

AmericaHomeKey, Inc Program Description

VA Fixed Rate

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**V15, V20, V25, V30, V30G1,
V30G2, V30BD,**

1. GENERAL DESCRIPTION

VA guaranteed fully amortizing loan with a maturity of 15, 20, 25, 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
V25: 25 year fixed rate
V30: 30 year fixed rate
V30G1: 30 year fixed GNMAI
V30G2: 30 year fixed GNMAII
V30BD: 30 year fixed /buydown
- 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.

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 or FHA approved Townhouses and Condos. (VA no longer requires PUDs to be approved.)
Condos must be on the FHA approved list. No condo-tels or co-ops.

Manufactured Homes **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. 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 • Construction 		See Chapter 7 of the VA Lender's Handbook.
	<ul style="list-style-type: none"> • loans on which construction is incomplete • Supplemental loans 		

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. However, 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. 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. 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.

REFINANCES

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.

TEMPORARY BUYDOWNS are allowed under the following conditions:

- 30 year term only
- Max 2/1
- Qualify at the note rate
- 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
- Written VOE or paystubs reflecting most recent 30 day period
- W-2 covering last 2 years

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.

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 or
- Most recent 2 months bank statements. Gift funds are allowed without restrictions.

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.

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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: Although VA does not actually require collections to be paid off but from a risk perspective we feel it is a fair policy that any single collection of \$5k on manually underwritten loans to be paid and \$10k for DU Approve/Eligible loans.

APPRAISAL

- Appraisals may 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

- 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.
 - Appraisal may be waived for IRRRL.

- 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

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

IRRRL Request/Certification acknowledging understanding of effect of refinancing current loan.

15. INVESTOR SPECIFIC PROCESSING DOCUMENTATION

N/A

16. CLOSING DOCUMENTS

A) NOTE

State specific VA Fixed Rate Note

B) NOTE RIDER

VA Assumption Rider

C) SECURITY INSTRUMENT

State specific Fannie Mae Security Instrument

D) RIDER TO SECURITY INSTRUMENT PUD,

Condo, 1-4 Family Rider as applicable

E) TEMPORARY BUYDOWN ADDENDUM If

applicable

F) SURVEY Per policy

G) TERMITE Per
policy

H) OTHER
4506T must be signed at closing by all borrowers, all loans.

17. MISCELLANEOUS