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| <b>Documentation Requirements</b>               | All loans must meet standard VA loan documentation and qualification requirements<br>VA Lender Handbook is located at this link: <a href="https://benefits.va.gov/warms/pam26_7.asp">https://benefits.va.gov/warms/pam26_7.asp</a>   |                 |                              |
| <b>Exceptions</b>                               | Exceptions to guideline requirements will be made on a case-by-case basis with Sr. management approval   |                 |                              |
| <b>Owner Occupied Only</b>                      | <b>Property Type</b>   | <b>Purchase</b> | <b>Cash Out LTV's/CLTV's</b> |
|   | 1-4 Unit   | Purchase 100%   | 100%                         |
|   | 1-4 Unit   | Purchase 100%   | 100%                         |
| <b>600 Minimum FICO</b>                         | Manufactured- 660 score<br>(Retained Product Only)   | Purchase 100%   | 100%                         |
| <b>Terms/Product</b>                            | <ul style="list-style-type: none"> <li>Fixed: 30,25,20 and 15 Yr. only, VA 5/1 and 3/1 Arm</li> </ul>  |                 |                              |
| <b>3rd Party Processing Services</b>            | <ul style="list-style-type: none"> <li>If utilizing a 3rd party for processing services- The loan must be locked and submitted under the Retained Product</li> </ul>   |                 |                              |
| <b>Underwriting</b>                             | <ul style="list-style-type: none"> <li>All loans are run through DU or LP with AUS approval</li> <li>Manual Underwrite requires management review (when AUS is Approve/Ineligible or Refer). Max DTI is 41%.</li> <li>All loans require a signed 4506t</li> <li>MAM will require a VOE - (required on most/all VA loans)</li> <li>Most recent 2 months bank statements required.</li> <li>Verify a minimum of 2 years employment.</li> <li>If the applicant has been employed by the present employer less than 2 years:               <ul style="list-style-type: none"> <li>Verify prior employment plus present employment covering a total of 2 years,</li> <li>Provide an explanation of why 2 years employment could not be verified,</li> <li>Compare any different types of employment verifications obtained (such as, Verification of Employment (VOE), pay stubs, and tax returns for consistency), and</li> <li>Clarify any substantial differences in the data that would have a bearing on the qualification of the applicant.</li> </ul> </li> <li>Verbal Verification of employment is required prior to closing</li> <li>Cash out loans are not permitted in Texas (FHA)</li> <li>Resale-deed restrictions are not permitted</li> <li>Borrower spouse is the only co-borrower allowed</li> <li>Non-traditional (no score-exception basis only – loan needs to be submitted on the retained product) We will need 2 months bank statements showing savings pattern and reserves after close, cancelled rent checks for past 12 months and minimum of 2 additional alternative trade lines reporting for 12 months or more with no late pays reported on Residential Mortgage Credit Report. If rent payments can't be verified, we will not be able to entertain a no score loan.</li> </ul> |                 |                              |
| <b>Credit Score</b>                             | <ul style="list-style-type: none"> <li>600 - Lower of 2 or Middle of 3 repositories.</li> <li>No Score possible- On Exception basis.</li> </ul>  |                 |                              |
| <b>Retention of Current Principal residence</b> | <ul style="list-style-type: none"> <li>Borrower must provide an executed lease, evidence of market rent is required, and evidence of deposit of first month's rent or security deposit evidencing validity of lease is required. Borrower must have 6-months (PITI) cash reserves. (documenting equity of departure residence is not required) If reserves cannot be evidenced then a 30% equity position in departure residence is required.</li> <li>Rent can only offset the departing residence PITI</li> </ul>  |                 |                              |



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| <b>Manufactured Housing</b>       | <ul style="list-style-type: none"> <li>Retained Product Only</li> <li>10 Acres Max</li> <li>DPA's not allowed for Manufactured Homes</li> <li>Gift of Equity no allowed on Manufactured Homes</li> <li>660 to 679 – allowed with no other exceptions</li> <li>Property must meet HUD/VA guidelines</li> </ul>   |
| <b>Seasoning for a Refinance</b>  | <ul style="list-style-type: none"> <li>Effective with commitments issued <b>on or after March 1, 2018</b>, Mid America Mortgage is aligning with Ginnie Mae's seasoning requirements announced in <a href="#">Ginnie Mae APM 17-06</a>.</li> <li>When refinancing <b>any loan</b> to a new VA loan, The Note Date of the new loan is the later of:             <ul style="list-style-type: none"> <li>At least 210 days after the first payment is <b>made*</b> on the original loan</li> <li>The date after the 6 months payment is made on the original loans.</li> </ul> </li> </ul> <p><b>*This is the date the payment is made and not the first payment due date</b></p>  |
| <b>Seller Contributions</b>       | <ul style="list-style-type: none"> <li>Seller Contributions limited to maximum 4% of the lower of the sales price or appraised value.</li> <li>Seller can pay 100% of the buyers Closing Costs</li> </ul>   |
| <b>Certificate of Eligibility</b> | <ul style="list-style-type: none"> <li>25% minimum coverage</li> <li>GNMA coverage must be in force from VA eligibility on COE or additional principal payment must be made to equal 25% coverage</li> </ul>  |
| <b>Subordinate Financing</b>      | <ul style="list-style-type: none"> <li>DAP's permitted with Mid America approval of DPA issued by municipality or government agency</li> </ul>  |
| <b>Down Payment and Reserves</b>  | <ul style="list-style-type: none"> <li>The applicant or spouse must have sufficient cash to cover:             <ul style="list-style-type: none"> <li>any closing costs or points which are the applicant's responsibility and are not financed in the loan</li> <li>the down payment, if a GPM, and</li> <li>The difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA.</li> </ul> </li> <li>VA does not require the applicant to have additional cash to cover a certain number of mortgage payments, unplanned expenses, or other contingencies.</li> <li>However, the applicant's ability to accumulate liquid assets and the current availability of liquid assets for unplanned expenses should be considered in the Overall credit analysis.</li> <li><b>Verification requirement</b> <ul style="list-style-type: none"> <li>Verify all liquid assets owned by the applicant or spouse to the extent they are needed to close the loan. In addition, verify any liquid assets that may have a bearing on the overall credit analysis; that is, significant assets.</li> <li>Use original or certified true copies of the applicant's last two bank statements, OR the borrower's bank statements available to them by Internet or Faxed from the depository directly to the lender. In cases where the lending institution uses Internet based verifications, ensure the URL appears on the document.</li> <li>Verifications must be no more than 120 days old for automatically closed loans, this means the date of the deposit verification is within 120 days of the date the note is signed.</li> </ul> </li> </ul> |
| <b>Mortgage/Rent History</b>      | <ul style="list-style-type: none"> <li>Follow AUS findings unless credit is thin or limited then cancelled checks or bona-fide 3<sup>rd</sup> party VOR may be required</li> </ul>  |
| <b>Occupancy</b>                  | <ul style="list-style-type: none"> <li>Owner Occupied Primary residence only 1-4 unit</li> </ul>  |



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| <b>Debt to Income Ratio</b>                        | <ul style="list-style-type: none"> <li>Follow AUS findings. VA REQUIREMENT – Regardless of FICO and AUS findings. The loan must meet the residual income requirement per VA for any DTI exceeding 41%.</li> <li>The residual income should be reflected on the AUS findings with family size accurately entered.</li> <li>Fourteen cents (\$ 14 cents) a square foot is the current accurate calculation for maintenance / utilities to be entered into the AUS findings.</li> </ul>  |
| <b>Bankruptcy</b>                                  | <ul style="list-style-type: none"> <li>Minimum 2 Years</li> </ul>   |
| <b>Foreclosure</b>                                 | <ul style="list-style-type: none"> <li>Minimum 2 Years completed. Seasoning based off the property transfer date/sheriffs sale.</li> </ul>  |
| <b>Property Types</b>                              | <ul style="list-style-type: none"> <li>Single Family Attached and Detached, Condo, PUD and Manufactured Homes</li> <li>Manufactured properties are limited to 10 acres</li> <li>Manufactured Housing only allowed on Retained product</li> </ul>  |
| <b>Condominium</b>                                 | <ul style="list-style-type: none"> <li>Condominium must be currently approved by VA</li> </ul>  |
| <b>Funding Fee</b>                                 | <ul style="list-style-type: none"> <li>Current Funding Fee table- please click on this link below- page 21</li> <li><a href="https://benefits.va.gov/WARMS/docs/admin26/handbook/ChapterLendersHanbookChapter8.pdf">https://benefits.va.gov/WARMS/docs/admin26/handbook/ChapterLendersHanbookChapter8.pdf</a></li> <li>Exempt Veterans: Exempt Veterans. A Veteran may be exempt from paying a VA Funding fee under certain circumstances: To document this exemption, a Verification of VA Benefits (26-8937) must be completed by the VA, or disability award letter. Veteran is receiving VA compensation for a service-connected disability of at least 10%. Surviving spouse of a Veteran who dies in service from a service connected disability.</li> </ul>  |
| <b>Cash out</b>                                    | <ul style="list-style-type: none"> <li>100% (minimum FICO of 600 required and AUS approval) Retained product only</li> </ul>  |
| <b>Appraisal</b>                                   | <ul style="list-style-type: none"> <li>VA LAPP 1004 Appraisal is required.</li> <li>Approved VA clients should request a VA LAPP appraisal through the VA Portal (webLG)</li> </ul>   |
| <b>Escrows</b>                                     | <ul style="list-style-type: none"> <li>Escrow of Tax, Insurance and MIP are required on all loans.</li> </ul>   |
| <b>Property Flips</b>                              | <ul style="list-style-type: none"> <li>Flip transactions are eligible. (seller must have acquired property 90 days prior to date of sales contract and Case #)</li> </ul>   |
| <b>Number of Financed Properties</b>               | <ul style="list-style-type: none"> <li>Borrower may own additional property and have more than 1 VA loan but must have sufficient entitlement for new VA loan</li> </ul>  |
| <b>Non Arm's Length Transactions</b>               | <ul style="list-style-type: none"> <li>Allowed – must be noted on sales contract and appraisal</li> </ul>   |
| <b>IRS Tax Transcript and W2 Transcript Policy</b> | <ul style="list-style-type: none"> <li>No Transcripts are required when all income information used to decision a loan is made exclusively of wage earner income reported on a W-2 and /or fixed income reported on a 1099 (Ex. Social Security or VA benefits), unless required by AUS.</li> <li>Self-employed, commissioned and rental income will require tax transcripts</li> <li>Instances where Tax Transcripts would be required regardless of income and employment sources.             <ul style="list-style-type: none"> <li>Handwritten paystubs are used as verification of income</li> <li>Borrower(s) is employed by a family member</li> <li>Relationship between the parties</li> <li>Borrower and Seller are related</li> <li>Borrower is employed by the Third Party Originator Company</li> <li>the underwriter's or QC discretion, if needed to verify income calculations or to address red flags</li> <li>If Tax returns are delivered with the file at time of application</li> </ul> </li> </ul> |



### VA IRRRL Guidelines

- Please reference VA Circular: Circular 26-18-13
- **Action Fee Recoupment.** The lender, which also includes any broker or agent of the lender, and any servicer or issuer of an Interest Rate Reduction Refinance Loan (IRRRL), must:
  1. Provide recoupment statements to VA in accordance with VA Circular 26-18-1 and 26-18-1 Change 1, Policy Guidance for VA Interest Rate Reduction Refinance Loans (IRRRL), and;
  2. Certify that all fees and incurred costs, referenced in VA Circular 26-18-1, shall be recouped on or before the date that **is 36 months after the date of the loan, as determined by the date of the loan note.** The recoupment calculation is described in the aforementioned Circular, and is the result of lower monthly payments of the refinanced loan.
  3. **Net Tangible Benefit.** The lender, which also includes any broker or agent of the lender, and any servicer or issuer of an IRRRL, must provide the Veteran or borrower a net tangible benefit test (NTB) as follows:
    1. A case in which the previous VA loan had a fixed interest rate and the new refinanced loan will have a fixed interest rate; the new refinanced loan must have **an interest rate that is not less than 50 basis points (.50 less in interest rate) less than the previous loan.**
    2. A case in which the previous VA loan had a fixed interest rate and the new refinanced loan will have an adjustable interest rate, the new refinanced loan must have an interest rate that is **not less than 200 basis points (2.00 less in interest rate) less than the previous loan, and**
    3. The Lower interest is not produced solely from discount points unless;
      - a. Such Points are paid at closing
      - b. For discount point amounts that are less than or equal to one discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain a loan to value ratio of 100% or less: and
      - c. For discount amounts that are greater than one discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain a loan to value ratio of 90% or less.
  4. Loan Seasoning. All VA-guaranteed loans must be seasoned for a period of time, before refinancing to an IRRRL, also known as a VA streamline refinance. The seasoning period also applies to cash out refinances. The required seasoning is the later of:
    - a. The date is the 210 days after the date on which the first payment is made on the loan, and,
    - b. The date after the 6th monthly payment is made on the existing loan.

#### Lender Instructions for Determining Value for VA IRRRLs

- According to The Protecting Veterans from Predatory Lending Act of 2018, a loan-to-value determination must be made when discount points are charged. When discount points are not charged, a value determination is not required. These appraisals will not be ordered through WebLGY or the VA Fee Panel. Lenders should use their appraisal management and assignment process to complete a value determination.
- Acceptable forms of appraisal reports are:
  1. Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)
  2. Uniform Residential Appraisal Report (Fannie Mae 1004)
  3. Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)
  4. Individual Condominium Unit Appraisal Report (Fannie Mae 1073)
  5. Other industry accepted appraisal reports for manufactured and multi-unit homes



**VA IRRRL  
Guidelines  
Cont.**

- If lenders require the Veteran to pay for the cost of the appraisal, the cost must be included as part of the recoupment cost. The Veteran may only be charged a reasonable and customary amount, and only charged for one appraisal.
- Loan-to-value is calculated by dividing the VA base loan amount (excluding the funding fee, if any) by the value determined in one of the methods listed above.
- After obtaining the VA Loan Identification Number (LIN), lenders have the ability to upload the appraisal report in WebLGY. If the appraisal is not uploaded prior to loan guaranty, lenders must upload it to the correspondence link of the VA LIN in WebLGY
- Lenders must pay close attention at the time of guaranty to WebLGY messages. Loans that do not meet the requirements of The Protecting Veterans from Predatory Lending Act of 2018, will not be eligible for guaranty. WebLGY will prevent guaranty of loans that do not meet recoupment, net tangible benefit, and loan seasoning requirements. VA will be performing file audits to ensure that lenders are complying with the new law.

**Items needed for the VA IRRRL submission package**

- Verbal VOE is required
- AVM required and must be used to determine value (NO EXCEPTIONS) below 620
- Prior loan validation printout from web LGY application on VA Information Portal
- VA Request for Determination of Eligibility (VA 26-1880)-COE (only if simultaneous restoration of eligibility)
- VA Interest Rate & Discount Disclosure Statement
- VA Counseling Checklist for Military Homebuyers (VA 26-0592) (if applicant is active duty)
- HUD/VA Addendum to URLA (VA 26-1802a)
- VA Debt Questionnaire (VA 26-0551)
- VA Federal Debt Policy Notice (VA 26-0503)
- VA Assumability Disclosure (VA 26-8978)
- VA Loan Comparison signed by veteran and spouse verifying net tangible benefit and maximum 36 months recoupment of all fees and charges financed as part of the loan
- VA Statement of Nearest Living Relative
- Interest Rate Reduction Refinancing Loan Worksheet (VA 26-8923) NOTE: This form must be used to calculate the maximum loan amount; the maximum loan amount is the existing VA loan balance(s) plus the following:
  - Including any late payments and late charges, plus
  - Allowable fees and charges (includes up to two discount points), plus
  - The cost of any energy efficiency improvements, and
  - The VA Funding Fee
  - **Any IRRRL that includes delinquent payments in the loan amount must be submitted for prior approval, even when a lender has automatic authority**
- VA Rate Reduction Certification
- Clear CAIVRS
- Copy of Note being refinanced
- Payoff demand for previous VA loan being refinanced
- Current Payment Coupon
- Photo ID and Social Security Card (all parties)
- LDP/GSA for all parties



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| <p><b>VA IRRRL Guidelines Cont.</b></p> | <ul style="list-style-type: none"> <li>• The maximum loan term is the original term of the VA loan being refinanced plus 10 years, but not to exceed 30 years and 32 days. (EXAMPLE: old loan was made with a 15 year term; term of the new loan cannot exceed 25 years)</li> <li>• The principal and interest payment on the IRRRL must be less than the principal and interest payment on the loan being refinanced unless one of the following exceptions apply:             <ul style="list-style-type: none"> <li>▪ The IRRRL is refinancing an ARM;</li> <li>▪ The term of the IRRRL is shorter than the term of the loan being refinanced; or</li> <li>▪ Energy efficient improvements are included in the IRRRL</li> </ul> </li> <li>• A significant increase in the veteran’s monthly payment may occur with any of the following three exceptions, especially if combined with one or more:             <ul style="list-style-type: none"> <li>▪ Financing of closing costs;</li> <li>▪ Financing of up to two discount points; or</li> <li>▪ Financing of the funding fee and/or higher interest rate when an ARM is being refinanced</li> </ul> </li> <li>• IF the monthly payment (PITI) increases by 20% or more, the lender must:             <ul style="list-style-type: none"> <li>▪ Determine that the veteran qualifies for the new payment from an underwriting standpoint; such as determine whether the veteran can support the proposed shelter expense and other recurring monthly obligations in light of income established as stable and reliable; and include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20% or more</li> </ul> </li> <li>• The IRRRL must replace the existing VA loan as the first lien on the same property. Any second lien- holder would have to agree to subordinate to the first lien holder</li> <li>• Veteran cannot pay off liens other than existing VA loan from IRRRL proceeds</li> <li>• Veteran or surviving co-obligor spouse must still own the property</li> <li>• Generally, the party or parties obligated on the original loan must be the same on the new loan unless divorce or deceased. Veteran must credit qualify for new loan</li> <li>• At time of loan application, the veteran/borrower must have made at least 6 payments on the VA guaranteed mortgage being refinanced with no late payments</li> <li>• Borrower/Veteran cannot be in bankruptcy</li> <li>• Collections/Charge-offs not required to be paid off unless they affect lien position</li> <li>• Outstanding judgments and liens must be paid if they affect title</li> <li>• Underwriter must verify that borrower is employed and has income at time of application</li> <li>• Verbal VOE required at time of underwriting</li> <li>• Signed and Dated IRS 4506T will be requested prior to closing – do not order transcripts</li> <li>• Veteran MUST sign a statement (VA Loan Comparison worksheet) acknowledging the effect of the refinancing loan on the veteran’s loan payments and interest rate; the statement must show the interest rate and monthly payments for the new loan versus the old loan. The statement must also include how long it would take to recoup ALL closing costs (both those included in the loan and those paid outside of closing)</li> </ul> |
| <p><b>FAQ’s</b></p>                     | <ul style="list-style-type: none"> <li>•</li> </ul>   |