

# Trust One Mortgage – 300c VA Series

## **4Product Type & Program Numbers:**

- 300c – 30-year Fixed Rate VA

NOTE: VA IRRRL not allowed.

**UNDERWRITING CRITERIA:** All loans must be run through DU Total Scorecard. Manual underwriting ineligible. A certification of review and approval by the VA underwriter must be included in the closed loan file on all VA loans.

➤ **Maximum Loan Amount:** VA does not have a maximum loan amount however the Investor will accept a loan up to \$539,475, inclusive of the VA Funding Fee. The loan must comply with the Ginnie Mae requirements that the veteran's cash down payment/equity plus the amount of available VA guaranty be equal to at least 25% of the lesser of the purchase price or the Certificate of Reasonable Value (CRV)/ Notice of Value (NOV). Refer to VA Pamphlet 26-7, Chapter 3. The VA Loan and Guarantee at [http://www.warms.vba.va.gov/pam26\\_7.html](http://www.warms.vba.va.gov/pam26_7.html), as well as Ginnie Mae 5500.3, Rev. 1, Chapter 24 at <http://www.ginniemae.gov/guide/guidtoc.asp?subTitle=Issuers> for detailed guidelines.

- **Purchase and Rate/Term Refinance:** On purchase transactions, if the veteran does not make a down payment, the maximum loan amount is \$417,000, which is 4 times the maximum guaranty of \$104,250. For a loan amount in excess of 4 times the veteran's available guaranty, the maximum loan amount is 75% of the lesser of the purchase price or CRV/NOV, plus the veteran's available VA guaranty. The down payment must also include the amount, if any, by which the purchase price exceeds the CRV/NOV. The down payment may not be derived from a second mortgage on the property.
- **Cash-Out Refinance:** The maximum loan amount is 100% of the appraised value of the property plus the cost of any energy efficiency improvements (up to \$6,000) plus the VA Funding Fee. For a loan amount in excess of 4 times the potential maximum guaranty of \$36,000 (\$144,000), the maximum loan amount may not exceed 75% of the CRV/NOV plus the available VA Guaranty. (CRV/NOV x 75% plus available VA Guaranty) There are no restrictions on the amount of cash the borrower may receive after all liens are paid off. Any refinance not paying off a VA loan is considered cash out by VA even if the borrower is only paying off liens against the property at closing and not receiving cash in hand.
- **Maximum LTV/CLTV/HCLTV:** The amount of the loan, which may be guaranteed, is generally limited to the amount shown on the CRV/NOV, (up to 100% of the lesser of the CRV/NOV or the purchase price) with the following exceptions:
  - The VA Funding Fee may be added to the lesser of the CRV/NOV or the purchase price. However, the total loan amount may not exceed the maximum loan size.
  - The maximum VA loan amount may be limited by the amount of remaining eligibility/entitlement. Refer to the VA guidelines – VA pamphlet 26-7.
  - Cash Out Refinance Loans: The loan is limited to 100% of the amount of the CRV/NOV.
  - Maximum LTV/CLTV/HCLTV may be affected in Declining Markets per Section 815.
  - VA Circular 26-08-19 announced a temporary increase in the maximum guaranty amount for loans closed January 1, 2009 through December 31, 2011. The maximum guaranty amounts will be adjusted annually. The first adjustment will affect loans closed on or after January 1, 2010.
- **Ineligible Loan Types:** Shared equity (non-veteran); VA mortgages that do not have a minimum 25% Guaranty; Any loan that VA's LGC cannot be issued. Deed restricted properties. Non-Traditional Credit (including, among other things, no traditional or inadequate traditional credit report information).

**APPRAISAL:** A VA appraisal must be obtained and the property must meet VA minimum property standard. Effective with appraisals dated on or after July 1, 2009, the March 2009 version of the Fannie Mae/Freddie Mac form 1004MC, "Market Conditions Addendum to the Appraisal Report" must be included with all VA (including rural housing) appraisals. All loans must be submitted to CoreLogic Correspondent Validation Program ("CCVAP") and receive a "Pass". Loans receiving a "Pass" are NOT subject to the LTV/CLTV reduction portion of the Declining Markets policy.

**ASSETS/FUNDS TO CLOSE/DOCUMENTS:** Loans should be documented according to VA guidelines with the exception of the credit score. A final signed and dated Uniform Residential Loan Application (URLA) Fannie Mae 1003/Freddie Mac 65 and a VA Form 26-1820a HUD/VA Addendum to URLA must be submitted.

➤ **HUD1:** FNMA is now requiring that there is a fully executed HUD1 for each loan file. For a purchase transaction it must be signed by both buyer and seller. This can be accomplished in one of two ways: 1. The Estimated HUD1 (or HUD1a) can be fully executed and included in the file along with a FINAL HUD1 that is not executed; OR, 2. The FINAL HUD1 (or HUD1a) can be fully executed. In either case, the FINAL HUD1 must be stamped FINAL or say at the top that it is a Final HUD1 .

➤ **IRS Form 4506-T:** Effective for all loans registered on and after July 6, 2009, and regardless of income type or documentation method to be used in connection with the loan, Trust One is required to have signed and process an IRS Form 4506-T to obtain the borrower(s)'s tax return transcripts for the two years prior to the loan application date and verify the information provided by the IRS in response to the Form 4506-T as part of the underwriting process. Additionally, Trust One must provide a properly completed Form

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4506-T for tax return transcript for the same period signed by the borrower at the closing. Separate Forms 4506-T must be signed for all borrowers both at application and at closing, regardless of DU or LP findings; only the form signed at application must be processed by Trust One. Both signed copies of the 4506-T must be included in the file upon closing package delivery. If a signed form (from either application or closing) is missing, the loan will not be purchasable. It is imperative that the Form 4506-T be completed fully, accurately and legibly to avoid delays and errors (refer to the IRS guidance and Fannie Mae 4506 policy). The top portion of the Form 4506-T must be completed exactly as the borrowers filed their tax returns and must request transcripts of their most recent two years tax returns. Any Form 4506-T that is submitted with incomplete, inaccurate or illegible taxpayer information will be rejected by the IRS and, therefore, by the Investor. Alternative forms such as the 8821 or 4506 will no longer be accepted as of July 6, 2009. The IRS Form 4506-T may be found at <http://www.irs.gov/pub/irs-pdf/f4506t.pdf>. If the income documentation provided by the borrower is  $\geq 20\%$  greater than the income documented on the IRS transcript, the following steps must be taken: Wage Earner or Other Income: Underwriter should perform an in-depth review to determine if the increase in income seems reasonable and if additional steps need to be taken. At a minimum, a letter from the borrower explaining the difference must be obtained and retained in the loan file. Additional documentation to support the explanation or increase should also be requested if deemed necessary by the underwriter; Self-employed borrowers or borrowers who receive 1099 or commission income greater than 25% of their total earnings: Underwriter should perform an in-depth review to determine if the increase in income seems reasonable and if additional steps need to be taken. At a minimum the borrower's explanation for the difference must be obtained and retained in the loan file. Additional documentation to support the explanation or increase should also be requested if deemed necessary by the underwriter. Information reported on the tax transcripts should match information reported on the tax returns provided by the borrower. Note: All other current guidelines for analysis of self-employment income must also be followed.

**ASSUMPTIONS:** Government programs are assumable.

**BORROWER ELIGIBILITY:** In order to be eligible for a government loan, borrowers may not take an ownership interest in the property at the time of settlement without signing the mortgage note and all security instruments. Proof of citizenship and immigration status now requires (in addition to a Social Security Number) evidence of lawful permanent residency as issued by the Bureau of Citizenship and Immigration Services within the Department of Homeland Security. Other requirements include an employment authorization document issued by the BCIS, along with detailed instructions verifying that there have been neither prior renewals nor likelihood of renewal.

**BUYDOWNS:** Permitted on Fixed Rate Mortgage. **Note:** For additional information on underwriting government loans with buy downs, refer to the applicable VA guidelines.

### **CREDIT:**

➤ **Credit Scores:** The following minimum FICO scores are required on all VA loans, regardless of AUS findings: VA  $\leq$  \$417,000 = 620. VA  $>$  \$417,000 = 660. All VA loans with credit less than 620 must be locked on or before Wednesday, March 4, 2009. The maximum lock term is 30 days and no extensions will be allowed. Effective March 5, 2009, all VA loans will require a minimum 620 credit score regardless of loan amount or loan purpose (purchase, rate & term refi, cash out refi). Non-Traditional Credit (including, among other things, no traditional or inadequate traditional credit report information) is ineligible.

➤ **Restructured loans, Loan modifications, Short pay and Short refinances:** Ineligible.

**ESCROW (IMPOUNDS):** Government loans may not waive escrows.

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**FUNDING FEE:** The VA Funding Fee, which is based on the LTV, may be included in the loan amount provided the loan amount does not exceed the allowable VA limits. The VA Funding Fee must be remitted to VA prior to submitting the loan to the Investor for purchase. The Investor will validate payment of the VA Funding Fee prior to loan purchase. To ensure the timely purchase of VA loans, the following applicable a copy of the electronic receipt confirming the VA Funding Fee has been paid must be included at time of delivery.

<b>First Time Use of VA Loan Guaranty Benefits:</b>			
<b>Loan Type</b>	<b>Down Payment %</b>	<b>Active Duty/Veteran</b>	<b>National Guard/Reserve</b>
<b>Purchase</b>	0% down	2.15%	2.40%
	5% down	1.50%	1.75%
	10% down	1.25%	1.50%
<b>Regular Cash Out Refinance</b>	N/A	2.15%	2.40%
<b>Second or Subsequent Use of VA Loan Guaranty Benefits:</b>			
<b>Loan Type</b>	<b>Down Payment %</b>	<b>Active Duty/Veteran</b>	<b>National Guard/Reserve</b>
<b>Purchase</b>	0% down	3.30%	3.30%
	5% down	1.50%	1.75%
	10% down	1.25%	1.50%
<b>Regular Cash Out Refinance</b>	N/A	3.30%	3.30%

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

**HOMEBUYER ASSISTANCE PROGRAMS:** Loans originated under the Homebuyer Assistance Programs (HAPs) described in VA Circular 26-08-14 are acceptable. The VA has given blanket approval of HAPs administered by state, county or municipal government entities. However, HAPs administered from private entities require review and approval from the local VA Regional Loan Center (RLC). All HAPs must meet the following criteria:

- Standard VA credit guidelines must be used.
- A VA appraisal must be obtained and the property must meet VA minimum property standard.
- In instances when the sales price exceeds the CRV/NOV, the HAP assistance will only be allowed in the form of a grant to pay the difference.
- Individual HAP fees should generally not exceed \$250. If this occurs the lender should contact the local VA RLC for approval.

\*Refer to VA 26-08-14 for additional details on Homebuyer Assistance Programs.

**OCCUPANCY:** Primary Residence only.

**PREPAYMENT PENALTY:** None.

**PROPERTY IMPACTED BY DISASTER:** Correspondents must ensure that all loans are secured by properties that have not been negatively impacted by a disaster and/or declared disaster areas by county, state or federal agencies. Correspondents represent and warrant that the properties securing all loans submitted for purchase are in good condition, and have not been negatively impacted by any disaster as of the date the Investor funds the loan. Correspondents also represent and warrant that the borrower's place of employment has not been negatively impacted by these events. If it is discovered a property was affected by a disaster that occurred prior to the purchase of the Loan, the correspondent is obligated to repurchase the loan. The Correspondent agrees to notify the Investor immediately upon discovery that a property has been negatively affected by any such disaster. At minimum, the Investor may require an appraiser's certification, or re-inspection/appraisal of the damage to determine if the loan is eligible for purchase.

**PROPERTY REQUIREMENTS:**

➤ **Eligible:**

- 1 attached and detached residences.
- VA approved PUDs.
- VA approved Condominiums.
- 2-4 unit.
- Rural properties eligible in California only.

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➤ **Condominium:** If the master or blanket insurance policy does not provide coverage of the interior of the unit, the borrower will be required to obtain a “walls in” coverage policy (commonly known as HO-6 policy). If required, the HO-6 insurance policy must provide minimum coverage of 20% of the unit’s appraised value. Condominium Limited Project Reviews with incomplete amenities are no longer available. Condominiums consisting of 2-4 units must be complete, established projects.

➤ **Ineligible:**

- Manufactured Home/Mobile Home/Modular Home/Pre-fabricated Home.
- Properties that do not meet VA’s property standards
- Properties that are not residential in nature and use (ie: farms, orchards, commercial properties, etc)
- Unapproved non-conforming use property (does not include grandfathered use)
- Property with health, safety, and/or livability issues (e.g., non-functioning bathrooms or kitchens, no utilities, mud slide areas, etc.)
- Illegal use of the property
- 3-4 unit property that has an illegal additional unit or accessory apartment
- Property is located in a high risk flood area (or volcano area) and does not have the proper flood/volcano insurance coverage as federally mandated
- Property located in an area that is deemed an environmental risk by a Phase III Report
- Timeshare, houseboat, segmented ownership project
- Residential dwelling consisting of five or more units
- Property located in the Virgin Islands
- Montana properties with more than 40 acres of land
- Land Trusts in states other than IL
- Unique property in which the marketability cannot be established (i.e., dome, log, geothermal, stilt home, one of- a kind luxury residence, etc.)
- Condotel and Non-Warrantable Condos

**QUALIFYING:**

- **Qualifying Ratios:** Total debt ratio is 41%. Residual income should be sufficient to support the household based on loan size, family size and region of the country. Refer to current VA requirements.
- **Qualifying Rate:** Initial Note Rate.

**REFINANCE TRANSACTIONS:** NOTE: VA IRRRL not allowed. Refinance loans must be owner occupied (or have previously been occupied by the veteran) and must fulfill all applicable VA requirements. The original loan being refinanced must already be guaranteed or the new loan will not be guaranteed by the VA.

**SECONDARY FINANCING:** Although not typical, additional liens must be subordinated to the VA first mortgage product. The combined loan amount may not exceed the CRV/NOV or purchase price whichever is less.