM verifying payments are current with zero 30 day late payments during that period.
- All VA Loans are subject to clear CAIVRS for each borrowers
- All VA Loans are subject to clear LDP and GSA (EPLS) search results for all parties to the transaction
 - All Borrowers
 - All Sellers
 - Both Realtors and their Companies
 - Escrow Officer, Closing Attorney/Agent and their Company

- Non-Purchasing Spouse in a Community Property State
 - If property is located in a community property state, or the borrower resides in a community property state, the following requirements apply
 - A credit report for the non-purchasing spouse is required to determine any joint or individual debts. The spouse's authorization to pull a credit report must be obtained. If the spouse refuses to provide authorization for the credit report, the loan must be rejected
 - Even if the non-purchasing spouse does not have a social security number, the credit reporting company should verify that the non-purchasing spouse has no credit history and no public records recorded against him/her.
 - Credit Company should be given non-purchasing spouse information: Name(s), address, birth date and any other significant information requested in order to do the records check.
 - The greater of the monthly payment amount or 5% of the outstanding balance of all debts of the non-purchasing spouse must be included in the qualifying ratios
 - Disputed debts of the non-purchasing spouse need not be counted provided the file contains documentation to support the dispute.
 - If the debts are the sole responsibility of the non-purchasing spouse and the DTI is excessive, the DTI alone should not be considered as a basis for declining an otherwise approvable loan
 - Credit history of the non-purchasing spouse must meet VA minimum credit requirements. However, it should not be the sole basis for declining the loan
 - State law dictates when certain debts can and cannot be included in the borrower's ratio
 - **List of Known Community Property States**

Arizona	Nevada
California	Texas
Idaho	
 - **State Specific Requirements for Community Property States**
 - Arizona**
 - The satisfaction of collections and judgments of non-purchasing spouses for FHA loans in AZ will no longer be required under the following circumstances:
 - The collection and/or judgment is dated prior to the marriage. (evidence of the marriage date must be in the file)
 - The non-purchasing spouse is not contributing towards any of the down payment or costs on the transaction (including gifts or monies from joint accounts)
 - The non-purchasing spouse signs the title disclaimer in order to prevent any judgments from attaching to the property. (Condition at closing).
 - The non-purchasing spouse cannot sign the Deed of Trust/Security Instrument.
 - California**
 - All delinquent debts including those of the non-purchasing spouse, must be satisfied prior to or at closing
 - Debts acquired prior to the marriage are counted as joint liability
 - Nevada**
 - Debts acquired prior to the marriage or acquired sole and separate are excluded from the qualifying ratios.

Disclosure/Program Information

- Assumable: yes
- Prepayment Penalty: no
- All applicable VA Disclosures must be signed

Documentation Requirements

- Loan must be documented according to VA guidelines.
- DU – follow all documentation requirements listed in Findings
- Loans that received Refer/Eligible Findings from DU must contain documentation for the compensating factors that are being used to overcome the Refer
- VA Form 26-6393 Loan Analysis to be accurately completed. VA Automatic Underwriter must sign final Loan Analysis prior to closing
- Military Income Sources and Documentation
 - **Active Duty**
 - Obtain an original military Leave and Earning Statement (LES) dated no more than 120 days prior to the Note signing date instead of a VOE.
 - Determine if the service member is within 12 months of release from active duty or end of the contract term. If the date is within 12 months of the anticipated loan closing date, obtain any of the following:
 - Documentation of re-enlistment to a date beyond the 12-month period following the projected closing of the loan.
 - A statement from the service member the he/she intends to reenlist or extend his/her period of active duty to a date beyond the 12-month period plus a statement from the service member's commanding officer confirming that the service member is eligible to reenlist or extend his/her active duty and that the commanding officer has no reason to believe that the reenlistment or extension of active duty will not be granted.
 - Verification of a valid offer of local civilian employment following the release from active duty.
 - Documentation of strong mitigating factors, such as a down payment of at least 10%, significant cash reserves, and clear evidence of strong ties to the community coupled with a nonmilitary spouse's income high enough that only minimal income from the active duty service member is needed to qualify.
 - **Subsistence (Rations)**
 - The subsistence (rations) is indicated on the LES.
 - Verified allowance may be included as effective non-taxable income.
 - **Military Quarters Allowance**
 - Verification of this income may be obtained from the borrower's paystub, or on Military.com under Benefits on the Basic Allowance for Housing (BAH) Rate Tables (amount must be verified based on geographic duty, location, pay grade, and dependency status), or on the Department of Defense Web site.
 - Military quarters allowance may be included as effective nontaxable income if properly verified. In most areas there will be an additional variable housing allowance that can also be included.
 - Tax-free income may be "grossed up" only for calculating the debt-to-income ratio, not residual income. Do not add non-taxable income to taxable income before "grossing up."

- **Other Military Allowances**
 - Other allowances include: propay, flight or hazard pay, overseas pay, and combat pay.
 - To consider a military allowance in the underwriting analysis, obtain verification of the type and amount of the military allowance and how long the veteran has received it. These types of pay are subject to periodic review and/or testing of the recipient to determine eligibility. These allowances are considered taxable income. These allowances may be included in effective income only if it is expected to continue because of the nature of the veteran's assigned duties; for example, flight pay for a verified pilot.
- **Voluntary Separation Payments**
 - Special Separation Benefit (SSB)
 - A one-time lump sum
 - Taxable in the year received
 - Treat as any substantial cash reserve
 - Voluntary Separation Incentive (VSI)
 - Annual payments
 - Include in effective income
 - Taxable in the year received
 - Payment period is calculated by multiplying the veteran's years of service time two
 - Available only to veteran's with six or more years of service (equating to a minimum of 12 years annual payments).
- **Reserves or National Guard Income**

Income from service in the Reserves or National Guard may be included in effective income if the length of the veteran's total active and Reserve/Guard service indicates a strong probability that the Reserve Guard income will continue. Otherwise, this income may be used to offset obligations that have 10 to 24 months duration.
- **Recently Activated Reserve or National Guard**

Lender must ask every veteran whose income is being used to qualify for a loan if their income is subject to change due to participation in a Reserves/National Guard unit due to activation. The underwriter must determine what the veteran's income will be upon unit activation:

 - Reduced: Carefully evaluate the impact the reduction may have on the veteran's ability to repay the loan.
 - Increased: Consider the likelihood the income will continue beyond a 12-month period.

Carefully and thoroughly document, including reasons for using/not using reserve/guard income, these situations on the Loan Analysis or on a separate memorandum to the file.
- **Rental Income**

Underwriting analysis on VA loans may not consider rental income from the property vacated except under circumstances described under "Exceptions" below.

Exceptions: Rental income on the property vacated by the borrower, reduced by the appropriate VA vacancy factor may be used under the following circumstances:

 - **Relocations:** The homebuyer 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. Subject to 1 below
 - **Sufficient Equity in Vacated Property:** The homebuyer has a loan-to-value ratio of 75% or less, as determined by either a current (no more than six months old) residential appraisal or by comparing the unpaid principal balance to the original sales price of the property. The appraisal, in addition to using forms Fannie Mae 1004/Freddie Mac 70, may be an exterior-

only appraisal using form Fannie Mae/Freddie Mac 2055, and for condominium units, form Fannie Mae 1075/Freddie Mac 466. Subject to 1 and 2 below

The above guidance applies solely to a primary residence vacated in favor of another primary residence and is not applicable to existing rental properties disclosed on the loan application and confirmed by tax returns (Schedule E of form IRS 1040). Existing rental properties must be documented to VA guidelines.

1. A properly executed lease agreement (such as a lease signed by the homebuyer and the lessee) of at least one year's duration is required from the date the loan closes. Underwriters are recommended also obtain evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner.
2. The underwriter is responsible for determining eligibility of rental income in accordance with VA specifications.

Eligible Borrowers

- **Eligible Veterans**
For VA home loan purposes, a veteran is a person who has served on active duty in the Army, Navy, Air Force, Marines, or Coast Guard, and who (except for a service member on active duty) was discharged or released from active duty under conditions other than dishonorable. In general, the following eligibility criteria apply:
 - The minimum service required during wartime periods is 90 days of active duty.
 - The minimum service required for the peacetime periods is 181 days of continuous active duty.
 - The veteran must have been discharged or released from active duty under other than dishonorable conditions. Veterans who served less than the minimum required period may be eligible if discharged because of service-connected disabilities.
 - Members of the Reserves or National Guard who are not eligible for loan guaranty benefits are eligible upon completion of six years of service in the Selected Reserve, or upon discharge from the Reserves or National Guard because of a service-connected disability before completing six years.
 - The un-remarried surviving spouse of an eligible service member who died as a result of service or service-connected injuries may also be eligible.
 - Specific questions on veterans' eligibility matters should be referred to the VA regional office.
- **Co-Borrowers:** Only the Veteran's spouse is eligible as co-borrower
- All borrowers must have a valid Social Security Number. All loans must contain validation of the social security number using any of the following:
 - Paystub
 - W-2
 - Passport
 - Valid tax returns
- All borrowers must demonstrate 2 years of employment history
 - Borrowers with less than 2 year employment may be eligible (i.e recently graduated from college or trade school). However, the loan would require manual underwriting
- In order to be eligible for a VA loan, borrowers may not take an ownership interest in the property at the time of settlement without signing the mortgage note and all security instruments, unless on active duty for which a veteran's spouse may execute a Power of Attorney.
- **U.S. Citizens**

- **Power of Attorney**
 - Only specific Powers of Attorney are acceptable. If only one borrower on transaction a POA would not be allowed. If multiple borrowers at least one borrower, not a POA, must sign the loan docs.
 - Title Policy must insure over its use.
- **Revocable Trusts**

Beneficial interest in a revocable Family Living Trust that ensures the veteran, or veteran and spouse, have an equitable life estate, provided the lien attaches to any remainder interest and the trust arrangement is valid under State law.

Escrow Waivers

- VA loans may not waive escrow – Impound account is required.

Fees and Charges

VA policy has evolved around the objective of helping the veteran to use his or her home loan benefit; therefore, VA regulations limit the fees that the veteran can pay to obtain a loan. Clients must strictly adhere to the limitations on veteran-paid fees and charges as shown below when making VA loans.

- **Fees/Charges the Veteran Can Pay**
 - VA Funding Fee
 - The maximum of:
 - Reasonable and customary amounts for any or all of the Itemized Fees and Charges designated by the VA, plus
 - 1% Origination Fee, plus
 - Reasonable discount points

Note: The 1% origination fee is intended to cover all of the Client's costs and services that are not reimbursable as "itemized fees and charges"
- **Fees/Charges the Veteran Can Not Pay**
 - Appraisals requested by the Client or the property seller for reconsideration of value
 - Appraisals requested by parties other than the veteran or Client
 - Attorney's fees
 - Brokerage fees
 - Consulting and Referral Fees
 - Flood zone determination made by the Client to VA appraiser
 - Inspection fees
 - Prepayment fees of an existing loan (may not be paid with VA-guaranteed loan proceeds)
 - Tax service fee
- **Itemized Fees and Charges**

The veteran can pay any or all of the itemized fees and charges listed below, in amounts that are reasonable and customary. For services performed by a third party, the amount paid by the veteran cannot exceed the actual charge of that third party.

 - Appraisals, including second appraisals requested by the veterans for reconsideration of value
 - Credit report or on AUS-decisioned loans, up to \$50 evaluation fee charged in lieu of a credit report. For "refer" recommendations the veteran may also pay the charge for a merged credit report.
 - Flood zone determination: the veteran may pay for a life-of-the-loan flood determination service purchased at the time of loan origination.

- Hazard insurance premium including flood insurance, if required
- Mortgage Electronic Registrations Systems (MERS) fee
- Prepaid items such as taxes, assessments, and similar items for the current year chargeable to the veteran and the initial deposit for the tax and insurance account
- Recording fees and recording taxes or other charges incident to recordation
- Special mailing fees such as Federal Express®, Express Mail®, etc. for refinance transactions only
- Survey, if required by the lender or the veteran. Condominium surveys must have prior approval of the VA.
- Title examination and title insurance including environmental protection lien endorsement, if required by the Client
- Other fees as authorized by the VA
- **Real Estate Commissions**
An aggregate real estate commission including a “bonus” greater than 8% of the sales price of the subject property is considered a sales concession and that commission and/or bonus amount over 8% must be deducted from the sales price.

Ineligible Loan Types

- Loans approved with LP Findings
- Loans with private water purification systems requiring an escrow for maintenance
- Any program which impairs the lender’s right to complete collection or foreclosure proceedings.
- Properties currently listed for sale on refinance transaction – refer to Property section Texas Section 50(a)(6) transactions
- Energy Efficient Mortgages (EEM) – any loan that includes an increase to cover energy efficient improvements

Loan Guaranty Certificate (LGC)

- Loans that are unable to be guaranteed (due to program violations, etc.) must be repurchased.

Minimum/Maximum Loan Amount

- Minimum Loan Amount \$50,000
- Maximum Loan Amount \$417,000
- VA Loan Limit for the county from http://www.homeloans.va.gov/docs/2010_county_loan_limits.pdf
- Refer to Transaction Type for maximum loan amount calculations

Loan Guaranty/Entitlement

- Must be Veteran with sufficient VA entitlement for program
- All loans require at least 25% guaranty
- The maximum guaranty is the lesser of the veteran’s available entitlement or the maximum potential guaranty amount detailed in the following table.

Loan Amount	Maximum Potential Guaranty
Up to \$45,000	50% of the loan amount
\$45,001 to \$56,250	\$22,500
\$56,251 to \$144,000	40% of the loan amount with a maximum of \$36,000
\$144,001 to \$417,000	25% of the loan amount with a maximum of \$104,250

Funding Fee

- The VA Funding Fee may be financed.
- The following tables list the percentages for the required VA funding fees for closing.

Purchase Loans			
Type of Veteran	Down Payment	Percentage for First-Time Use	Percentage for Subsequent Use
Regular Military	0 – 4.99%	2.15%	3.30%
	5 – 9.99%	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves/ National Guard	0 – 4.99%	2.40%	3.30%
	5 – 9.99%	1.75%	1.75%
	10% or more	1.50%	1.50%

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

- **Funding Fee Exemption**

A veteran must establish any claim for exemption from the fee. The following are the only exceptions allowed:

- Veterans receiving VA compensation for service-connected disabilities
- Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay
- Surviving spouses of veterans who died in service or from service-connected disabilities (regardless of whether such surviving spouses are veterans with their own entitlements and whether they are using their own entitlements on the loan)
- Veterans who are rated by the VA as eligible to receive compensation as a result of pre-discharge disability examination and rating

Occupancy Requirements

- Veterans purchasing a primary residence, refinancing, or improving their home must certify that they intend to live in the home.
- If the buyer is on active duty, a spouse may certify occupancy. Single or married service members deployed from their permanent duty station are considered to be in a temporary-duty status and are able to certify intent to occupy. There is no need to have a spouse, if applicable, certify occupancy.

Ownership History (Minimum 24 months)

- All files must contain a 24-month title history provided by an acceptable source, as well as all required documentation to satisfactorily verify ownership:
 - Acceptable Sources

- Preliminary Title Commitments
- Copies of recorded title-transfer deeds
- Credit report mortgage histories and HUD-1's showing transfers of ownership in the last 24 months
- Unacceptable Sources
 - Appraisal
- Scenarios: If purchased less than 24 months, and the value increase is substantial or the reason for value increase is not supported by documented improvements – the original transfer value will be used.

Prepayment Penalty

- None

Property

- **Eligible Property**
 - Single Family Residence
 - 2-4 unit dwellings
 - PUD's (attached or detached)
 - Condos – VA Approved Eligibility can be verified at: <http://condopudbuilder.vba.va.gov/2.2/frames.html>
- **Ineligible Property**
 - Manufactured/Mobile Homes
 - Properties that do not meet VA's Minimum Property Standards
 - Location-related problems
 - A Special Flood Hazard Area (SFHA), and
 - The property's proposed, under, or new construction with elevation of the lowest floor below the 100-year flood level, or
 - Flood insurance is not available.
 - An area subject to regular flooding whatever reason, whether or not it is in an SFHA)
 - A Coastal Barrier Resources System area
 - An airport Noise Zone 3, if proposed or under construction
 - A transmission line easement involving high-pressure gas or liquid petroleum or high-voltage electricity, if any part of the residential structure is located within the easement, or
 - An area susceptible to geological or soil instability (such as earthquakes, landslides, or other history of unstable soils), if proposed/under/new construction and the builder cannot provide evidence that either the site is not affected or the problem has been adequately addressed in the engineering design.
 - Condominium project not approved
 - Ownership not fee-simple
 - Properties that are not residential in nature and use (i.e.: farms, orchards, commercial properties, etc)
 - Properties with private water purification systems requiring an escrow for maintenance
 - Properties currently listed for sale are not eligible for refinance
- **Minimum Property Requirements**
 - VA Minimum Property Requirements (MPR) provide general acceptability criteria for properties that will become the security for VA-guaranteed loans. MPR provide a basis for determining that

- the property is safe, structurally sound, sanitary, and meets the standards considered acceptable in a permanent home in its locality.
- All properties, including foreclosed properties, must be in a condition that meets MPR or have a reasonable likelihood the property can be repaired to meet the MPR prior to loan closing. In those cases where repairs are required, the VA appraiser must list on the appraisal report any repairs necessary to meet MPR and provide an estimate of the fair market value for the property, as if repairs are completed. The property seller is expected to pay for these required repairs since they are included in the estimate of value. It is not allowable to escrow funds from the veteran purchaser for use in making the required repairs.
 - Lenders selling a “Real Estate Owned” property may not process any case under Lender Appraisal Process Program; these cases must be ordered as an “IND” appraisal
- **Properties Listed for Sale**
Refinances on properties listed for sale are not permitted. Properties previously listed for sale must have been off the market and the listing canceled in the time frames described below:
 - **Rate and Term Refinances:** The listing agreement must be canceled at least one day prior to the date the loan application is taken.
 - **Cash Out Refinances:** Listing agreements on the subject property must be canceled six months prior to the loan application date or the loan is subject to a maximum loan-to-value of 70%.
In all circumstances, listing agreements must be canceled prior to the loan application.
A copy of the canceled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency.

Qualifying Rate

- Note Rate

Ratio

- Maximum qualifying debt-to-income ratio 41 %
 - **DU Approval:** Ratio may be exceeded with an acceptable DU certificate.
 - **Manual Underwriting:** **Ratio may not exceed 41 %**

Section 32/High-Cost Loans

- Reunion Mortgage does not allow High-Cost loans. High-Cost testing will be performed on all loans to determine loan is not a high-cost loan as defined by section 32 and/or lender regulations and requirements. Please see points and fees matrix for % of fees allowed and fees included and excluded for calculation.

State Restrictions / Requirements

- Refer to State Loan Matrix
- Refinance transactions not allowed in Texas
- Effective January 1, 2003, the VA requires that purchase-transaction loans secured by properties located in Fallon, Nevada, and serviced by the City of Fallon Municipal Water System include a veteran-signed “Purchaser Acknowledgement and Release” form. For additional information, contact your local VA office.

Secondary Financing

- Secondary financing is acceptable as long as the veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA. In addition, the following requirements must be met:

Factor	Requirement
Simultaneous	<ul style="list-style-type: none"> ▪ Secondary financing must be obtained simultaneously with the VA-guaranteed first mortgage, both secured by the same property.
Documentation	<ul style="list-style-type: none"> ▪ The Client must submit documentation disclosing the source, amount, and repayment terms of the second mortgage and agreement to such terms by the veteran and any co-obligors.
Lien Positions	<ul style="list-style-type: none"> ▪ The second mortgage must be subordinated to the VA-guaranteed loan.
Allowable Purposes	<ul style="list-style-type: none"> ▪ The proceeds of the second mortgage may be for items such as, but not limited to: <ul style="list-style-type: none"> ▪ Closing costs ▪ A down payment to meet secondary market requirements of the Client ▪ Secondary financing may not be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over the VA's reasonable value.
Cash Back	<ul style="list-style-type: none"> ▪ There can be no cash back to the veteran from the VA first or second mortgage obtained simultaneously.
Underwriting	<ul style="list-style-type: none"> ▪ The veteran must qualify for the second mortgage which is underwritten as an additional recurring monthly obligation.
Interest Rate	<ul style="list-style-type: none"> ▪ The interest rate on the second mortgage may exceed the rate on the VA-guaranteed first; however, it may not exceed industry standards for second mortgages.
Assumability	<ul style="list-style-type: none"> ▪ The second mortgage must be assumable by creditworthy purchasers.
Grace Period	<ul style="list-style-type: none"> ▪ There should be a reasonable grace period before: <ul style="list-style-type: none"> ▪ A late charge comes due, or ▪ Commencement of foreclosure proceedings in the event of default.

Transaction Type

- **Purchase**
 - Maximum Base Loan Amount is the lesser of :
 - Sales price or appraised value
- **Refinance: Cash-out or Rate & Term**
 - Interest Rate Reduction Refinance Loans (IRRRL) are not allowed
 - Free and Clear properties are not eligible
 - Maximum LTV/CLTV is 90%
 - Maximum loan amount is lesser of 90% LTV or value times 75%
 - No seasoning on first mortgage or junior liens
 - No restriction on length of ownership or seasoning of mortgage payments. **Except;** If the property was acquired less than one year prior to the date of Loan Application, the maximum loan amount must be calculated using the lesser of the appraised value **or** the original sales price.
 - Obtain a copy of the Deed to verify date of ownership

- Obtain a copy of the HUD-1 to verify original sales price
- Closing costs, prepaid expenses and discount points may not be added to the appraised value or sales price to calculate the new maximum loan amount.
- Mortgage Rating:
 - Loan must be current for the month due.
 - No mortgage payment may have been 30 days or more late within the past 12 months.
 - Obtain up to a 12 month or life of loan payment history via Residential Mortgage Credit Report, cancelled checks or VOM verifying payments are current with zero 30 day late payments during that period.
- Subordinate financing
 - New subordinate financing is not allowed
 - May subordinate existing junior liens provided the CLTV does not exceed 90%
- Not permitted in Texas

Underwriting

- VA loans must be underwritten by a Reunion Mortgage VA Automatic Underwriter
- Loans must receive DU Findings of Approve/Eligible or Refer/Eligible. Note: Underwriting decisions must be based on sound application of the underwriting standards, and underwriters are expected to use good judgment and flexibility, even with a DU Approve/Eligible. (See VA Lender Handbook for documentation requirements on loans which receive a Refer)
- Refer/Eligible loans must include compensating factors listed on the Loan Analysis that address the reason for the Refer and supporting documentation is required in the file
- Refer/Eligible loans require second level underwriting approval by a VA Automatic Underwriter
- Underwriter's Objective is to identify and verify income which is stable and reliable, anticipated to continue and sufficient to meet:
 - The mortgage payment
 - Other shelter expenses
 - Debts and obligations, and
 - Family living expenses
 - See Chapter 4 of the VA Handbook for further guidance.
- Determine the appropriate deductions for Federal income tax and Social Security using the "Employer's Tax Guide," circular #, issued by the Internal Revenue Service.
- Amount of cash required must be sufficient to cover any closing costs or points which are the applicant's responsibility or the difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA.
- Verify all liquid assets owned by the applicant or spouse to the extent they are needed to close the loan.
- Shelter expense is applied at .14 cents per sq. foot.

- Residual Income:

Table of Residual Incomes by Region For loan amounts of \$79,999 and below				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
over 5	Add \$75 for each additional member up to a family of seven.			

Table of Residual Incomes by Region For loan amounts of \$80,000 and above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1062	\$1,039	\$1,039	\$1,158
over 5	Add \$80 for each additional member up to a family of seven			

Key to Geographic Regions Used in the Preceding Tables			
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