

PURCHASE			
Maximum LTV/CLTV*	Min FICO	Max Ratios	Mortgage/Rental History
100% Excluding VA Funding Fee	500	Per AUS**	AUS Accept: Per AUS Manual Underwrite: 24-month VOR/VOM with 0x30 last 12 months

* Regardless of the LTV, the Veteran must have sufficient entitlement to guaranty the loan. Refer to the [Required Guaranty](#) section below.

** Refer to Debt Ratio topic below for information/requirements on DTI > 50% and compensating factors.

CASH OUT REFINANCE			
Maximum LTV/CLTV*	Min FICO	Max Ratios	Mortgage/Rental History
100% Including VA Funding Fee	500	Per AUS**	AUS Accept: Per AUS Manual Underwrite: 24-month VOR/ VOM with 0x30 last 12 months

* Regardless of the LTV, the Veteran must have sufficient entitlement to guaranty the loan. Refer to the [Required Guaranty](#) section below.

** Refer to Debt Ratio topic below for additional information/requirements on DTI > 50% and compensating factors.

Underwriting Guidelines Requirements

MAXIMUM LOAN AMOUNTS

Number of Units	Conforming Loan Amounts		High Balance Loan Amounts	
	Continental U.S.	Alaska and Hawaii	Continental U.S.	Alaska and Hawaii
1	\$806,500	\$1,209,750	\$1,209,750	N/A
2	\$1,032,650	\$1,548,975	\$1,548,975	N/A
3	\$1,248,150	\$1,872,225	\$1,872,225	N/A
4	\$1,551,250	\$2,326,875	\$2,326,875	N/A
Maximum Loan Amt (Base)	Maximum base loan amount does not include the financed funding fee. If the veteran does not have full entitlement a down payment may be required and the LTV reduced accordingly. Refer to the Required Guaranty section below. Loan amounts exceeding Conforming and High Balance Loan Limits allowed for Veterans with full entitlement. Loan amounts over \$1.5M require management 2 nd signature.			



COLLATERAL

Eligible Collateral	Owner Occupied Only. 1-4 Units. PUD's, Condos, Manufactured Homes permanently affixed to the foundation (singlewide ok), built on or after June 15, 1976, and meet VA requirements, Modular Homes
Ineligible Collateral	Mobile homes, State-approved medical marijuana producing properties, co-ops, Condo Hotels, energy efficient mortgages, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, properties with sink holes, properties serviced by hauled water, properties with cisterns, properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water), properties in Hawaii with water catchment systems, Hawaiian properties in Lava Zones 1 and 2, and Department of Hawaiian Home Lands (DHHL), loans are ineligible.
Condos	Must be VA-approved condominium complex and meet all requirements.
Recent MLS Activity/ Properties Listed For Sale	Property cannot be listed for sale at time of application. Underwriter to validate MLS cancellation prior to loan application date. Borrower to provide letter of explanation for all MLS activity within 6 months of application date and provide letter confirming intent to retain property as primary residence.
Appraisal Requirements	VA Approved/VA Fee panel appraisers. Appraisal expiration is established on Notice of Value (NOV).
Multiple Tax Parcels / Tracts /Lots with One Legal Description	On a case-by-case basis, EPM can allow for adjacent tax parcels/tracts/lots under one legal description. Parcels/tracts/lots that have a significant divide (like a river or road) or structures on each parcel/tract/lot would not be eligible.

TYPES OF FINANCING

Down Payment Assistance	Down payment assistance is allowed with EPM's approval of the agency providing funds.
Cash-Out Refinance / Seasoning	Free and clear properties are not permitted. There must be an existing lien on the subject property to pay off. GNMA requires 6 months payment seasoning on the loan being refinanced and 210 Days must have elapsed between the first payment due date of the original loan being refinanced and the note date of the new loan. Must be secured by an existing first lien. For Texas refinance requirements refer to the General Section below. No maximum cash out up to 90% LTV. LOE required stating purpose of cash out. If a loan has been modified: seasoning is based on the loan as modified, and not the original loan. For example: if the original loan closed 02/17/2018 and a modification was completed 11/05/2019, the loan cannot be refinanced as an IRRRL until the 11/05/2019 modification has been seasoned.



TYPES OF FINANCING, continued	
Cash Out Refinance Transactions	<p>VA defines two types of cash out refinancing transactions:</p> <ul style="list-style-type: none"> Type I Cash Out Refinance: A refinance in which the loan amount (including the Funding Fee) does not exceed the payoff amount of the loan being refinanced Type II Cash Out Refinance: A refinance in which the loan amount (including the Funding Fee) exceeds the payoff amount of the loan being refinanced
LTV Limitation	For Type I and Type II Cash Out Refinance Transactions, VA will not guaranty refinance loan transactions when the LTV exceeds 100 percent including the Funding Fee.
Loan Comparison Statement	<p>For Type I and Type II Cash Out Refinance Transactions, the Veteran must be provided with a Comparison of Loan Characteristics and Net Tangible Benefit disclosure. The Veteran must sign and acknowledge receipt of the form.</p> <ul style="list-style-type: none"> no later than the third business day after receiving the Veteran's loan application, and again, at loan closing
Net Tangible Benefit	<p>For Type I and Type II Cash Out Refinance Transactions, the loan must meet one of the following Net Tangible Benefits:</p> <ul style="list-style-type: none"> The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance The term of the new loan is shorter than the remaining term of the loan being refinanced The interest rate on the new loan is lower than the interest rate on the loan being refinanced The payment (P&I) on the new loan is lower than the payment (P&I) on the loan being refinanced The new loan results in an increase in the Borrower's monthly residual income The new loan refinances an interim loan to construct, alter, or repair the home The new loan amount is equal to or less than 90 percent of the reasonable value of the home The new loan refinances an adjustable-rate loan to a fixed rate loan
Cash Out Refinance Transactions (continued) Additional Restrictions for VA-to-VA Type I Refinances	<p>Fee Recoupment: For Type I Cash Out Refinance Transactions made to refinance an existing VA loan, all fees, expenses, and closing costs included in the loan amount and paid outside of closing must be recouped through lower principal and interest (P&I) payments within 36 months from the date of closing.</p> <p>Interest Rate Reduction Requirements: For Type I Cash Out Refinance Transactions made to refinance a current fixed-rate VA-guaranteed home loan, the new interest rate must be at least 0.5 percent (50 basis points) lower than interest rate on the loan being refinanced.</p>

CREDIT

Non-Traditional Credit	Borrowers who have no established credit references may be eligible using non-traditional credit references. A minimum of 3 credit references each rated for 12 months is required. There can be no housing lates and maximum 1x30 day late payment with the other credit references in the previous 12 months. There can be no major adverse or public records filed in the last 12 months. All loans with non-traditional credit require a manual underwrite, maximum financing is allowed. Follow standard VA guidelines as outlined in the VA Lender's Handbook.
CAIVRS	CAIVR clearance must be obtained for all Borrowers on the transaction.
Social Security Numbers	Required for ALL Borrowers
Collections/Charge Offs	Collection accounts must be considered part of the Borrower's overall credit history and unpaid collection accounts are considered open, recent credit. Borrowers with a history of collection accounts should have re-established satisfactory credit in order to be considered a satisfactory credit risk. If the collection account is listed on the credit report with a minimum payment, qualify at the minimum payment amount or provide verification that the collection is not in repayment (e.g., credit supplement to show "Not in repayment" or \$0/mth payment).
Re-established Credit	In circumstances not involving bankruptcy, satisfactory credit is generally considered to be reestablished after the veteran, or veteran and spouse, have made satisfactory payments for 12 months after the date the last derogatory credit item was satisfied. For example, assume a credit report reveals several unpaid collections, including some which have been outstanding for many years. Once the Borrower has satisfied the obligations, and then makes timely payments on subsequent obligations for at least 12 months, satisfactory credit is reestablished.
Judgments / Liens	All outstanding judgments and liens must be paid prior to or at closing. Includes judgments and tax liens of non-purchasing spouse.
Late Payments	VA Credit Standards apply
FICO	Minimum FICO 500.
Minimum Tradelines	AUS - no specific requirement. However, must meet the minimum FICO requirement and receive AUS approval. Manual Underwrite - refer to non-traditional credit and insufficient credit sections for requirements. Authorized tradelines are not acceptable for establishing a credit history and may invalidate the FICO score.
Mortgage / Rental History	AUS - Mortgages must be rated for 24 months. Rental history rating is not required. Mortgage/Rental Delinquencies: Downgrade required if housing delinquency exceeds 1x30 in the previous 12 months. Manual underwriting - Mortgage and rental payments must be rated for 24 months. Max 0x30 last 12 months; housing lates in months 13-24 require thorough explanation and documentation by the Borrower(s) to address why the lates occurred and what has changed to prevent recurrence.



CREDIT, continued

Non-Purchasing Spouse	Credit report required in community property states. Debts must be added to DTI Ratio and the Veteran's capacity to address unpaid collections and judgments considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the Borrower or their spouse may be permitted to have a vested interest to the property.
Community Property States	The following states are known community property states: AZ, CA, ID, LA, NV, NM, TX, WA, and WI

INCOME/ASSETS

Residual Income Requirements	Loan Amounts \$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	\$1004
	Above 5	Add \$75 for each additional member up to a family of seven			
	Loan Amounts \$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	\$1,062	\$1,039	\$1,039	\$1,158
	Above 5	Add \$80 for each additional member up to a family of seven			
	*States are broken down by Region. Check with Underwriting for breakdown				



INCOME/ASSETS, continued

Debt Ratio	<p>Loans with AUS Approve/Eligible - follow AUS Findings. Manually underwritten loans - max DTI is 41%. The DTI may exceed 41% with compensating factors. Manually underwritten loans with DTI 50-55% require a minimum of 3 compensating factors and UW Manager second sign. DTI can never exceed 55% on a manually underwritten loan. All loans must meet the residual income requirements regardless of DTI or AUS approval. Debt Ratios exceeding 41% must meet 120% of the residual income guideline. List of VA acceptable compensating factors include:</p> <ul style="list-style-type: none"> • Excellent credit history (no derogatory credit in the most recent 24 months) • Conservative use of consumer credit • Minimal consumer debt • Long-term employment (minimum of 24 months with current employer) • At least 2 months liquid assets/reserves (Vested available retirement accounts eligible) • Sizable down payment (5% or greater) • Minimal payment shock (25% or less) • Military benefits (Active Duty and/or Retirement benefits)
Non-Taxable Income	<p>Nontaxable income such as Social Security, Pension, Workers Comp, Disability Retirement, and Child Support income may be grossed up 125%. Allowances for BAS/BAH and VA Disability income verified through a Certificate of Eligibility (COE) may be grossed up without tax returns. Any other income, which could be subject to taxation, should be validated with tax returns from the Borrower prior to grossing up.</p>
Income	<p>Residual income requirements apply and vary by region/loan amount/property type. See above matrix.</p>
Documentation/4506-C	<p>Full income documentation loans only. A final IRS Form 4506-C will be signed with the closing documents.</p>
Minimum Reserves	<p>Reserves are generally not required unless the veteran is qualifying with rental income. Rental income from a 2-4 unit subject property = 6 months PITI reserves required. Rental income from other REO = 3 months PITI reserves required of each REO property. If the veteran qualifies with the full PITI payments, no reserves are required.</p>
Non-Occupant Co-Borrower	<p>Not permitted</p>
Buyer Contribution	<p>No minimum investment required for veterans with full entitlement. For veterans with partial entitlement, refer to Required Guaranty.</p>
Future Income	<p>Future earnings that exceed 20% of the Borrower(s) current income cannot be used for qualifying. Any recent pay increases that exceed 20% of the Borrower(s) current income must be documented with a current paystub and proof of deposit into the Borrower(s) bank account.</p>

INCOME/ASSETS, continued	
Seller Contribution	<p>Seller can pay 100% of discount points and Borrowers non-recurring closing costs. Seller can provide an additional amount not to exceed 4% of the estimated reasonable value to assist the Borrower's payment of prepaid expenses and funding fee. Maximum seller concession is 4%. Seller concessions include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • payment of the buyer's VA funding fee • prepayment of the buyer's property taxes and insurance • gifts such as a television set or microwave oven • payment of extra points to provide permanent interest rate buy-downs • provision of escrowed funds to provide temporary interest rate buy-downs, and • payoff of credit balances or judgments on behalf of the buyer. <p>Seller concessions do not include payment of the buyer's closing costs, or payment of points as appropriate to the market.</p>
GENERAL	
Required Guaranty	<p>A 25% guaranty is required. For purchase transactions, combined entitlement and down payment must total 25% of the lesser of the purchase price or appraised value. For refinance transactions, combined entitlement and equity must total 25% of the appraised value.</p> <ul style="list-style-type: none"> • For loan amounts in excess of \$144,000: <ul style="list-style-type: none"> ○ Veterans with full entitlement: VA will guaranty 25% of the purchase or cash out refinance loan regardless of the Conforming Loan Limit for the subject's county. Down payment or equity is not required; however LTV limits must be met. ○ Veterans with partial entitlement: VA will guaranty 25% of the lesser of the loan amount or 1-unit Conforming Loan Limit for the subject's county less used entitlement. Down payment or equity may be required to obtain a 25% guaranty.
VA Prior Approval Required	<p>The following require VA Prior Approval:</p> <ul style="list-style-type: none"> • Veterans in receipt of VA non-service related pension. • Joint loans to a Veteran and one or more non-spouse, non-veteran. • Joint loans to a Veteran and one or more non-spouse Veteran who will not be using entitlement.
Borrower Eligibility	<p>Eligibility is determined by VA and documented on the Certificate of Eligibility. The Certificate of Eligibility must be dated within 90 days of closing. An un-remarried surviving spouse of a veteran should use VA form 26-1817 "<i>Request for Determination of Loan Guaranty Eligibility – Unmarried Surviving Spouses</i>" to apply for their Certificate of Eligibility with VA. The Certificate of Eligibility must reflect sufficient available entitlement to meet the minimum 25% guaranty, or equity may be required. Any veteran using entitlement must occupy the subject property.</p>
Manual Underwrite	<p>Loans receiving an AUS Refer and Borrowers with no established traditional credit or insufficient credit may be eligible for a manual underwrite.</p>
Loan Terms Available	<p>Purchase up to 100% LTV and Cash Out Refinance up to 90% LTV: 30, 25, 20, and 15 Year Fixed Cash Out Refinance exceeding 90% LTV: 30 Year Fixed</p>



GENERAL, continued

Qualifying Fixed Products	Qualify at Note Rate
Co-Borrowers	Must be the veteran's spouse or a second veteran with a certificate of eligibility. Any Co-Borrower must occupy the subject property.
Assumptions	Permitted
Escrow waivers	Not permitted
Prepayment Penalty	Not permitted
Buydowns	Not permitted
VA Exemption County Property Taxes	<p>Disabled veterans may be exempt from county property taxes. EPM requires the following to document the disabled veteran Borrower's exemption:</p> <ul style="list-style-type: none"> • Proof of 100% Disability from VA • Copy of the completed <i>County Application for Property Tax Exemption</i> <ul style="list-style-type: none"> ◦ If Application is required to be notarized, an unsigned copy must be obtained & conditioned to be signed at closing • A signed <i>Letter of Explanation</i> from the veteran Borrower advising they are solely responsible for the payment of property taxes owed for the prior owner
Michigan Water Contamination	<p>Genesee County - When an appraisal is ordered, the following will apply: Proper mitigation of lead contaminated water must include a central filtering system which filters all water that could come in contact with the property's occupants. The central filtration system must be acceptable to the local health authority and when properly maintained, provide safe, potable water. Veterans and their families are encouraged to follow the manufacturer's guidelines for the maintenance, inspection, and repair of the filtering system.</p> <ol style="list-style-type: none"> Appraisers must comment and adjust for any market reaction discovered as a result of the water contamination, as well as any environmental stigma that may be attached to these properties, as appropriate. Appraisers must note if the subject property is connected to the Flint, Michigan water district and whether a filtration system is present. If an appraiser indicates that a property does not meet the MPRs, it must be repaired. Lenders will condition the Notice of Value (NOV) on all properties that are connected to the Flint, Michigan water district for Water System Acceptability (item 5a), and if the filtration system is called out for repair (item 10). Certification of the filter system must be completed by a licensed plumber or local government building/utility inspector. Evidence that the water is safe, and potable must be provided prior to loan guaranty. The lender will also require an acknowledgement stating that the Veteran is aware the municipal water system is contaminated with lead and that the home contains a central water filtration system. In order for this to be effective, the system must be inspected and maintained to include filter replacements per the manufacturers' recommendations. VA liquidation appraisals will still be conditioned "As Is" and any MPR items should be noted in the report.
Texas Refinance Transactions	Refinance transactions are permitted in Texas as long as there is no prior TX A6 transaction (no cash out ever) to the Borrower. No cash back to Borrower, no payoff of consumer debt, limited to existing indebtedness on first lien and purchase money second, may receive \$0 funds, any excess funds must be applied as a principal reduction.

