

VA RENOVATION PROGRAM

PROGRAM SPECIFICATIONS	
Description	The VA Renovation Program is a single-close loan that enables borrowers to purchase a home that needs repairs or refinance their existing home and include the necessary funds for renovation in the loan balance. There are no required improvements or a minimum dollar amount for the repairs. Repairs or improvements, however, must be permanently affixed to the real property.
Channels	• Broker • Correspondent ◦ Non-Delegated UW
FICO	• 580 minimum qualifying credit score for all qualifying Borrowers. ◦ 580-659: A minimum of 2 qualifying credit scores are required for all qualifying borrowers. Use the middle score if 3 credit scores or the lower of the two if 2 credit scores. ◦ 660+: A minimum of 1 qualifying credit score is required for all required borrowers. ◦ Lowest representative score from all borrowers will be used for qualification purposes.
UW Method	• Desktop Underwriter (DU) • Loan Product Advisor (LPA)
AUS Recommendation	• Approve/Eligible – DU • Refer/Eligible – DU • Risk Class Accept – LPA • Risk Class Refer – LPA
Eligible Terms	• 10Yr., 15Yr., 20Yr., 25Yr., 30Yr. Fully Amortizing Fixed
Eligible Transaction Types	• Purchase • Cash Out Refinance ◦ Follow VA Circular 26-19-05 for NTB requirements ◦ LTV calculations includes the VA funding fee ◦ Seasoning Requirement: ▪ The borrower must have made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and ▪ The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan. • Texas Renovation refinance transactions are permitted ◦ May not receive any cash back at closing. Principal reductions/curtailments are not permitted, and ◦ Liabilities not secured by the subject property may not be paid with proceeds from the transaction.
Eligible Property Types	• 1 Unit Primary Residence (attached/detached) • 2 Unit Primary Residence (attached/detached) • Manufactured Housing • VA Approved Condominiums https://lgy.va.gov/lgyhub/condo-report ◦ AFR reserves the right to require HOA approval of proposed renovations. If required, this approval can be written from the board, found in the bylaws or confirmed verbally with the HOA contact.
Maximum LTV	• Purchase, 100% LTV including renovation costs • Refinance, 100% LTV including renovation costs
Maximum DTI	• Approve/Eligible recommendations: ◦ Follow AUS findings (DU/LPA) • Maximum 65% with Approve/eligible, Refer/Eligible AUS Recommendation (DU or LPA), Manual underwrites and meeting VA requirements for DTI > 41% (see Chapter 4, Topic 8, 9, and 10 of VA Pamphlet 26-7).
Maximum Loan Amount	• The Maximum Mortgage Worksheet (MMW) must be completed in calculating the maximum loan amount. • Loan amounts may not exceed the national baseline Conforming Loan Limits as published by the FHFA. • High Balance and Jumbo loan amounts are not permitted
Appraisal	Important: • Appraisal must be ordered with bid • Appraisal must be ordered subject to repairs or alterations • Final Inspection must be completed by a VA appraiser once property is 100% complete Note: “As Completed/After Improved” Property Condition Rating as determined by the Appraiser must be C1-C4.
Amount of Repairs	• Total renovation cost includes required contingency and reinspection fees (see below)

	There is no minimum rehabilitation cost
Ineligible Repairs	Structural Work: - Any structure repairs or alterations - Foundation reconstruction or elevation - Room additions or new construction - Converting or reducing multi-unit structures - Moving structures to new foundations Complex or extended Projects: - Projects requiring more than 6 months to complete - More than two payments per specialized contractor - No more than two specialized contractors are allowed: - Both the GC and specialized contractors must complete all required paperwork for approval - Two final inspections must be collected - Additional contractors would require a General Contractor - Repairs requiring architectural plans or consultant work write-up - Projects that prevent occupancy - Home must be habitable at the time of closing - No projects where construction has already commenced New installations: - New private wells or septic systems - Windstorm Shelters - Commercial-use conversions or refurbishments - No additions of an ADU's Luxury & Recreational Additions: - New swimming pools, hot tubs, spas, saunas - Barbecue pits, outdoor fireplaces, bath houses - Tennis courts, satellite dishes, photo murals, or gazebos Other Restrictions: - Oil tank removal or remediation - Extensive mold remediation - Extensive landscaping and site improvements - Flood or fire damage repairs - Self-help or DIY projects - Renovations in historic areas designated by state, county, federal, or third-party authorities - Any properties zoned for mixed use or have commercial spaces - Any repair or update that AFR Credit Committee deems out of scope or excessive Note: VA requires any alterations and repairs to be ordinarily found on similar properties of comparable value in the community. *Home must be habitable at the time of application
Resource Links	Links: HUD Consultants look up tool - A HUD Consultant is not required but may be used. PHI Home Inspections - Resource AFR's Exclusionary List - Participants on this list are not eligible
Construction Timeframe	6 months from closing
Escrow Amount	Excess amount to be applied as a principal reduction, unless funded by the borrower at initial closing (any funds returned to the client must be approved by AFR).
Contingency	A contingency reserve equal to 15% of the alteration and/or repair cost is required on all loans.
Draws	- AFR will allow for up to 3 draws - Initial Draw \$0, subsequent draw amounts will be based on inspections and percentage of completion 3 inspections (\$600 will be included in the maximum mortgage amount calculation)
Title Updates	1 Title Update (\$150 will be included in the maximum mortgage amount calculation) 1 Final Lien Waiver provided by General Contractor
General Contractors	- AFR permits for only 1 General Contractor/Builder; multiple Generals Contractors/Builders are not permitted with exception to well and septic contractors where outside the general contractor's scope. - There can be no identity or conflict of interest between the borrower and contractor.

	- Family members are not eligible; the borrower cannot be employed by or be an owner in the contractor's business - The GC/Builder must carry sufficient insurance equal to the amount of \$100,000/per occurrence through a valid and current general liability insurance policy - GC/Builder must provide a detailed estimate/bid itemizing all of the repairs that are to be completed with costs broken down to material and labor, and not, if permits are going to be required.
Geographic Restrictions	- Hawaii - AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. - AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3rd party for document preparation and require 48 hours for both title review and to generate a closing package.
Forms	See FORMS Section in the Resource Center
Underwriting Guidelines	Follow VA Pamphlet 26-7 Chapter 7 for alteration and repair guidelines and the VA Pamphlet 26-7 Chapter 4 for credit and underwriting requirements
Overlays	
Follow all overlays outlined in the VA Fully Amortizing Fixed & Jumbo Program and: - The maximum timeframe for construction is 6 months - Any unused contingency must be applied to the principal balance of the loan, unless funded by the borrower at initial closing (any funds returned to the client must be approved by AFR). - Home must be habitable during construction "As Completed/After Improved" Property Condition Rating as determined by the Appraiser must be C1-C4. "Do it Yourself Repair Option" and Self Help are not permitted. - AFR does not permit identities/conflicts of interest between the borrower and contractor. The borrower and contractor may not be related nor, can there be any employee/employer relationship. - Escrow waivers are generally permitted without restriction on taxes and insurance, except as outlined below: - Illinois: Not permitted - Minnesota: Not permitted - New Mexico: Not permitted with LTV ≥ 80%	
Disclaimer: All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow all guidelines outlined in the Lender's Handbook – VA Pamphlet 26-7.	