



VETERANS ADMINISTRATION PRODUCT GUIDE

CORRESPONDENT

PROGRAM OVERVIEW	
A program designed by the Veteran's Administration to facilitate homeownership for eligible Veterans through lower down payment options and lower Mortgage Insurance amounts than traditional FHA and Conventional products. FCM does not currently offer EEMs.	
PROGRAM TERMS	
TERM	<ul style="list-style-type: none"> • 15/30 year terms available
LOAN TYPE	<ul style="list-style-type: none"> • Fixed Rate
OCCUPANCY TYPE	<ul style="list-style-type: none"> • Primary Residence
LOAN-TO-VALUE	<ul style="list-style-type: none"> • For the most recent FCM Credit Score/LTV Matrix please reference the link below: FCM Credit Score/LTV Matrix • Regardless of the LTV, the veteran must have sufficient entitlement to guaranty the loan
FUNDING FEE	<ul style="list-style-type: none"> • For the latest VA Funding Fee amounts please reference the following website: VA Funding Fee Tables
SELLER CONTRIBUTIONS	<ul style="list-style-type: none"> • Seller contributions are limited to normal discount points and closing costs which are typical for the market area, however, the following items are considered "seller concession" items and, if allowed, are limited to 4% of the purchase price: <ul style="list-style-type: none"> ◊ VA Funding Fee ◊ prepayment of the buyer's property taxes and insurance ◊ payment of extra points to provide permanent interest rate buydowns ◊ provision of escrowed funds to provide temporary interest rate buydowns
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • Depending on available entitlement the borrower can receive financing of up to 100% of the county loan limit for the property. Maximum Loan Amount for standard VA loans is County Loan Limit. For loans greater than the county loan limit please refer to the High Balance section of this guide. • For more detailed information regarding the most recent loan limits please reference: VA Loan Limits
SECONDARY FINANCING	<ul style="list-style-type: none"> • Secondary Financing is allowed
ESCROWS	<ul style="list-style-type: none"> • Tax and Insurance escrow required
BORROWER ELIGIBILITY	
GENERAL	<ul style="list-style-type: none"> • Eligible borrowers include any man or woman who has served in the past, or is currently serving in the Armed Services for the period of time as required by VA for eligibility of VA benefits, depending upon the era of their service. • A certificate of eligibility with sufficient entitlement to meet minimum 25% guaranty is required on all loans. • The veteran utilizing VA entitlement must be the "primary" borrower on the application. • Non-occupant co-borrowers are not eligible for VA loans. • Detailed information regarding eligible borrowers is available on the VA web site at VA Borrower Eligibility



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EMPLOYMENT & INCOME	<ul style="list-style-type: none"> • DTI Restrictions: <ul style="list-style-type: none"> ◊ AUS Approve/Accept Maximum DTI is determined by AUS ◊ AUS Refer – Max 41% DTI; minimum credit score 660 • 4506-T Requirements: A 4506T must be signed for each tax return type where income from that return was used in qualification • Tax Transcripts: <ul style="list-style-type: none"> ◊ Are not required for those borrowers qualifying with W-2 income and 1099 fixed income (SS and Pensions). • Income derived from Self Employment, Commissions greater than 25%, Rental Income, Interest and Dividends, Trust Income etc. are required to be supported by tax transcripts matching each year of income used for qualifying. • Residual Income Requirements <ul style="list-style-type: none"> ◊ Residual income is the amount of net income remaining after the deduction of debts, obligations and monthly shelter expenses to cover family living expenses such as food, health care, clothing, and gasoline. VA borrowers must satisfy the residual income requirement in addition to standard DTI requirements. See Chapter 4, Section 9e of the VA Pamphlet 26-7 for more information on calculating residual income and determining specific residual income amounts for each geographic area. VA Pamphlet 26-7
ASSETS & RESERVES	<ul style="list-style-type: none"> • Cash Reserves <ul style="list-style-type: none"> ◊ 1 unit properties - No Reserves Required ◊ 2-4 unit when rental income is not being used to qualify - No Reserves Required ◊ 2-4 unit when rental income is being used to qualify - 6 Months Reserves Required • Gift Funds are permitted for closing costs and/or down payment and/or to meet reserve requirements.
CREDIT	
MINIMUM CREDIT SCORE	<ul style="list-style-type: none"> • For the most recent FCM Credit Score/LTV Matrix please reference the link below: FCM Credit Score/LTV Matrix
CREDIT REPORT REQUIREMENTS	<ul style="list-style-type: none"> • Non-traditional Credit is not allowed • Borrower must have at least one valid credit score
CAIVRS	<ul style="list-style-type: none"> • Clear CAIVRS is required on all files
BANKRUPTCY/FORECLOSURE /DEED-IN-LIEU	<ul style="list-style-type: none"> • Chapter 7 generally requires a 2 year seasoning. • Chapter 13 Bankruptcy requires 12 month satisfactory payment history and transaction approval from bankruptcy court. • Foreclosures and Deeds-in-Lieu more than 2 years ago
MORTGAGE/RENTAL HISTORY	<ul style="list-style-type: none"> • AUS Approve - Evaluated by AUS • AUS Refer and manually underwritten loans - 12 month payment history with no lates
AGE OF CREDIT DOCS	<ul style="list-style-type: none"> • All credit docs (credit report, income, assets, etc) must be dated within 120 days of the note.
PROPERTY	
GEOGRAPHICAL RESTRICTIONS	<ul style="list-style-type: none"> • No restrictions other than FCM's standard lending footprint.



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ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • 1 to 4 unit • Townhomes/PUDs • Condominiums that are approved by VA https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch • Manufactured Homes
MANUFACTURED HOME REQUIREMENTS	<p>Manufactured Homes are eligible for financing under the VA program. The following list of restrictions and requirements are in addition to regular program underwriting requirements:</p> <ul style="list-style-type: none"> • 640 minimum Credit Score • 30 Year Fixed Rate Only • No VA Jumbo • Purchase, Refinances (cash out is now allowed) and IRRRLS • Properties up to 10 acres • Approve/Accept/Eligible only • Delegated Underwriting Only • Properties with an unexpired right of redemption are ineligible • 700 minimum sq ft • No Single Wide <p>Property Requirements:</p> <ul style="list-style-type: none"> • Home must have been manufactured in 1994 or newer. • Appraiser must be able to verify that the subject has not been removed from original installation site. Verification of wheels, axles, tongue and running lights have been removed. • If the manufactured home is de-titled prior to underwriting, nothing further is required. • If the manufactured home is not de-titled, a copy of the original certificate of title will be required prior to closing; the de-title process will be required at closing.
INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Co-ops
APPRAISAL REQUIREMENTS	<ul style="list-style-type: none"> • An Interior and Exterior Appraisal report is required (1004/70 or 1073) • Appraisals are valid for 6 months from the date of inspection to the date of the Note
NEW CONSTRUCTION REQUIREMENTS	<ul style="list-style-type: none"> • Builder must have a valid builder identification number prior to a Notice of Value being issued • Properties appraised as new construction must be covered by either: <ul style="list-style-type: none"> ◊ a one year VA Builder's warranty or ◊ a ten year insurance backed protection plan ◊ soil treatment certificate as required by VA ◊ CO or 3 inspection reports from the local authority



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CASH OUT/REGULAR REFINANCE TRANSACTIONS											
OVERVIEW	An eligible borrower can use a VA-guaranteed non-IRRRL Refinance Loan to refinance either a non-VA loan or a current VA loan where the terms of the new loan do not qualify for a VA IRRRL.										
SEASONING	<ul style="list-style-type: none"> The borrower must have made at least six consecutive monthly payments on the existing loan. The note date of the new loan must be at least 210 days after the first payment due of the loan being refinanced. Permanent Construction Financing Loans are exempt from loan seasoning requirements. Must meet Net Tangible Benefit guides. Loan comparison/NTB forms required by VA and Ginnie Mae are required. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4f81bd; color: white;">Refinancing Scenario</th> <th style="background-color: #4f81bd; color: white;">Seasoning requirement applicability</th> </tr> </thead> <tbody> <tr> <td>VA to VA, including IRRRL</td> <td>Ginnie Mae Seasoning requirements are applicable</td> </tr> <tr> <td>Non-VA to VA refinance</td> <td>Ginnie Mae Seasoning requirements are applicable</td> </tr> <tr> <td>Loan Refinancing Non-Mortgage Debts (VA requires the payoff of a secured lien for the transaction to be eligible)</td> <td>Ginnie Mae Seasoning requirements are not applicable</td> </tr> <tr> <td>Loan Refinancing a Mortgage Without Scheduled Monthly Payments (ex. Reverse Mortgage)</td> <td>Ginnie Mae Seasoning requirements are not applicable</td> </tr> </tbody> </table>	Refinancing Scenario	Seasoning requirement applicability	VA to VA, including IRRRL	Ginnie Mae Seasoning requirements are applicable	Non-VA to VA refinance	Ginnie Mae Seasoning requirements are applicable	Loan Refinancing Non-Mortgage Debts (VA requires the payoff of a secured lien for the transaction to be eligible)	Ginnie Mae Seasoning requirements are not applicable	Loan Refinancing a Mortgage Without Scheduled Monthly Payments (ex. Reverse Mortgage)	Ginnie Mae Seasoning requirements are not applicable
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BORROWER ELIGIBILITY	<ul style="list-style-type: none"> Any eligible veteran with sufficient entitlement 										
SECONDARY FINANCING	<ul style="list-style-type: none"> Existing subordinate financing is allowed New subordinate financing is not allowed 										
CREDIT	<ul style="list-style-type: none"> AUS Accept or Manual Underwriting. No mortgage lates in the last 12 months or for duration of mortgage if less than 12 months. 										
PROPERTY ELIGIBILITY	<ul style="list-style-type: none"> 1 to 4 Family Primary Residences only 										
IRRRL											
OVERVIEW	An eligible borrower can use this streamline product to refinance an existing VA Loan without an appraisal.										
BORROWER ELIGIBILITY	<ul style="list-style-type: none"> Any eligible veteran with an existing VA Loan COE is required to determine if the borrower is exempt from funding fee 										



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SECONDARY FINANCING	<ul style="list-style-type: none"> Existing subordinate financing is allowed New subordinate financing is not allowed
CREDIT	<ul style="list-style-type: none"> Manual Underwrites only Mortgage must be 0x30x6 months Mortgage Only Credit Report, ratios are not calculated
PROPERTY ELIGIBILITY	<ul style="list-style-type: none"> 1 to 4 Family Primary Residences Investment Property Condo approval is NOT required on a VA IRRRL.
MAX LOAN/LTV CALCULATION	<ul style="list-style-type: none"> Existing VA Loan Balance, plus allowable fees and charges, plus up to 2 discount points and the VA Funding Fee. LTV is not calculated. No property valuation is required.
REQUIREMENTS & DOCUMENTATION	<ul style="list-style-type: none"> All fees and incurred costs must be recouped on or before the date that is 36 months after the date of the loan as determined by the date of the loan note. The borrower must have made at least six consecutive monthly payments on the existing loan. The note date of the new loan must be at least 210 days after the first payment due of the loan being refinanced The interest rate must bear a lower interest rate than the loan it is refinancing: <ul style="list-style-type: none"> Fixed to Fixed requires 0.5% reduction Fixed to ARM requires 2.0% reduction ARM to Fixed and ARM to ARM are exempt from rate reduction To ensure compliance, a copy of the note from the refinanced loan must be provided When refinancing from Fixed Rate to ARM discount points may be added to the principal loan amount only if one of the following circumstances exist: <ul style="list-style-type: none"> The lower interest rate is not produced solely from discount points. In other words, the interest rate environment is such that some portion of the lower interest rate on the refinance loan is the result of favorable changes in the market as compared to the Veterans current rate. The lower interest rate is produced solely from discount points; more than one discount point is added to the loan amount, and; the resulting loan balance after any fees and expenses maintains an LTV ratio of 90% or less. As a reminder, while the veteran may pay any reasonable amount of discount points in cash, no more than 2 discount points can be included in the loan amount of an IRRRL. The lower interest rate is produced solely from discount points; discount points equal to or less than one discount point are added to the loan amount and; the resulting loan balance after any fees and expenses maintains an LTV ratio of 100% or less. Valuation for Fixed to ARM IRRRLs: A new appraisal will be required to determine the LTV for Fixed to ARM IRRRLs. The appraisals do not need to be ordered through VA's appraisal system. You can order through an AMC. Just as a reminder, the Veteran can only be charged for one appraisal.



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	<ul style="list-style-type: none"> • A comparison statement is required to be disclosed to the veteran within 3 days of application and again at close. The statement must show the recoupment period for all fees, expenses and closing costs (this includes all escrows, funding fee, etc.) whether included in the loan or paid outside of closing. This differs that the recoupment calc that must be within 36 months. The comparison statement will gauge how the Veteran's payment of taxes and amounts held in escrow, etc. will affect the cost of the new refinance loan. If there are any lender credits those can be subtracted prior to dividing by the decrease of P&I. If the IRRRL results in the same or increased monthly P&I payment, you still have to show the borrower the total costs (taxes, closing costs, VA funding fee, etc.) on the form. If the comparison calculation reflects the recoupment period exceeds 36 months, a statutory calculation will be required. This calculation includes all closing costs excluding VA funding fee and escrows, minus any lender credits divided by the P&I savings. This calculation MUST meet the 36 month or less fee recoupment requirement or the loan is ineligible. • IRRRLs resulting in the same or higher payments: veterans may not incur any fees, closing costs or expenses (other than taxes, amounts held in escrow and fees under chapter 37 (eg VA funding fee). Lender still must complete the comparison disclosure statement with the comparison recoupment calculation and provide it to the borrower. • The veteran has to communicate that he/she received the comparison statements via written letter, e-signature, email certifying receipt, system time/date stamp where the Veteran certified receipt. • VVOE within 10 days of closing • Must meet the VA QM Rule for Safe Harbor effective 5/9/2014
HIGH BALANCE TRANSACTIONS³	
OVERVIEW	<ul style="list-style-type: none"> • A VA Purchase, Cash-out Refinance, or IRRRL loan is considered to fall under the High Balance Transaction category if the total loan amount exceeds the standard conforming loan limits listed below. <ul style="list-style-type: none"> ◊ 1-unit: \$484,350 ◊ 2-unit: \$620,200 ◊ 3-unit: \$749,650 ◊ 4-unit: \$931,600 • Regardless of the loan amount, the VA Guaranty plus cash/equity must be equal to at least 25% of the purchase price or Notification of Value (NOV), whichever is less, on purchases and non-IRRRL refinances.
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • Includes any Financed Funding Fee • \$1 Million for all transaction types.
SECONDARY FINANCING	<ul style="list-style-type: none"> • Subordinate financing is not allowed except for IRRRL with existing secondary financing that will be re-subordinated to the new first mortgage.
CREDIT	<ul style="list-style-type: none"> • Minimum Credit Score: 620 • No mortgage lates in the past 12 months • Must have DU Approve/Eligible or LP Accept - no manual underwrites
CASH OUT TRANSACTIONS	<ul style="list-style-type: none"> • Maximum Cash Out is \$100,000 inclusive of secondary liens and debts being paid at closing.