

# Towne Family of Companies

## Retail/Wholesale VA Loan Program Guidelines

**Variances from standard guidelines are bolded and on page one only.**

<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Honorably discharged veterans and their spouses jointly; or the veteran alone.</li> <li>• Widow/Widowers of veterans provided the veteran was killed in action.</li> <li>• Reservists who have served sufficient length of service.</li> <li>• Active Duty who have served sufficient length of service.</li> <li>• CAIVRS clearance is required</li> </ul>
<b>Credit: Purchase Transactions only</b>	<p><b>Credit score: For purchase transactions, no minimum credit score BUT credit report must demonstrate fiscal responsibility. A credit score of 620 will be presumed to demonstrate acceptable credit risk, BUT items on credit report will be reviewed to ensure score is representative of fiscal responsibility.</b></p> <p><b>AUS Approved/Eligible ONLY. Exceptions will be considered ONLY when:</b></p> <ul style="list-style-type: none"> <li>• <b>Refer is due to prior BK or foreclosure and minimum waiting periods are met. Borrowers must have re-established credit with no late payments since BK or foreclosure.</b></li> <li>• <b>Credit score is not reflective of overall fiscal responsibility</b></li> <li>• <b>Manual underwriting not allowed for borrowers with no (current) housing history.</b></li> <li>• <b>Mortgage or rent must be documented with cancelled checks or payment history from Management Company and show -0- late pays in last 12 months on all manual underwrites.</b></li> </ul> <p>Minimum waiting period for major derogatory events:</p> <ol style="list-style-type: none"> <li>1) <b>Bankruptcy:</b> <ol style="list-style-type: none"> <li>a) <b>Chapter 7:</b> <ul style="list-style-type: none"> <li>* 2 years from discharge</li> <li>* Re-establishing consumer credit</li> <li>* Acceptable explanation for bankruptcy</li> </ul> </li> <li>b) <b>Chapter 13:</b> <ul style="list-style-type: none"> <li>* Must have 12 months of payments made into the plan without any lates.</li> <li>* Must have written trustee permission from trustee</li> <li>* Acceptable explanation for bankruptcy</li> </ul> </li> </ol> </li> <li>2) <b>Foreclosures:</b> <ul style="list-style-type: none"> <li>* 2 years from foreclosure date. If previous foreclosure was VA – any unpaid balance will reduce amount of remaining entitlement.</li> </ul> </li> </ol>

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<b>Credit: Cash out Refinance Transactions Only</b>	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 33%;">LTV</th> <th style="width: 33%;">Credit Score</th> <th style="width: 33%;">AUS Findings</th> </tr> </thead> <tbody> <tr> <td>&gt;90 up to 100%</td> <td>Minimum credit score 660</td> <td>AUS Approved/Eligible only</td> </tr> <tr> <td>90% LTV and below</td> <td>Minimum credit score 640</td> <td>AUS Approved/Eligible only</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li><b>AUS Approved/Eligible only – no exceptions</b></li> <li><b>12 month seasoning required on current loan for true cash out refinances (veteran receiving over \$500 cash back or when proceeds include pay off of debt other than subject property liens)</b></li> <li><b>NO late payments within the past 12 months on any cash out refinances.</b></li> </ul> <p><b>VA/GINNIE MAE REGULATIONS ON ALL REFINANCES (see overlay above on true cash out refinance):</b></p> <p><b>The note date of the refinance loan must be on or after the later of:</b></p> <p style="padding-left: 40px;">a) <b>the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced</b></p> <p style="text-align: center; padding-left: 80px;"><b>OR</b></p> <p style="padding-left: 40px;">b) <b>the date on which 6 full monthly payments have been made on the mortgage being refinanced</b></p>	LTV	Credit Score	AUS Findings	>90 up to 100%	Minimum credit score 660	AUS Approved/Eligible only	90% LTV and below	Minimum credit score 640	AUS Approved/Eligible only							
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<b>Maximum loan amount</b>	
<b>Purchase transactions</b>	<p>The maximum loan amount is up to \$424,100 with no down payment - single family for those with full entitlement only; or four times the amount of the remaining entitlement plus any down payment. Increased loan amounts available in "high cost" areas depending on county limit.</p> <p>* The veteran's available entitlement plus down payment and/or equity in the property must equal at least 25% of the purchase price or Notification of Value (NOV), whichever less, on purchases, new construction, and non-IRRRL refinances.</p> <p>Basic entitlement is \$36,000. Bonus entitlement may be used for total loan amounts greater than \$144,000.</p> <p>Loan amount is limited to 4 x the entitlement amount unless: Entitlement + Veteran Down Payment is = to or &gt; than 25% of the new loan amount.</p>
<b>Refinance</b>	<p>The maximum loan is calculated based on the remaining entitlement, plus equity in the property. Available entitlement, plus equity must at least 25% of the VA Reasonable Value (NOV). Equity is the difference between value on the NOV and the new base loan amount. Bonus entitlement may be used for loan amounts exceeding \$144,000*.</p> <p><b>The home must be encumbered by a lien.</b> <b>A home that is owned free and clear may not be refinanced with a VA loan</b></p> <p>* Bonus entitlement not available on the following types of refinances. Maximum loan amount is \$144,000 unless the veteran has additional equity to equal 25% of the loan amount when added to the available entitlement.</p> <ul style="list-style-type: none"> <li>• Construction loan</li> <li>• Land Contract</li> </ul>
<b>Qualifying/Debt Ratio</b>	<ul style="list-style-type: none"> <li>• As determined by AUS. For Manual underwrites – DTI may not exceed 41% of gross income (PITI &amp; monthly debt).</li> <li>• Manual underwrites with ratio &gt; 41% may be approved on exception basis only with a minimum of 20% additional "Residual Income". No exceptions. (See below on how to calculate residual income). No other risk layers may be present and veteran MUST current be paying housing (rent or mortgage) with NO LATES. Cancelled checks required for rent.</li> <li>• DTI must include any "job related expenses" such as childcare, union dues, etc. Unreimbursed business expenses on tax returns must be deducted when calculating DTI and residual income.</li> </ul>

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### Residual Income Requirement

Residual Income – Residual income is the amount of income left over AFTER PITI, income taxes, monthly debt and utilities/maintenance cost has been deducted. **WE WILL NOT approve any loan with insufficient residual income per charts below.**

Residual income is calculated as follows:

#### Gross Monthly Income

- Federal, state, local and social security tax per paystub
- All debt payments (must include child care expenses)
- Maintenance/Utilities (\$ .14 per square foot of subject properties GLA)
- PITI

= **Residual income**

**Table of Residual Income by Region  
For loan amounts of \$79,999 and below**

<u>Family Size</u>	<u>Northeast</u>	<u>Midwest</u>	<u>South</u>	<u>West</u>
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
Over 5	Add \$75 for each additional member up to a family of 7.			

**Table of Residual Income by Region For  
loan amounts of \$80,000 and above**

<u>Family Size</u>	<u>Northeast</u>	<u>Midwest</u>	<u>South</u>	<u>West</u>
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1025	\$1003	\$1003	\$1117
5	\$1062	\$1039	\$1039	\$1158
Over 5	Add \$75 for each additional member up to a family of 7.			

### Assets

- 100%-gifted funds allowed for purchase.
- Funds used to pay closing cost and prepaids must be verifiable if using the borrowers own assets. If the borrower is receiving a gift, the file must be documented to verify the donors' ability and receipt of funds; The Veteran may also apply secured loans to funds needed to close.

### Reserves

- Per AUS findings

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<b>Property</b>	<ul style="list-style-type: none"> <li>• VA Appraisals to be ordered through our Appraisal Order Team</li> <li>• 1-4 Family Owner Occupied</li> <li>• Condo's must be on VA approved list (including site condos)</li> <li>• Water test required if not on public water (<b>minimum tests for nitrate, coliform, lead</b>)</li> <li>• Pest/Termite Inspection required - state specific</li> </ul>
<b>Seller Contributions</b>	<p>Contributions not to exceed 4% of the value of the property.</p> <p><b>Seller contribution include, but are not limited to, the following:</b></p> <ul style="list-style-type: none"> <li>• Payment of the buyers' VA funding fee</li> <li>• Prepayment of the buyer's property taxes and insurance</li> <li>• Payment of extra points to provide permanent interest rate buydowns</li> <li>• Provision of escrowed funds or provide temporary interest rate buydowns, and</li> <li>• Payoff credit balances or judgments on behalf of the buyer.</li> </ul> <p><b>Seller contribution do not include:</b></p> <ul style="list-style-type: none"> <li>• Payment of the buyer's closing costs, or</li> <li>• Payment of discount points</li> </ul>
<b>Subordinate Financing</b>	Allowed as long as CLTV does not exceed Max LTV limits
<b>Funding Fee</b>	<ul style="list-style-type: none"> <li>• The VA collects a funding fee from the Veteran at the time of closing. The funding fee may be included in the financed mortgage amount up to the maximum loan amount \$424,100 for single family. Please refer to conventional loan limits for higher unit limits. If the loan amount will exceed the maximum loan amount listed then the borrower must pay it out of their pocket. Please follow the chart below for the correct funding fee:</li> <li>• The funding fee is not to be collected on loans made to veterans receiving compensation from disability or from surviving spouses of veterans who died from service connected disabilities, however, veterans receiving pensions will be required to pay the funding fee.</li> </ul>

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<b>Funding Fee (Continued)</b>	<p><b>Purchase</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Type of Veteran</th> <th style="text-align: left;">LTV</th> <th style="text-align: left;">1st Time Use</th> <th style="text-align: left;">Subsequent Uses</th> </tr> </thead> <tbody> <tr> <td>Regular Military</td> <td>100%</td> <td>2.15%</td> <td>3.30%</td> </tr> <tr> <td>Regular Military</td> <td>90.01 - 95%</td> <td>1.50%</td> <td>1.50%</td> </tr> <tr> <td>Regular Military</td> <td>≤ 90%</td> <td>1.25%</td> <td>1.25%</td> </tr> <tr> <td>Reserves/National Guard</td> <td>100%</td> <td>2.40%</td> <td>3.30%</td> </tr> <tr> <td>Reserves/National Guard</td> <td>90.01 - 95%</td> <td>1.75%</td> <td>1.75%</td> </tr> <tr> <td>Reserves/National Guard</td> <td>≤ 90%</td> <td>1.50%</td> <td>1.50%</td> </tr> </tbody> </table> <p><b>Rate Term and Cashout for all LTV's</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Type of Veteran</th> <th style="text-align: left;">1st Time Use</th> <th style="text-align: left;">Subsequent Uses</th> </tr> </thead> <tbody> <tr> <td>Regular Military</td> <td>2.15%</td> <td>3.30%</td> </tr> <tr> <td>Reserves/National Guard</td> <td>2.40%</td> <td>3.30%</td> </tr> </tbody> </table>	Type of Veteran	LTV	1st Time Use	Subsequent Uses	Regular Military	100%	2.15%	3.30%	Regular Military	90.01 - 95%	1.50%	1.50%	Regular Military	≤ 90%	1.25%	1.25%	Reserves/National Guard	100%	2.40%	3.30%	Reserves/National Guard	90.01 - 95%	1.75%	1.75%	Reserves/National Guard	≤ 90%	1.50%	1.50%	Type of Veteran	1st Time Use	Subsequent Uses	Regular Military	2.15%	3.30%	Reserves/National Guard	2.40%	3.30%
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<b>Forms Required Application/Closing</b>	<p><b>At Application:</b></p> <ul style="list-style-type: none"> <li>• VA Addendum to Application (92900A) - Pages 1 and 2</li> <li>• Request for Certificate of Eligibility (26-1880)</li> <li>• VA Benefit Related Indebtedness Questionnaire</li> <li>• Verification of VA Benefit – Related Indebtedness (26-8937)</li> <li>• VA PA Addendum - Purchase Only</li> <li>• Reserve or National Guard Statement</li> <li>• VA Assumability Counseling and Child Care Provision Disclosure</li> <li>• VA Debt Questionnaire (26-0551)</li> <li>• VA Affirmative Marketing Certification (New Construction)</li> <li>• Equal Employment Opportunity Certification (New Construction) □ Builder Information and Certifications (New Construction)</li> </ul> <p><b>At Closing:</b></p> <ul style="list-style-type: none"> <li>• VA Rider to mortgage</li> <li>• VA Assumption Policy - Allonge to Note</li> <li>• VA Loan Disbursement (Form 26-1820)</li> <li>• Counseling Checklist For Military Homebuyers (Enlisted Personnel only)</li> <li>• Federal Collection Policy Notice</li> <li>• Nearest Living Relative Form/Statement</li> </ul>																																					

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<b>Allowable Fees</b>	<p><b>The veteran can pay a maximum of:</b></p> <ul style="list-style-type: none"> <li>• A 1% flat charge (typically called an "Origination Fee"), plus,</li> <li>• Reasonable discount points used to buy down the interest rate, plus,</li> <li>• Reasonable and customary amounts for any or all of these " Itemized Fees and Charges"</li> </ul> <ul style="list-style-type: none"> <li>○ Appraisals, including second appraisals requested by the veterans for reconsideration of value</li> <li>○ Compliance inspections on new construction</li> <li>○ Home inspection if desired by veteran</li> <li>○ Credit report or on AUS-decisioned loans, up to \$50 evaluation fee charged in lieu of a credit report.</li> <li>○ Recording fees and recording taxes</li> <li>○ MERS registration fee</li> <li>○ Hazard insurance premium including flood insurance, if required.</li> <li>○ Flood zone determination</li> <li>○ Survey fee</li> <li>○ Title exam and insurance</li> <li>○ VA funding fee</li> <li>○ Prepaid items for taxes, assessments, and similar items for the current year chargeable to the veteran and the initial deposit for the impound account</li> <li>○ Overnight courier fees on a refinance if interest savings will exceed the cost of special handling</li> </ul>
<b>Unallowable Fees:</b>	<p>If no 1% flat charge is paid, the veteran may pay fees and charges that would otherwise be unallowable, <b>provided the total does not exceed 1%.</b></p> <p><b>VA unallowable fees:</b></p> <ul style="list-style-type: none"> <li>○ lender's appraisals</li> <li>○ lender's inspections, except in construction loan cases</li> <li>○ loan closing or settlement fees</li> <li>○ document preparation fees</li> <li>○ preparing loan papers or conveyancing fees</li> <li>○ attorney's services other than for title work</li> <li>○ photographs</li> <li>○ interest rate lock-in fees</li> <li>○ postage and other mailing charges, stationery, telephone calls, and other overhead</li> <li>○ amortization schedules, pass books, and membership or entrance fees</li> <li>○ escrow fees or charges</li> <li>○ notary fees</li> <li>○ commitment fees or marketing fees of any secondary purchaser of the mortgage and preparation and recording of assignment of mortgage to such purchaser</li> <li>○ trustee's fees or charges</li> <li>○ loan application or processing fees</li> </ul>

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## **Unallowable Fees: (Continued)**

- fees for preparation of truth-in-lending disclosure statement
- fees charged by loan brokers, finders or other third parties whether affiliated with the lender or not, and
- tax service fees.

**The veteran may NEVER pay the following fees under any circumstances:**

- termite inspection on a purchase transaction
- Fees or commissions charged by a real estate agent or broker in connection with a VA loan may not be charged to or paid by the veteran-purchaser EVEN if the agent as acting as a “buyer’s broker”.