



Tip: To find specific information for a product, Press Ctrl+F (or use "Find" from the Edit Menu) and then search for the information or topic you are looking for. If you don't find the topic the first time, try variations, different terms or less words.

VA

**10, 15, 20, 25 and 30 Year Fixed
3/1 and 5/1 ARMs^{4,7}**

LTV	CLTV	Purpose	Units	Occupancy	Credit Score
100 ¹	100 ¹	Purchase	1-4	O/O	550 ^{5,6,7}
100 ²	100 ²	Cash Out ³	1-4	O/O	550 ^{5,6,7}

1. For purchase transactions: Max LTV/CLTV and base loan amount may be exceeded when financing the Funding Fee by the amount of the Funding Fee only.
2. For refinance applications taken on or after 2/15/19: LTV/CLTV may **not** be exceeded by the funding fee (funding fee must be included in LTV/CLTV calculation), however the base loan amount may be exceeded when financing the Funding Fee by the amount of the Funding Fee only. For refinance applications taken prior to 2/15/19: Max LTV/CLTV and base loan amount may be exceeded when financing the Funding Fee by the amount of the Funding Fee only.
3. All refinances, including rate/term, are considered cash out (free and clear properties are not eligible for a refinance per VA), see Cash Out section for information on Type 1 and Type 2 cash out refinances.
4. For manufactured homes, only offered on fixed terms or the 5/1 ARM
5. Manual Underwrites require >=580 credit score for all transaction types (AUS approval required for <580 score), see Manual Underwriting section for additional information.
6. For all refinance transactions with scores <580 max 45% DTI applies, see Ratios section for additional information.
7. ARMS require credit score of >=580

PRODUCT NAME	<ul style="list-style-type: none"> • VA 10 Year Fixed • VA 15 Year Fixed • VA 20 Year Fixed • VA 25 Year Fixed • VA 30 Year Fixed Rate • VA 3/1 ARM • VA 5/1 ARM
ALLOWABLE ORIGINATION CHANNELS	<ul style="list-style-type: none"> • Wholesale • Retail • Correspondent
AGENCY LINKS	<ul style="list-style-type: none"> • In addition to any Product Profile requirements, you must always meet the published VA guidelines. If published VA guidelines are more restrictive then what is allowed in the Product Profile, you must always defer to VA Guidelines. • All PRMG staff can access all end Agency guidelines though AllRegs Online at http://allregs.elliemae.com. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center. • Use the following link to access VA Lender Handbook:

	http://www.benefits.va.gov/warms/pam26_7.asp
MIN. LOAN AMOUNT	<ul style="list-style-type: none"> No Minimum Loan Amount Note that loan amounts under \$30,000 will require special pricing by Secondary Marketing
MAX. LOAN AMOUNT	<p>For loan closed prior to 1/1/19:</p> <ul style="list-style-type: none"> All States except AK and HI: lessor of \$453,100 (using the base loan amount) or Notice of Value (NOV) AK and HI: lessor of \$679,650 (using the base loan amount) or Notice of Value (NOV) <p>For loans closed on or after 1/1/19:</p> <ul style="list-style-type: none"> All States except AK and HI: lessor of \$484,350 (using the base loan amount) or Notice of Value (NOV) AK and HI: lessor of \$726,525 (using the base loan amount) or Notice of Value (NOV) To calculate the maximum guaranty for a property and to view the maximum county loan limit, use the following link: http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp Please refer to the VA High Balance product profile for base loan amounts greater than \$453,100 for loans closed prior to 1/1/19 or \$484,350 for loans closed on or after 1/1/19.
DOWN PAYMENT PROTECTION OPTION (PRMG +PLUS)	<ul style="list-style-type: none"> Available Provides insurance option to protect initial down payment should borrower not be able to recoup their down payment when they sell, see Resource Center for additional information about this optional coverage Must select “Down Payment Insurance” (Yes/No) when pricing loan in FT360/OB (LLPA will apply) Max LTV/CLTV 97% Allowed for purchases only
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> Please refer to PRMG’s “Eligible States” list, which can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf If the property is in Texas, please refer to the addendum at the end of this product profile. Texas 50(a)(6) loans not allowed Manufactured homes not allowed in the states of West Virginia or Rhode Island Properties in flood zones not allowed, unless requirements from Manufactured Home Property Eligibility section in the Manufactured Home Requirements document is met. http://www.eprmg.net/ManufacturedHomeRequirements.pdf If the subject property is located in the Alabama Restricted Lending Area (Coliseum Boulevard Area of Montgomery - this area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP)) the loan must meet the following requirements: <ul style="list-style-type: none"> A full appraisal (interior/exterior) is required. A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing Properties located in Illinois in the counties of Cook, Kane, Peoria or Will requires copies of the following to be closely reviewed: (1) A copy of the Certificate of Compliance with the counseling requirements or the Certificate of Exemption, if the lender or transaction is exempt and (2) A copy of Title Commitment free from any exceptions related to the anti-predatory lending database requirements. For Nebraska cash out transactions, if the credit or title commitment reflects an

	<p>alimony/child support judgment/lien, the following is required: subject property mortgage must be in first lien position and title commitment must clearly state that the alimony/child support lien is in subordinate position to the new mortgage. A copy of the subordination agreement or court order must be provided. This requirement is because under the Uniform Interstate Family Support Act, orders for payment of alimony/child support in Nebraska automatically create liens and could impact a first lien position on a cash-out refinance transaction.</p>
<p>MORTGAGE TYPES</p>	<ul style="list-style-type: none"> • Any VA programs/mortgage types identified in the VA Lender Handbook that are not specifically allowed in the product profile, including but not limited, to Energy Efficient Mortgages are not eligible.
<p>DOCUMENTATION</p>	<ul style="list-style-type: none"> • Full/Alt Doc • All borrowers must have a valid social security number. • A signed 4506-T is required for ALL borrowers. • Tax transcripts are not allowed to take the place of a tax return when it is required • When all income used to qualify a loan for the borrower is made up exclusively of wage earner income reported on a W2 and/or fixed income reported on a 1099 (i.e., social security or VA benefits) transcripts are not required, unless full tax returns are required for the borrower by the AUS (i.e., borrower employed by family members). If multiple borrowers are qualifying on the loan, but the tax returns are not filed jointly, and one borrower requires full returns, but the other borrowers are qualified exclusively on W2 and/or fixed income then no transcripts are required for the W2/fixed income borrower and 1040 transcripts are required for the self-employed borrower/borrower requiring full returns. When using this option, there can also be no tax returns included in the loan file (including if tax returns are required to be reviewed by the PRMG underwriter for MCC Approval or other purpose). If the borrower earns other income that is used to qualify that would be able to be validated with 1040 transcripts (i.e., rental income from tax returns, etc.) then 1040 transcripts are required to validate that income. A completed and executable (signed) 4506T must be submitted with the loan file. For the borrowers where transcripts are not required, be sure to select the W2/1099 option only when completing the 4506-T. Do not mark the 1040 or Record of Account option. • When tax returns are required for a borrower or when borrower's qualifying income is not made up of W2 or fixed income reported on a 1099, validated 1040 tax transcripts are required if borrower's income is utilized as a source of repayment. If multiple borrowers are qualifying but the tax returns are not filed jointly (when one borrower requires full returns), then it is acceptable to provide no transcripts for the salaried/fixed income borrower and 1040 transcripts for the self-employed borrower/borrower requiring the tax returns. • When required, transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or VA requirements. Tax transcripts are required to support the income used to qualify the borrower. The purpose of the 4506-T is to verify the income reported is accurate. • Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender • Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds 20%, document the rationale for using current income and review is

required by an Operations Manager.

- If tax transcripts are not available (due to a recent filing for the most recent tax year due) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the validated previous one year’s tax transcripts. Stamped tax returns may not be used for previous year’s tax returns that were not filed or for amended returns. Stamped returns from the Department of Hacienda is also allowed for any borrower whose income is from Puerto Rico if using the stamped return option, as long as all requirements are met, including transcripts for the previous year. Additionally, evidence of payment of the taxes due (or evidence borrower is on a payment plan in lieu of full payment as long as the borrower qualifies with the payment in the ratios), and the ability to pay, if the check has not yet cancelled for the stamped return. If Stamped Returns are used, “Stamped Returns” must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.
- Amended tax returns must have been filed at least sixty (60) days prior to the earliest of the purchase agreement, initial credit report date, or mortgage application date, unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. When using the amended returns if filed within sixty (60) days to the earliest of the purchase agreement, initial credit report date, or mortgage application date, or after, the Underwriter must provide justification and commentary regarding its use, including that borrower does not require use of amended income for qualification. Regardless of when the amended returns were filed, due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due, and the ability to pay, if the check has not yet cancelled.
- One month consecutive paystubs are not required if the current paystub includes a 30-day year-to-date total. If the Veteran has only been employed with their current employer for less than 30 days, all paystubs received are required.
- For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states.
- For self-employed borrowers: No more than 30 calendar days prior to note date, verify the existence of the borrower’s business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower’s business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not

	<p>acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If <u>all</u> other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service, payment arrangements, etc. and support the income with current bank statements, deposits, etc. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate.</p> <ul style="list-style-type: none"> • Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers. • Active Military income must be documented with a Leave and Earnings Statement (LES) • On existing construction, a clear pest inspection report is required if it is in the purchase contract requires it or if it requested by the appraiser. Additionally, for all detached housing and first floor level condominiums a clear pest inspection report is required if the property is located in an area determined by VA to require pest inspections. California, Arizona and Nevada are all states that VA has indicated requires a clear pest inspection report, check with the local VA Regional Loan Center for other state requirements. • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English.
DOCUMENT EXPIRATIONS	<ul style="list-style-type: none"> • Credit documentation must not be more than 120 days old from the note date • Notice of Value (NOV) is valid for six (6) months
AUTOMATED UNDERWRITING	<ul style="list-style-type: none"> • Manual underwrites are allowed on a case-by-case basis with approval by the underwriter’s direct supervisor, Wholesale Operations Manager or Retail Operations Manager. Manual underwrite will also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature. See Manual Underwriting section for specific requirements for loans that are manually underwritten. If a Manual Underwrite is performed, “Manual Underwrite” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval. • In the event that credit terms and/or loan information were not considered in the AUS decision, an Approve/Eligible or Accept decision must be downgraded to Refer and be manually underwritten. Manual underwrite in this scenario requires approval by the underwriter’s direct supervisor, Wholesale Operations Manager or Retail Operations Manager. Manual underwrite will also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature. • Loan must be manually downgraded when required by VA, which include: <ul style="list-style-type: none"> • Any mortgage debt with more than 1 by 30 day late payment in the past 12 months • Any significant non-mortgage debt (monthly payment exceeding 2 percent of the

	<p style="color: red;">stable monthly income for all borrowers) not on credit report and has more than 1 by 30 day late payment in the past 12 months</p> <ul style="list-style-type: none"> • Any Account balances if rating is currently ≥ 90 days past due • Circumstances requiring a downgrade, if not considered in the AUS decision, include but are not limited to (see Manual Underwriting section for when a manual underwrite is allowed): <ul style="list-style-type: none"> • If additional derogatory credit information is received that was not included on the credit report evaluated by the AUS, excluding foreclosures and bankruptcies if they are appropriately disclosed in the declarations section of the loan application • Failure to meet the specific conditions of an AUS approval. • Other circumstances as required by VA • At underwriter discretion, credit reports with disputed trade lines or federal delinquent debt may require a manual downgrade or, if applicable, a new credit report for consideration in the AUS. • The last AUS finding, which must match the terms of the loan, must be in the loan file. For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.)
DESKTOP UNDERWRITER (DU)	<ul style="list-style-type: none"> • Must receive an Approve/Eligible. • A Refer/Eligible finding (which requires a manual underwrite) will be allowed due to a bankruptcy. Manual underwrite will also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature. • Additionally, manual underwrites are allowed on a case-by-case basis with approval by the underwriter’s direct supervisor, Wholesale Operations Manager or Retail Operations Manager. Manual underwrite will also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature. See Manual Underwriting section for specific requirements for loans that are manually underwritten. If a Manual Underwrite is performed, “Manual Underwrite” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval. • A copy of the findings must be included in the file. • All conditions outlined in the Findings Report must be satisfied. • There are no restrictions on loans being switched from one AUS to another. An Approve/Eligible from the AUS that it was originally submitted through is NOT required.
LOAN PRODUCT ADVISOR (LPA)	<ul style="list-style-type: none"> • Must receive an Accept (since it is a VA product type findings will return N/A) • A Caution finding (which requires a manual underwrite) will be allowed due to a bankruptcy. Manual underwrite will also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature. If a Manual Underwrite is performed, “Manual Underwrite” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval. • Additionally, manual underwrites are allowed on a case-by-case basis with approval by the underwriter’s direct supervisor, Wholesale Operations Manager or Retail Operations Manager. Manual underwrite will also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature. See Manual Underwriting section for specific requirements for loans that are manually underwritten. If a Manual Underwrite is performed, “Manual Underwrite” must be entered in the Loan

	<p>Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.</p> <ul style="list-style-type: none"> • Formerly known as Loan Prospector (LP) • A copy of the findings must be included in the file. • All conditions outlined in the Findings Report must be satisfied. • All requirements from LPA must be met, including reviewing the documentation matrix that is found on the following website to ensure compliance with LPA requirements http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/ • There are no restrictions on loans being switched from one AUS to another. An Approve/Eligible from the AUS that it was originally submitted through is NOT required.
MANUAL UNDERWRITING	<ul style="list-style-type: none"> • Allowed on a case-by-case basis for reasons other than bankruptcy with approval from the underwriter’s direct supervisor, Wholesale Operations Manager or Retail Operations Manager. • All manual underwrites, must meet below requirements. • Manual Underwrite with credit scores >= 580 <ul style="list-style-type: none"> • Generally, max ratio of 41% allowed, ratios >41% when residual income exceeds the guideline by at least 20% and significant documented compensating factors exist. See Ratio section for complete information. • Manual Underwrite < 580 not allowed • Underwriter must ensure compliance with all VA requirements • Loan file must contain Refer/Eligible AUS results • Manual underwrite will also require second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature. • If a Manual Underwrite is performed, “Manual Underwrite” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.
PROPERTY TYPES	<ul style="list-style-type: none"> • See below
ELIGIBLE	<ul style="list-style-type: none"> • Single Family Residence • 1-4 Units • Modular Homes (see section below) • Manufactured Homes (see section below) • PUDs • VA Approved Condos <ul style="list-style-type: none"> • Eligibility can be verified at: https://vip.vba.va.gov/portal/VBAH/Home?paf_portalId=default&paf_dm=share&d# • Condos (including Site Condos) must be VA approved prior to ordering an appraisal. • Per Circular 26-18-12, for the state of Michigan only, Site Condos can be processed in the same manner as a single family detached residence. VA will no longer review legal documentation for site condominiums or provide a VA Condominium ID in the state of Michigan.
INELIGIBLE	<ul style="list-style-type: none"> • Hawaii properties in lava zones 1 and 2 • Hawaii Homeland Leasehold properties • Land Trusts except Illinois Land Trusts (see Illinois Land Trust section for additional information on that option) • Multiple Unit Condos • Mobile homes • Condotels

	<ul style="list-style-type: none"> • Hotel Condominiums • Leasehold condos • Timeshares • Working Farms and Ranches • Unimproved Land • Property Currently in Litigation • Commercial Enterprises (i.e., Bed and Breakfast, Boarding House, Hotel) • Mixed-Use • Co-ops • Geodesic dome, Earth or Geothermal homes • Deed Restricted Properties (55+ Age Restricted Properties allowed, see below) • Properties in a flood zone that do not participate in the National Flood Insurance Program • Properties rated in "less than average" condition • Indian land (leased or fee simple)
DEED RESTRICTED PROPERTIES	<ul style="list-style-type: none"> • "55 and Older" restricted properties only • "55+ Age Restricted Properties" must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.
PROPERTIES WITH UNEXPIRED REDEMPTION RIGHTS	<ul style="list-style-type: none"> • Allowed in states where it is common and customary • Must meet all agency requirements • Title must insure over the right of redemption • Redemption bond is required when required by the title company • Written disclosure to borrowers of properties that are subject to unexpired redemption periods must be provided • Must enter "Redemption Period" in Loan Program Comments section of Investor Overlay Screen in FT360
PROPERTIES WITH GAS, OIL AND/OR SUBSURFACE MINERAL RIGHTS	<ul style="list-style-type: none"> • Outstanding oil, gas, water, or mineral rights are acceptable if commonly granted by private institutional mortgage investors in the area where the Mortgaged Premises are located, and: • The exercise of such rights will not result in damage to the subject property, or impairment of the use, or marketability of the subject property for residential purposes, and there is no right of surface, or subsurface entry within 200 feet of the residential structure, or • There is a comprehensive endorsement to the title insurance policy that affirmatively insures the lender against damage, or loss, due to the exercise of such rights.
LEASED LAND	<ul style="list-style-type: none"> • Allowed with prior approval by VA • See Chapter 10 of the VA Lender Handbook regarding requirements for Property Eligibility for Leasehold Estates • Prior to ordering appraisal, VA must approve the specific legal arrangement (do so by contacting the appropriate Regional Loan Center.) • Submission of the following information is required to order the appraisal and must also be in the file: <ul style="list-style-type: none"> • Details of the ownership arrangement • Copies of leases or other instruments creating the estate and • Recommendations of the VA office or jurisdiction
2-4 UNIT PROPERTIES	<ul style="list-style-type: none"> • Prospective rental income may only be included if the following conditions are met: <ul style="list-style-type: none"> • Evidence indicates the borrower has a reasonable likelihood of success as a landlord based on prior experience managing rental units or other background involving both property maintenance and rental and • 6 months PITIA reserves

	<ul style="list-style-type: none"> • Verification of prior rent collected • Appraiser's opinion of market rent (purchase only) • Two years personal tax returns, when required by VA • 3-4 Units: QC audit required
MODULAR HOMES	<ul style="list-style-type: none"> • Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law. • Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located. • Modular homes must be built to the state building code requirement of the state in which they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes. • Marketing time must not exceed 6 months. • Minimum of 2 similar factory-built comparables.
LOG HOMES	<ul style="list-style-type: none"> • Home was built to state/local building codes. • Property conforms to all zoning requirements and International Code Council (ICC) building codes. • Appraiser to comment on: Local demand, marketability of the property, supply of log built homes and their appeal in the market. Marketing time must not exceed 6 months. Appraiser must also comment on the sufficiency of the unit's living area, interior room size, storage, adequacy of roof pitch, overhangs and exterior finish. • Two comparables must be log homes. • Comparable sales provided must be of similar quality construction, design and have similar market appeal and amenities.
MAXIMUM ACREAGE	<ul style="list-style-type: none"> • Maximum 40 acres • Must enter "Over 10 Acres" in Loan Program Comments section of Investor Overlay Screen in FT360 if property is over 10 acres
PROPERTIES WITH UNPERMITTED ADDITIONS	<ul style="list-style-type: none"> • Allowed • The subject addition, improvement or conversion must comply with all VA guidelines • The appraiser demonstrates the property's conformity to the neighborhood and marketability • The appraiser comments on quality of the work of the addition, improvement or conversion and it is described in the appraisal and deemed acceptable ("workmanlike quality") • The appraiser considers the contributory value or obsolescence of the addition, improvement or conversion. In some cases, the addition, improvement or conversion may not be part of the gross living area (GLA) and may be assigned no value or a negative value • If the appraiser gives the unpermitted addition value, the appraiser should indicate the following in the appraisal: <ul style="list-style-type: none"> • Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property. • The appraiser has no reason to believe the addition would not pass inspection for a permit.
COMMUNITY DEVELOPMENT DISTRICT (CDD)	<ul style="list-style-type: none"> • Allowed, must meet any agency requirements in regards to special assessment districts
ILLINOIS LAND TRUST	<ul style="list-style-type: none"> • Illinois land trusts are allowed subject to the following:

	<ul style="list-style-type: none"> • All beneficiaries are individuals. • The loan applicants are one of the beneficiaries of the trust. • The trustee is a corporation or financial institution customarily engaged in the business of acting as trustee under Illinois Land Trusts. • The beneficiaries have sole power of direction over the land trust and trustee. • All beneficiaries are obligated as individuals under the terms of the Note. • The loan applicants are qualified borrowers under the requirements of the product. • All such land trust Loans are secured by one- to four-unit properties occupied as primary residences, second homes, or investments. • The term of the trust agreement is at least as long as the term of the security instrument. • The subject property is the only asset of the Illinois land trust. • Documentation <ul style="list-style-type: none"> • Where the property is to be held in a land trust, all of the following additional documentation must be provided: <ul style="list-style-type: none"> • Land Trust Rider to the Mortgage/Deed of Trust • Land Trust Rider to the Note • Security Assignment to Beneficial Interest in Land Trust • The trust agreement must be reviewed by the underwriter. No additions, deletions, or other riders to the standard forms are permitted. • The Note, Mortgage and documents required above must be completed and executed as follows: <ul style="list-style-type: none"> • The Note and Mortgage must include the number of the trust and the date on which the trust was created. This information should follow the name of the trustee on these documents. • The beneficiary must execute the Note and land trust rider to that Note. • The trustee must execute the Mortgage, the Note, and the land trust rider to each. • The beneficiary must assign his/her beneficial interest in the Note and trust agreement to the Seller. • The riders must be dated and executed the same day as the Mortgage and Note. • If Illinois Land Trust then “Illinois Land Trust” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.
<p>PROPERTY ACCESSED CLEAN ENERGY (PACE) LIENS</p>	<p>PACE loans are used to finance energy improvements and are secured by the property with payments collected through the borrower’s property taxes. In order for a property to be eligible for financing with a PACE loan remaining secured against the property, the following must be met:</p> <ul style="list-style-type: none"> • PACE lien must be reviewed by PRMG’s Compliance Department and appear on the PRMG Approved Property Assessed Clean Energy (PACE) Program List for FHA/VA Loans list that is available on the Resource Center or at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PACE-ProgramApprovalList.pdf • To request an additional PACE program to be added to the approved list, submit all program documentation that confirms it complies with the below requirements to ComplianceGroup@prmg.net. If approved, the program will be added and the property will be eligible for financing. • Under the laws of the state where the property is located, the PACE loan must be collected and secured by the creditor in the same manner as special assessment

	<p>taxes against the property;</p> <ul style="list-style-type: none"> • The property may only become subject to an enforceable claim (i.e., lien) that is superior to the mortgage for delinquent regularly scheduled PACE special assessment payments. The property shall not be subject to an enforceable claim (i.e., lien) superior to the mortgage for the full outstanding PACE loan at any time (i.e., through acceleration of the full obligation). However, a notice of the lien for the full PACE loan may be recorded in the land records; • There are no terms or conditions that limit the transfer of the property to a new homeowner. Legal restrictions on conveyance arising from a PACE loan that could require consent of a third party before the owner can convey the real property are prohibited, unless such provisions may be terminated at the option of, and with no cost to, the homeowner; • The existence of a PACE loan on a property is readily apparent to lender, appraisers, borrowers and other parties to a mortgage transaction in the public records. Information on the PACE obligation must be readily available for review in public records; • In the event of a sale, including a foreclosure sale, of the property with outstanding PACE financing, the obligation will continue with the property causing the new homeowner to be responsible for the payments on the outstanding PACE amount; <p>Underwriter must confirm:</p> <ul style="list-style-type: none"> • All terms and conditions of the PACE loan must be fully disclosed to the borrower and made part of the sales contract between the seller and the borrower; • Appraiser must be notified of all terms and conditions of the PACE loan and the appraiser must (if applicable): <ul style="list-style-type: none"> • review the sales contract and property tax records for the Property to determine the amount outstanding and the terms of the PACE obligation: <ul style="list-style-type: none"> • if the mortgagee notifies the Appraiser that the subject Property will remain subject to a PACE obligation, • when the appraiser observes that the property taxes for the subject Property are higher than average for the neighborhood and type of dwelling, or • when the appraiser observes energy-related building components or equipment or is aware of other PACE-allowed improvements during the inspection process. • report the outstanding amount of the PACE obligation for the subject property and provide a brief explanation of the terms • analyze and report the impact on value of the property, whether positive or negative, of the PACE-related improvements and any additional obligation (i.e., the PACE special assessment). Specific language must be included in the appraisal report providing this information.
<p>MANUFACTURED HOMES</p>	<ul style="list-style-type: none"> • Eligible for Wholesale, Retail, and Correspondent channels • Manufactured homes must be underwritten by a Level 4 Underwriter, or a second review/signature of the property by a Level 4 underwriter is required • All Channels: Follow LTV matrix for credit score/DTI requirements • Wholesale/Correspondent: AUS approval required. No manual underwrites allowed. • Retail: Manual underwriting is allowed when allowed by product profile. Follow VA and VA Product Profile guidelines for manual underwriting requirements. 0x30x12 mortgage history required. • Offered on all fixed terms and 5/1 ARM only • No secondary financing/down payment assistance on purchases (LTV must equal CLTV) • No Mortgage Interest Differential payment income allowed

	<ul style="list-style-type: none"> • No West Virginia or Rhode Island properties • No leasehold properties • Singlewide manufactured homes are not eligible • Manufactured Housing Condo units eligible • Manufactured Housing PUD units eligible • For manufactured homes, max 10 acres allowed • Manufactured home must be classified and titled as real property at time of application. • Manufactured home must be existing construction (permanently affixed to the foundation and titled as real estate). • Unless meeting the requirements for no tax transcripts with W2 and/or fixed income, IRS Form 4506-T must be processed and income validated for the required number of years for the type of income used for qualification, (no stamped tax returns) • See PRMG’s Appraisal Guidelines for manufactured home appraisal requirements • Additional Information can be found in the following document and must be reviewed and complied with: • www.eprmg.net/ManufacturedHomeRequirements.pdf • The following eligibility requirements and minimum property requirements (MPRs) must be met for all manufactured homes: <ul style="list-style-type: none"> • The manufactured home must be permanently affixed to the foundation • The manufactured home must be classified and subject to taxation as real estate • The manufactured home must be existing construction • Must substantially conform with VA Minimum Property Requirements (MPRs) • Conform to applicable building code and zoning requirements for real estate. • Manufactured Home PUD and Condos must be detached only • A checklist that can be used to assist in review can be found on the Resource Center or at the following link: • http://www.eprmg.net/ResourceCenter/Checklists/VAManufacturedHomeChecklist.pdf
EXISTING CONSTRUCTION MANUFACTURED HOMES	<ul style="list-style-type: none"> • Existing construction is generally defined as when the foundation for a manufactured home has been fully completed and the manufactured home unit has been installed. • There are two MPR-related requirements for existing construction manufactured homes: <ul style="list-style-type: none"> • The site, manufactured home unit, and other on-site improvements (e.g. private well and septic, utilities, etc.) must meet VA MPRs for existing construction. • The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the State or local building authority. • If the VA fee appraiser has reasonable doubts as to the acceptability of the foundation system where there are no local requirements, a statement from a registered professional engineer is required. • The Cost Approach is not required but may be completed to supplement the indicated value in the sales comparison approach. Since VA relies on the sales comparison approach to value, the appraised value should never exceed the value indicated in the Sales Comparison Approach without detailed explanation.
MANUFACTURED HOME INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Manufactured home where the foundation has not been fully completed and the unit is not permanently affixed • A manufactured home that is not titled as real estate at closing or properties in process of conversion from chattel to real estate.
CONSTRUCTION TO	<ul style="list-style-type: none"> • One-Time Close (financing of construction costs) not allowed

PERMANENT FINANCING	<ul style="list-style-type: none"> • Final permanent financing to pay off construction loan allowed • Must meet all VA requirements, including no additional cash to borrower from proceeds • Must meet requirements in VA Circular 26-18-7 for two-time close construction https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_18_7.pdf
OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence (O/O)
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> • A veteran who has served on active duty in the Army, Navy, Air Force, Marines, or Coast Guard, and who (except for a service member on active duty) was discharged or released from active duty under conditions other than dishonorable. • The following eligibility criteria apply: <ul style="list-style-type: none"> • The minimum service required during wartime periods is 90 days of active duty • The minimum service required for the peacetime periods is 181 days of continuous active duty. • The veteran must have been discharged or released from active duty under other than dishonorable conditions. Veterans who have served less than the minimum required period may be eligible if discharged because of service connected disabilities. • Members of the Reserves or National Guard who are not eligible for loan guaranty benefits are eligible upon completion of six years of service in the Selected Reserve, or upon discharge from the Reserves or National Guard because of a service-connected disability before completing six years. • The un-remarried surviving spouse of an eligible service member who died as a result of service or service-connected injuries may also be eligible. • Must have a Certificate of Eligibility (COE) which also indicates the Veteran's entitlement • ITIN (Individual Tax Payer Identification Numbers) are not allowed (must have Social Security Numbers) • Maximum of four borrowers allowed per loan • Co-signers are not allowed, anyone who signs the Note must be on all documents and take title on the loan • Borrower must take title in individual names or Inter Vivos Revocable "Living" trusts (see below for trust requirements) • No irrevocable trusts, corporations, LLCs, etc. allowed • Only eligible borrowers who sign the Note may take title to the property at closing. The only exception is the veteran's legal spouse. • Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor or his heirs • Borrowers with diplomatic immunity or "foreign politically exposed" are not eligible • Registered Domestic Partners are not recognized by VA. • The borrower must permanently reside in the United States. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the U.S. • For borrowers employed in a residential real estate related profession loans on builder or developer owned properties are ineligible.
BORROWER COMBINATIONS	<ul style="list-style-type: none"> • Eligible Veteran/Borrower Combinations: <ul style="list-style-type: none"> • Veteran • Veteran and non-veteran spouse • Two veterans who are married to each other where only one veteran will be

	<p>using entitlement.</p> <ul style="list-style-type: none"> • Two veterans who are married to each other where each veteran will be using entitlement (as long as the factor for the VA Funding Fee is the same for both veterans) • Surviving spouse of an eligible veteran (if determined eligible by a VA-issued COE). • Spouse of an active-duty service person who has been listed as MIA or POW for more than 90 days (if determined eligible by a VA-issued COE). • Eligible Veteran/Borrower Combinations that require prior approval by VA: <ul style="list-style-type: none"> • Two veterans who are not married to each other where each veteran will be using entitlement (Joint Loans). • Veteran and non-veteran who is not the veteran’s spouse (VA will only issue guaranty on the veteran’s portion of the loan. Loan must still include the minimum 25% coverage and can be a combination of VA provided entitlement plus cash down payment/equity). • Ineligible Veteran/Borrower Combinations <ul style="list-style-type: none"> • Any type of borrower not listed as eligible • Two veterans where the factor for VA Funding Fee is not the same (restriction due to system constraints)
SAME-SEX SPOUSE	<ul style="list-style-type: none"> • See VA Circular 26-15-29 for additional details, • Lenders may accept a Veteran’s assertion of spousal status when a Veteran is applying for The administrations within VA will apply the same level of scrutiny to all Veterans’ marriages, regardless of whether they are same-sex or opposite-sex marriages. VA will therefore process claims and applications involving same-sex marriage in the same manner as claims and applications based on opposite-sex marriage, without any additional scrutiny or development. • To further implement this policy of equal treatment, VA will accept a claimant’s or applicant’s assertion that he or she is married as sufficient evidence to establish the Veteran’s marriage. For the purposes of home loan benefits administered by Loan Guaranty Service, VA will accept an assertion on VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application, to establish spousal status for the purpose of this benefit. • Lenders should process loan applications involving same-sex marriage in the same manner as loan applications based on opposite-sex marriage, without any additional scrutiny or development.
RESIDENT ALIENS	<ul style="list-style-type: none"> • Permanent resident aliens are eligible and must provide evidence of a valid Social Security number. • Non-permanent resident aliens are eligible provided they have a valid Social Security number and proof that they are eligible to work in the U.S. • Borrowers under Deferred Action, the Dreamer’s Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.
NON-PURCHASING SPOUSE IN A COMMUNITY PROPERTY STATE	<ul style="list-style-type: none"> • If the property is located in a community property state or the borrower resides in a community property state, additional requirements will apply. Please see Attachment A at the end of the document for details.

	<ul style="list-style-type: none"> The following states are community property states: <ul style="list-style-type: none"> Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
NON-OCCUPYING CO-BORROWERS	<ul style="list-style-type: none"> Any person who uses entitlement must certify intent to personally occupy the property as his or her home. Any borrower on a joint loan who does not use entitlement for the loan (such as a nonveteran), does not have to certify intent to occupy the property. (Note, joint loans require prior approval by VA) Co-signers are not allowed
SEASONING REQUIREMENTS	<ul style="list-style-type: none"> See below.
RECENTLY DELISTED PROPERTIES	<ul style="list-style-type: none"> Must have been removed from MLS prior to the application date. The property's listing history in the subject section of the appraisal Evidence that a search was made of the Multiple Listing Service (MLS) and listing cancellation is required The borrower's confirmation of their intent to continue to occupy the subject property as their primary residence and a reasonable explanation for removing their house from the market.
TITLE SEASONING/LOAN SEASONING	<ul style="list-style-type: none"> Six month chain of title as evidenced by the title commitment required Title must be held in the name of the veteran (or an individual/personal trust in which the borrower is the creator of the trust and trustee) at time of application for refinance transactions and all borrowers at time of closing for all transactions. The note date of the refinance loan must be on or after the later of: <ul style="list-style-type: none"> the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced (i.e., if first payment was due 1/1/2018 but not made until 1/15/2018 then the 210 days start on 1/16/2018), and the date on which 6 full monthly payments have been made on the mortgage being refinanced. The seasoning requirements listed are in regards to the existing first mortgage being refinanced. For loans being refinanced within 1 year from the date of closing, lenders must obtain a payment history/ledger documenting all payments, unless a credit bureau supplement clearly identifies all payments made in that timeframe. Additionally, if the loan has been in existence for less than 12 months, the pay history must be used to validate and document when the first and sixth payments were made in order to ensure compliance that the note date is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced and six full payments were made. The refinance of a loan without a payment history would be ineligible as seasoning is tied to the first and sixth monthly payment dates. Examples of loans without a payment history include but are not limited to: reverse mortgages, HELOCs or other lines of credit with no monthly payment, and private loans with no monthly payments
ANTI-FLIPPING POLICY	<ul style="list-style-type: none"> For purchases - The property Seller must have taken title to the subject property more than 1 day prior to the contract date on the sale of the property to the applicant. The seller's date of acquisition is defined as the settlement date on the seller's purchase of that property. Evidence of required seasoning must be documented in the file.
VALUE FOR LTV/CLTV CALCULATION	<ul style="list-style-type: none"> See below.

PURCHASE	<ul style="list-style-type: none"> • Use the lesser of the Notice of Value (NOV) or acquisition cost.
INTEREST RATE REDUCTION REFINANCE (IRRRL)	<ul style="list-style-type: none"> • N/A
CASH OUT	<ul style="list-style-type: none"> • Use the Notice of Value (NOV) • For refinances with a loan application date on or after 2/15/19, to calculate the LTV, divide the total loan amount (including VA funding fee, if applicable) by the reasonable value on the Notice of Value (NOV/Appraised Value) of the property determined by the appraiser
PURCHASE	<ul style="list-style-type: none"> • If there is evidence that borrower, a member of the borrower's family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower's family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. Bail outs not allowed. • All parties on the purchase contract must be on the loan, unless the non-borrowing person meets the VA Vet/Non-Vet requirements, as outlined in the Eligible Borrower/Borrower Combination sections of the guidelines. • Purchase contract assignment (assignment of the sales contract) not allowed. • Purchase Transaction Seller Rent Backs of the subject property are limited to 60 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrowers minimum investment requirements. For condos, not allowed between borrower and developer.
CASH OUT REFINANCE	<ul style="list-style-type: none"> • Must be a lien against the property for any cash out refinance • The mortgage amount may include the present first mortgage payoff, subordinate liens, fees and charges (including the VA Funding Fee), reasonable discount points, and additional cash to the borrower. • Properties that are owned free and clear are not allowed • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either buyer or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements) or a signed amendment authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program, unless the following requirements are met to make it a Section 50(f)(2) transaction: <ul style="list-style-type: none"> • Application date is on or after 1/1/18 • The refinance will be closed no less than one year from the closing of the previously funded home equity loan; • The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower); • The loan proceeds cannot be used to pay off other debts; • The refinanced loan cannot exceed 80% loan to value; • The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing.

	<ul style="list-style-type: none"> Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date For loan applications taken on or after 2/15/19 additional requirements must be met, see below for Type I and Type II refinances and the applicable requirements.
Type I Cash Out Refinance	<ul style="list-style-type: none"> Applies to cash out refinances with loan applications taken on or after 2/15/19 Type I Cash Out Refinance is a refinancing loan in which the loan amount (including VA funding fee) does not exceed the payoff amount of the loan being refinanced. Must meet all Net Tangible Benefit Requirements listed below for Type I If refinancing an existing VA-Guaranteed Home Loan, must meet fee recoupment requirements listed below
Type II Cash Out Refinance	<ul style="list-style-type: none"> Applies to cash out refinances with loan applications taken on or after 2/15/19 Type II Cash Out Refinance is a refinancing loan in which the loan amount (including VA funding fee) exceeds the payoff of the loan being refinanced. Must meet Net Tangible Benefit Requirements listed below for Type II
Net Tangible Benefit (Type I and Type II)	<p>Applies to cash out refinances with loan applications taken on or after 2/15/19:</p> <ul style="list-style-type: none"> Loans must pass a NTB which includes providing the Veteran with the following information no later than the third business day after receiving the Veteran loan application, and again at loan closing. If the NTB information has not been provided to the Veteran no later than the third business day after receiving the Veteran loan application, the lender must contact the VA Regional Loan Center (RLC) for further direction. A tab has been added to the VA Cash Out Refinance and IRRRL Worksheet that contains this disclosure and can be found on the Resource Center. The refinancing loan must satisfy at least one of the following eight NTB <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 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 on the new loan is lower than the payment 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, or; The new loan refinances an adjustable rate loan to a fixed rate loan. A comparison of key loan characteristics or terms for the existing and refinancing loan, including: <ul style="list-style-type: none"> Refinancing loan amount vs. the payoff amount of the loan being refinanced. Loan type (i.e., fixed, adjustable) of the refinancing loan vs. the loan being refinanced. Interest rate of the refinancing loan vs. the loan being refinanced. Loan term of the refinancing loan vs. the loan being refinanced. The total the Veteran will have paid after making all payments (principal and interest), and mortgage insurance, as scheduled, for both the refinancing loan and the loan being refinanced. <ul style="list-style-type: none"> LTV of the refinancing loan vs. the loan being refinanced An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the Veteran.
Net Tangible Benefit	<ul style="list-style-type: none"> If going from VA fixed to VA fixed: interest rate must be at least .50 less in interest

<p>(Type I Cash Out Refinances that are Refinancing an Existing VA-Guaranteed Home Loan Only)</p>	<p>rate than the previous loan</p> <ul style="list-style-type: none"> • If going from VA fixed to VA ARM: interest rate must be at least 2.00 less in interest rate than previous loan <ul style="list-style-type: none"> • The lower interest rate must not be derived solely from paid discount points unless they are paid in cash at closing and the paid discount points are not added to the principal loan amount unless: <ul style="list-style-type: none"> • If 1% or less discount points are included in the new Loan amount, the new Loan is limited to a maximum 100% LTV; or • If more than 1% discount points are included in the new Loan amount, the new Loan is limited to a maximum 90% LTV. • To ensure compliance with VA’s requirements, a copy of the note from the refinanced loan must be provided
<p>Fee Recoupment (Type I Cash Out Refinances that are Refinancing an Existing VA-Guaranteed Home Loan)</p>	<ul style="list-style-type: none"> • Applies to Type I cash out refinances that are refinancing an existing VA-Guaranteed Home Loan with loan applications taken on or after 2/15/19 • The recoupment period of all fees, closing costs, expenses (other than taxes, escrow, insurance, and like assessments), and incurred costs must not exceed 36 months from the date of loan closing. The lender must certify the recoupment period to VA to obtain a Loan Guaranty Certificate. This requirement only applies to TYPE I cash-out refinancing loans made to refinance an existing VA-guaranteed home loan. • To calculate the recoupment, divide all fees, closing costs, expenses, and incurred costs (excluding taxes, escrow, insurance, and like assessments), by the reduction of the monthly principal and interest payment as a result of the refinance. If the loan being refinanced has been modified, the principal and interest reduction must be computed/compared to the modified principal and interest monthly payment. • A tab has been added to the VA Cash Out Refinance and IRRRL Worksheet that contains this calculation and can be found on the Resource Center
<p>SHORT REFINANCE</p>	<ul style="list-style-type: none"> • Not allowed.
<p>QUALIFYING</p>	<ul style="list-style-type: none"> • Fixed Rate: Qualify at note rate. • ARMs: Qualify at note rate • Minnesota Properties: All ARMS qualify at the greater of the product’s qualifying requirement or the loans fully indexed fully amortized rate • Temporary buydowns: Qualify at note rate. • Revolving debts can be paid off to qualify. In general, the account should be closed when paying off to qualify. If paid off by the borrower prior to close, a credit supplement showing a zero balance must be provided. While closure is not mandatory, underwriter discretion can be used in requiring the accounts to be closed. • If a credit report shows an asterisk next to the payment, it can be an indication that the payment listed is not the required monthly minimum payment amount, and as such will require supplemental documentation to support the payment, as required by the agency or, if revolving, 5% of the balance can be used for the payment • The pay off or pay down of installment debt, for qualification purposes is permitted. If debts are being paid off or paid down to qualify the borrower, the pay off must be documented and the source of funds verified with sufficient funds remaining for closing costs and reserves. <ul style="list-style-type: none"> • Do not count installment debt with less than 10 months remaining in ratios if there is excessive residual to cover the payment. Significant installment debt (those with high balances or large monthly payments) may be included in the debt-to-income ratio at the discretion of the underwriter. • If student loan repayments are scheduled to begin within 12 months of the date of VA loan closing, lenders should consider the anticipated monthly obligation in

the loan analysis, see below for calculation requirements. If the borrower is able to provide evidence that the debt may be deferred for a period outside that timeframe, the debt need not be considered in the analysis.

- If a student loan is in repayment or scheduled to begin within 12 months from the date of VA loan closing, must use the anticipated monthly obligation in the loan analysis and utilize the payment established in (1) or (2) below. First, however, determine the threshold by calculating each loan at a rate of 5 percent of the outstanding balance divided by 12 months. For payment option (1) use the payments reported on the credit report for each student loans if the reported payment is greater than the threshold payment calculation above; or (2) If the payment reported on the credit report is less than the threshold payment calculation above, the loan file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loans. The statements must be dated within 60 days of VA loan closing and maybe an electronic copy from the student loan servicer's website or a printed statement provided by the student loan servicer.
- Car leases are not considered installment debt and must be included in the debt ratio calculations.
- For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment
- For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA.
- If the borrower is on a payment plan with the IRS for prior tax years, the underwriter must condition for proof the money owed has been paid in full or verify the borrower has been in a payment plan that has been paid on time for at least 6 months (or less, based on underwriter's discretion) and count the debt in the DTI. There is no requirement for a record of account or other documentation to reflect tax payment status. For the current tax year (most recent tax filing), if the borrower is in a payment plan, the monthly tax payment amount must be included in the calculation of the borrower's DTI ratio, with at least one month payment required to have been made **prior to the application date** . Even if the 1040s shows payment due as long as there is no other evidence of an outstanding tax debt (i.e., tax liens, payments to the IRS) no additional evidence to reflect payment of the taxes is required. For Amended Tax Returns or Stamped Tax Return option, see the applicable guidance in the Product Profile for further requirements.
- Per the 2016 Lenders Conference Edition of the LGY Newsletter, if a joint tax return shows a business loss, then that loss will have to be deducted from the Veteran's income in both community and non-community property states. What is reported to the IRS on a joint return must be used when applying for a federally guaranteed loan. In a situation where a couple has been faced with business losses, the Veteran and his or her spouse may want to consider both being on the loan in order to potentially qualify.
- Any allotments reflected on the LES or paystubs must be investigated to determine if the allotment has an affiliated debt.
- Effective with application prior to 5/23/19 for Non-Taxable Income: Use current income tax withholding tables to determine an amount which can be prudently employed to adjust the borrower's actual income, typically 115% to 125%, (but should use actual tax withholding tables for actual percentage) when calculating qualifying ratios. Do not use grossed up amounts when determining residual income.
- Effective with applications on or after 5/23/19 for Non-Taxable Income: Use current IRS and state income tax withholding tables to determine an amount which can be prudently employed to adjust the borrower's actual income. Use a figure of 125

	<p>percent of the borrower’s non-taxable income when “grossing up.”</p> <ul style="list-style-type: none"> • A tax withholding table can be found at the following link, but be sure to use the most recent tax table: https://www.irs.gov/pub/irs-pdf/n1036.pdf • Per VA Circular 26-19-09, the different treatment of commission income based on the percentage of employment income and unreimbursed business expenses is being removed and the requirement for IRS Form 2106 with the reporting of 2018 federal income taxes is also removed. Per VA, Armed Forces Reservists, qualified performing artists, fee-basis state or local officials, and employees with impairment-related work expenses are still subject to 2106 expense requirements • When a deferred debt will begin within 12 months, the debt must be included in the debt-to-income ratio. If no monthly payment is reported or available, use a payment calculation of 5% of the current balance divided by 12.
RATIOS	<ul style="list-style-type: none"> • DTI per AUS Approval allowed except for all refinance transactions with credit score <580 <ul style="list-style-type: none"> • For all refinance transaction with credit score <580 max DTI is 45% • Manual Underwrite (Manual underwrite requires >= 580 credit score and also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature.): <ul style="list-style-type: none"> • Generally, max ratio of 41% allowed • Ratios >41% when residual income exceeds the guideline by at least 20% and significant documented compensating factors exist such as <ul style="list-style-type: none"> • Excellent credit history • Conservative use of consumer credit • Minimal consumer debt • Long-term employment • Significant liquid assets • Sizable down payment • The existence of equity in refinancing loans • Little or no increase in shelter expense • Military benefits • Satisfactory homeownership experience • High residual income • Tax credits for child care • Tax benefits of home ownership • For manufactured homes, 0x30x12 mortgage history is required for manual underwrite. • Ratios cannot exceed 41% if residual income does not exceed the guideline by at least 20 percent.
CURRENT PROPERTIES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES	<ul style="list-style-type: none"> • No minimum equity requirements to use rents for a converted investment property. • Must be no indication that the property will be difficult to rent or a lease must already exist on the property being converted to a rental • Use 75% of the prospective rental income to offset the mortgage payment on the rental property. Positive rental income cannot be used for qualifying • Subject property reserves and reserve requirement (using PITIA) for non-subject rental income apply • Borrower must have 0 x 30 on previous mortgage for the past 12 months and full PITI must be documented. Or if less than 12 months, since inception.
Eligible Trusts	<ul style="list-style-type: none"> • Inter Vivos Revocable “Living” trusts only • Must meet all requirements as outlined in the Instructions for Closing in a Trust, which is available on the Resource Center, or can be found at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/Instructionsf

	<p>orClosinginaTrust.pdf</p> <ul style="list-style-type: none"> • Process for submitting a loan in a trust are summarized here: <ul style="list-style-type: none"> • Email trust document to compliancegroup@prmg.net. Be sure to include the Loan Number and full borrower name. Subject line of the email to read: Trust Documentation Review. Please allow 24 hours for review. • Compliance will email the Fulfillment Center Manager and Funding Manager to advise that a loan with trust vesting was just approved and attach the Encompass instructions for drawing docs held in a trust. • Doc drawer to notify compliance via email at compliancegroup@prmg.net that the docs are drawn and pending review and approval. Subject line of the email to read: Closing Docs in Trust pending review. Be sure to include the Loan Number and full borrower name. • If you have questions with the way the docs need to read, feel free to reach out to compliancegroup@prmg.net.
<p>POWER OF ATTORNEY</p>	<ul style="list-style-type: none"> • Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group • Allowed with the following requirements: <ul style="list-style-type: none"> • Power of Attorney (POA) must be limited or specific to the transaction • Must be accompanied by an "Alive and Well Statement" obtained at the time of closing (VA Lenders Handbook Ch 9 Sec 7) • Lender must make the following certification: "The undersigned Lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the Note and Security Instruments were executed on the veteran's behalf by the attorney-in-fact." • Power of Attorney may not be used to sign loan documents if no other borrower executed such documents unless, the Attorney in Fact is a relative or Attorney at Law. • Allowed with all transaction types • POA can be used only for closing documents • The attorney-in-fact may not be the seller, appraiser, broker, etc. or have any other direct or indirect financial interest in the transaction • A statement that the POA is in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date which survives the closing date • A statement of the borrower's name exactly as it will appear on all closing documents • Notarized signature of borrower (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation) • Recorder's stamp, if previously recorded • The attorney-in-fact must execute all closing documents at settlement • Title policy must not contain any exceptions based on use of POA • POA must be recorded along with or immediately prior to the closing documents • If a lender determines a Power of Attorney is required by applicable law (so cannot be restricted by investor requirements), lender must include a written statement explaining use of the Power of Attorney and may also be required to provide supporting documentation. • A written statement that explains the circumstances of the use of the POA must

	<p>be included in the loan file.</p> <ul style="list-style-type: none"> • Must met all Agency requirements
LEXIS-NEXIS SEARCH REQUIREMENT	<ul style="list-style-type: none"> • For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • Short Sale Purchase • Property Flips <= 180 days • Contractors on a 203K loan • For Sale by Owner (FSBO) required for all except: <ul style="list-style-type: none"> • If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines • An investor, such as HUD, FNMA, FHLMC, etc. • REO lender who acquired the subject property by Trustee Sale as the Beneficiary
QC AUDIT REQUIRED	<ul style="list-style-type: none"> • A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • 5-10 financed properties for second home and investment transactions. • 3-4 Units • 2-4 Unit properties in New Jersey • Renovation (203K/Homestyle) loans (Lexis Nexis is required on all contractors as well) • VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel) • If the borrower is employed by a party to the transaction • When the borrower is also a Real Estate Agent for the loan transaction • Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in “New” or “Watch” status • When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail). • NOTE: The above list applies to credit qualifying loans only.
QC REVALIDATION REQUIRED	<ul style="list-style-type: none"> • A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): • A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used: <ul style="list-style-type: none"> • VOE only used (when allowed by AUS) and not supported by paystub/W2 and • Wholesale and Correspondent channels only (not required for retail channel) • A revalidation of the VOD is required by the QC Department for the if the following is used: <ul style="list-style-type: none"> • VOD only used (when allowed by AUS) and not supported by bank statements and • Wholesale and Correspondent channels only (not required for retail channel) • Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.
INCOME REQUIREMENTS/LIMITS	<ul style="list-style-type: none"> • Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan. • All income sources used to qualify borrowers must be legal at the local, state, and

federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company.

- In addition to AUS income documentation requirements, a copy of the last Notice of Award letter or an equivalent document that establishes the award benefit expiration date must be provided to document continuance of income. If the benefits do not have a defined expiration date, the underwriter should assume income will continue. Under no circumstance, should documentation be requested concerning the borrower’s disability or medical condition.
- Projected Income is defined as income from a new or current job, started within 60 days of closing where the borrower was in the same or similar position AND has a copy of a non-revocable contract or an offer letter AND VOs to document the most recent two years of employment AND a paystub from former employer. This income may only be used as a compensating factor if the borrower has not started the job and does not have paystubs documenting 30 days of income.
- For non-reimbursed business expense, follow VA qualifying requirements
- For borrowers with rental income, if a lease agreement is required then the lease agreement must be executed by the landlord and the tenant and all pages of the lease agreement must be included.
- Housing Assistance Payments (HAPs), which are often known as Section 8 Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed.
- Section 8 rents where borrower is paid a rent subsidy for other tenants from the government for the property (either for rents on units 2-4 on subject property or on other rental property) is allowed. Must have documentation of new executed leases, or lease addendums to the new owner and to show that the Section 8 income will transfer to the new owner. Additionally there may be no obligation to the servicer to receive the Section 8 funds. Borrowers must follow standard guideline requirements to determine if rents are allowed to be used for qualifying.

RESIDUAL INCOME

- Residual income is the amount of net earnings remaining to maintain family living expenses (i.e. food, healthcare, gasoline).
- The residual income that is calculated should be greater than or equal to the residual income posted by VA.
- **Residual Income Calculations:**
 - Net Effective Income is taken from Line 41 of VA Form 26-6393
 - Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393
 - Gross Income (taxable) – Federal & State Taxes & Social Security deduction = Net Take Home Pay.
 - Gross Income (Non-taxable) = Net Take Home Pay. When calculating non-taxable residual income, the income may NOT be grossed up.
 - Net Take Home Pay – Obligations (revolving & installment debts) – new PITIA (including maintenance, utilities, dues) = RESIDUAL INCOME.

Residual Income by Region for loan amounts < \$80,000				
Family Size¹	North East	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

1 – Add \$75 for each additional member up to a family of 7.

Residual Income by Region for loan amounts ≥ \$80,000

Family Size ¹	North East	Midwest	South	West
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

1 – Add \$80 for each additional member up to a family of 7.

- Please see **Attachment B** at the end of the document for breakdown of states by region.

**REPAIR ESCROWS/
ESCROW HOLDBACKS**

- Not allowed

TEMPORARY BUYDOWNS

- Temporary Buydowns are not currently allowed
- Qualifying: See “Qualifying” section above.
- Maximum DTI is 41%.

CREDIT

- Use VA underwriting guidelines with the following specifics:
- The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted.
- If the borrower’s credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center).
- Qualifying FICO score is determined by using the middle of three, lowest of two scores or single score if that is the only score available. If there are multiple borrowers, then use the lowest representative score of all borrowers to qualify.
- All Borrowers must have a valid FICO score, with sufficient trade line history.
- Non-traditional credit is not allowed as a basis for loan approval
- If a borrower has purchased or refinanced their current primary residence in the last 12 months and is retaining the residence they are not eligible for a purchase transaction on a new primary residence without Operations Management or Corporate Underwriting review and approval of the circumstances unless the existing lender has agreed to allow the borrower to purchase a new primary residence.
- Mortgage payment history for the most six recent months with no late payments is required (0x30x6) from the closing date for the subject property. After the most recent six months, mortgage history for all transactions is allowed per AUS approval (manual underwrites must meet mortgage history per manual underwriting section.)
- The credit report for the mortgage history must be updated to include the payment made for the most recent month due.
- If a borrower is refinancing a privately held mortgage the borrower must provide 12 months of mortgage payments on current mortgage which must be verified with either 12 months of cancelled checked or bank statements (if done by auto-withdrawal) and evidence must be included that the lien being paid off is a current recorded lien against the subject property.
- Collections: Collections and judgments must be paid per AU and/or Underwriter recommendation. Borrowers with a history of collection accounts should have a 12 month history of reestablished satisfactory credit in order to be considered a satisfactory credit risk.
- Tax liens and judgments can be paid prior to closing, paid at closing or be in a payment plan based on underwriter discretion as allowed by VA.

- If a judgment or tax lien is being paid off and AUS/Agency Guidelines are requiring proof of satisfaction or if it is paid off prior to closing, evidence the judgment is satisfied or the tax lien has been released is required. If the AUS/Agency Guidelines will allow a judgment or tax lien to be paid off with the transaction all AUS/Agency Guidelines must be met (i.e., must be paid through the transaction and funds must be verified and documented).
- All Chapter 7 bankruptcies must be discharged at least 2 years from loan closing date and the borrower must have re-established their credit.
- Chapter 13 bankruptcies: If the borrower has finished making all payments satisfactorily, then the borrower has reestablished satisfactory credit and the loan is eligible, otherwise borrower must have at least 12 months of satisfactory payments and the Trustee or the Bankruptcy Judge must approve of the new credit
- Borrowers who have entered into a short refinance, short payoff or restructured debt (loan modification) on the subject property are eligible if the loan may is not be currently delinquent, no mortgage lates in last 12 months and underwriter must closely exam terms of modification for potential changes to the terms
- Borrower who have completed a short refinance or restructured loan (loan modification) on a non-subject property are eligible if the loan is not be currently delinquent, no mortgage lates in last 12 months and underwriter must closely exam terms of modification for potential changes to the terms
- Borrower who have completed a deed-in-lieu or short sale are subject to a minimum waiting period of two (2) years following the completion of the deed-in-lieu/short sale to the closing date of the new loan.
- Foreclosure: Foreclosures within the last two (2) years of loan closing date are not allowed.
- Written letter of explanation required for all mortgage lates more than 1x30 in the last 12 months
- Written letter of explanation required for inquiries within the last 90 days.
- Letter of explanation for inquiries is required on all manually underwritten loans.
- Manual Underwrite: 0 x 30 mortgage lates with in the 12 months from closing date (The lack of a housing history does not disqualify the borrower, however it is an important credit piece when evaluating the borrower's overall credit history and the underwriter should carefully review the risk based on the overall borrower portfolio) Manual underwrite will also second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature.
- In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower's verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed
- MERS search must be run on borrower
- Credit documentation must not be more than 120 days old from the note date
- PRMG does not allow use of extenuating circumstances in the credit decision for reduced seasoning or satisfactory credit requirements.

CAIVRS REQUIREMENT	<ul style="list-style-type: none"> • CAIVRS allows participating lenders to learn when a borrower has previously defaulted on a federally assisted loan. • All borrowers must be screened by CAIVRS to determine there have been no late payments on Federal debt obligations • A clear CAIVRS is required, when required by AUS findings, but in all cases the CAIVRS findings must be evaluated and be used in the credit decision • CAIVRS needs to be run • A CAIVRS screening on each veteran and any co-obligor must be performed and documented. • A borrower cannot be considered a satisfactory credit risk if he or she is presently delinquent or in default on any debt to the federal government until the delinquent account has been brought current or satisfactory arrangements have been made between the veteran and the federal agency. • If the CAIVRS that begins with a “C” (Claim) or a “D” (Default) is not eligible, unless proof that the debt has been satisfied is provided. Will also require a second review/signature by a Corporate Underwriter or Operations Manager. 						
LDP/GSA REQUIREMENT	<ul style="list-style-type: none"> • All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD’s Limited Denial of Participation (LDP) list at https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp and the General Services Administration’s (GSA) Excluded Party List at https://www.sam.gov/portal/public/SAM/ • Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible. • The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter 						
VA LOAN GUARANTY / ENTITLEMENT	<ul style="list-style-type: none"> • The entitlement is the dollar amount of loan guarantee that VA provides to each eligible veteran. • The maximum guaranty is affected by any used portion of the entitlement that will not be restored. • The VA guaranty or a combination of the VA guaranty plus the borrower’s down payment and/or equity, must be equal to at least 25% of the subject property’s estimated reasonable value as documented in the Notice of Value (NOV). • Veterans with partial entitlement are allowed provided there is a minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity. • Compromised Entitlement is acceptable under the following conditions: <ul style="list-style-type: none"> • The event that caused the compromise occurred more than three years prior to the date of the application, • The loan conforms to GNMA secondary market guidelines which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity. • Any cash down payment required from the borrower may not come from borrowed funds. • The maximum guaranty is the lesser of the veteran’s available entitlement or the maximum potential guaranty amount indicated below. <table border="1" data-bbox="451 1837 1446 1944"> <thead> <tr> <th data-bbox="451 1837 873 1875">Loan Amount</th> <th data-bbox="873 1837 1446 1875">Max Potential Guaranty</th> </tr> </thead> <tbody> <tr> <td data-bbox="451 1875 873 1913">Up to \$45,000</td> <td data-bbox="873 1875 1446 1913">50% of the loan amount</td> </tr> <tr> <td data-bbox="451 1913 873 1944">\$45,001 - \$56,250</td> <td data-bbox="873 1913 1446 1944">\$22,500</td> </tr> </tbody> </table>	Loan Amount	Max Potential Guaranty	Up to \$45,000	50% of the loan amount	\$45,001 - \$56,250	\$22,500
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	\$56,251 - \$144,000	40% of the loan amount with a maximum of \$36,000																																									
	\$144,001 - 1 Unit Conforming Limit	25% of the loan amount																																									
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SIMULTANEOUS RESTORATION	<ul style="list-style-type: none"> • Simultaneous restoration is allowed with following requirements: <ul style="list-style-type: none"> • Underwriter must provide documentation showing that the lien being paid off is the same lien as the identifying case number that is reflected on the certificate of eligibility (COE) as the open VA loan • Underwriter must condition for Final HUD1 from sale of current VA loan property showing lien to be paid in full • Underwriter must condition for Form 1880 to show sale of home and restoration of entitlement being requested and condition for DD214 for discharged veteran or statement of service for active duty veteran • Underwriter must add a post-closing condition that Post Closing team must submit for simultaneous restoration through the VA Portal prior to insuring the new VA mortgage • Underwriter to add a post-closing condition that Post Closing team must verify 25% guaranty appears on new VA Loan Guarantee Certificate. • Underwriter to add FastTrac Note (in field 472, Borrower Summary Screen comments at the bottom) for “Shipping/Post Closing/I&G” indicating that loan must be submitted for simultaneous restoration prior to PRMG insuring loan 																																										
FUNDING FEE	<ul style="list-style-type: none"> • The Funding Fee is the fee that VA charges when a Veteran uses its Home Loan Guarantee Program. • The funding fee may be financed into the loan amount provided the loan amount does not exceed the maximum loan amount allowed for the product. • The VA funding fee may be paid in cash (including with seller credits/rebate) or financed, or a combination of the two, provided the entire loan amount including any financed Funding Fee does not exceed the maximum loan amount permitted for this product. • If the Veteran is disabled, they may be eligible for a waiver or reduced Funding Fee. • Down payment percentage for Funding Fee calculation is based off of sales price, regardless of appraised value. <table border="1"> <thead> <tr> <th>Type of Veteran</th> <th>Loan Purpose</th> <th>Down Payment</th> <th>% for 1st Time Use</th> <th>% for Subsequent Use</th> </tr> </thead> <tbody> <tr> <td>Regular Military</td> <td>Purchase</td> <td>0 – 4.99%</td> <td>2.15%</td> <td>3.30%</td> </tr> <tr> <td>Regular Military</td> <td>Purchase</td> <td>5 – 9.99%</td> <td>1.50%</td> <td>1.50%</td> </tr> <tr> <td>Regular Military</td> <td>Purchase</td> <td>10% or More</td> <td>1.25%</td> <td>1.25%</td> </tr> <tr> <td>Reserves / National Guard</td> <td>Purchase</td> <td>0 – 4.99%</td> <td>2.40%</td> <td>3.30%</td> </tr> <tr> <td>Reserves / National Guard</td> <td>Purchase</td> <td>5 – 9.99%</td> <td>1.75%</td> <td>1.75%</td> </tr> <tr> <td>Reserves / National Guard</td> <td>Purchase</td> <td>10% or More</td> <td>1.50%</td> <td>1.50%</td> </tr> <tr> <td>Regular Military</td> <td>Refinance</td> <td>N/A</td> <td>2.15%</td> <td>3.30%</td> </tr> </tbody> </table>			Type of Veteran	Loan Purpose	Down Payment	% for 1 st Time Use	% for Subsequent Use	Regular Military	Purchase	0 – 4.99%	2.15%	3.30%	Regular Military	Purchase	5 – 9.99%	1.50%	1.50%	Regular Military	Purchase	10% or More	1.25%	1.25%	Reserves / National Guard	Purchase	0 – 4.99%	2.40%	3.30%	Reserves / National Guard	Purchase	5 – 9.99%	1.75%	1.75%	Reserves / National Guard	Purchase	10% or More	1.50%	1.50%	Regular Military	Refinance	N/A	2.15%	3.30%
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FEES AND CHARGES	<ul style="list-style-type: none"> • The veteran can pay a maximum of: • A 1% flat charge (typically called an “Origination Fee”), plus, • Reasonable discount points used to buy down the interest rate, plus, • Reasonable and customary amounts for any or all of these “ Itemized Fees and Charges” • Appraisals, including second appraisals requested by the veterans for reconsideration of value • Compliance inspections on new construction • Home inspection if desired by veteran • Credit report or on AUS-decisioned loans, up to \$50 evaluation fee charged in lieu of a credit report. • Recording fees and recording taxes • MERS registration fee • Hazard insurance premium including flood insurance, if required. • Flood zone determination • Survey fee • Title exam and insurance • VA funding fee • Prepaid items for taxes, assessments, and similar items for the current year chargeable to the veteran and the initial deposit for the impound account • Overnight courier fees on a refinance if interest savings will exceed the cost of special handling • Third-party charges are limited to the invoice charge, regardless of the amount charged for the loan origination fee. • Any fee (regardless of its name) paid to the Real Estate Broker is considered a commission and cannot be charged to the Veteran or included in the 1% limit as a non-allowable fee • Appraisal fees may not exceed VA’s published rate for the jurisdiction. Refer to http://benefits.va.gov/homeloans/appraiser_fee_schedule.asp. See PRMG’s VA Appraisal Fee schedule for current estimated turn times. • If a 1% flat charge is not paid, or is paid but is less than 1%, then the veteran may pay fees and charges that would otherwise be non-allowable, provided the total does not exceed 1%. • VA no longer prohibits the veteran from paying the pest inspection fee on a purchase transaction, provided the fee is included in the 1% aggregate calculation. • Lender and seller credits for costs paid on behalf of the veteran must be itemized on the HUD-1 or broken out on an attachment or addendum to the HUD-1. An unidentified, lump-sum credit is not acceptable. • Fees and charges must comply with all Federal, State and local regulations and predatory lending rules. • PRMG will not allow or accept a loan where the buyer is paying seller common and customary costs. This includes typical seller closing costs, pre-paids, judgments, tax liens, delinquent taxes, short sale payoffs, etc. 				
ASSETS	<ul style="list-style-type: none"> • See sub-sections below for Reserves, Gift Funds, Seller Contributions, and Required Down payment. • All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. 				

	<ul style="list-style-type: none"> • Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S. currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion. • If the borrower's source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not eligible for use in the transaction. • Access letter is <u>not</u> required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse)
RESERVES	<ul style="list-style-type: none"> • None required, however, subject to underwriter discretion or per "DU/LPA" recommendation, with the following exception: <ul style="list-style-type: none"> • For 2-4 units when rental income is being used to qualify, 6 months PITIA is required. • When borrower is using non-subject rental income, 3 months PITIA is required (see AUS results for additional details on requirements) • Cash on hand / Cash saved at home is not allowed.
GIFT FUNDS	<ul style="list-style-type: none"> • Per VA, gifts of equity are not allowed • Donor must be a party who has a clearly defined interest in the borrower, but cannot be a party to the transaction. • Gift letter required. • Evidence that the gift came from the donor's personal account (or business account when donor is 100% owner) and transfer of funds or evidence of receipt must be documented. <ul style="list-style-type: none"> • Evidence of the borrower's deposit and a copy of the donor's funds by check; or, • Evidence of an electronic transfer to the closing agent and the CD showing receipt of the donor's funds; • Gift funds are allowed for closing costs and down payment (however if the purchase price is not supported by the appraised value then the difference in value must come from the borrowers' own funds.)
SELLER CONTRIBUTIONS	<ul style="list-style-type: none"> • If using some sort of option that provides a lender or realtor credit at closing (i.e., Local Heroes Program or Homes for Heroes Program), a condition (like 3669 or 3721) must be added to the file indicating it is using the program/option, and reflect the amount of the lender or realtor credit on the condition. The credit must also be reflected on CD Page 3 and be within any IPC limits. • 4% of the lesser of the purchase price or the value of the property as indicated on the Notice of Value (NOV). • This does not include Non-Allowable fees/charges listed above that must be paid by the seller. • Seller concessions include, but are not limited to, the following: <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 buydowns • provision of escrowed funds to provide temporary interest rate buydowns, and • payoff of credit balances or judgments on behalf of the buyer. • Seller concessions do not include payment of the buyer's closing costs, or payment of

	<p>points as appropriate to the market.</p> <ul style="list-style-type: none"> • Example: If the market dictates an interest rate of 7½ percent with two discount points, the seller’s payment of the two points would not be a seller concession. If the seller paid five points, three of these points would be considered a seller concession.
<p>REQUIRED DOWN PAYMENT</p>	<ul style="list-style-type: none"> • If the sales price exceeds the reasonable value established by VA, the borrower is required to have sufficient funds to cover the difference between the sales price and the loan amount. • The down payment may come from the veteran's own resources or borrowed funds. Except, if the purchase price exceeds the reasonable value of the property, the difference between the purchase price and the reasonable value must be paid by the veteran in cash without borrowing. • Down payment may come from gift, however if the purchase price is <u>not</u> supported by the appraised value then the difference in value must come from the borrowers’ own funds. If the appraised value <u>does</u> support the purchase price, any down payment used may come from gift funds. • Funds that are brought to closing (i.e., cashier’s checks or wire) by the borrower must be verified as belonging to the borrower. The required funds from the borrower do not have to be from an institution that was sourced in the loan file, as long as the borrower has sufficient funds in the sourced accounts to cover the amount of funds brought to closing. If the funds are not able to be confirmed as belonging to the borrower, the funds would be ineligible. This guidance is only in regards to borrower funds, <u>not</u> gift funds. • Cash on hand / Cash saved at home is not allowed. • Direct verification by a third-party asset verification vendor (i.e., AccountChek) is allowed, in accordance with VA Circular 26-17-43, which requires that verifications must be initiated and received by the lender and in cases where the real estate broker/agent, or any other party requests any of this information, the report(s) must be returned directly to the lender. This fact must be disclosed by appropriately completing the required certification on the loan application, or report and the parties must be identified as agents of the lender.
<p>SUBORDINATE FINANCING</p>	<ul style="list-style-type: none"> • Down Payment Assistance programs are available, see section below for requirements. • Must meet VA requirements, contact the local RLC for any clarification on acceptability • Subordinate financing is acceptable as long as the veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA • The lender must submit documentation disclosing the source, amount, and repayment terms of the second mortgage and agreement to such terms by the veteran and any co-obligors. • The second mortgage must be subordinated to the VA-guaranteed loan, that is, the second mortgage must be in a junior lien position relative to the VA loan. • Proceeds of the second mortgage may be used for a variety of purposes, including but not limited to: closing costs, or a down payment to meet secondary market requirements of the lender. But 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. • There can be no cash back to the veteran from the VA first mortgage or a second mortgage obtained simultaneously. • The veteran must qualify for the second mortgage which is underwritten as an additional recurring monthly obligation. • The rate on the second mortgage may exceed the rate on the VA-guaranteed first,

	<p>however, it may not exceed industry standards for second mortgages.</p> <ul style="list-style-type: none"> • The second mortgage should not restrict the veteran's ability to sell the property any more than the VA first mortgage. That is, it should be assumable by creditworthy purchasers. • Second mortgages bearing unusual terms, interest rates, etc., are sometimes offered by parties such as: Federal, state, or local government agencies, non-profit organizations, private individuals, a builder, or the seller. Consult VA if it is unclear whether the terms of the second mortgage meet VA standards or if there may be a reasonable basis for VA to make an exception to the general VA standards. • A copy of the subordination agreement, subordinate lien mortgage/deed of trust and note is required • Funding fee may not be paid with funds from second mortgage • Institutional lenders and private lenders are allowed, as long as all VA requirements are met • See Property Assessed Clean Energy (PACE) section for properties with a PACE lien (such as the Home Energy Renovation Opportunity (HERO) Program)
<p>DOWN PAYMENT ASSISTANCE PROGRAMS</p>	<ul style="list-style-type: none"> • To determine if DPA is approved, send an email to DPArequests@prmg.net with the property state, DPA program name, DPA contact name and phone number or review the list posted with the product Profiles in the Resource Center. If it is determined the DPA is not already approved, the DPA can be submitted for approval using the DPA Submission form (found in the Resource Center). Required information must be submitted for approval and a determination regarding the DPA will be made regarding acceptability. • Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20PA%20List.pdf • The underwriter must verify the DPA used on the loan is the same program that is confirmed in the email/list and that it is eligible with the product and enter the information in FastTrac. Instructions for this can be found at the following link: http://www.eprmg.net/DPA-Training.pdf • Deed restrictions of any kind are not permitted • Additionally, the following are requirements of the program and if any evidence appears that it cannot be met, it will no longer be eligible. • The DAP, UCAP or HAP meets all published requirements of VA; and • The VA loan may not be subject to any terms or conditions of a bond program; and • The DAP, UCAP or HAP does not restrict the transfer of servicing rights of the first mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first mortgage's servicing rights
<p>MORTGAGE CREDIT CERTIFICATES (MCC)</p>	<ul style="list-style-type: none"> • PRMG will not allow MCCs that are paid by the issuer directly to the servicing lender as a supplement to the borrower's monthly payment. • The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights. • PRMG must be documented as an approved participant in good standing with the MCC issuing authority. • PRMG must confirm that that they will represent and warrant their responsibility for all requirements prescribed by the issuing authority. The MCC must not require any

	<p>subsequent investor or servicing lender to fulfill any special requirements of the issuer or the IRS, including servicing and/or reporting responsibilities.</p> <ul style="list-style-type: none"> • Per VA, MCC can only be applied to offset tax deductions when determining residual income. • Copy of the MCC and associated calculations must be in the file. • Must comply with all HUD Requirements • Following documents must be in loan file if MCC is being used to qualify: <ul style="list-style-type: none"> • Copy of the Mortgage Credit Certificate (A Commitment in lieu of the Certificate will not satisfy this requirement) • Copy of the W-4 and worksheet • MCC Worksheet • On wholesale transactions, broker to verify that PRMG is approved with the issuing MCC and that no specific training is required by the lender. Additionally, broker must provide evidence (i.e., email from authority or excerpt from MCC guidelines) that the MCC authority will allow wholesale originations. If PRMG needs to be approved (provided additional training is not required), broker can provide information to Account Executive who can request the application be submitted to the MCC by PRMG for approval. Broker is responsible for obtaining any paperwork, etc. from the MCC. On retail transactions, Loan Officer to verify that PRMG is approved with the issuing MCC and if specific training is required by the lender, the Loan Officer must complete the training. If any training is required by other staff (besides the loan officer) it must be approved by management. If PRMG needs to be approved by issuing MCC, Loan Officer can request application be submitted by PRMG for approval. Loan Officer is responsible for obtaining any paperwork, etc. from the MCC. • Must complete the MCC screen in FastTrac and review the below document. • Additional information about Mortgage Credit Certificates can be found here: • http://www.eprmg.net/MortgageCreditCertificates.pdf
<p>APPRAISAL</p>	<ul style="list-style-type: none"> • Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link • http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf • Non-Correspondent Originations: VA appraisal is required and will be ordered by PRMG. • Correspondent Originations: VA Appraisals cannot be ordered through the PRMG Appraisal Department or show PRMG's name in the LENDER CLIENT section on the appraisal. VA Appraisals should be ordered directly by the Correspondent Lender through the VA Portal. The VA Lapp should be ordered with the correspondent lender showing as originator and PRMG as the sponsor when creating the order / 1805 in VA portal. Upon receipt of the appraisal, deliver it to the underwriter immediately to allow the NOV to be issued within the 3 day time limit. • Effective for all appraisals ordered on or after December 29, 2011, in addition to VA's current exterior photograph requirements, VA appraisers must provide photographs of the following rooms and/or property conditions: <ul style="list-style-type: none"> • Kitchen • All bathrooms • Main living area • All physical deterioration, if applicable • Examples of recent updates, such as restoration, remodeling and renovation, if applicable • Effective with VA Circular 26-14-21, VA requires that appraisers must include Fannie

	<p>Mae Form 1004MC, Market Conditions Addendum, in all VA appraisal reports.</p> <ul style="list-style-type: none"> • Notice of Value (NOV) is valid for six (6) months. • NOV cannot be reused from a previous closed transaction • For properties served by individual water and/or sewer systems, connection to public water and/or public sewer will only be mandatory when such connection is required by the local building, planning, or health authorities. For properties on individual water and/or sewer (septic) systems where well water or septic tests or certifications were required, the validity of those tests or certifications is 90 days unless the local health authority indicates otherwise. All Notices of Value (NOVs) issued on properties served by individual water and/or sewer systems will require NOV Item #6 to be checked for connection to public water or public sewer only if the local building, planning, or health authority requires such connection. • Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period. • Staff Appraisal Reviewers (SARs) may not issue a Notice of Value (NOV) that is different from the appraiser's estimate of value • Appraisals must be ordered through The Appraisal System (TAS). • TAS will assign a case number, an appraiser, and a completed VA Form 26-1805-1 (VA Request for Determination of Reasonable Value). • Must include an interior and exterior inspection of the subject property • No new Appraisal can be requested on a property which already has a valid VA value determination (No duplicate appraisals) • PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion.
REVIEW/SECOND APPRAISALS	<ul style="list-style-type: none"> • If required, review appraisals must be completed by a PRMG approved Appraisal Company. • The veteran may NOT pay for a Second appraisal or review appraisal, unless the Second/review appraisal was requested by the veteran.
SALES CONTRACT CHANGES	<ul style="list-style-type: none"> • PRMG will not accept re-negotiated purchase agreements that increase the sales price after the original appraisal has been completed if: <ul style="list-style-type: none"> • the appraised value is higher than the contracted sales price provided to the appraiser, and • the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and • the only change to the purchase agreement is an increase in sales price. • If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the loan-to value will be based on the lower of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> • Re-negotiation of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables or • An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.
NON-ARM'S LENGTH TRANSACTION	<ul style="list-style-type: none"> • Allowed, underwriter should use additional diligence in underwriting
REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER	<ul style="list-style-type: none"> • The real estate agent for the subject property may act as the loan officer or broker for the borrowers purchasing the same subject property and does not have to be for the same company as long as it is allowed by the state in which the property is located.

	<ul style="list-style-type: none"> • Not allowed on retail transactions. • QC Audit required
MULTIPLE LOANS	<ul style="list-style-type: none"> • No limit on additional financed properties • PRMG or its investors will only finance up to 4 properties for all borrowers. Therefore, if the borrower(s) have 3 or more current loans with one lender/investor, approval is required with PRMG
RESIDUAL INCOME EVALUATION	<ul style="list-style-type: none"> • Not required in relation to QM/ATR requirements
HIGHER PRICED MORTGAGE LOAN (HPML)	<ul style="list-style-type: none"> • Allowed within the parameters of Section 35 of CFPB Regulation Z • Must comply with all limitations and requirements of HPML loans as described in PRMG’s Compliance Policy regarding HPML-Section 35 loans • Not allowed on 3/1 and 5/1 ARMs • HPML loans must have an escrow account, regardless of LTV • If loan is a HPML, “HPML” must be entered in Secondary Loan Notes section of FastTrac. This should occur each time the HPML test is run and should be updated if the loan moves in or out of HPML status, with the last entry occurring prior to funding.
SECTION 32 / HIGH COST LOAN	<ul style="list-style-type: none"> • Brokers are responsible for identifying loans that are considered high cost loans as defined by federal and/or state laws and/or regulations. High cost loans are not allowed: • Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; <i>and</i> • Loan is not a high cost loan as defined by applicable state laws and/or regulations.
REAL ESTATE COMMISSIONS	<ul style="list-style-type: none"> • The maximum real estate commission allowed is 8% aggregate.
ESCROW ACCOUNT	<ul style="list-style-type: none"> • Escrows are required. • Flood insurance must be impounded (escrowed) for all loans with a note date of 1/1/16 or later if the property is in a Special Flood Hazard Area (SFHA), designated as a flood zone beginning with A or V, regardless of LTV and/or federal exemptions and is required for the life of the loan. It is not required to be impounded if the flood insurance is paid through the condominium association, HOA dues, etc. Additionally, the escrow requirement needs to be stated in the Flood Notice that is provided to the borrower.
PROPERTY INSURANCE	<ul style="list-style-type: none"> • See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information • For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note. • Acceptable Proof of Flood Insurance: <ul style="list-style-type: none"> • Copy of Flood Insurance Policy • Copy of Declaration Page • Copy of the application for flood insurance with a paid receipt for the first year’s premium or if paid at closing, premium reflected on the HUD • Flood policies and applications provided for closing must indicate the flood zone of the property. This zone must match our flood determination provider’s zone. Otherwise, evidence that the borrower’s zone is “grandfathered” must be provided. If the improvements are in a split zone (partially in and partially out) the policy must be rated for the more hazardous zone. • Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps. • For hazard insurance, properties in an attached condominium and attached PUD

	<p>project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium).The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required.</p> <ul style="list-style-type: none"> • If the homeowners association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to insure that ownership (if there are no common areas owned by HOA a letter from them will suffice to prove it is not needed.)
<p>TITLE INSURANCE REQUIREMENTS FOR CONDOS/PUDS</p>	<ul style="list-style-type: none"> • The Title Insurance policy for Condo and Planned Unit Developments (PUDs) must include coverage that provides protection by: <ul style="list-style-type: none"> • Insuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date; • Insuring against any impairment or loss of title of PRMG’s first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the policy; • Insuring that the unit does not encroach on another unit or on any of the common elements, areas or facilities. This policy must also insure that there is no encroachment on the unit by another unit or by any of the common elements, areas or facilities; • Insuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes; • Insuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole; and • Insuring that the owner of a PUD unit is a member of the homeowners association and that the membership is transferable if the unit is sold.
<p>UNDERWRITING</p>	<ul style="list-style-type: none"> • Delegated underwriting allowed. • DU/LPA underwriting is acceptable provided the loan receives an “Approve or Accept” from DU/LPA. • VA prior approval is required for the following (but must also be listed as an Eligible Borrower Combination in the Eligible Borrowers section above if a borrower combination): <ul style="list-style-type: none"> • Joint loans involving a veteran and non-veteran who is not the veteran’s spouse. • Veteran and non-veteran same-sex spouse (in some cases, see Same-Sex Spouse section) • Joint loans involving two or more unmarried veterans who intend to use their entitlement and take title jointly. • Loans to veterans in receipt of VA non-service related pension (would be identified on the COE as VA Prior Approval required and would not be exempt from the VA funding fee) • Loans to veterans rated incompetent by VA. • Use the following link for instructions on submitting to VA for prior approval: http://www.benefits.va.gov/homeloans/documents/docs/prior_approval_LP_lenders.pdf

INDEX	<ul style="list-style-type: none"> • 1 Year Treasury
MARGIN	<ul style="list-style-type: none"> • 2.00%
INTEREST RATE CAPS	<ul style="list-style-type: none"> • 1% Initial Adjustment Cap - Commencing with the first interest rate adjustment date, the interest rate cannot be increased or decreased by more than 1% from the interest rate in effect immediately prior to the interest rate adjustment date. • 1% Adjustment Cap - Commencing with the second interest rate adjustment date, the interest rate cannot be increased or decreased by more than 1% from the interest rate in effect immediately prior to the interest rate adjustment date. • 5% Lifetime Cap - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 5%. The floor is the margin.
INTEREST RATE CHANGES	<ul style="list-style-type: none"> • Interest Rate - The initial interest rate will be set at time of lock-in and will remain constant for the 3 or 5, years of the loan. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin rounded to the nearest .125%, subject to the interest rate caps. On the second interest rate adjustment date and thereafter, the interest rate will be the sum of the index plus the required margin rounded to the nearest .125% subject to the interest rate caps. • Interest Rate Adjustment Date - Initial note rate is in effect for 36 to 42 months (3/1), 60 to 66 months (5/1); and thereafter the annual adjustment cap begins with the first adjustment
MINIMUM FLOOR	<ul style="list-style-type: none"> • Margin
ARM DOCUMENTS	<ul style="list-style-type: none"> • Standard VA ARM Note and Rider

Texas Addendum

The following guidelines refer to loans in Texas only. If a topic is not addressed in this addendum, the standard Agency guidelines above should be followed. Also, please note that no underwriting exceptions are allowed on properties located in Texas.

PURCHASE	<ul style="list-style-type: none"> • Allowed
RATE/TERM REFINANCE	<ul style="list-style-type: none"> • VA considers all refinances to be Cash Out, however, if the transaction is a rate and term, it is allowed. ○ Proceeds from a rate/term refinance may only pay off the following: <ul style="list-style-type: none"> ○ 1st liens that are not considered Section (a)(6) and Second liens used entirely for the purchase of the property. ○ When a prepayment penalty fee is assessed on an existing NON Section 50 (a) (6) loan and is included in the payoff amount, the new loan can be considered a rate/term refinance if the title company agrees and issues a new title policy for the full loan amount (including prepayment penalty fees) ○ HOA dues may be paid off if the title company requires them to be paid. If the title company does not require them to be paid, the borrower must pay the dues outside of closing, and they must NOT be included in the loan amount. ○ Proceeds from a rate/term refinance may NOT pay off the following: <ul style="list-style-type: none"> • Any loan that is considered a Section (a) (6) loan unless the below requirements are met that make it a Section (f)(2) transaction. Section (f)2 transactions are eligible with application dates on or after 1/1/18. <ul style="list-style-type: none"> ○ Any loan that the borrower received cash back on ○ Federal tax debt liens ○ Liens for delinquent property taxes on the property securing the new loan • Any previous Section 50(a)(6) must be processed as a Section 50(a)(6) unless the following requirements are met to make it a Section 50(f)(2) transaction: <ul style="list-style-type: none"> • Application dated on or after 1/1/18 • The refinance will be closed no less than one year from the closing of the previously funded home equity loan; • The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower); • The loan proceeds cannot be used to pay off other debts; • The refinanced loan cannot exceed 80% loan to value; • The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing. ○ Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date ○ Rate/term refinances may NOT receive any cash back to the borrower, even incidental cash. Limited cash out refinances that allow the lesser of 2% of the loan amount or \$2,000 are NOT eligible under the Texas rate/term refinance program. • Incidental cash back to the borrower at Closing is not allowed, including incidental cash back as result of POC fees being refunded to borrower. Additionally, incidental cash back must either be handled by reducing/curtailing principal or reducing the loan amount and having the documents re-drawn. • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program unless the above requirements are met that make it a Section (f)(2)

transaction. Section (f)2 transactions are eligible with application dates on or after 1/1/18.

- In addition to standard rate/term refinance guidelines, the following guidelines apply to all rate/term refinances secured by Owner Occupied, Homestead properties in the state of Texas: Total financed Closing costs are limited to 10% of the new loan amount and are limited to those costs that are reasonable and actually required to close the transaction. Prepays/escrows can't be financed into the new loan when grossed up in loan payoff. POC Fees can't be financed into the loan amount. Special title insurance coverage must be obtained when impounds for prepaid expenses* are included in the new Loan amount. The following must be included as a Schedule B Exception: Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage. *Prepays are defined as funds collected for the payment of real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves), hazard insurance premiums, and monthly MI premiums covering any period after the settlement date.
- The following P-39 Express Insurance Coverage endorsement is recommend:
"Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest."
- Documentation is required (title insurance binder, Mortgage/Deed of Trust, and/or HUD-1) which verifies that a home equity/cash out Loan {Section 50(a)(6)} has not previously been originated on the subject property. If the purpose of the Loan is not clearly identified on the title binder, it will be necessary to provide the previous Deed of Trust or Hud-1 settlement statement for each transaction originated on or after 1/1/98 to verify the purpose of the existing Loan.
- If any subordinate financing exists, its purpose must be verified. Documentation (title insurance binder, Mortgage/Deed of Trust, and/or HUD-1) which verifies the purpose of the subordinate financing is required. If that purpose is not clearly identified on the title binder, it will be necessary to provide the previous Mortgage/Deed of Trust and/or HUD-1 settlement statement for each transaction originated on or after 1/1/98 to verify the purpose of the existing subordinate financing. Depending on the purpose of the subordinate Loan, the following options are available: (1) If the subordinate Loan was used for purchase of the home, the HUD-1 settlement statement from that transaction must be provided as evidence and the title binder may not reflect that Loan was originated as a home equity/cash out {Section 50 (a)(6)} Loan. (2) If the subordinate Loan was used for home improvements, it must have been originally closed with the purpose to use the entire amount for home improvements as evidenced by a Mechanics' or Materialmen's lien on the title binder. Documenting the home improvements by obtaining canceled checks, invoices, receipts, lien waivers, etc is not acceptable. In either of those situations, the financing may be paid off, paid down, or re-subordinated as a rate/term refinance provided the first mortgage was not originated as a home equity/cash out {Section 50 (a)(6)} Loan. If the borrower received any cash back from the subordinate financing and the Loan is being paid off or paid down, the lien is subject to Texas Equity provisions and considered a home equity/cash out {Section 50 (a)(6)}and therefore ineligible. If the subordinate lien was used for a purpose other than the purchase of the home or home improvements, then it must be re-subordinated. The subordinate financing may not be paid off or paid down with the proceeds of the refinance since the entire

	<p>transaction would then be considered a cash-out/home equity transaction which is ineligible for purchase by Wells Fargo. The first mortgage may not have been originated as a home equity/ cash out {Section 50 (a)(6)} Loan.</p>
CASH OUT REFINANCE	<ul style="list-style-type: none"> • Not allowed
ELIGIBLE COSTS	<ul style="list-style-type: none"> • A rate/term refinance of a primary residence may include only the following costs: <ul style="list-style-type: none"> • Pay off of the old loan plus points • Pre-paid items, such as escrow funds and interest (See Additional Documentation section below) • Taxes due • The closing costs, whose total may not exceed 5% of the loan amount, must be deemed “necessary and reasonable”. Closing costs that may be included are noted below: <ul style="list-style-type: none"> • Loan Origination • Recording • Appraisal • Credit Report • Survey • Title Insurance Premiums (Lender Policy) • Express Mail • Flood Certification • Closing
ADDITIONAL DOCUMENTATION	<ul style="list-style-type: none"> • All rate/term refinances require a completed Texas Refinance Worksheet (See Exhibit A) • All rate/term refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing. • If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception. • For rate/term refinances, a copy of the commitment for title insurance, mortgage/deed of trust, or HUD-1 is required in order to verify that a Section 50 (a) (6) loan has not previously been originated against the subject property.

Exhibit A

**TEXAS REFINANCE
Worksheet**

1. Is the loan being refinanced a “low-rate home loan*?” **Y/N**
 - If yes, continue.
 - If no, stop. This worksheet is not required.

2. Did a government or non-profit lender make the “low-rate home loan?” **Y/N**
 - If yes, continue.
 - If no, stop. This worksheet is not required.

3. When was the “low-rate home loan” closed? _____ (Anniversary Date)
 - If the anniversary date is less than seven years, continue.
 - If the anniversary date is equal to or greater than seven years, stop. This worksheet is not required.

4. What was the initial interest rate on the “low-rate home loan?” _____ %
 - A. In the case of a loan with a discounted introductory rate, what was the initial fully indexed rate? _____ %
 - B. Is the interest rate on the new loan less than the rate referenced in 4A? **Y/N**
 - If yes, continue.
 - If no, this loan is not eligible.

5.
 - A. What were the total points and fees paid by the borrower on the “low-rate home loan?” \$ _____
 - B. Are the points and fees being paid by the borrower on the new loan less than the points and fees referenced in 5A? **Y/N**
 - If yes, this loan is eligible.
 - If no, the loan is not eligible.

****A “low-rate home loan” is a loan with an initial rate that is two percentage points or more below the yield on treasury securities with maturities comparable to the loan term. If the loan had a discounted introductory rate, then the fully indexed rate should be used to determine whether the loan is a “low-rate home loan”.***

Exhibit B

**TEXAS REFINANCE
Borrower Acknowledgement**

Borrower's Name: _____ Loan #: _____

BORROWER ACKNOWLEDGEMENT

The undersigned acknowledge(s) that any refund check received as part of today's real estate settlement is a partial or full reimbursement of funds paid to the lender prior to or at the closing of the loan and does not constitute proceeds of the loan from lender.

Borrower

Date

Borrower

Date

Attachment A

Community Property Requirements

(See “Non-Purchasing Spouse in a Community Property State” Section)

- A credit report for the non-purchasing spouse is required to determine any joint or individual debts. The spouse’s authorization to pull a credit report must be obtained. If the spouse refuses to provide authorization for the credit report, the loan must be rejected
- Even if the non-purchasing spouse does not have a social security number, the credit reporting company should verify that the non-purchasing spouse has no credit history and no public records recorded against him/her.
- Credit Company should be given non-purchasing spouse information: Name(s), address, birth date and any other significant information requested in order to do the records check.
- Except for those obligations specifically excluded by state law, the debts of the non-purchasing spouse must be considered in the qualifying ratios. If the debts are the sole responsibility of the non-purchasing spouse, they still must be considered debt in the DTI, as required by VA.
- The greater of the monthly payment amount or 5% of the outstanding balance (if minimum payment is not reflected on credit report) of the non-purchasing spouse must be included in the qualifying ratios
- Disputed debts of the non-purchasing spouse need not be counted provided the file contains documentation to support the dispute.
- Credit history of the non-purchasing spouse should not be the basis for declining the loan. The FICO score for the non-occupying co-borrower is not considered for eligibility or VA Funding Fee.

Attachment B

Geographical Regions for Residual Income Guidelines

(See "Residual Income" Section)

Northeast

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

Midwest

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

South

Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia

West

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

Attachment C

Loan Guaranty / Entitlement and Required Cash Down payment Examples (See "VA LOAN GUARANTY / ENTITLEMENT" Section)

Example 1 (Veteran has Full Entitlement)	
Property located in:	Riverside County, CA
VA County Limit for Riverside County	\$417,000
Sales Price	\$300,000
Appraised Value	\$300,000
VA Funding Fee Factor (1 st time use of entitlement) (See "Funding Fee" Section for factor)	2.15%
Borrower requested loan amount (base + financed funding fee)	\$306,450
Minimum Guaranty required (\$300,000 X 25%)	\$75,000
Maximum Guaranty/Available Entitlement = \$306,450 X 25%	\$76,612.50
<p>Since the minimum Guaranty required is less than the maximum Guaranty VA will provide, no cash down payment is required from the borrower and the requested loan amount is acceptable.</p>	

Example 2 (Veteran has Partial Entitlement Available)

Veteran has used \$36,000 of entitlement on prior loan, which may not be restored.

Property located in:	Riverside County, CA
VA County Limit for Riverside County	\$417,000
Sales Price	\$320,000
Appraised Value	\$320,000
VA Funding Fee Factor (Subsequent use of entitlement) (See "Funding Fee" Section for factor)	3.3%
Borrower requested loan amount (base + financed funding fee)	\$330,560
Minimum Guaranty required (Appraised Value X 25%) \$320,000 X 25%	\$80,000
Maximum Guaranty/(Remaining) Available Entitlement = \$417,000 X 25% = \$104,250 LESS \$36,000	\$68,250
Since the minimum Guaranty required is greater than the maximum Guaranty VA will provide less the entitlement in use, the Veteran needs a cash down payment to meet the minimum requirements.	
Down payment = Minimum Guaranty Required less REMAINING Available entitlement: \$80,000 - \$68,250	\$11,750
Adjusted base loan amount = Sales Price – Down payment: \$320,000 - \$11,750 Since a down payment is required, the base loan amount must be reduced by the amount of the down payment	\$308,250
Percentage of Guaranty = Available Entitlement + Down payment divided by Sales Price: \$68,250 + \$11,750 / \$320,000	25% Minimum Guaranty is met.
Adjusted Funding Fee = Adjusted Base Loan Amount X Applicable Funding Fee Factor \$308,250 X 3.3%	\$10,172.50
Adjusted Total Loan Amount = Base Loan Amount Plus Funding Fee \$308,250 + 10,172.50	\$318,422

VA Product Policies and Procedures

Steps To Submit VA Loans

1) Order Certificate of Eligibility (COE) VA Form 26-1880

- COE can be obtained online
 - <https://vip.vba.va.gov>
 - Sign in with your user name and password (First time users must register)
 - Choose “WebLGY” and click on “Eligibility”
 - Complete screen and submit

2) Ordering an Appraisal and Case Number

- Must be ordered by PRMG
- A Case Number Request Form can be found on FastTrac.

3) Order a CAIVRS report.

- The following is the link to the HUD website for instructions on how to order a CAIVRS report on borrowers.
<https://entp.hud.gov/caivrs/public/home.html>
- Go to: <https://entp.hud.gov/clas/>
- - Sign in with your user name and password
 - Click on “Single Family FHA”
 - Click on “Single Family Origination”
 - Click on “Case Processing”
 - Select “CAIVRS Authorization”
 - Select SSN and Input each borrowers’ social security number
 - Enter PRMG’s Lender ID # 900115-00-00
 - Select “Veteran’s Affairs” under Agency
 - Submit

VA Document Checklist

See Resource Center in FastTrac