

Effective Date: September 1, 2019

Purchase							
Occupancy	Min Credit Score	Max DTI Ratio	Max Loan Amount	Min Loan Amount	Max LTV	Max CLTV	Mortgage Rating
CONFORMING & HIGH BALANCE							
Primary Residence	700	43%	\$1,500,000	\$75,000	100%	100%	PER AUS ¹
	620	PER AUS ²	\$1,000,000				
	580	41% ³					
Cash Out Refinance							
Occupancy	Min Credit Score	Max DTI Ratio	Max Loan Amount	Min Loan Amount	Max LTV ⁴	Max CLTV ⁴	Mortgage Rating
CONFORMING & HIGH BALANCE							
Primary Residence	700	43%	\$1,500,000	\$75,000	90%	90%	PER AUS ¹
	640	PER AUS ²	\$1,000,000				
	580	41% ³					

¹ Mortgages must remain current through the month prior to disbursement

² Refer to DTI section for limitations above 60%

³ DTI may exceed 41% if significant compensating factors exist. Additional restrictions apply to manually underwritten transactions. See DTI topic below.

⁴ LTV for Cash Out Refinances is calculated from the Total Loan Amount including any financed funding fee

General Eligibility	
Eligible Borrowers	Eligible veterans with available entitlement, and their spouse.
Ineligible Borrowers	Any non-veteran
Ineligible	<ul style="list-style-type: none"> Joint loans (non-spouse co-borrower), Temporary rate buy downs, Escrow waivers, Energy Efficient Mortgages (EEM), Mortgage Credit Certificates (MCC), Non-owner occupancy.
Net Tangible Benefit	<p>All VA cash out refinances must meet at least one of the Net Tangible Benefit (NTB) tests listed:</p> <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 remaining term of the loan being refinanced by at least 6 months; The interest rate on the new loan is lower than the interest rate on the loan being refinanced by at least 0.125% with no discount points; The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced by at least 1% (i.e. current P&I payment \$2500, new payment must be at least \$25 [1%] lower); The new loan results in an increase in the borrower's monthly residual income by at least 1% of the total qualifying income (i.e. monthly qualifying income \$5000, residual must increase by \$50 [1%]); 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. <p>In addition, the veteran must receive the VA Cash Out Comparison Certification within 3 business days of the application date identifying which NTB applies to the transaction.</p>
ARM	Only available for primary residence transactions and must qualify at the note rate; 30-year term only.
Loan Term	Maximum 30 years. Odd loan terms available down to 240 months for fixed rate transactions only.
Subordinate Financing	<ul style="list-style-type: none"> New subordinate financing not permitted, Existing subordinate financing may remain in place subject to applicable loan limits, and CLTV requirements. <ul style="list-style-type: none"> A copy of the subordination agreement, note, and deed for the secondary financing must be provided.
Land Contracts	Transactions involving land contracts are not eligible.
Living Trusts	A copy of the trust agreement or trust cert (if applicable) is required.
Power of Attorney	<ul style="list-style-type: none"> Cannot be used on the initial 1003 or disclosures and must have a signed LOE from the borrower regarding the use of a POA with exception for borrowers in active Military Service overseas. Cannot be used when borrower is receiving any cash out including debt payoffs other than a subject property mortgage.
Vesting	<ul style="list-style-type: none"> No party other than the veteran, and spouse may hold title. The new loan should close in the same manner as existing loan on refinance transactions. Borrowers name on 1003, credit, and appraisal request should match the existing note unless there was a documented legal name change.

E-signature	E-signatures acceptable. E-signature must be validated with some type of authentication, tracking, or independent verification. Copy and pasted PDF signatures are NOT acceptable. E-sign vendor must be on JMAC's approved list: https://jmacclending.app.box.com/s/999ut9v8rvmlhfmt7yqr
4506T	<ul style="list-style-type: none"> 4506T authorization form required on all transactions. . Borrower's with W2 income ONLY do not require validation, provided that any commission income is less than 25% of the borrower's total effective income. <ul style="list-style-type: none"> If any other qualifying income is included; complete 1040 transcripts are required.
Occupancy	<ul style="list-style-type: none"> The veteran must certify that he or she intends to personally occupy the property as his or her home. As of the date of certification, the veteran must either personally live in the property as his or her home, or intend, upon completion of the loan and acquisition of the dwelling, to personally move into the property and use it as his or her home within a reasonable time. Certain exceptions apply for spousal or dependent occupancy when borrower is on active duty.
Non-Occupant Co-Borrower	Not permitted.
Credit	
Social Security #	SSN must be fully validated on income documents. Discrepancies require processing of SSA-89.
Credit Report	Full trimerge credit report is required. Non-borrowing spouse credit report is also required in community property states.
Credit History	<ul style="list-style-type: none"> <u>AUS</u>: Per AUS approval; any derogatory credit in the most recent 12 months must be explained. <u>Manual Underwriting</u>: An in-depth review of the borrower's credit history will be completed by the SAR Underwriter. The loan must meet VA credit standards per Chapter 4 of the VA Handbook. For borrowers with a history of derogatory credit; they must have "Reestablished Credit" as defined by the VA.
Extenuating Circumstances	Extenuating circumstances must be documented on manually underwritten transactions when the borrowers do not meet VA credit standards. A detailed LOE for derogatory credit indicating the specific extenuating circumstance with supporting documentation is required. Valid extenuating circumstances are situations that were unforeseen, and out of the borrower's control that led to the delinquent payments, collection, or charge off. Divorce, and loss of employment are not considered extenuating circumstances.
Housing Rating	<ul style="list-style-type: none"> All mortgages must be rated either on the credit report, through direct verification from the servicer, or a VOM with canceled checks or bank statements. <u>Manual Underwriting</u>: <ul style="list-style-type: none"> 0x30x12 for manual underwriting. A VOR for the most recent 12 months is required for borrowers who are currently renting. Borrowers living rent free must obtain a letter from the owner of the residence indicating the rent-free status of the borrower.
Collections	<p>The payoff of any collection is subject to the discretion of the SAR Underwriter based on the risk factors of the transaction, the amount of the collection (likelihood for potential lien), and the borrowers overall credit history.</p> <ul style="list-style-type: none"> <u>AUS</u>: Collections with an active balance, or any collection satisfied within the most recent 12 months require a letter of explanation from the borrower. <u>Manual Underwriting</u>: There should be no new collections reporting in the most recent 12 months. Any collections older than 12 months with an active balance, or any collection satisfied in the most recent 12 months require a letter of explanation from the borrower and documented extenuating circumstances.
Charge Offs	<p>Charge offs are not required to be paid.</p> <ul style="list-style-type: none"> <u>AUS</u>: Charge offs in the most recent 12 months will require a letter of explanation from the borrower. <u>Manual Underwriting</u>: There should be no charged off accounts in the most recent 12 months. Any charge offs in the most recent 12 months require a written letter of explanation from the borrower with documented extenuating circumstances.
Disputed Accounts	<ul style="list-style-type: none"> Disputed accounts are analyzed by the underwriter to determine if a valid dispute exists. Underwriter may require an LOE or documentation to support the basis of the dispute. <ul style="list-style-type: none"> If accounts are disputed simply to inflate the borrowers credit score, they will be required to be removed, and credit rescored.

Judgments & Liens	<ul style="list-style-type: none"> Judgments and Liens may remain outstanding if the borrower is in an established repayment plan with a history of timely payments (at least 6) prior to closing. <ul style="list-style-type: none"> Payments cannot be prepaid to meet the 6-month requirement. Otherwise they must be paid in full, and all funds used to satisfy the account must be sourced. Any lien on title must be subordinated to the new first mortgage if remaining in a repayment plan.
Government Debt	Borrowers cannot have any outstanding delinquent Federal Debt or Obligation, including any non-borrowing spouse.
IRS Debt	<ul style="list-style-type: none"> Borrowers who are in an established repayment plan with the IRS are not required to satisfy the outstanding balance provided that there is sufficient history of timely payments (at least 6) under the repayment plan prior to closing. If there is additional tax due for the most recent tax year, and the returns were filed within the most recent 6 months, the borrowers will be eligible provided that the installment agreement was established immediately after filing, and at least 1 payment has been made prior to the loan application, otherwise it must be paid in full.
Modifications	<ul style="list-style-type: none"> Eligible provided that all payments have been made in accordance with the modification agreement. <u>Manual Underwriting:</u> Modified mortgages with principal forgiveness are not eligible for cash out for 1 year unless borrower can document that the servicer solicited the modification. Additional analysis for any transaction where a borrower has previously modified a mortgage is required to determine the borrowers overall credit worthiness. Refer to the "Layered Risk" section below.
Foreclosure/Short Sale/Deed in Lieu	2 years from the date of title transfer due to foreclosure, short sale, or deed in lieu unless valid extenuating circumstances can be documented.
Bankruptcy	<ul style="list-style-type: none"> <u>AUS: Chapter 7 & Chapter 13: 2 years from the date of discharge.</u> <u>Manual Underwriting:</u> <ul style="list-style-type: none"> <u>Chapter 7: 2 years from the date of discharge, or 1 year with valid extenuating circumstances documented</u> <u>Chapter 13: At least 12 payments must have been made under the BK plan. The borrower must obtain approval from the court to enter into a new mortgage, and the monthly payment for the BK plan must be considered in the DTI. All BK papers must be provided. Derogatory credit after a BK is not permitted.</u>
Credit Counseling	If prior adverse credit exists, and borrowers are participating in a Consumer Credit Counseling plan; must document 12 months' satisfactory payments and the counseling agency must approve the borrower entering into a new mortgage.
Non-Traditional	Non-traditional credit is not permitted. Borrowers must have at least 1 valid credit score.
Deferred Obligations	<ul style="list-style-type: none"> Deferred obligations including student loans may be excluded when the payment is deferred for at least 12 months from closing. If a student loan is in repayment or scheduled to begin within 12 months of closing we must use the actual fully amortized payment, <u>or the greater of:</u> <ul style="list-style-type: none"> the payment amount listed on credit, or 5% of the outstanding balance divided by 12.
Payoff of Debt	<ul style="list-style-type: none"> Debts may be paid off in full to qualify. All installment payoffs require a payoff statement from the creditor. Revolving accounts do not have to be closed as a condition of approval.
Layered Risk - Manual Underwriting	<p>Manual underwriting is a comprehensive review of the overall transaction utilizing sound judgment, critical thinking, and requires justification for the final decision. All manual underwrites will be reviewed for adherence to guidelines, supporting documentation for explanations, as well as other factors that contribute to the overall risk of the loan. Such risk factors include, but are not limited to:</p> <ul style="list-style-type: none"> Payment shock, Limited or no savings, Lack of housing history, NSF activity, High DTI, Low residual income,

	<ul style="list-style-type: none"> Job gaps or frequent job changes with no apparent advancement, etc. <p>If multiple risk factors exist, the loan may be subject to denial for layered risk.</p>
Income & Assets	
Income	Full income documentation is required. Salaried borrowers require 30 days' worth of the borrower's most recent paystub with YTD earnings, and W2s for the most recent 2 years. Verbal verification also required within 10 days of the note. Self Employed, commissioned, and borrowers with rental income require 2 most recent years federal tax returns. Documentation waivers not permitted.
Self-Employment	<ul style="list-style-type: none"> Borrowers with 25% or greater ownership interest in a business must provide personal, and business tax returns for the most recent 2 years. A profit & loss, and balance sheet are required when more than a calendar quarter has elapsed since the last tax filing. <u>Manual Underwriting</u>: A business credit report is required unless income is claimed on Schedule C.
Verification of Employment	Verbal re-verification of employment required for all wage earners within 10 days of the note. Self-employed borrowers must be verified by an acceptable third party. 411.com, Manta, Chamber of Commerce, or other website where business owners add their own information are not acceptable sources of verification.
Rental Income	<ul style="list-style-type: none"> Rental income may be considered at 75% of actual rents (existing construction) or market rent (proposed/new construction). The veteran must have a documented prior experience managing rental properties, or similar property management background. Use of rental income requires reserves (refer to Asset section below). Rental income from a property being vacated by the veteran can only be used to offset the mortgage payment and may not be used as effective income.
Non-Taxable Income	Non-taxable income may be grossed up at the borrower's actual tax rate, not to exceed 125%.
Residual Income	Residual income meeting VA requirements is required. The amount of any "gross up" may not be included in the residual income calculation.
DTI	<ul style="list-style-type: none"> <u>Credit Score 580 - 619, & Manual Underwriting (regardless of score)</u>: Can exceed 41% only with significant documented compensating factors, but not to exceed 50%. <ul style="list-style-type: none"> Refer to the VA Lenders Handbook, Chapter 4.10.d for list of acceptable compensating factors. <u>Credit Scores \geq 620</u>: DTI acceptable per AUS and must document compensating factors. Any AUS Approval with DTI exceeding 60% DTI requires corporate approval and cannot have layered risks. Borrower must have 120% of the VA residual income requirement when DTI exceeds 41% regardless of credit score, or AUS findings.
Assets	<ul style="list-style-type: none"> Funds to close must be documented. Two months bank statements are required, and all funds must be sourced/seasoned. Deposits that are inconsistent with the borrower's typical transactions must be sourced.
Joint Accounts	Access letter for all joint accounts where any account holder is not a borrower on the loan.
Unacceptable Assets	<ul style="list-style-type: none"> Cash for which the source cannot be verified, Funds from any party to the transaction other than eligible gift donors, Unsecured borrowed funds.
Gift Funds	<ul style="list-style-type: none"> Must be fully documented Cannot be used for reserves Donors bank statement always required Funds cannot come from an unallowable source Cash is not an acceptable source of gift funds Gifts of equity are not permitted
Reserves	<ul style="list-style-type: none"> 6 months (PITI) for 2-4-unit subject property where rental income is being used to qualify 3 months (PITI) when rental income from other REO is being used.

VOD	VOD's are not acceptable as a standalone asset verification. At least one-month bank statement must be provided in conjunction with a VOD.
Business Funds	CPA letter indicating the use of business assets will not materially affect the daily business operation. Use of funds is limited to the borrower's % of ownership in the business.
Concessions	Seller concessions for typical closing costs are not limited by the VA. Concessions such as payment of the VA Funding Fee, prepayment of buyer's property taxes, and insurance, gifts of personal property, payoff of veteran's obligations, etc. are permitted, but limited to 4% of the appraised value.
Down Payment Assistance	Not permitted.
Collateral	
Eligible Properties	<ul style="list-style-type: none"> • SFR, • Condos within a VA Approved project, • PUDs, • 2-4 Units
Ineligible Properties	<ul style="list-style-type: none"> • Leasehold properties, • Manufactured or mobile homes, • Co-Ops, • Commercial or industrial properties, • Working farms, • Marijuana producing properties, • Properties secured by Community Land Trusts, or • Properties located on Indian Reservations or Tribal Lands
Land Subsidence	Properties with evidence of land subsidence (sinkholes, or equivalent activity) are ineligible.
Lava Zones	Lava Zones 1 & 2 are ineligible.
Hazard Insurance	Hazard insurance coverage (dwelling limit plus any extended replacement) must be sufficient to cover the "estimated cost new" on appraisal. Condo's and attached PUD's must provide master policy, and evidence of "walls-in" coverage, otherwise a separate HO-6 policy is required.
Defective Paint	<ul style="list-style-type: none"> • Properties with defective paint surfaces built prior to 1978 require correction by an EPA certified contractor. • A copy of the contractors EPA certification is required. • If homeowner will be completing the repairs, a letter from the homeowner is required stating that they completed all the work.
Leased Equipment	<ul style="list-style-type: none"> • Any type of lease or financing agreement must be reviewed by the underwriter for acceptance • The agreements cannot contain ANY restrictions on conveyance, or hinder VA's first lien position • Payments must be included in DTI. Leased equipment may not be valued in the appraisal
PACE	Properties encumbered by a Property Assessed Clean Energy (PACE) obligation are not eligible.
Deed Restrictions	Properties subject to deed restrictions, or any type of restriction on conveyance other than FHA acceptable age restricted communities (55+), are not eligible for VA financing.
Repair Escrow/ Holdbacks	Not permitted.
Transaction Specific	
Purchases	Seller must be owner of record.
All Refinances	<ul style="list-style-type: none"> • At least one borrower on the application must hold title at the time of application

	<ul style="list-style-type: none"> There must be an existing lien on the subject.
Cash Out	<ul style="list-style-type: none"> Properties listed for sale are not eligible for cash out. <ul style="list-style-type: none"> Property must be off the market for at least 6 months prior to the loan application, and borrower must provide an explanation for decision to retain property and use of cash out. The following seasoning requirements apply: <ul style="list-style-type: none"> The existing mortgage must have at least 6 payments made beginning with the first payment, and the note date of the new loan must be at least 210 days after the date that first payment was made on the existing loan. If the existing loan being refinanced was originated less than 1 year prior to the closing date of the new refinance, a complete transaction history from the existing servicer is required to document all payments made.
Calculating CLTV	<ul style="list-style-type: none"> For closed end seconds, the remaining current balance must be used. For open ended seconds (HELOCs), the maximum accessible credit limit must be used to calculate the CLTV.
Texas	<ul style="list-style-type: none"> If prelim indicates any prior Texas 50(a)(6) refinances, property is ineligible for refinance. Cash out not permitted in Texas, borrower may not receive ANY funds back at closing (not even \$0.01). Any existing secondary financing must be subordinated with a recorded subordination agreement (automatic subordination not permitted). <ul style="list-style-type: none"> A copy of the note and deed for the subordinate financing must be provided

Funding Fee Tables & Entitlement Codes					
Purchase				All Transactions	
Type of Veteran	Downpayment	% for First Time Use	% for Subsequent Use	Entitlement Code	Description
Regular Military	None	2.15%	3.30%	1	World War II
	5% or More	1.50%	1.50%	2	Korean War
	10% or More	1.25%	1.25%	3	Post-Korean
Reserves/National Guard	None	2.40%	3.30%	4	Vietnam War
	5% or More	1.75%	1.75%	5	Entitlement Restored
	10% or More	1.50%	1.50%	6	Un-remarried Surviving Spouse
Cash Out Refinance				7	Spouse of POW/MIA
Regular Military	N/A	2.15%	3.30%	8	Post World War II
Reserves/Nat'l Guard	N/A	2.40%	3.30%	9	Post-Vietnam
				10	Gulf War
				11	Selected Reserves