Virginia Housing Conventional

Program Guidelines

Virginia Housing

	Fannie Mae	Freddie Mac
Loan Term	30 year fixed rate only.	
Maximum Lender Compensation	2.50% including SRP plus common and customary ancillary fees.	
Loan-to-Value (LTV)	Maximum 97% LTV based on the lower of the sales price / appraised value. No minimum LTV, except: • If originated with a DPA Grant or Plus Second Mortgage the Minimum LTV is 90%. Maximum 105% CLTV (Fannie Mae eligible Community Seconds* only allowed). *The Originating Lender is responsible for ensuring the Community Second is acceptable to Fannie Mae. Refer to Fannie Mae's Community Seconds Checklist to assist in evaluating the Community Second program. <u>Note</u>: See below under Loan Level Price Adjustments (LLPAs) for more information about LLPAs based on loan characteristics such as LTV.	Maximum 97% LTV based on the lower of the sales price / appraised value. No minimum LTV, except: • If originated with a DPA Grant or Plus Second Mortgage the Minimum LTV is 90%. Maximum 105% TLTV (Freddie Mac eligible Affordable Seconds* only allowed). *The Originating Lender is responsible for ensuring the Affordable Second is acceptable to Freddie Mac. Refer to Freddie Mac's Affordable Seconds Checklist to assist in evaluating the Affordable Second program. <u>Note</u>: See below under Loan Level Price Adjustments (LLPAs) for more information about LLPAs based on loan characteristics such as LTV.
Mortgage Insurance	Must submit file directly to MI company for MI approval (no delegated MI). Below is the required coverage.	

LTV	Charter MI Coverage % Qualifying Income ≤ 80% AMI - LLPAs don't apply Qualifying Income > 80% AMI - MI LLPAs apply	Standard MI Coverage No MI LLPAs (LLPAs for other loan characteristics will apply if Qualifying Income > 80% AMI)
95.01 – 97.00	18	35
90.01 – 95.00	16	30
85.01 – 90.00	12	25
80.01 – 85.00	6	12
≤ 80.00	0	0

Continued on next page

DRAFT

	Fannie Mae	Freddie Mac
Mortgage Insurance	*Continued* • Borrower paid Monthly / Split / Single Premium (paid or financed) allowed per agency requirements (Lender credits can be used to offset the premium). • Lender Paid MI (Monthly and Single Premium) not allowed. • MI Approval and Certificate required. • Confirm procedures, requirements, and pricing with the approved MI company. • Participating Companies: Arch MI, Essent, Genworth, MGIC, National MI, Radian, and UGIC.	
MCC Eligible	Yes (first-time homebuyer purchase only), in accordance with Mortgage Credit Certificate (MCC) Guidelines.	
SPARC Eligible	Yes (first-time homebuyer purchase only), in accordance with SPARC guidelines.	
Plus Second Mortgage Eligible	Yes (first-time homebuyer purchase only), in accordance with Plus Second Mortgage guidelines.	
DPA Grant Eligible	Yes (first-Time Homebuyer Purchase only), in accordance with DPA Grant guidelines.	
CCA Grant Eligible	No.	
First-Time Homebuyer	No requirement. Borrowers can own a maximum of 2 financed properties per agency requirements. If used with MCC, DPA Grant, or Plus Second Mortgage the following also applies: All borrowers and non-borrowers on title must be a first-time homebuyer (unless in a Targeted Area). • A borrower and non-borrower on title are considered a first-time homebuyer if they have not owned and occupied a primary residence in the last 3 years. Acceptable documentation to evidence first-time homebuyer: • The fully executed Programs Disclosure and Borrower Affidavit (Exhibit E) signed by all borrowers and non-borrowers taking title; • A completed Uniform Residential Loan Application (Form 1003); and • The credit report. Note: If unable to confirm from the Exhibit E, Form 1003, or the credit report the borrowers and/or non-borrowers taking title are a first-time homebuyer, additional documentation may be required, such as: • Three years' federal tax returns / tax transcripts • Rent verification(s) • Other reports such as a Lender Data Integrity Report (Examples: Drive Report, FraudGuard, Loansafe)	

DRAFT

	Fannie Mae	Freddie Mac
Income Limits	<table><tr><th>Income Limit Type:</th><th>Fannie Mae / Freddie Mac only</th><th>With MCC and/or Plus Second Mortgage</th><th>With DPA Grant</th></tr><tr><td></td><td>Standard Limits[1]</td><td>Standard Limits[1]</td><td>Lower Limits[1]</td></tr><tr><td>Who to include:</td><td>Borrowers only</td><td>Borrowers and non-borrowing occupants on title</td><td>All household members</td></tr><tr><td>What Income to include:</td><td>Eligible qualifying income</td><td>Income of all borrowers and non-borrowing occupants on title[2]</td><td>Income of all household members[2]</td></tr></table> Click here to see Virginia Housing's Income Limits. [1]When all borrower qualifying income exceeds Fannie Mae / Freddie Mac 80% AMI limits LLPAs apply. Must still be within Virginia Housing's applicable income limit even when borrower qualifying income exceeds agency's 80% AMI. For a full list of LLPAs visit the webpages of Fannie Mae / Freddie Mac). [2]See Origination Guide for more information on how to calculate household income, what income types must be included, and what may be excluded. See below for details on where income must be stated on the Programs Disclosure and Borrower Affidavit.	
Sales Price / Acquisition Cost Limits	No maximum Sales Price / Acquisition Cost unless originated with MCC, DPA Grant, or Plus Second Mortgage. If originated with MCC, DPA Grant, or Plus Second Mortgage the following applies: • Virginia Housing Sales Price / Loan Limits apply (even when the standard conforming loan limit is higher). • The limit applies to the highest of the gross loan amount, sales price, and acquisition cost. The gross loan amount of the first mortgage (including any financed mortgage insurance premium, when applicable) and second mortgage combined cannot exceed the Virginia Housing Sales Price / Loan Limits if originated with the Plus Second Mortgage.	
Maximum Loan Amount	Maximum Loan Amount is the standard conforming loan limit. • High-cost area limits do not apply. Note: The standard conforming loan limit applies even when Virginia Housing Sales Price / Loan Limits are higher.	
Eligible Purpose	Primary Residence Purchase / Limited Cash Out Refinance. MCC, DPA Grant, and Plus Second Mortgage are not eligible for refinance.	Primary Residence Purchase / No Cash-Out Refinance. MCC, DPA Grant, and Plus Second Mortgage are not eligible for refinance.
Residency	U.S. Citizen, Permanent Resident Alien, or Non-Permanent Resident Alien that meets applicable agency guidelines.	

DRAFT

	Fannie Mae	Freddie Mac
Programs Disclosure and Borrower Affidavit (Exhibit E)	Pages 1 – 2 must be completed and signed (even if no MCC, DPA Grant, or Plus Second Mortgage) for purchase transactions. Pages 3 – 4 must also be completed if used with MCC, DPA Grant, or Plus Second Mortgage. • Must be executed by all borrowers and non-borrowers taking title. • Income from all borrowers and non-borrowers taking title must be included on page 4 of the Exhibit E if used with MCC and/or Plus Second Mortgage. • Income from all household members must be included on page 4 if used with DPA Grant.	
Seller Affidavit and Acknowledgment (Exhibit F)	Required if originated with MCC, DPA Grant, or Plus Second Mortgage.	
Originating Lender's Submission Cover Letter (Exhibit O)	Required if originated with MCC, DPA Grant, or Plus Second Mortgage.	
Recapture	Loan is subject to recapture only if originated with an MCC.	
Homebuyer Education	Required for one of all borrowers that are first-time homebuyers. If originated with MCC, DPA Grant, or Plus Second Mortgage: • Required for all first-time homebuyers. Complete Virginia Housing course, HUD Approved Counseling Agency course, Fannie Mae Framework, or Freddie Mac CreditSmart course prior to approval (Fannie Mae loans will accept Freddie Mac's CreditSmart course and Freddie Mac loans will accept Fannie Mae's Framework course). Homebuyer Education Certificate is valid for 2 years.	
Tax Transcripts	Tax transcripts are required in addition to required income documentation for all borrowers and is dependent on qualifying income type(s) and number of years required per DU (i.e. W2 transcripts, 1099 transcripts, etc.) in addition to an executed 4506-T. If all of the borrower's income is validated by the DU validation service, tax transcripts are not required.	Tax transcripts are required in addition to required income documentation for all borrowers and is dependent on qualifying income type(s) and number of years required per LPA (i.e. W2 transcripts, 1099 transcripts, etc.) in addition to an executed 4506-T. If all of the borrower's income receives an income rep and warranty result of "Eligible" on the last Feedback Certificate, is from an eligible income source and is on the income verification report, tax transcripts are not required.

DRAFT

	Fannie Mae	Freddie Mac
Business Use of Home	Not applicable unless originated with MCC, DPA Grant, or Plus Second Mortgage. If originated with MCC, DPA Grant, or Plus Second Mortgage, no more than 15% of the financed dwelling may be used primarily in a trade or business. The borrowers and non-borrowers taking title must fully execute the Business Use of Home Certification if the borrower has disclosed that a part of the current residence is being used primarily for a trade or business or if there is any other evidence in the file, such as: • The employment business address is the same as the borrower's current residence address on the 1003, or • Federal tax returns are provided and show the "business in home" deduction was taken (Typically this shows on Schedule C, line 30). The Business Use of Home Certification certifies that not more than 15% of the total living area of the subject property will be used primarily in a trade or business. If greater than 15% will be used in the subject dwelling then the borrower is not eligible.	
Maximum Net Worth	Not applicable. If originated with MCC, DPA Grant, or Plus Second Mortgage then cannot exceed 50% of sales price (See Origination Guide for details).	
Automated Underwriting System (AUS) / Manual Underwrites	Desktop Underwriter Approve Eligible only (Manual Underwrite not allowed). Community Lending Program in DU must be "HFA Preferred" (Not "HFA Preferred Risk Sharing" or "Home Ready"). See below under Reserves / Acceptable Funds to Close for how subordinate financing is captured in DU. When all borrower qualifying income exceeds Fannie Mae 80% AMI limits LLPAs apply. Must still be within Virginia Housing's applicable income limit even when borrower qualifying income exceeds agency's 80% AMI. For a full list of LLPAs visit the Fannie Mae webpage. Note: Fannie Mae's AMI is based on initial AUS run date and changes annually.	Loan Product Advisor Accept Eligible only (Manual Underwrite not allowed). The Offering Identifier in LPA must be "HFA Advantage." If using an older version of LPA the "HFA Advantage" option may not be available so the Originating Lender must select "Home Possible Advantage for HFAs" (Not "Home Possible" or "Home Possible Advantage"). See below under Reserves / Acceptable Funds to Close for how subordinate financing is captured in DU. When all borrower qualifying income exceeds Freddie Mac 80% AMI limits LLPAs apply. Must still be within Virginia Housing's applicable income limit even when borrower qualifying income exceeds agency's 80% AMI. For a full list of LLPAs visit the Freddie Mac webpage. Note: Freddie Mac's's AMI is based on initial AUS run date and changes annually.

DRAFT

	Fannie Mae	Freddie Mac
Minimum Credit Score	640 (no exceptions).* If originated with the Plus Second Mortgage: • 640-679 required for 3% LTV on second, • 680 required for greater than 3% up to 4.5% LTV on second for all borrowers. • If at least one borrower has no credit score (and the other has a 640 or higher credit score) then the maximum LTV for the Plus Second Mortgage is 3%. *If at least one borrower has no credit score and the other borrower has a credit score (minimum 640), this is acceptable as long as all agency requirements are met and AUS decision is Approve/Accept Eligible. If no borrower(s) has a credit score then this is not allowed. Note: See below under Loan Level Price Adjustments (LLPAs) for more information about LLPAs based on loan characteristics such as credit score.	
Maximum DTI	45%	
Non-Occupant Co-Borrowers	Not allowed.	
Ineligible Qualifying Income	• Boarder Income • Non-Borrower Household Income • Accessory Unit Income	
Foreclosures / Deed in Lieu / Short Sales	Follow applicable agency waiting period requirements and: • No less than 3 years from date of title transfer to application date (or applicable agency requirements if more restrictive or DPA Grant and/or Plus Second Mortgage requirements if more restrictive – see below). • No less than 5 years from date of title transfer to application date (or applicable agency requirements if more restrictive) if originated with DPA Grant and/or Plus Second Mortgage. • No significant derogatory credit since the event (bankruptcy/judgments). • No lates/collections last 3 years.	
Collections / Judgments	Follow applicable agency requirements for collections and judgments.	
Minimum Borrower Contribution	None.	

DRAFT

	Fannie Mae	Freddie Mac
Reserves / Acceptable Funds to Close	Follow applicable agency / DU requirements for reserves. Follow Fannie Mae requirements for flexible funds to close (including a gift) / no cash on hand. Note: When using other acceptable non-Virginia Housing down payment assistance in the form of a Community Second, the Originating Lender must enter the amount of the Community Second in the Subordinate Financing field of DU per Fannie Mae requirements (not input as a gift). When using a Plus Second Mortgage it must also be entered as a Community Second with a monthly payment included to qualify (not input as a gift).	Follow applicable agency / LPA requirements for reserves. Follow Freddie Mac requirements for flexible funds to close (including a gift) / no cash on hand. Note: When using other acceptable non-Virginia Housing down payment assistance in the form of an Affordable Second, the Originating Lender may enter the amount of the Affordable Second in the Total Gift Fund field of LPA instead of entering into the Subordinate Amount field, provided that the Affordable Second does not require a payment before the due date of the 61st monthly payment, and it meets all other requirements for an Affordable Second per Freddie Mac requirements. When there is a Plus Second Mortgage it must be entered as an subordinate lien Affordable Second with a montly payment included to qualify, not a gift.
Interested Party Contributions	Follow applicable agency requirements for interested party contributions.	

Property	Single family (1 unit) detached, attached, applicable agency approved condominium (Originating Lender to certify condo approval and provide documentation). Manufactured Homes not allowed.
	
	Property must be located in Virginia.
	
	Include UCDP SSR (See below for additional Risk Score requirements).
	
	Note: See below under Loan Level Price Adjustments (LLPAs) for more information about LLPAs based on loan characteristics such as property type.
	
	Acreage:
	• Almost all Virginia Housing programs have an acreage limitation, however there is not an acreage limitation on Virginia Housing conventional financing unless it is originated with an MCC, Plus Second Mortgage, and/or DPA Grant. See below if it is originated with any of these, otherwise follow the applicable agency and/or insurer's requirements.
	• If originated with MCC, DPA Grant, or Plus Second Mortgage:
	  • The maximum lot size is 2 acres.
	  • Exceptions are considered > 2 up to 5 acres. The Originating Lender's underwriter may review and render a decision on the acreage exception. See the Origination Guide for additional requirements and criteria.
	• If originated with DPA Grant or Plus Second Mortgage, but no MCC:
	  • Exceptions are considered > 5 up to 10 acres as long as the loan is not originated with an MCC. The Originating Lender's underwriter may review and render a decision on the acreage exception. See the Origination Guide for additional requirements and criteria.	

DRAFT

	Fannie Mae	Freddie Mac
UCDP / Collateral Underwriter	UCDP Risk Score of 4.00 and higher requires documentation to support identified risk. Upon request, Virginia Housing may require UCDP/Collateral Underwriter (CU) Appraisal Sharing for a specific appraisal. Virginia Housing's Aggregator # for this function is CRW157.	
Unfinished Area	Not applicable unless originated with MCC, DPA Grant, or Plus Second Mortgage: In this case the cost to complete unfinished areas that are suitable to finish in the property must be included in the acquisition cost on the Exhibit E / Exhibit F (Examples: Unfinished basement, lower level of a tri-level, etc.). See the Origination Guide for more information.	
Post-Closing Repairs	Escrows for post-closing repairs considered case by case as an exception and must be submitted to Virginia Housing for consideration. No structural or major mechanical repairs allowed.	
General Guidelines	Unless otherwise noted follow Fannie Mae Home Ready (with program overlays).	Unless otherwise noted follow Freddie Mac Home Possible (with program overlays).

DRAFT

Virginia Housing Conventional

Procedures

	Fannie Mae	Freddie Mac
Lock-In	Loans locked on Virgina Housing's LOS – Mortgage Cadence – Select **C30F_CONV.** Different pricing available for this product than the Conventional No MI. Follow steps outlined in the Mortgage Cadence User Guide for registering and locking.	
Loan Level Price Adjustments (LLPAs)	When all borrower qualifying income exceeds Fannie Mae / Freddie Mac 80% AMI Limits LLPAs apply, including, but not limited to, LTV / credit score, Charter MI coverage, and property type. For a full list of LLPAs visit the webpages of Fannie Mae / Freddie Mac).	
Origination	Loan originated in accordance with program guidelines, agency guidelines, and AUS findings (Recommend running AUS as soon as possible).	
Lender Delegated Underwriting Availability	Delegated underwriting is available to all approved Virginia Housing delegated lenders. Lender's underwriter assumes full responsibility for compliance with agency underwriting requirements. Lenders can contact their Business Development Officer for questions / concerns about delegation.	
Underwriting	Loans underwritten in accordance with program guidelines, Fannie Mae guidelines, and DU findings. Must submit file directly to MI Company for MI approval (no MI delegated). Non-Delegated Lenders must submit to Virginia Housing prior to closing – must use the Underwriting Submission Checklist. Community Lending Program in DU must be "HFA Preferred." (Not "HFA Preferred Risk Sharing" or "Home Ready"). • Go to "Additional Data" screen within DU to select Community Lending Program. Follow steps outlined in the Mortgage Cadence User Guide for submitting a Non-Delegated loan to Virginia Housing Underwriting or submitting for Delegated Approval. Data accuracy is critical.	Loans underwritten in accordance with program guidelines, Freddie Mac guidelines, and LPA findings. Must submit file directly to MI Company for MI approval (no MI delegated). Non-Delegated Lenders must submit to Virginia Housing prior to closing – must use the Underwriting Submission Checklist. The Offering Identifier in LPA must be "HFA Advantage" (Not HomePossible or "HomePossible Advantage"). Follow steps outlined in the Mortgage Cadence User Guide for submitting a Non-Delegated loan to Virginia Housing Underwriting or submitting for Delegated Approval. Data accuracy is critical.
Closing	Loans close in accordance with standard agency guidelines. Loan must be closed in the name of the lender, registered in MERS with MERS compliant documents.	
UCD	Originating lender must upload the UCD file directly to the applicable agency and provide the casefile ID and Findings Report.	

DRAFT

	Fannie Mae	Freddie Mac
Documents	Final AUS, 1003, and 1008 must match (standard agency tolerances allowed).	
Funding	Originating lender will fund the first mortgage at closing.	
Points and Fees	Virginia Housing is exempt from ATR (Ability to Repay) so a maximum of 3% points and fees does not apply, however the maximum points and fees for all Virginia Housing Conventional loans is 5%.	
Tax Service Fee	Virginia Housing's tax service fee will be deducted from the Lender's net proceeds.	
Delivery	Loans must be submitted to Virginia Housing within 10 calendar days of closing (disbursement for refinances). Follow steps outlined in the Mortgage Cadence User Guide available on Virginia Housing's website for submitting a closed loan package. Documents must be uploaded using the Virginia Housing Loan Stacking Form.	
Pre-Purchase Review	Loans reviewed by Virginia Housing prior to purchase. If errors noted, Virginia Housing will contact lender – this may require rerun of AUS.	
Post-Closing	Standard post-closing documents must be submitted to Virginia Housing.	
Important: Refer to the Origination Guide for more information about Virginia Housing eligibility requirements.		

The information contained herein (including but not limited to any description of Virginia Housing and its lending programs and products, eligibility criteria, interest rates, fees and all other loan terms) is subject to change without notice.

DRAFT