

Trust One Mortgage – 300d VA Series

Product Type & Program Numbers:

- 300d – 30-year Fixed Rate VA
- 315d – 15-year Fixed Rate VA
- 300Hd – 30-year Fixed Rate VA High Balance
- 350d – 30-year 5/1 VA ARM
- 350Hd – 30-year 5/1 VA ARM High Balance

UNDERWRITING CRITERIA: Loans must be underwritten by a VA Automatic and LAPP approved underwriter. May follow AUS decision and documentation requirements. If loan requires VA’s prior approval, additional underwriting turnaround time is required.

- **VA Prior Approval Required For:** Joint loans involving a veteran and non-veteran who is not the veteran’s spouse; Joint loans involving two or more veterans who intend to use their entitlement and take title jointly; Loans to veterans in receipt of VA non-service related pension; Loans to veterans rated incompetent by VA.
- **Underwriting Prior Approval Loans:** The VA Automatic Underwriter must first underwrite the loan and issue a credit decision. The VA Automatic Underwriter is required to access the VA Information Portal at <https://vip.vba.va.gov> and enter specific Loan analysis data in the VA WebLGY system and submit data to the VA. Submit a copy of the loan file to the VA Regional Loan Center that has jurisdiction over the property state. Files submitted to the VA for prior approval must be labeled “PRIOR APPROVAL”. Additional documentation is required for Interest Rate Reduction Refinance Loans involving delinquencies of 30 days or more past due since date of application.
- **VA Reserves or National Guard Certification:** All veteran applicants whose income is being used to qualify for the loan transaction must complete and sign a VA Reserves or National Guard Certification form. The VA Underwriter must then use this information to determine the veteran-borrower’s true monthly qualifying income.
- **Joint Loans:** Joint loans must be underwritten by the Investor and then forwarded to the VA for FINAL approval before closing. A joint loan is a loan made to: The veteran and one or more non-veterans (not spouse); The veteran and one or more veterans (not spouse) who will not be using their entitlement; The veteran and one or more veterans (not spouse) ALL of who will use their entitlement (Example: Two unmarried veteran); The veteran and the veteran’s spouse who is also a veteran and both entitlements to be used; A loan involving a veteran and his/ her spouse will not be treated as a joint loan if the spouse is not a veteran or is a veteran who will not be using his/her entitlement on the loan.

LOAN AMOUNT AND LTV LIMITATIONS:

Standard Loan Limits					
Purchases					
Continental US			Alaska and Hawaii		
Units	LTV	Max Total Loan Amount (including financed Funding Fee)	Units	LTV	Max Total Loan Amount (including financed Funding Fee)
1	100%	\$417,000	1	100%	\$625,500
2	100% ¹	\$533,850	2	100% ¹	\$800,775
3	100% ¹	\$645,300	3	100% ¹	\$967,950
4	100% ¹	\$801,950	4	100% ¹	\$1,202,925

¹ Regardless of the number of units, the maximum guaranty VA will provide will be based on the total loan amount for a 1 unit dwelling. For Purchase transactions: If the total loan amount is greater than \$417,000, a down payment may be required and the LTV may be reduced accordingly.

- For purchase transactions, total loan amounts > \$144,000 and ≤ \$417,000 VA will provide guaranty of 25% of the total loan amount subject to Veterans available entitlement.
- The 25% minimum guaranty is considered satisfied for Interest Rate Reduction Refinance Loans regardless of the dollar amount of guaranty being transferred from the previous loan.

Any loan amount > \$417,000 with 100% LTV requires a second Trust One Underwriter signature.

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Standard Loan Limits					
Rate & Term/Cash-Out Refinance					
Continental US			Alaska and Hawaii		
Units	LTV	Max Total Loan Amount (including financed Funding Fee)	Units	LTV	Max Total Loan Amount (including financed Funding Fee)
1	90%	\$417,000	1	90%	\$625,500
2	90% ¹	\$533,850	2	90% ¹	\$800,775
3	90% ¹	\$645,300	3	90% ¹	\$967,950
4	90% ¹	\$801,950	4	90% ¹	\$1,202,925

¹ Regardless of the number of units, the maximum guaranty VA will provide will be based on the total loan amount for a 1 unit dwelling. For Purchase transactions: If the total loan amount is greater than \$417,000, a down payment may be required and the LTV may be reduced accordingly.

- For total loan amounts > \$144,000 and ≤ \$417,000 VA will provide guaranty amount of 25% of the total loan amount for a one unit dwelling subject to Veterans available entitlement. Note: For loans closed on or after 1/1/09, maximum guaranty is the same as purchase transactions. Bonus entitlement is available.
- The loan-to-value ratio may not exceed 90% of appraised value.
- The total loan amount (Base Loan Amount plus Financed Funding Fee) may not exceed the conforming loan limits for the area.

Any loan amount > \$417,000 with 100% LTV requires a second Trust One Underwriter signature.

High Balance Loan Limits							
Purchases							
Continental US				Alaska and Hawaii			
Units	LTV	Min Total Loan Amount	Max Total Loan Amount	Units	LTV	Min Total Loan Amount	Max Total Loan Amount
		(including financed Funding Fee)				(including financed Funding Fee)	
1	100% ¹	\$417,001	\$1,094,625	1	100% ¹	\$625,501	\$1,641,937.50
2	100% ¹	\$533,851	\$1,094,625	2	100% ¹	\$800,776	\$1,641,937.50
3	100% ¹	\$645,301	\$1,094,625	3	100% ¹	\$967,951	\$1,641,937.50
4	100% ¹	\$801,951	\$1,094,625	4	100% ¹	\$1,202,926	\$1,641,937.50

¹ Purchase: If total loan amount is greater than the county limit for a one unit dwelling, a down payment may be required and the LTV may need to be reduced accordingly.

- For total loan amounts > \$417,000, VA will provide guaranty equal to the lesser of 25% of the total loan amount or 25% of the county limit for a one unit dwelling subject to Veterans available entitlement.
- The 25% minimum guaranty is considered satisfied for Interest Rate Reduction Refinance Loans regardless of the dollar amount of guaranty being transferred from the previous loan.
- The maximum guaranty for loan amounts > \$417,000 varies depending upon the location. See VA County Loan Limits in Chapter 23 of the Trust One Program Summary Guide or on the Trust One website.

Any loan amount > \$417,000 with 100% LTV requires a second Trust One Underwriter signature.

High Balance Loan Limits							
Rate & Term/Cash Out Refinance							
Continental US				Alaska and Hawaii			
Units	LTV	Min Total Loan Amount	Max Total Loan Amount	Units	LTV	Min Total Loan Amount	Max Total Loan Amount
		(including financed Funding Fee)				(including financed Funding Fee)	
1	90% ¹	\$417,001	\$1,094,625	1	90% ¹	\$625,501	\$1,641,937.50
2	90% ¹	\$533,851	\$1,094,625	2	90% ¹	\$800,776	\$1,641,937.50
3	90% ¹	\$645,301	\$1,094,625	3	90% ¹	\$967,951	\$1,641,937.50
4	90% ¹	\$801,951	\$1,094,625	4	90% ¹	\$1,202,926	\$1,641,937.50

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¹ Regardless of the number of units, the maximum guaranty VA will provide will be based on the total loan amount for a one unit dwelling. If the total loan amount is greater than the county limit for a one unit dwelling, available entitlement plus equity in the property must be $\geq 25\%$ of the appraised value. If it is not, the LTV will be reduced accordingly. Note: For loans closed on or after 1/1/09, maximum guaranty is the same as purchase transactions. Bonus entitlement is available.

- The loan-to-value ratio may not exceed 90% of appraised value.
- The maximum guaranty for loan amounts $> \$417,000$ varies depending upon the location. See VA County Loan Limits in Chapter 23 of the Trust One Program Summary Guide or on the Trust One website.

Any loan amount $> \$417,000$ with 100% LTV requires a second Trust One Underwriter signature.

ADJUSTABLE LOAN FEATURES:

- One Year Constant Maturity Treasury (CMT)
- Margin: 2.00% or 2.25%.
- Annual/Adjustment Cap: 1.00%.
- Life Cap: 5.00%
- Rate at Adjustment: Initial note rate is in effect for 60 to 66 months. Thereafter, the annual adjustment cap as listed above begins with the first adjustment. Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps.

APPRAISAL: VA Approved/ VA Fee panel appraisers.

- LAPP – Notification of Value (NOV) to be issued by Delegated VA Lender's LAPP Approved Underwriter via The Appraisal System (TAS) at <https://tas.vba.va.gov>.
- VA Notice of Value issued by VA.
- VA REO's: Properties purchased as VA Real Estate Owned (REO's) are not eligible for LAPP Appraisals. The VA will issue the Notice of Value (NOV) if the Liquidation Appraisal issued by the VA is less than 6 months old. To request a NOV from the VA submit a completed paper copy of VA Form 26-018-5 to the VA Regional Loan Center. VA will then transfer the appraisal from the current servicer, if applicable, to the Investor and issue a new case number. The VA underwriter still needs to perform complete credit underwriting on these transactions.
- 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.
- HVCC rules do not apply.

➤ **Third Party Originator:** Generate an AVM and review as part of the underwriting process. Generate an AVM and review as part of the underwriting process; OR perform an enhanced desk review with 2 additional s; OR perform a drive-by appraisal. In addition to reviewing the valuation provided by the model, Client should focus on recent comparable properties that may not have been used by the appraiser.

➤ **Rate & Term/Cash Out Refinances:** A new appraisal completed by a VA approved or VA fee panel Appraiser is always required. VA LAPP approved Underwriting Consultant will issue the Notice of Value. Copy of the signed Notice of Value must remain in the loan file.

ASSETS/FUNDS TO CLOSE/DOCUMENTS:

➤ **Amended Tax Returns:** Tax returns that are amended and filed by the borrower with the IRS are acceptable in the following circumstances:

- **Tax Returns Filed Prior to the Loan Application Date:** Tax returns that are filed prior to application are acceptable for underwriting purposes. Both the original filed return and the amended return are required. If the file was amended 60 days or less prior to the application, evidence of payment must also be provided.
- **Tax Returns Filed After the Loan Application Date:** Tax returns filed after the application date may be acceptable when accompanied by the following: a letter of explanation regarding the reason for the re-file, evidence of filing, payment (and the ability to pay the tax if the check has not cancelled). The original tax return and the amended tax return will be closely examined for consistency with previous filings to determine whether or not the use of the amended return is warranted. In addition, if the borrower requires the amended income for qualification, an exception must be submitted and approved for the use of the amended income. A copy of the original and amended tax returns must be submitted with the exception. When using an amended return after application the underwriter must provide justification and commentary on the 1008 regarding its use.

➤ **Documents:** Effective January 2, 2010, per Ginnie Mae requirement, case numbers must be evidenced on all Security Instruments (SI), collateral documents, and applicable riders. Ginnie Mae requires the fixed-length case number be stated on the **first page** of the Security Instrument (SI), any collateral document, or applicable Rider. If the Note includes the case number or a place for the case number, the number must be entered as a complete and accurate fixed-length number as applicable by loan type. Trust One should not include the Section of the Act (SOA) number (most notably 203(b)) as part of the case number on the Note and SI. The leading zeros in each case number are not required. Case numbers for VA loans can be obtained from The Appraisal System (TAS).

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➤ **Down Payment:** Veterans are required to make a down payment under the following circumstances:

- Loan amounts ≤ \$1,094,625: No down payment is required by VA unless the purchase price exceeds the reasonable value of the property.
- Loan amounts between \$1,094,626 - \$1,500,000: A down payment may be required based on the LTV calculation.
- Any loan amount > \$417,000 with 100% LTV requires a second Trust One Underwriter signature.
- Trust One may also require a down payment if necessary to meet secondary market requirements.

➤ **Excessive Marketing Fees:** Total real estate commissions and marketing fee payouts (in cash or in kind) that exceed 8% of the sales price are considered excessive and must be deducted from the sales price for underwriting purposes. Total commissions/marketing fees include but are not limited to: marketing fees, finder’s fees, referral fees, consulting fees, and assignment of sales fees. It is not permissible to omit these fees from the Settlement Statement.

➤ **Gifts:** Acceptable.

➤ **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.

➤ **Income:** Regardless of the AUS recommendation (Approve or Refer) on a VA loan, 30 consecutive days of paystubs are required when the loan approval condition calls for “paystub(s) covering at least the most recent 30 day period” or “paystub(s) covering one full month of employment”. Regardless of how it is worded and regardless of the AUS recommendation (Approve or Refer), and regardless of the applicant(s) pay schedule, as a general rule, 30 consecutive days worth of paystubs reflecting year-to-date, bonus and overtime information are needed to satisfy the condition.

➤ **IRS Form 4506-T:** A completed and signed 4506-T form with acceptable results is required for all borrowers regardless of AUS findings. IRS Form 4506T must be processed and income validated for most recent 2 years (tax transcripts) or 1 year for AU loans requiring less than 2 years of income and employment verification. Information provided by the IRS in response to Form 4506T must be evaluated and any significant differences must be reviewed, resolved and detailed comments regarding the resolution must be documented on the 1008 by the underwriter. The validated tax transcripts must be included in the file for purchase. The form must not expire before a reasonable time to allow processing, if needed. Section 5 which identifies the third party requesting the information from the IRS should be completed with Trust One’s name and the following language “its successors or assigns”. Box 6a should only be checked on all requests. In some circumstances and after completion of the loan review, the Investor may require Trust One to obtain a signed IRS Form 4506-T with Box 8 checked to obtain Form W-2 or Form 1099 series transcripts. This may be required when borrower was not required to file tax returns. In addition, the borrowers must sign a new IRS form 4506T at closing to allow for possible post funding QC, to be included in the closed loan delivery.

Effective immediately, for loans receiving an Approve recommendation, obtain tax transcripts for the number of years of income documentation required on the DU Findings Report. Investor requires the most recent Tax Return Transcript for all borrowers.

- For loans underwritten before June 15, 2010, if the borrower has filed their 2009 tax returns, and the tax transcripts are not yet available, the tax transcript request will be returned from the IRS and reflect “No Record Found”, the following must be provided: 2009 Tax Transcript showing “No record or return filed”; and, Copy of the 2009 Tax Return; and, For Salaried Borrowers: a 2008 tax transcript, current paystub and 2009 W-2; For Self-Employed Borrowers: a 2008 tax transcript and a 2009 P&L. Please see below if borrower filed an extension.
- For loans underwritten on or after June 15, 2010, Trust One must provide the 2009 Tax Return Transcripts. If a borrower has filed an extension, the following must be provided: Evidence that the extension was filed and evidence of tax payment; and, A 2009 Tax Transcript showing “No record or return filed”; and, For Salaried Borrowers: a 2008 tax transcript, current paystub and 2009 W-2; For Self-Employed Borrowers: a 2008 tax transcript and a 2009 P&L.
- If a borrower is not required to file a 2009 tax return and the source of income cannot be validated through the 4506-T process, alternative documentation must be obtained. Examples of documentation include 1099 transcripts or an award letter with a bank statement.

➤ **Residual Income:**

- Northeast: CT.
- Midwest: IN, MI, MO.
- South: GA, MD, OK, TX, VA.
- West: AK, AZ, CA, CO, HI, ID, NV, NM, OR, UT, WA, WY.

Loan amounts of \$79,999 and below				
Family Size	Northeast	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	\$1,004
Add \$75 for each additional member, up to a family of 7.				
Loan amounts of \$80,000 or more				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$899	\$899	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Add \$80 for each additional member, up to a family of 8.				

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- **Rate & Term/Cash Out Refinance:** Verification of employment. Most recent pay stub; **OR**, Full month pay stubs, 2 years W2s, Completed Telephone VOE. If telephone VOE does not verify income, full documentation is required. The following is required if funds are needed to close: Verification of Deposit **OR** Two months bank statements to cover any funds necessary to close.
- **Seller Contributions:** Seller can pay 100% of discount points and borrower's non-recurring closing costs. Seller can provide an additional amount not to exceed 4% of the estimated reasonable value to assist the borrower payment of buy down points, prepaid expenses and funding fee.
- **Third Party Origination:** Clients must perform a Verbal Verification of Employment (VVOE). For all employed borrowers, independently obtain the employer's phone number (directory assistance, 411.com, etc) and confirm the borrower(s) employment within 72 hours of closing. For all self employed borrowers, independently verify the existence of the business (directory assistance, 411.com, etc.). Execute and validate the 4506T and compare to income documentation in file.
- **Validation of Qualified Parties to the Transaction:** A loan will no longer be purchased where companies or individuals who are material parties to the transaction listed on the Investor's Exclusionary List, General Services Administration (GSA) Excluded Party List or the HUD Limited Denial or Participation List (LDP) were directly or indirectly involved in the transaction. The Exclusionary List contains confidential information and may not be distributed to third parties. Material parties include but are not limited to: Borrower, Seller, Processor, Underwriter, Listing/selling Realtors, Builder, Loan Officer, Trust One and any additional employees involved in the transaction, Title Agent/Title Company, Closing Attorney/Settlement Agent/Settlement Company, Notary, Appraiser/Appraisal Company. Regardless of the reason for the party being excluded, any party to the transaction included on any of the above lists will be ineligible for purchase.
- **VOD:** A written VOD cannot be used as standalone documentation to support assets. At least one month's bank statement is required on all loans regardless of AU decision.
- **VOE:** A written VOE cannot be used as standalone documentation for Income verification. A pay stub with 30 days year-to-date income and W2 is required on all loans regardless of AU decision.

ASSUMPTIONS: Permitted. Credit worthy borrowers only. ARM loans: Assumptor must be provided with ARM disclosure.

BORROWER ELIGIBILITY: Must be a veteran who served the minimum duty with other than a dishonorable discharge. Active duty with at least 181 days of duty. Un-remarried surviving spouse of eligible veteran (COE). Reservists/National Guard. Certificate of Eligibility must have sufficient entitlement to meet minimum 25% guarantee. Joint loans involving a veteran and a non-veteran who is not the veteran's spouse (VA prior approval required). Joint loans involving two unmarried veterans (VA prior approval required).

- **Co-Borrower:** All borrowers must occupy the subject property. Non-Veteran co-borrower permitted.
- **Confirmation of Borrower's Identity:** Trust One will be required to confirm the identity of each borrower whose credit is material to the loan transaction prior to the extension of credit. Trust One must ensure that their Closing Agent, Notary Public or signing attorney, as appropriate, provide evidence in the file that the identification document included a photo and has been checked for each borrower.
- **Non-Purchasing Spouse in a Community Property State (AZ, CA, ID, NV, NM, TX, WA):** If property is located in a community property state, or the borrower resides in a community property state, the following requirements apply:
- 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.
 - The 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 (AZ, NV: Exclude debts in DTI analysis if acquired prior to the marriage), 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, do not consider debt in the DTI.
 - The greater of the monthly payment amount or 5% of the outstanding balance of all debts 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 sole basis for declining the loan. The FICO score for the non-occupying co-borrower is not considered for eligibility or MIP.
 - **Arizona:** The satisfaction of collections and judgments of non-purchasing spouses for FHA loans in AZ will no longer be required under the following circumstances: The non-purchasing spouse is not contributing towards any of the down payment or costs on the transaction (including gifts or monies from joint accounts); The non-purchasing spouse signs the title disclaimer in order to prevent any judgments from attaching to the property. (Condition at closing). The non-purchasing spouse cannot sign the Deed of Trust/Security Instrument.
 - **California:** All delinquent debts, including those of the non-purchasing spouse, must be satisfied prior to or at closing.
 - **Washington:** Debts of the non-purchasing spouse are excluded from the qualifying ratios if the non-purchasing spouse receives no money from the transaction. When no funds are received from the transaction, the non-purchasing spouse may Quit Claim his/her interest to the purchasing spouse.

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BUYDOWNS:

- **Temporary:** Annual, maximum 1% per year.
- **ARM:** Not eligible.

CREDIT: VA credit standards apply. Regardless of AUS decision, the minimum FICO is 640 for purchase, rate/term refinances and cash out refinance transactions. **Non-traditional credit ineligible.**

➤ **Third Party Originator:** In addition to the credit report submitted by the Third Party Originator, clients must obtain an in-file credit report at or prior to underwriting and at a minimum check for: Undisclosed debt, Deterioration in FICO and/or credit ratings, and Red Flags including but not limited to employment and address history. Client should review MERS to identify undisclosed properties and include a screen print in the file.

➤ **Housing (mortgage/rental) Payment History Requirements for Purchase Transactions:** AUS Approve – Mortgage history evaluated by AUS. AUS Refer/Manual - Mortgage/Rental history: 0x30 in last 12 months.

➤ **Rate & Term/Cash Out Refinances:** It may be necessary to verify the current and previous mortgage to establish a 12 month payment history. All loans must be current. AUS Approve – Mortgage history evaluated by AUS. AUS Refer/Manual Underwrite - 12 month payment history or life of loan if property is owned less than 12 months via a credit report, cancelled checks, or VOM to reflect no more than 0X30 during the previous 12 months.

➤ **Non-traditional Credit:** Ineligible.

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

ENTITLEMENT:

- **For loan amounts up to and including \$144,000:** The maximum amount of available entitlement minus the amount of entitlement currently in use equal the remaining amount of available entitlement. In our example (\$36,000 - \$7500 = \$28,500). This means the veteran can obtain another zero down payment VA loan for no more than \$114,000 (\$28,500 x 4 = \$114,000).
- **Bonus Entitlement:** Only for loan amounts greater than \$144,000, up to \$417,000 or \$625,500 in AK & HI. For veterans with full basic entitlement available. For veterans with partial entitlement available.
- **Bonus Entitlement when the Veteran has FULL Entitlement:** If the veteran has full entitlement, Bonus Entitlement or additional entitlement is calculated as follows: \$417,000 x 25% = \$104,250 - \$36,000 = \$68,250 (Continental US). \$625,500 x 25% = \$156,375 - \$36,000 = \$120,375 (AK & HI). It is this bonus entitlement that allows a veteran to purchase a zero down payment home for greater than \$144,000 and still received full VA guaranty up to \$417,000 or \$625,500 in AK& HI.
- **Bonus Entitlement when the Veteran has PARTIAL Entitlement:** If veteran only has partial entitlement, meaning he still has an open VA loan, he may still be able to obtain another VA loan for more than \$144,000, using bonus entitlement, provided he intends to occupy this property. Example – For loan amounts over \$144,000, Current entitlement in use \$7500. Veteran wishes to purchase a home for \$250,000. \$250,000 X 25% = \$62,500 (Purchase Price x 25% as required by Ginnie Mae). \$104,250 - \$7500 (in use) = \$96,750 - Maximum amount of available entitlement for the new loan. The maximum loan amount the veteran can obtain without a down payment is \$96,750 x 4 = \$387,000. In this case the borrower is able to purchase this property without a down payment.

Entitlement Codes	Meaning
01	World War II
02	Korean
03	Post Korean
04	Vietnam
05	Entitlement Restores
06	Un-remarried Surviving Spouse
07	Spouse of POW/MIA
08	Post World War II
09	Post Vietnam
10	Persian Gulf War
11	Selected Reserves

ESCROW (IMPOUNDS): Waivers not permitted.

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FEDERALLY DECLARED DISASTER AREAS: In addition to the guidelines below, there are specific requirements that apply to VA loans secured by properties in the affected areas. Those requirements are also outlined below. When natural disasters occur, e.g., hurricanes, tropical storms, tornadoes, steps must be taken to ensure that the security on each Loan is protected. Once a disaster is declared, FEMA announces which counties are considered disaster areas under Designated Counties at www.fema.gov. It is the responsibility of Trust One to monitor the FEMA web site and obtain the required re-certification when there is a Major Disaster Declaration that includes individual assistance. The following guidelines apply when a property is located in a Federally Declared Major Disaster Area as defined by FEMA:

A. Properties Located in Federally Declared Major Disaster Areas: In the event the subject property, on which an appraisal has been performed and the Loan has not yet funded, is located in an area that is declared a federal disaster area after the appraisal has been issued, Client must ensure that the property meets the collateral requirements set forth above and under the No Adverse Origination Circumstances section in Chapter 1C, Representations, Warranties, and Covenants, of the Investor Guide. If the property inspection was completed prior to the date the natural disaster was declared, a re-inspection or inspection will be required. These requirements apply to all Loans regardless of income documentation type or appraisal requirements. Regardless of whether or not the transaction requires an appraisal, an inspection will be required up to and including 90 days from the date the natural disaster occurred. There may be situations where a longer timeframe may be instituted.

B. Inspection Requirements: An appraiser, engineer, qualified home inspector, or licensed insurance adjustor must perform the special property inspection. Photographs of the subject property must be attached to the Special Disaster Inspection Certification. The individual who performs the inspection should review the original appraisal report and be able to certify that his or her personal inspection of the building revealed no indications of significant disaster related damages. The inspector's Special Disaster Inspection Certification must address the physical condition of the site and improvements; it does not need to address value trends. If the condition of the subject property is acceptable, the value conclusion made prior to the disaster is acceptable.

➤**Special Disaster Inspection Certification Alternatives:** The following forms may also be used for this certification along with a photograph of the subject property: Appraisal Update and/or Completion Report (Fannie Mae form 1004D or Freddie Mac form 442); Uniform Residential Appraisal Reports (Fannie Mae form 1004 or Freddie Mac form 70); Drive by appraisal (Fannie Mae or Freddie Mac form 2055). In any situation where the appraiser notes defects in the exterior inspection, a full Fannie Mae form 1004 or Freddie Mac form 70 appraisal report with an interior and exterior inspection is required; Individual Condominium or PUD Unit Appraisal Report (Fannie Mae form 1073 or Freddie Mac form 465); Special Disaster Inspection Certification may take the form of a letter on the qualified individual's letterhead bearing an original signature. The letter is required to contain the language indicated in the Special Disaster Inspection Certification Instructions; Standard form used by the property inspector providing it clearly identifies the name, address, and qualifications of the inspector, contains the information required in the Special Disaster Inspection Certification, and bears an original signature.

C. Properties with Significant Damage: If a property was significantly damaged and an appraiser performed the property damage inspection, the property must be re-inspected by a qualified home inspector or an engineer to assess the nature and degree of the damage. A significantly damaged property must be repaired before the Loan is sold if the damage affects the structural integrity or livability of the subject property, as determined by the inspector.

D. Properties with Minor Damage: Repairs will not be required for a property with minor damage not affecting the structural integrity or livability of the property, provided an adequate escrow is arranged to guarantee the completion of repairs. Based on the engineer or home inspector's damage estimate, an accurate escrow holdback account must be established to repair the damaged property. For loans with properties appraised on or before the dates listed above (and not closed prior to that date), VA requires that the property is re-inspected to certify that the property condition and value have not been worsened as a result of the disaster. To be eligible for VA guaranty, BOTH the lender and the veteran borrower are required to provide certifications to this effect.

Properties That Suffered Damages : If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, the lender must have the VA fee appraiser update the original value estimate. The payment of the appraiser's fee for that service will be a contractual matter between the buyer and the seller. If the property value has decreased, the loan amount must be reduced accordingly.

Veteran Disaster Certification: The veteran must perform an inspection of the property. The veteran must sign and date the Veteran Disaster Certification form certifying that he has inspected the property and finds the condition acceptable. This form must be reproduced on letterhead. The executed Veteran's Disaster Certification form must be included in the file when submitted to VA for purchase.

Lender Disaster Certification: The lender must complete the Lender Disaster Certification form to verify that the property has been inspected and either was not damaged or has been restored to pre-disaster condition (or better). The Lender Disaster Certification form must be reproduced on letterhead.

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Additional VA Processing Requirements: Prior to closing we must insure that the veteran's employment and income have not changed since the loan application. Employment and income may be verified by a telephone VOE or most recent pay stub. If at the time of the loan closing the veteran is no longer employed or family income has been reduced, the loan must be re-evaluated by the VA Automatic Underwriting Consultant prior to closing.

On the "Remarks" section of VA Form 26-0268, VA Loan Summary Sheet, enter the words "Lender and Veteran Disaster Certifications Enclosed." Place both Certifications below the VA Loan Summary Sheet when the file is submitted to Post Closing. Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Please note the Veteran purchaser cannot be charged for any disaster-related inspections or repairs.

FEES AND CHARGES: The veteran may pay a maximum of: Reasonable and customary amounts for any of the fees listed below under "Itemized Fees and Charges," *plus* A one percent (1%) flat fee (Origination Fee) charged by Trust One, (or 1% in Non-itemized fees if Origination Fee is not charged) *plus* Reasonable discount points.

➤ **Itemized Fees and Charges the Veteran May Pay on Each Loan:** The borrower may pay any of the following itemized fees and charges in amounts that are reasonable and customary, regardless of whether or not an Origination Fee is being collected from the borrower. The VA considers these fees as basic transaction fees for every loan.

Charge	Description
Appraisal and Compliance Inspections	The veteran can pay the fee of a VA appraiser and VA compliance inspector. The veteran can also pay for a second appraisal if he or she is requesting reconsideration of value. The veteran cannot pay for an appraisal requested by the lender or seller for reconsideration of value. The veteran cannot pay for appraisals requested by parties other than the veteran or Trust One.
Recording Fees	The veteran can pay for recording fees and recording taxes or other charges incidental to recordation. Exception: Recordation fees for subordination agreement on existing second lien not permitted.
Credit Report	The veteran can pay for the credit report obtained by Trust One. For Automated Underwriting cases, the veteran may pay the evaluation fee of \$50 in lieu of the charge for a credit report. For "Refer" cases, the veteran may also pay the charge for a merged credit report, if required.
Prepaid Items	The veteran can pay that portion of taxes, assessments, and similar items for the current year chargeable to the borrower and the initial deposit for the tax and insurance accounts.
Hazard Insurance	The veteran can pay the required hazard insurance premium. This includes flood insurance, if required.
Flood Zone Determination	The veteran can pay the actual amount charged for a determination of whether a property is in a special flood hazard area, if performed by a third-party. HUD-1 must show flood cert fee being charged directly by third-party vendor by name and not by Trust One. The veteran can pay a charge for a life-of-the-loan flood determination service purchased at the time of loan origination. A fee may not be charged for a flood zone determination made by Trust One or a VA appraiser. All Transactions closed on or after June 1, 2010: Flood insurance on properties located in a Flood Hazard Zone is required and loans without coverage are ineligible for purchase. Once the NFIP's authority to issue policies is restored and evidence of acceptable flood insurance is in the file, loans located in a Flood Hazard Zone will again be eligible for purchase.
Survey	The veteran can pay a charge for a survey, if required by Trust One or veteran. Any charge for a survey in connection with a condominium loan must have the prior approval of VA.
Title Examination and Title Insurance	The veteran may pay a fee for title examination and title insurance, if any. If Trust One decides that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran. Title Elimination fee typically charged to convert a manufactured home to real property may be included in this category of fees.
Special Mailing Fees for Refinancing Loans	For refinancing loans only, the veteran can pay charges for Federal Express, Express Mail, or a similar service when the saved per diem interest cost to the veteran will exceed the cost of the special handling.
Closing Protection Letter	Additional protection required by Trust One to cover the actions of closing and escrow agents involved in transaction.

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MERS Fee	The veteran may pay a fee for MERS. MERS is a one-time fee for the purpose of electronically tracking the ownership of the beneficial interest in a loan and its servicing rights.
VA Funding Fee	Unless exempt from the fee, each veteran must pay a funding fee to VA.

Whenever the charge relates to a service performed by a third-party, the amount paid by the borrower must be limited to the actual charge of that third-party.

➤ **1% Flat Fee (Origination Fee):** In addition to the reasonable and customary itemized fees listed above, VA permits Trust One to charge the borrower a maximum of a 1% Origination Fee to cover those fees and costs that are considered Trust One’s cost of doing business on a VA transaction. This means, if the 1% Origination Fee is charged to and paid by the veteran, then the fees and charges listed below as “Non-itemized” fees may not be charged in addition to the 1% Origination Fee. These fees and charges are referred to as “Unallowable” or “Non-allowable” because they are not permitted to be charged to veteran under U.S. Federal regulation when a 1% origination fee has already been charged to veteran. These fees, however, may be charged to the veteran in the amount of 1% if an Origination Fee is not charged.

➤ **Non-Itemized Fees and Charges:** The following list includes fees and charges that the VA expects to be covered by the 1% Flat Fee (Origination Fee):

- Lender's Inspections (example: to verify the condition of a property in an area that was affected by a major disaster) Does not include VA Compliance Inspection.
- Closing/Settlement fees.
- Document Preparation fee/Conveyance Fees.
- Escrow Fees or Charges.
- Attorney's fees, other than title work (Unless the attorney is independently hired by the veteran for his personal representation. In this case the veteran would pay a separate attorney fee to his personal attorney).
- Notary Fee.
- Commitment Fees.
- Tax Service Fee.
- Prepayment Penalties to payoff current financing (refinances only).
- Trustee's Fees.
- Loan Application or Processing Fees (includes Underwriting Fees and other similar fees).
- Photographs, such as to document the current condition of a property after a natural disaster, etc.
- Interest rate lock-in fees.
- Amortization Schedules.
- Fees for Preparation of Truth in Lending Disclosures.
- Real Estate Buyer-Broker Commissions/Fees (A Buyer-Broker can be used but the veteran may not be charged a commission when VA financing is involved.)
- Fees Charged by Loan Brokers, Finders or Other Third Parties whether or not they are affiliated with the mortgage. (Such as E-mail or download fees that may be charged by a closing agent when loan documents are sent electronically).

➤ **Reasonable Discount Points:** In addition to the fees listed above, VA will allow the veteran to be charged reasonable discount points and itemized on the HUD-1. Note: in the case of an Interest Rate Reduction Refinance Loan (IRRRL), no more than 2 discount points may be financed into the new loan. If more than 2 discount points are charged the borrower must pay the additional points from his/her own funds.

➤ **Fees the Veteran Generally Cannot Pay:**

Charge	Description
Attorney Fees	Trust One may not charge the veteran for attorney's fees. If an attorney is used to handling the loan closing, reasonable fees from title examination and title insurance can be paid as itemized charges. However the veteran can independently retain an attorney and pay a fee for legal services in connection with the purchase of the home. When this is the case, the loan file must contain documentation to indicate that the fee is not being charged by Trust One, but is being paid by the borrower as part of an independent arrangement with an attorney. This is the only situation when line 1107 may be used.
Prepayment Penalties	A veteran obtaining a VA refinancing loan may not use loan proceeds to pay prepayment penalty costs on the existing loan. On a purchase transaction, the veteran may not pay penalty costs required to discharge any existing lien on the seller's property.

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Real Estate Broker Fees	Brokerage Fees or commissions charged by a real estate agent or broker may not be paid by the veteran. While the veteran may use a buyer-broker, under no circumstances may the veteran be charged a fee for those services.
FHA Re-Inspection Fees	In the case of proposed construction that was built under HUD supervision, the cost of inspection or any re-inspection may not be paid by the veteran.
Termite/Wood Destroying Insect/Organism Report	The Veteran cannot pay this fee in purchase transactions.

Since VA will continue to have a cap on the origination fee and limit types of charges that may be paid by the veteran as described above, the fees that fall under the category “Our Origination Charge” line (Line 801) must be itemized on the HUD-1 Settlement.

FUNDING FEE: The funding fee is calculated on the veteran’s portion of the loan. If a reduced funding fee percentage is required as a result of a down payment requirement, the veteran benefits from this reduction as the funding fee will be calculated on his/her portion of the loan.

VA Funding Fee Table			
Purchase Transactions			
Type of Veteran	Down Payment	Percentage for First Time Use	Percentage for Subsequent Use ¹
		10/1/2004 to 9/30/2011	10/1/2006 to 9/30/2007
Active Duty or Veteran	0% - 4.99%	2.15%	3.35%
			10/1/2007 to 9/30/2011
			3.30%
			10/1/2004 to 9/30/2011
			1.50%
Reserves or National Guard	≥5%<10%	1.50%	1.50%
			1.25%
	≥10%	1.25%	1.25%
			10/1/2006 to 9/30/2007
			3.35%
		10/1/2007 to 9/30/2011	
		3.30%	
		10/1/2004 to 9/30/2011	
		1.75%	
		1.50%	
		1.50%	
		1.50%	
		1.50%	
Cash Out Refinance			
Type of Veteran	Percentage for First Time Use		Percentage for Subsequent Use ¹
Reserves or National Guard	2.40%		10/1/2007 to 9/30/2011
			3.30%
			10/1/2006 to 9/30/2007
			3.35%
Interest Rate Reduction Loans and Assumptions			
Type of Loan	Percentage For Either Type Of Veteran Whether First Time Or Subsequent Use		
Interest Rate Reduction Refinancing Loans	0.50%		
Assumptions	0.50%		

¹The higher subsequent use fee does not apply to these types of loans if the veteran’s only prior use of entitlement was for a manufactured home NOT classified as real estate.
 Funding Fee Calculations: Apply the appropriate funding fee percentage to the loan amount. Joint Loans- Apply the appropriate funding fee percentage to any portion of the loan allocable to a veteran using his/her entitlement who is not exempt from the funding fee.

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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.

- **Arizona:** The satisfaction of collections and judgments of non-purchasing spouses for FHA loans in AZ will no longer be required under the following circumstances: The non-purchasing spouse is not contributing towards any of the down payment or costs on the transaction (including gifts or monies from joint accounts); The non-purchasing spouse signs the title disclaimer in order to prevent any judgments from attaching to the property. (Condition at closing). The non-purchasing spouse cannot sign the Deed of Trust/Security Instrument.
- **California:** All delinquent debts, including those of the non-purchasing spouse, must be satisfied prior to or at closing.
- **Washington:** Debts of the non-purchasing spouse are excluded from the qualifying ratios if the non-purchasing spouse receives no money from the transaction. When no funds are received from the transaction, the non-purchasing spouse may Quit Claim his/her interest to the purchasing spouse.
- **Hawaii:** A permanent heating source may not be required for properties located in Hawaii if the following are met: Lack of permanent heat source must be common to the area; Appraiser must provide three comparables without a permanent heat source with same elevation; The subject property must be suitable for year-round occupancy. If the above guidelines are not met, the subject property must have an acceptable source of permanent heat.

MORTGAGE INSURANCE: VA Funding Fee applies unless veteran is exempt.

MULTIPLE PROPERTIES: No limitations.

OCCUPANCY:

- **Primary Residence:** 1-4 unit.
- **2-4 units:** Prospective rental income may only be included in effective income if *both* of the following are met: Evidence indicates the borrower has a reasonable likelihood of success as a landlord (Documentation to support the borrower's prior experience managing rental units or other background involving both property maintenance and rental must be provided); It can be verified that borrower has cash reserves totaling minimum 6 months PITI. The amount of rental income to include in effective income is based on 75% of either: Verified prior rent collected on the units of existing properties; OR, The appraiser's opinion of the subject property's fair monthly rental for new construction.

PROPERTY REQUIREMENTS:

➤ **Eligible:**

- 1-4 units.
- PUDs, VA or Investor approved.
- Condos: VA approved. The VA will no longer accept FHA condominium approvals that are approved through the new HRAP or DELRAP process.
- Condo/PUD Project Warranty Form: a required document for any transaction where the subject property is part of a condominium or PUD project.
- Rural properties eligible in California only.
- The kitchen must be functional, meaning that there must be kitchen cabinets, and a working sink and working stove. This applies to **all** real estate transfers. In addition, all property must be habitable and all appliances, plumbing, electrical, etc. must be functional and in good working condition.

➤ **Ineligible Properties:**

- [Manufactured Home/Mobile Home/Modular Home/Pre-Fabricated Home](#)
- Assisted Living Projects
- Cantilevered Property
- Common Interest Apartments
- Non-warrantable condominium
- Condo-Hotel
- Cooperatives.
- Houseboats
- Condominium project with pending structural litigation
- Investment Securities
- Multi-family dwelling with more than 4 units

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- Multi-family condominium dwelling with ownership of > 1 unit evidenced by a single deed and mortgage (includes lock-out units).
- Projects with non-incident business operations owned or operated by the Homeowners Association such as, but not limited to, a restaurant, spa, health club, etc.
- Property or project with pending structural litigation. Non-structural litigation may be considered on a case-by-case basis.
- Property without full utilities installed to meet all local health and safety standards
- Property that restricts the owner's ability to occupy the unit, have mandatory rental pools or guaranteed rent- backs.
- Property that represents a legal, but Non-Conforming use if zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction.
- Property without full kitchen
- Property used for commercial or industrial purposes
- PUD Hotel
- Tax-sheltered syndicate
- Time share units/projects
- Unimproved land
- Working farm, ranch or orchard

➤ **Conversion of Primary Residence to a Second Home:** Effective for all loans locked or trades committed on or after August 2, 2010, if the Veteran is converting the current principal residence to a second home upon the purchase of the new principal residence: Both the current and proposed principal, interest, taxes and insurance (PITI) must be used to qualify the borrower for the new loan; and Minimum reserves of six months PITI for both properties are required. However, only reserves of two months PITI are required for both properties if 30% equity in the existing principal residence is documented with an HVCC-compliant appraisal report.

➤ **Conversion of Primary Residence into Rental Property:** Effective for all loans locked or trades committed on or after August 2, 2010, if the Veteran is converting a current principal residence to a rental property upon the purchase of a new principal residence, the following requirements apply: Both the current and proposed monthly housing expenses must be used to qualify veteran. Rental income may not be used to offset the mortgage payment. Evidence of cash reserves totaling six months PITI for both properties must be provided. The following exceptions to allow the veteran to qualify using 75% of the gross rental income to offset the mortgage payment and waive the reserve requirements are: The Veteran is relocating with a new employer, or is transferred by the current employer to an area not within a reasonable and locally recognized commuting distance, or The Veteran has documented equity of at least 30% in the existing property. Acceptable documentation for determining the equity position is an HVCC-compliant appraisal report.

➤ **Pending Sale of Real Estate:** Effective for all loans locked or trades committed on or after August 2, 2010, in instances where the Veteran intends to sell the property but will not close before the purchase of a new principal residence occurs the principal, interest, taxes and insurance (PITI) on both the pending sale and the new property must be included in qualifying the Veteran AND the following documentation must be obtained: Cash reserves totaling at least six months PITI for both properties, or Cash reserves totaling at least two months PITI for both properties if able to document equity of a least 30% in the existing principal residence property. Acceptable documentation for determining the equity position is an HVCC-compliant appraisal report. Exception: The PITI of the pending sale does not need to be included in qualifying the Veteran as long as the six months of reserves (or two months with documented equity) for both properties are documented and the following additional documentation is provided, the executed sales contract for the current residence and confirmation that any financing contingencies have been cleared.

➤ **Converting Primary Residence into Investment Property:** Underwriting analysis on VA Loans may *not* consider rental income from the property vacated except under circumstances described under "Exceptions" below.

Exceptions: Rental income on the property vacated by the borrower, reduced by the appropriate VA vacancy factor, may be used under the following circumstances:

- Relocations: The homebuyer is relocating with a new employer, or is transferred by the current employer to an area not within a reasonable and locally recognized commuting distance. A properly executed lease agreement (such as a lease signed by the homebuyer and the lessee) of at least one year's duration is required from the date the loan closes. The Investor recommends underwriters also obtain evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner.
- Sufficient Equity in Vacated Property: The homebuyer has a loan-to-value ratio of 75% or less, as determined by either a current (no more than six months old) residential appraisal or by comparing the unpaid principal balance to the original sales price of the property. The appraisal, in addition to using forms Fannie Mae® 1004/Freddie Mac® 70, may be an exterior-only appraisal using form Fannie Mae/Freddie Mac 2055, and for condominium units, form Fannie Mae® 1075/Freddie Mac® 466. A properly executed lease agreement (such as a lease signed by the homebuyer and the lessee) of at least one year's duration is required from the date the loan closes. The Investor recommends underwriters also obtain evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner. The underwriter is responsible for determining eligibility of rental income in accordance with VA specifications.

The above guidance applies solely to a primary residence vacated in favor of another primary residence and is not applicable to existing rental properties disclosed on the loan application and confirmed by tax returns (Schedule E of form IRS 1040).

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PREPAYMENT PENALTY: None.

QUALIFYING:

➤ **Ratios:**

- AUS Approve loans – Ratios evaluated by AUS.
- AUS Refer loans - 41%: $41\% \leq 50\%$ require the following significant documented compensating factors - 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.
- With Temporary Buydown: Ratio 41%. Qualify at note rate.

➤ **ARM:** Qualify at note rate fully.

REFINANCE TRANSACTIONS:

➤ **Rate and Term/Cash-Out Refinance:** Subject property must have an existing lien. No seasoning of first mortgage or junior liens. New loan amount may include: payoff of existing liens; reasonable discount points; allowable fees and charges (other than funding fee); cash back to the borrower. Premium pricing permitted. Maximum guarantee provided by VA is 36%. Cash out/Equity refinance not permitted in Texas. If the loan being paid off through the refinance is an existing VA loan, this must be the same loan indicated on the COE. In some cases a copy of the note may be required to verify the case number. Entitlement is the guaranty or insurance benefit available to an eligible veteran. 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. Guaranty of at least 25% is required. The 25% guaranty may be satisfied through a combination of available entitlement plus equity in the property.

RESERVES:

- 1 unit – No reserves required.
- 2 – 4 units when rental income is not being used to qualify, no reserves required.
- 2 – 4 units when rental income is being used to qualify, 6 months PITI required.

SECONDARY FINANCING: Permitted. However, secondary financing cannot be used to offset required down payment, pay closing costs or cover any portion of the purchase price that exceeds the reasonable value. Interest rate of second mortgage cannot exceed the rate on the VA loan. The second lien should not restrict the veteran's ability to sell the property (i.e. assumability feature). The total CLTV should never exceed 100% of the lesser of the sales price or appraised value.