

VA STANDARD

PROGRAM SPECIFICATIONS	
Description	A mortgage loan program established by the United States Department of Veterans Affairs to help veterans and their families obtain home financing.
Channels	• Broker • Correspondent ◦ Non-Delegated UW ◦ Delegated UW
FICO	Minimum FICO and Loan Amounts • At or under CLL, Minimum FICO 580 • > CLL up to 1.5MM, Minimum FICO 620 • > 1.5MM to 3MM, Minimum FICO 680 CLL refers to (Conventional Loan Limits) and are published by the FHFA (Federal Housing Finance Agency) https://www.fhfa.gov/data/conforming-loan-limit-ll-values Minimum FICO waterfall: • 1 credit score require for all qualifying borrowers, • Use the middle score if 3 credit scores, or • The lower of two if 2 credit scores. • The 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. Fixed • ARMs not permitted
Eligible Transaction Types	• Purchase • Type I and II Cash-Out ◦ Max LTV 100% for loans not exceeding the conventional conforming national baseline loan limits. ▪ LTVs > 90% are limited to 30 Yr fixed rate only • IRRRLs (see VA IRRRL Matrix) • Construction-to Permanent (OTC) (See VA OTC Matrix) • Renovation (See VA Renovation Matrix)
Eligible Property Types	• 1-4 Unit Primary Residences • VA Approved Condominiums • PUDs • Manufactured Housing ◦ Singlewide & Multiwide
Cash-Out	• Type I: A refinance loan in which the loan amount does not exceed the payoff amount of the loan being refinanced. ◦ If, refinancing a VA-guaranteed home loan from a fixed-to-fixed rate there must be a .5% reduction in interest rate and; ◦ Recoupment of all fees, expenses, and closing costs must be recouped within 36 months ▪ Total cost / Savings in P&I payment ◦ If, refinancing a VA-guaranteed home loan from an ARM to Fixed, there is not a requirement to reduce the interest rate. Therefore, the interest rate may increase on these transactions. • Type II: A refinance loan in which the loan amount exceeds the payoff amount of the loan being refinanced. • Veteran must be provided a Net Tangible Benefit (NTB) demonstrating how the Veteran will benefit from the refinance. ◦ If the loan being refinanced has been modified, the modified terms should be used, ◦ If the loan being refinanced is an ARM, the interest rate and P&I payment at the time of the new loan closing should be used, and ◦ If the loan being refinanced has a temporary buydown, the note interest rate and full P&I payment should be used to evaluate the NTB. • All Cash-out refinancing loans must satisfy at least one of the following Net Tangible Benefits:

	○ Eliminate monthly mortgage insurance ○ Decrease the loan term ○ Decrease the monthly (P&I) payments ○ Reduce the interest rate ○ Maintain LTV equal to or less than 90% ○ Refinance an interim loan to construct, alter, or repair the home ○ Increase monthly residual income, if this NTB is utilized, compare the residual income based on the proposed loan terms with residual income that would exist if the refinance was not completed. ○ Refinance from an ARM to a fixed-rate loan ○ Comparison of the following information of existing and new loan: ▪ Loan amount vs. payoff amount ▪ Loan type ▪ Interest rate ▪ Loan term ▪ Payment including MI if applicable ▪ LTV ▪ Statement of the effect of equity being removed from property ○ The NTB and Comparison (VA-Guaranteed Home Loan Cash-Out Refinance Comparison Certification) and the Home Equity Disclosure (VA Cash-out Refinance Home Equity Disclosure) must be disclosed within 3 days of application and at closing. • 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.
Maximum LTV/CLTV	• Fully Amortizing Fixed Purchase and Cash-Out Refinances: ○ 100%/100% ○ LTV's > 90% are limited to 30 Yr Fixed Rate Term • The LTV and CLTV limits are calculated using total loan amounts and do include VA funding fee. The total loan amount (base loan amount plus VA funding fee). The loan amount may include the funding fee and other allowable fees and charges and discount points. The maximum LTV/CLTVs listed are the maximums permitted by AFR VA policy; however, not all Veterans will be eligible for maximum financing. • Additional Guidelines: ○ Properties owned free and clear are not eligible for a refinance transaction (see Chapter 6, topic 3 of VA Pamphlet 26-7) • The lien(s) being paid off may be: ○ liabilities (revolving, installment, etc.) current or delinquent; ○ derogatory credit (collection accounts, charge offs, taxes, judgments, etc.); and ○ any type of mortgage (VA, FHA, Fannie Mae, Freddie Mac, USDA, 1st lien, 2nd lien, HELOC, etc.). ○ Loan proceeds beyond the amount needed to pay off the lien(s) may be taken as cash by the borrower for any purpose acceptable to the Underwriter. • Jumbo: ○ Defined as any loan amount above the Conventional Conforming Loan Limit (CLL) for the property county location. • Jumbo Purchase: ○ The total maximum loan amount of \$3 million includes the VA Funding Fee. • Jumbo Refinance: ○ The total maximum loan amount of \$3 million includes the VA Funding Fee.
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).
Assisted Appraisal Processing Program	• AFR permits the use of the AAPP as outlined in Circular 26-19-30 • AFR does not permit the use of the AAPP for the following programs: ○ VA OTC ○ VA Renovation Note: New Construction, Loan Amounts greater than 1 million and complex properties are not permitted.
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.
Guidelines	http://www.benefits.va.gov/warms/pam26_7.asp
Forms	See FORMS Section in the Resource Center
OVERLAYS	
Credit	• Minimum FICO and Loan Amounts ○ At or under CLL, Minimum FICO 580 ○ > CLL up to 1.5MM, Minimum FICO 620 ○ > 1.5MM to 3MM, Minimum FICO 680 ○ CLL refers to (Conventional Loan Limits) and are published by the FHFA (Federal Housing Finance Agency) https://www.fhfa.gov/data/conforming-loan-limit-cls-values • Minimum FICO waterfall: ○ 1 credit score require for all qualifying borrowers, ○ Use the middle score if 3 credit scores, or ○ The lower of two if 2 credit scores. ○ The lowest representative score from all Borrowers will be used for qualification purposes. • Non-traditional credit not permitted; with the exception of CDE loans with an AUS Approve Eligible Recommendation. • Significant Derogatory Credit (Bankruptcy, Foreclosure) waiting periods less than 2 yrs. from the resolution of the event to application must be approved by the credit committee. • AFR does not permit a transaction with an identity of interest when the current loan is in foreclosure. • New secondary financing not permitted • AFR Policy on Federal Tax Liens: ○ AFR requires the borrower to provide proof they are in an approved repayment plan and must have made at least 1 payment for the debt to remain open. ○ All payments must be made on time. (0x30 Max). ○ Monthly payment must be included in the debt-to-income ratios. ○ Tax liens may remain unpaid provided the lien holder subordinates the tax lien. • Refinancing of a Reverse Mortgage (HECM) is not permitted unless: ○ The forward mortgage transaction is paying off a current Reverse Mortgage (HECM) when the applicant was not a party to the HECM and has either inherited the property or is purchasing the property from the estate (i.e., HECM parties are deceased). Housing History: • AFR will allow a 1x30 on a Type 1 and Type II cash out refinance transaction if the late payment was over 3 months prior to the application date on Approve/Eligible or Accept/Eligible automated underwriting results. (Type 1 and Type II Cash out Refinance Transactions with a Refer, or Manual Downgrade will require a 0x30 for 12 months housing history.) • DU/LPA must be an Approve/Eligible or Accept/Eligible. If the automated underwriting results do not recognize the mortgage history, including, but not limited to situations where the mortgage is not reporting on credit or if the underwriter manually downgrades the file, mortgage late payments within the previous 12 months are not allowed. Regardless of the automated underwriting decision, an application with a recent mortgage late payment is still subject to the Underwriter's review and approval. • As a reminder, if, in AFR's judgement, the applicant does not have the ability or willingness to repay the loan, we may deny the file even if the application meets the written guidelines. • Reminder: Purchase and IRRRL transactions require a 0x30 for 12 months.
Property	• AFR does not permit the use of a plat mat in lieu of a survey if a survey is required • AFR has a maximum of 2% Deductible of the policy coverage for HOI. • A manufactured housing unit that has been moved from a previous foundation must meet VA minimum property requirements and all HUD manufactured home construction and safety standards on the new installation. • The following property types are not permitted: ○ Co-Ops ○ Manufactured Housing Units built prior to June 15, 1976 ○ Manufactured Housing in a Condominium Project ○ Manufactured Housing that has been traded ○ Mixed- Use ○ Under Construction ○ Off Grid ○ Properties with commercial influence are subject to additional review.

	○ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable • AFR will not permit properties with more than 100 acres
Refinance Seasoning Requirements	• The note date of the refinance loan must be on, or after, the later of: ○ The date on which the borrower has made at least six-monthly payments on the loan being refinanced; and ○ The date that is 210 days after the first payment due date of the loan being refinanced.
Assets	• All loans that have a purchase money grant/silent (or soft) second must get an approval from the AFR Title Review prior to underwriting approval/AFR purchase • Trade Equity not permitted • Sweat Equity not permitted • Private Savings Clubs or Pooled Savings Accounts are not permitted • Cash on hand is not permitted
Income	• Employer Assistance Plans not permitted • Employer Differential Payments not permitted • AFR requires a minimum of 2 years for the length of self-employment to use as income. • AFR does not permit voluntary agreements for child support, maintenance, and alimony. • AFR requires 2 years receipt of OT and Bonuses to be used as qualifying income; anything less than 2 years will not be eligible for income. • Marijuana income is unacceptable income regardless of state law. • Amended tax returns are acceptable, provided there is proof that the IRS has received the return and proof of payment has been made if any taxes were due.
Programs	AFR permits CEMA transactions on NY properties • No prior CEMA's allowed. ○ AFR requires an approved closing attorney in NY to conduct all NY settlements. You or the borrower may choose from the list below: ▪ Richard H. Lovell, Esq. - (Closing all transactions, including CEMA) ▪ Jared Kaplan, Esq. - (Closing all transactions, including CEMA) AFR does not participate in the following Programs: • Texas Equity Section 50(a)(6) Program • Energy Efficient Mortgages (EEMs) • Adjustable-Rate Mortgages (ARMS) • Graduated Payment Mortgages (GPM) • Growing Equity Mortgages (GEMs) • Loans Involving Temporary Interest Rate Buydowns • Farm Residence Loans • Native American Direct Loan (NADL) • Specially Adapted Housing (SAH) Grant • Special Housing Adaptation (SHA) Grant • Supplemental Loans
Ownership Types	The following are ineligible for submitting/delivery to AFR: • Life Estate • Blind Trusts • Irrevocable Trusts • 1031 Exchanges • LLCs, Corporations and Partnerships • Community Land Trusts
Compliance	• AFR's Net Tangible Benefit Policy/Recoupment Policy ○ See AFR Resource Center for AFR Policy/State Requirements/Forms ○ When a state has a more restrictive recoupment policy, this policy must be met • AFR does not close and/or purchase any New York loan that is a subprime home loan. All NY Loans must be tested the time the commitment is prepared. ○ If the APR at the time of commitment cannot be determined AFR will not proceed with or purchase a loan with a client code of C or CDE. • Any loan that is classified as a Rebuttable Presumption must have all HPML provisions applied and must meet VA residual income guideline requirements. (Correspondent Delegated UW transactions do not need to meet residual income requirements for Rebuttable Presumption purposes). • Any loan that is classified as a Higher-Priced Mortgage Loan (HPML) must have all HPML provisions applied. • File remains subject to all Qualified Mortgage ("QM") and Ability-to-Repay ("ATR") underwriting guidelines, including Points and Fees thresholds through consummation. AFR will not originate, close, fund, or purchase any loan that is not legally deemed as a QM. AFR will also require all VA loans to follow specific ATR/QM provisions specified by VA.

	- All loans must provide evidence of the borrower's compliance of QM/ATR with a compliance report. Note: Delegated Correspondents must provide a compliance report evidencing compliance. - All loans must provide evidence of the borrower's ability to repay with a fully completed/executed Ability to Repay Worksheet. Note: Delegated Correspondents must provide a fully completed/executed Ability to Repay Worksheet showing evidence the borrower meets the ability to repay requirements. - AFR will not originate loans as a high cost or predatory mortgage loan - AFR will comply in all respects with CFPB's Rule on TILA-RESPA Integrated Disclosures. AFR will not originate, close, fund, or purchase any loan that does not adhere to the Rule.
Escrow Waiver Eligibility	- 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 $\geq$ 80%
Miscellaneous	- AFR requires a 25% guaranty on all VA loans - AFR will not permit joint loans made to a veteran and one or more nonveterans (non-spouse) - Prepayment penalties are not permitted - AFR requires all Correspondent Delegated (CDE) transactions to be purchased within 90 days of the Note date.
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.