

# Trust One Mortgage – 300a VA Series

## Product Type & Program Numbers:

- 300a – 30-year Fixed Rate VA
  - 315a – 15-year Fixed Rate VA
- NOTE: VA IRRRL not allowed.

**UNDERWRITING CRITERIA:** All loans must be run through DU with Approve/Eligible results. If the loan is not approved through DU, the loan must be submitted to management for review to determine if the company wants to do a manual underwrite.

➤ **Maximum Loan Amount:** Investor will purchase VA loans up to the maximum loan amounts listed in the following table. These loan amounts include the VA funding fee, if financed. The veteran must have full entitlement.

Primary Residence, 1-unit, Purchase and Refinances		
Maximum Loan Amount	Minimum Credit Score	Minimum Reserves Requirements
\$417,000 <sup>1</sup>	N/A	N/A
\$500,000	660	2 months
\$650,000	660	2 months
\$1,000,000	660	2 months
\$1,500,000	660	2 months

<sup>1</sup> Up to \$625,500 in Alaska and Hawaii.  
For 2-4 unit properties and cash-out transactions, the maximum loan amount is \$417,000 (\$625,500 in Alaska and Hawaii). There are no minimum credit score or reserve requirements.

➤ **Maximum LTV:** For loan amounts up to conforming loan limit maximums up to 100% LTV is allowed. For loan amounts greater than the conforming loan limits the VA guaranty or a combination of the VA guaranty plus the veteran'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). An NOV is valid for up to six months.

➤ **Loan Amount / Maximum Exposure:** Investor's maximum exposure, inclusive of the VA entitlement, is limited to 75% of the lesser of the sales price or appraised value. For loan amounts greater than the conforming limit, this requires the veteran to provide a down payment.

*Example of the maximum LTV and loan amount and VA entitlement:*

Property Value (lesser of sales price or appraised value)	\$1,000,000
Maximum exposure permitted: %	75%
Maximum exposure permitted: \$	\$750,000
Maximum VA entitlement	\$104,250
Loan amount (maximum exposure + VA entitlement)	\$854,250
Required down payment	\$145,750
Loan-to-value	85.43%

➤ **VA Funding Fee:** The VA funding fee must be paid by the originating Seller within 15 days of the Seller's closing of the loan. Sellers paying the fee more than 15 days after the loan closes will automatically be assessed a 4% late fee. Fees more than 30 days late will automatically be assessed an interest charge in addition to the late fee. The following documentation is required as proof of the VA funding fee payment at the time of loan delivery: If the loan closed more than 45 days prior, a copy of the front and back of the check is required; **Or**, A copy of the ACH transmittal, including the Loan Guaranty Certificate (LGC) number, amount, and the date paid.

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**APPRAISAL:** An appraisal is required to help ensure that any property that will become the security for a VA-guaranteed loan: Has a loan-to-value within program parameters, and Is in a condition acceptable to VA.

➤ **Required Forms:**

- Statement of Limiting Conditions.
  - Appraiser's Certification.
  - Based on the property type, the following appraisal report form must be used:
    - Single-Family Residence (SFR), Planned Unit Development (PUD): Uniform Residential Appraisal Form (#1004 / #70).
    - Condominiums: Individual Condominium Appraisal Report (#1073 / #465).
    - Two-to-Four Units: Small Residential Income Property Appraisal Report (#1025 / #72).
- **Loan amounts exceeding \$417,000** the following appraisal requirements apply:
- \$417,001 to \$650,000: VA-required appraisal.
  - \$650,001 to \$1 million: VA-required appraisal and LARA.
  - Greater than \$1 million: VA-required appraisal and field review.

**ASSETS/FUNDS TO CLOSE/DOCUMENTS:**

- **Income:** A completed and signed 4506-T form is required for all borrowers regardless of AUS findings. All VA loans are Full/Alt documented loans. Stated Income and Reduced documentation are not eligible. Verify and treat the income of a co-veteran spouse the same as the veteran's income. Only verified income can be considered in total effective income. The income calculation and analysis performed by the Seller to determine the veteran's income must be documented in the file. VA Form 26-6393 is used by the Seller to analyze the veteran's income, debts, and creditworthiness.
- **Cash Required to Close:** The veteran or spouse must have sufficient cash to cover: Any closing costs or points that are the veteran's responsibility and are not financed in the loan; **And**, The difference between the sales price of and loan amount, if the sales price exceeds the reasonable value established by VA. Verify all liquid assets owned by the veteran or spouse to the extent they are needed to close the loan and/or those that may have a bearing on the overall credit analysis.
- **Verification Requirement:** Verify all liquid assets owned by the veteran or spouse to the extent they are needed to close the loan. In addition, verify any liquid assets that may have a bearing on the overall credit analysis. Document asset verification by: Using VA form 2608497a, Request for Verification of Deposit; **Or**, Obtaining acceptable alternative documentation.
- **Down Payment:** Veterans are required to make a down payment under the following circumstances:
- Loan amounts ≤ \$417,000 (\$625,000 in Alaska and Hawaii): No down payment is required by VA unless the purchase price exceeds the reasonable value of the property.
  - Loan amounts ≥ \$417,000 (\$625,000 in Alaska and Hawaii): A down payment may be required based on the LTV calculation.
  - The Seller may also require a down payment if necessary to meet secondary market requirements.
- **Interested-Party Contributions:** A maximum of 4% of the value of the property as indicated on the Notice of Value (NOV) may be contributed from an interested party to be applied toward closing costs and/or prepaid items. Property seller concessions include, but are not limited to, the following: Payment of the VA funding fee; Prepayment of the veteran's property taxes and insurance; Gifts such as a television set or microwave oven; Payment of additional discount points to provide permanent interest rate buydowns; Provision of escrowed funds to provide temporary interest rate buydowns; Payoff of credit balances or judgments on behalf of the veteran. Property seller concessions do **not** include: Payment of the veteran's closing costs; Payment of points as appropriate to the market For example: If the market dictates an interest rate of 7.5 percent with two discount points, the property seller's payment of the two points would **not** be a property seller concession. If the property seller paid five points, three of these points would be considered a property seller concession.
- **Title Policy:** Title commitments, title insurance policies, or Insured Closing Protection Letters with no reinsurance requirement are once again accepted from the following companies: Commonwealth Land Title Insurance Company, Lawyers Title Insurance Corporation, LandAmerica NJ Title Insurance Company, and United Capital Title Insurance Company. If not referenced above, any former LandAmerica title companies remain ineligible.

**BORROWER ELIGIBILITY:** For VA home loan purposes, a veteran is a person who has served in active military, naval, or air service, and who, except for a service member on active duty, was discharged or released from active duty under conditions other than dishonorable. In general, the following eligibility criteria apply:

- 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 served less than the minimum required period may be eligible if discharged because of service-connected disabilities.
- 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.
- Specific questions on veterans' eligibility matters should be referred to the VA regional office.

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**BUYDOWNS:** Seller and property seller-paid interest rate buydowns are allowed on any type of VA-guaranteed loan, except for 15-year term loans. The buydown period must last for at least one year. Scheduled reductions in the assistance payments must occur annually on the anniversary of the first mortgage payment. The reduction in the assistance payments may be accomplished through: Annual payment increases in equal or approximately equal amounts; **Or**, Equal annual increases in the interest rate. Sellers are required to provide the veteran with a clear, written explanation of the buydown agreement. Additionally, a copy of the buydown and escrow agreements must be included in the loan file.

**CREDIT:** Non-traditional credit ineligible.

➤ **Credit Scores:** At least 1, and preferably 2 or 3, credit scores must be obtained for each veteran. The scores must be obtained from major repositories, such as Equifax, Experian®, and TransUnionSM. Because these scores were developed by Fair Isaac Corporation, they are sometimes referred to as FICO® scores. An AUS “Approve” or “Accept” is required on all purchase or refinance transactions with credit scores lower than 580. Exception: VA IRRRL loans not requiring a credit score or credit report are still eligible for purchase and do not have a FICO related pricing adjustment. If the FICO is below 530 a mortgage rating must be provided instead of the credit score. If a FICO score below 530 is provided the loan will be denied. Perform and document a CAIVRS screening on each veteran and any co-obligor. An applicant 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.

**ESCROW (IMPOUNDS):** Escrow waivers are not permitted due to secondary market requirements. Escrow funds may not revert to the party that established the escrow. If the property is sold subject to, or on an assumption of the loan, prior to the completion of the buydown, the remaining funds held in escrow must continue to be paid out on behalf of the new owner.

**FEES AND CHARGES:**

➤ **Fees/Charges the Veteran Can Pay:** The VA Funding Fee; The maximum of: Reasonable and customary amounts for any or all of the Itemized fees and Charges designated by the VA, plus A 1% flat charge by the Seller, plus Reasonable discount points; Seller 1% origination fee; Seller 1% flat charge (intended to cover all of the Seller’s costs and services that are not reimbursable as “itemized fees and charges.”; Seller 2% flat charge (for Sellers supervising the progress of construction and/or making advances in excess of 50% of the loan).

➤ **Fees/Charges the Veteran Can Not Pay:** Appraisals requested by the Seller or the property seller for reconsideration of value; Appraisals requested by parties other than the veteran or Seller; Flood zone determination made by the Seller to VA appraiser; Attorney’s fees; Brokerage fees; Prepayment fees of an existing loan (may not be paid with VA-guaranteed loan proceeds); Inspection fees; Tax service fee.

➤ **Itemized Fees and Charges:** The veteran can pay any or all of the itemized fees and charges listed below, in amounts that are reasonable and customary. For services performed by a third party, the amount paid by the veteran cannot exceed the actual charge of that third party.

- Appraisals, including second appraisals requested by the veterans for reconsideration of value.
- Recording fees and recording taxes or other charges incident to recordation.
- Credit report or on AUS-decisioned loans, up to \$50 evaluation fee charged in lieu of a credit report. For “refer” recommendations the veteran may also pay the charge for a merged credit report.
- Prepaid items such as taxes, assessments, and similar items for the current year chargeable to the veteran and the initial deposit for the tax and insurance account.
- Hazard insurance premium including flood insurance, if required.
- Flood zone determination: the veteran may pay for a life-of-the-loan flood determination service purchased at the time of loan origination.
- Survey, if required by the Seller or the veteran. Condominium surveys must have prior approval of the VA.
- Title examination and title insurance including environmental protection lien endorsement, if required by the Seller.
- Special mailing fees such as Federal Express®, Express Mail®, etc. for refinance transactions only.
- Other fees as authorized by the VA.

**FUNDING FEE:**

Purchase and Construction Loans			
Type of Veteran	Down Payment	Percentage for First-Time Use	Percentage for Subsequent Use
<b>Regular Military</b>	0 – 4.99%	2.15%	3.30%
	5 – 9.99%	1.50%	1.50%
	10% of more	1.25%	1.25%
<b>Reserves/ National Guard</b>	0 – 4.99%	2.40%	3.30%
	5 – 9.99%	1.75%	1.75%
	10% of more	1.50%	1.50%

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Cash Out Refinance Loans		
Type of Veteran	Percentage for First-Time Use	Percentage for Subsequent Use
Regular Military	10/01/04 – 09/30/11: 2.15%	3.30%
Reserves/ National Guard	2.40%	3.30%

Other Types of Loans	
Type of Loan	Percentage for Type of Veteran Whether First-Time or Subsequent Use
Loan Assumptions	.50%

**FUNDING FEE EXEMPTION:** A veteran must establish any claim for exemption from the fee. The following are the only exceptions allowed:

- Veterans receiving VA compensation for service-connected disabilities.
- Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay.
- Surviving spouses of veterans who died in service or from service-connected disabilities (regardless of whether such surviving spouses are veterans with their own entitlements and whether they are using their own entitlements on the loan).

**GEOGRAPHIC RESTRICTIONS:** Eligible states AK, AZ, CA, CO, CT, FL, GA, HI, ID, IN, MD, MI, MO, NV, NM, OK, OR, TX, UT, VA, WA, WY.

**HAZARD AND FLOOD INSURANCE:** The following hazard insurance requirements apply:

- For hazard insurance, the amount of coverage must be equal to at least the principal balance of the new loan or replacement cost.
- All loans require a flood certificate from an approved flood insurance vendor.
- Flood insurance is required on all properties located in a flood zone.

**INTERESTED PARTY CONTRIBUTIONS:** A Seller concession or combination of concessions, exceeding 4% of the established reasonable value is considered excessive and unacceptable for VA guaranteed loans. In these instances, the sales price must be reduced in an amount equal to the excess concession.

**LOAN GUARANTY ENTITLEMENT:** The maximum guaranty is the lesser of the veteran's available entitlement (and up to 25% of the conforming loan limit for purchase or construction loans, cash-out, greater than \$144,000), or the maximum potential guaranty amount detailed in the following table.

Loan Amount	Loan Types	Max Potential Guaranty
Up to \$45,000	All	50% of the loan amount
\$45,001 to \$56,250	All	\$22,500
\$56,251 to \$144,000	All	40% of the loan amount with a maximum of \$36,000
\$144,001 to \$417,000	<ul style="list-style-type: none"> <li>• Purchase or construction of home.</li> <li>• Purchase of condominium.</li> <li>• Cash-out refinance - subject to special provisions. See Cash-Out Refinance Loans for details.</li> </ul>	25% of the loan amount with a maximum of \$104,250 (\$156,375 in Alaska and Hawaii)
\$417,001 to \$1,500,000	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Refinancing with an IRRL</li> <li>• Cash-out refinance - subject to special provisions. See Cash-Out Refinance Loans for details.</li> </ul>	\$104,250 (\$156,375 in Alaska and Hawaii)
Up to \$417,000 (\$625,500 in Alaska and Hawaii) including EEM and funding fee	<ul style="list-style-type: none"> <li>• Joint Loans</li> <li>• Energy Efficient Mtgs</li> <li>• Construction loans where construction is incomplete</li> <li>• Supplemental Loans</li> </ul>	\$104,250 (\$156,375 in Alaska and Hawaii)
The percentage and amount of guaranty is based on the loan amount, including the funding fee portion when the fee is paid from loan proceeds. The maximum guarantee on a VA cash-out		

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refinance is \$36,000.

### **OCCUPANCY:** Occupancy requirements are:

- Veterans purchasing primary residences, refinancing, or improving their homes must certify that they intend to live in the homes.
- If the buyer is on active duty, a spouse may certify occupancy. Single or married service members deployed from their permanent duty station are considered to be in a temporary duty status and are able to certify intent to occupy. There is no need to have a spouse certify occupancy.
- If refinancing a VA-guaranteed loan solely to reduce the interest rate, veterans need only to certify to prior occupancy.

### **PROPERTY REQUIREMENTS:**

#### ➤ **Eligible:**

- 1-4 unit SFR.
- Determined by intended use or occupancy status of the property and the state of construction.
- Condominiums on FHA's approved list.
- HUD-owned properties that were underwritten to HUD guidelines.

#### ➤ **Ineligible:**

- Commercial enterprises
- Boarding houses, hotels, motels, and tourist homes
- Private clubs
- Sanitariums
- Fraternity and sorority houses
- Condotels
- Cooperatives
- Log homes

### **QUALIFYING:**

- **Fixed Rate:** Maximum qualifying debt-to-income ratio is 41%. Ratio may be exceeded with an acceptable AUS certificate.

### **REFINANCE TRANSACTIONS:** NOTE: VA IRRRL not allowed.

➤ **Cash Out refinance:** A VA-guaranteed cash-out refinance may be used to pay off any type of lien or liens against the secured property. The liens to be paid off may be current or delinquent and may be from any source (for example, VA, FHA, or conventional mortgages and/or tax judgments/liens).

- **Maximum loan amount:** 1-4 unit properties: Up to \$417,000 (\$625,500 in Alaska and Hawaii).
- **Maximum Loan-to-value:** Up to 90% of the value of the property indicated on the Notice of Value (NOV) plus the cost of any energy-efficient improvements (less than or equal to \$6,000) plus the VA funding fee. Cash-out refinance loans greater than \$144,000 are eligible if the VA guaranty or a combination of the VA guaranty plus the down payment and/or equity meets the 25% guaranty coverage requirement. Cash proceeds from loan may be used to pay fees, charges, and discount points. If paid from loan proceeds, the total of the following items cannot exceed 90% of reasonable value: Payoff of liens; Fees and charges, other than VA funding fee; Reasonable discount points; Cash to the veteran.
- **Maximum guarantee:** The maximum guaranty on a VA cash-out refinance loan is \$36,000.
- **Geographic restrictions:** VA cash-out loans not allowed in Texas. Effective January 1, 2003, the VA requires that purchase-transaction loans secured by properties located in Fallon, Nevada, and serviced by the City of Fallon Municipal Water System include a veteran-signed "Purchaser Acknowledgement and Release" form. For additional information, contact your local VA office.

**RESERVES:** For loan amounts up to \$417,000 (\$625,500 in Alaska and Hawaii) there are no reserve requirements. For loan amounts greater than conforming loan limit maximums, 2-months reserves are required.

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**SECONDARY FINANCING:** Secondary 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. In addition, the following requirements must be met:

- **Simultaneous:** Secondary financing must be obtained simultaneously with the VA-guaranteed first mortgage, both secured by the same property.
- **Documentation:** The Seller 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.
- **Lien Positions:** The second mortgage must be subordinated to the VA-guaranteed loan.
- **Allowable Purposes:** The proceeds of the second mortgage may be for items such as, but not limited to: Closing costs; A down payment to meet secondary market requirements of the Seller. Secondary financing may not be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over the VA's reasonable value.
- **Cash Back:** There can be no cash back to the veteran from the VA first or second mortgage obtained simultaneously.
- **Underwriting:** The veteran must qualify for the second mortgage which is underwritten as an additional recurring monthly obligation.
- **Interest Rate:** The interest rate on the second mortgage may exceed the rate on the VA-guaranteed first; however, it may not exceed industry standards for second mortgages.
- **Assumability:** The second mortgage must be assumable by creditworthy purchasers.
- **Grace Period:** There should be a reasonable grace period before: A late charge comes due; or, Commencement of foreclosure proceedings in the event of default.
- **Unusual Terms:** Second mortgages bearing unusual terms, interest rates, etc. are sometimes offered. Consult the VA if it is unclear whether the terms of the second mortgage meet VA standards.