

Quick Guide for VA Home Loans

Product Description

VA's Home Loan Program is for veterans and active duty military personnel and certain members of the reserves and National Guard. VA's home loan program provides an excellent product and benefit for those individuals who have served or are serving to protect our families and our nation.

| Owner Occupied Purchase and Full Doc Refinances** | | | | | |
|---|------------------|-----------|----------------------|---------|--|
| (Check county limits in your area for maximum VA no down payment loan amount.) | | | | | |
| Maximum Loan Amount | Maximum LTV/CLTV | | Minimum Credit Score | # Units | Required Reserves |
| | Purchase | Refinance | | | |
| \$417,000 | 100%/100% | 90%/90% | 620 | 1-4 | N/A on 1 unit 6 months on 2-4 units |
| \$417,001 - \$650,000 | 100%/100% | 90%/90% | 660 | 1 | N/A |
| \$650,001 | 100%/100% | 90%/90% | 700 | 1 | 6 months |
| \$1,000,000 | 100%/100% | 90%/90% | 700 | 1 | 6 months |
| Loans exceeding \$417,000: - No gifts allowed. - No BK/FC past 7 yrs - 0x30 past 12 months - Desk review required on loans greater than \$650,000 - 30 yr fixed only | | | | | |
| **See separate guidelines for IRRRL's | | | | | |

For loan amounts up to the maximum county limits 100% LTV is allowed. See county limits website: http://www.homeloans.va.gov/docs/2010_county_loan_limits.pdf

Debt Ratio. Max 50%. Conforming & Jumbo loans follow DU findings to 50% DTI as long as FICO, reserves, and residual income requirements are met and borrower has strong compensating factors.

Borrower Eligibility. Eligibility for the VA home loan benefit can only be determined by VA and must be evidenced by a VA Certificate of Eligibility (COE) obtained through the VA Portal.

Property Eligibility. Owner occupied SFR's, 2-4 units, PUDs, Condo's on the VA approved condo list

Income Documentation. 2 yrs W-2's, LES (Leave & Earnings Statement), paystubs for 30 days, 2 yrs tax returns if self employed and a signed 4506T.

Asset Documentation. 2 months bank statements on all accounts including checking, savings, stock, and retirement. All pages. Gift funds ok on conforming loan.

Underwriting Decision. All loans must receive a DU Approved/ Eligible, unless BK in which a manual UW will be permitted. VA Handbook and Investor guidelines apply.

Flipping. Any significant increase in property valuation in the last 3 months should be reasonable and documented with a detailed description of improvements, cost breakdown, appraisal comments & pictures.

| Determining VA Funding Fees | | | |
|-----------------------------|--------------|--|---|
| Type of Veteran | Down Payment | Purchase Percentage for First Time Use | Refinance Percentage for First Time Use |
| Regular Military | 0% - 4.99% | 2.15% | n/a |
| | 5% - 9.99% | 1.50% | n/a |
| | 10% or more | 1.25% | 2.15% |
| Reserves and National Guard | 0% - 4.99% | 2.40% | n/a |
| | 5% - 9.99% | 1.75% | n/a |
| | 10% or more | 1.50% | 2.40% |

Seller Concessions:

Seller concessions cannot exceed 4% of the sales price and include:

- payment of the buyer's VA funding fee
- prepayment of the buyer's property taxes and insurance
- payment of extra points to provide permanent interest rate buydowns

Seller can pay the following and it is not counted as a concession:

- payment of the buyer's closing costs
- payment of points as appropriate to the market.

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.

The 4% Rule: Any seller concession which exceeds 4% of the established reasonable value of the property is considered excessive and unacceptable for VA loans. Do not include normal discount points and payment of the buyers closing costs in total concessions for determining whether concessions exceed the 4% limit.

Allowable Closing Costs

VA limits the allowable fees a veteran may be charged to the following items, provided actual charges are incurred from third party vendors:

- 1% origination fee (for IRRRL's it is 1% of the payoff of the existing loan)
- VA Funding Fee, unless exempt
- Discount points
- Appraisal fee- to max allowed in region
- VA compliance inspection fee on repairs, not new construction
- Credit report
- Flood zone determination fee
- Title insurance and endorsement fees
- Survey, if required for title insurance
- MERS fee
- Title exam fees
- Recording fees
- Overnight mail fee on refinances

Non-Allowable Closing Costs.

Fees the Veteran is not allowed to pay. Charged to seller.

- Escrow and associated fees
- Tax Service contract
- Notary fees
- Loan Tie In
- Sub Escrow
- Any brokerage or lender fee such as processing, underwriting, documents, admin, etc
- Attorney fees
- Any appraisal not ordered in the veteran's name
- MCRV (master VA appraisal on a project)

Additional Resources:

The entire Bay Equity VA underwriting manual and resources can be found at www.bayeq.com

Need help with loan scenarios and questions? Call John McDade at the Help Desk 1-877-781-9345 or cell phone 619-788-4153.

Let's help a veteran get a VA loan today!