VA Fixed Rate

This matrix is intended as an aid to help determine whether a property/loan qualifies for VA programs. It is not intended as a replacement for VA guidelines. Users are expected to know and comply with VA's requirements.

Eligibility Matrix

Purchase – Primary Residence			
Units	**Credit Score**	**Maximum LTV**	**Maximum Base Loan Amount**
1-4	580	100%	$999,999
	700		$3,000,000
Cash-Out Refinance[1] – Primary Residence			
Units	**Credit Score**	**Maximum LTV[2]**	**Maximum Base Loan Amount**
1-4	580	90%	$999,999
	700		$3,000,000

Footnotes:
1. Refinance Cash-out (see Finance Types below):
   a. Type I: new loan amount (including VA funding fee) does not exceed the payoff amount of the loan being refinanced
   b. Type II: new loan amount (including VA funding fee) exceeds the payoff amount of the loan being refinanced
2. Maximum LTV includes Funding Fee

Product Codes

Conforming

Product Code	Term
VF15	15 Year Fixed
VF30	30 Year Fixed

High Balance

Product Code	Term
VF30HB	30 Year Fixed High Balance

Underwriting Requirements

Appraisal	Interior/exterior inspection typically required by VA approved/VA Fee panel appraiser as selected automatically via the VA Portal. COVID-related temporary VA requirements are not eligible. Property Condition – Properties with a Condition Rating of C5 or C6 are not eligible. Disaster Area Protocol: When the subject property is located within a FEMA-declared disaster area where individual assistance is available, an exterior re-inspection (interior as well if the disaster is flood, hurricane or water-related) dated after the incident period end date is required unless the appraisal is dated after the incident period end date. All property re-inspection products must affirmatively indicate there is no adverse impact to value, condition, or marketability as a result of the disaster. If damage exists, repairs must be completed and an interior/exterior 1004D must be obtained confirming repairs were made and the property is habitable.
Assets	Most recent asset statement must be dated within 60 days of the Note Date for all assets used for qualification whether funds to close or reserves. If the asset is reported quarterly, the most recent statement is required. Stocks, stock options and mutual funds (including IRA/SEP/Keough/401K) must show proof of liquidation if used for closing costs or down payment. Cryptocurrency (e.g. Bitcoin and Ethereum) may be used for funds to close under the following conditions: • Funds must be liquidated into U.S. dollars. • Only 70% of the liquidated amount can be used for funds to close.
Borrower Eligibility	A Certificate of Eligibility (COE) is required. Ineligible: • Foreign National • Deferred Action for Childhood Arrivals (DACA)
COVID-19 Attestation	All borrowers must sign and date Impac's COVID-19 Attestation with regard to forbearance and the borrower's ability to repay the loan.

Credit

All borrowers must generate a traditional credit score from at least one repository (tri-merge report), non-traditional credit is not allowed.

Mortgage History:

- Per AUS or VA manual underwriting requirements

Derogatory Event	
Bankruptcy Ch. 7 or 11	2 years (from discharge to closing of new transaction)
Bankruptcy Ch. 13	12 months of satisfactory payments and BK court approval
Foreclosure	2 years (finalized from the date of closing)
Adverse Credit	12 months of satisfactory is considered to be re-established

Forbearance (COVID-related): Veterans who are affected by COVID-19 should still be afforded the opportunity to utilize their earned VA home loan benefits. For this reason, VA is temporarily relaxing certain credit underwriting policies for VA-guaranteed purchase and cash-out refinance loans. While lenders must continue to follow VA's underwriting standards generally, lenders should not use a CARES Act forbearance as a reason to deny a Veteran a VA-guaranteed loan. In such cases, borrowers, through the lender, must provide reasons for the loan deficiency and information to establish that the cause of the delinquency has been corrected. VA will not consider a Veteran as an unsatisfactory credit risk, based solely upon the fact that the Veteran received some type of credit forbearance or experienced some type of deferred payment during the COVID-19 national emergency. VA reminds lenders instead to continue to review and evaluate all applicable credit qualifying information, e.g., residual income, debt-to-income ratios, credit, and assets.

DTI

Maximum DTI:

- Per AUS. DTI > 55% requires Underwriting Management approval. Additional conditions may apply.
- For manual underwrites or downgrades:
  - 45% max for Conforming loan amounts
  - 43% max for High Balance loan amounts
  - Minimum 3 open tradelines in the last 12 months

Residual Income:

- DTI ≤ 41%, must meet standard VA requirements.
- DTI > 41%, residual income must exceed minimum requirement by at least 20%

Escrow Waivers

Escrow waivers are not allowed

Fee Recoupment

Fee recoupment applies to Type I cash-out refinancing loans made to refinance a VA-guaranteed home loan (VA-to-VA). To obtain a Loan Guaranty Certificate (LGC) the lender must certify that the recoupment period of fees, expenses, and closing costs (included in the loan and paid outside of closing), do not exceed 36 months from the date of loan closing.

Recoupment Calculation: The recoupment period is calculated by dividing all fees (not including VA funding fee), expenses, and closing costs included in the loan and paid outside of closing by the reduction of monthly principal and interest (P&I). If the loan being refinanced loan has been modified, the reduction of monthly P&I should be computed using the modified monthly P&I of the loan being refinanced. Escrow and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners' association (HOA) fees shall be excluded from the recoupment calculations. VA allowable fees as established in 38 C.F.R. § 36.4313 offset by lender credits and/or premium pricing may also be excluded from the recoupment calculation.

Financing Types

Purchase Transactions:

- Purchase contracts that have been assigned are not eligible.

Cash-Out Refinance**:**

- Subject property must have an existing lien
- See *Loan Seasoning* section for seasoning requirements

Type I Cash-Out Refinance:

A refinancing loan in which the loan amount (including VA Funding Fee) does not exceed the payoff amount of the loan being refinanced.

Requirements for Type I VA to VA Refinance:

- Loan Seasoning must be met
- Fee Recoupment must be met
- Net Tangible Benefit is required (NTB Test, Loan Comparison Disclosure – initial and final, and Home Equity Disclosure)

Requirements for a Type I non-VA to VA Refinance:

- Loan Seasoning must be met

	• Net Tangible Benefit is required (NTB Test, Loan Comparison Disclosure – initial and final, and Home Equity Disclosure) **<u>Type II Cash-Out Refinance</u>:** A refinancing loan in which the loan amount (including VA Funding Fee) exceeds the payoff amount of the loan being refinanced. <u>Requirements for Type II VA to VA Refinance</u>: • Loan Seasoning must be met • Net Tangible Benefit is required (NTB Test, Loan Comparison Disclosure – initial and final, and Home Equity Disclosure) <u>Requirements for Type II non-VA to VA Refinance</u>: • Loan Seasoning must be met • Net Tangible Benefit is required (NTB Test, Loan Comparison Disclosure – initial and final, and Home Equity Disclosure)
Fraud Report	Required
Geographic Restrictions	<u>Ineligible States:</u> DE, MA, ME, MO, WY <u>Additional Restrictions</u>: • <u>Hawaii</u>: Lava zones 1 and 2 <u>not</u> eligible. • <u>Illinois</u>: Illinois Land Trust not allowed. • <u>New York</u>: CEMA not allowed. • <u>Texas</u>: 50(a)(6) not permitted.
Guaranty/ Entitlement	Refer to <u>*VA Circular 26-19-30*</u> for full details and sample guaranty calculations. <u>Full Entitlement</u>: For Veterans with full entitlement, the maximum amount of guaranty entitlement available to the Veteran, for a loan above $144,000 shall be 25% of the loan amount. <u>Partial Entitlement</u>: For Veterans who have previously used entitlement and such entitlement has not been restored, the maximum amount of guaranty entitlement available to the Veteran, for a loan above $144,000 shall be 25% of the Freddie Mac conforming loan limit (CLL), reduced by the amount of entitlement previously used (not restored) by the Veteran. Note that for purposes of determining the VA guaranty for loans involving Veterans with partial entitlement, lenders are instructed to reference only the One-Unit Limit column in the Federal Housing Finance Agency (FHFA) Table "Loan Limits Calendar for 2023 – All Counties." While a Veteran may use the VA home loan guaranty benefit to acquire a property up to 4-units in size, VA's maximum guaranty amount will be based on the One-Unit (single-family residence) limit, as prescribed by FHFA in the aforementioned table. For example, if a Veteran with partial entitlement plans to purchase a 4-unit dwelling for $900,000, in a county where the FHFA One-Unit (single-family residence) limit is $726,200, then VA's maximum guaranty amount would be 25% of the $726,200. <u>Married Veterans</u>: When a Veteran and the Veteran's spouse, who is also a Veteran, use dual entitlement to guaranty a loan above $144,000, the maximum amount of guaranty shall be 25 percent of the loan amount so long as one of the Veterans has full entitlement. VA will charge entitlement for married Veterans according to their preference. If both Veterans have partial entitlement, the maximum amount of guaranty may not exceed the lesser of 25% of the loan amount OR 25% of the Freddie Mac CLL. <u>Joint Loans</u>: When more than one Veteran (Vet-Vet) seeks to use their entitlement on a loan above $144,000, if at least one Veteran3 has partial entitlement, the maximum amount of guaranty may not exceed the lesser of 25% of the loan amount <u>OR</u> 25% of the Freddie Mac CLL. VA will charge entitlement to each Veteran equally. However, unequal charge of entitlement may be made with a signed written agreement from the Veterans if provided to VA prior to the issuance of the VA guaranty. If all Veterans seeking to use their entitlement on a loan above $144,000 have full entitlement, then the maximum amount of guaranty shall be 25% of the loan amount. All other existing VA policies regarding joint loans, such as Veteran/Non-Veteran joint loans, remain the same. See VA Pamphlet M26-7, Lenders Handbook, Chapter 7, Section 1, Joint Loans. Must meet VA guaranty and GNMA guaranty requirements.
Income	Documentation per AUS or VA manual underwriting requirements. Income docs must be dated within 60 days of the Note Date. <u>Rental Income – Obtain the following</u>: • Documentation of cash reserves totaling at least 3 months mortgage payments (PITI), and • Individual income tax returns, signed and dated or lender obtained tax transcripts, plus all applicable

	schedules for the previous 2 years, which show rental income generated by the property. If the borrower has multiple properties, the borrower must have 3 months PITI documented for each property to consider the rental income. If there is not a lien on the property, 3 months reserves to cover expenses such as taxes, hazard insurance, flood insurance, homeowner's association fees, and any other recurring fees should be documented for the property(ies). Equity in the property cannot be used as reserves. Cash proceeds from a VA refinance cannot be counted as the required PITI on a rental property. The reserve funds must be in the borrower's account before the new VA loan closes. Gift funds cannot be used to meet reserve requirements. Reserves are not needed to offset the mortgage payment on the property the Veteran occupies prior to the new loan. Tax Transcripts: Tax or W2 transcripts are required according to Impac's *IRS Request for Transcript of Tax Return (4506-C) Policy*. Verbal Verification of Employment (VVOE): • Salaried: Must be dated within 10 calendar days prior to funding. • Self-employed: Must be dated within 20 calendar days prior to funding. Examples include: ○ Evidence of current work (e.g., executed contracts or signed invoices that indicate the business is operating on the day the Seller verifies self-employment) ○ Evidence of current business receipts within 20 calendar days prior to funding (e.g., payment for services performed) ○ Lender certification the business is open and operating (e.g., the lender confirmed through a phone call or other means) ○ Business website demonstrating activity supporting current business operations (e.g., timely appointments for estimates or service can be scheduled) As a reminder, Impac does NOT allow a VVOE to be obtained post-closing.
Loan Limits	VA link to loan current loan limits: http://benefits.va.gov/homeloans/purchaseco_loan_limits.asp Note: While VA does not have a maximum loan amount, the "VA County Limits" must be used to calculate VA's maximum guaranty amount for a particular county whenever the veteran does not have full entitlement. Where the 2023 FreddieMac CLL is higher than the 2022 county loan limit, VA will use the 2023 loan limit. Where the 2023 Freddie Mac CLL is lower than the 2022 Freddie Mac CLL, VA will use the 2022 Freddie Mac CLL for loan applications signed prior to January 1, 2023, where the loan closed on or after January 1, 2023.
Loan Seasoning	All cash-out refinances must meet VA's seasoning requirement. The due date of the first payment is used to determine loan seasoning. A loan is considered seasoned if **both** of the following conditions are met as of the note date of the new refinance loan: • The due date of the first monthly payment of the loan being refinanced is 210 days or more prior to the note date of the new refinance loan. When the VA loan being refinanced with a cash-out refinance has been modified, the seasoning must be measured from the first payment date due date listed on the modification agreement, not from the first payment due date of the original loan. A copy of the note (or modified note) for the loan being refinanced must also be obtained to confirm seasoning requirements are met (review by UW management may be required); AND • Six (6) consecutive monthly payments have been made on the loan being refinanced. IMPORTANT NOTE: Periods of forbearance cannot count toward seasoning; however, forbearance under the CARES Act does not alone cause the loan to fail to meet the seasoning standard. If a loan being refinanced met seasoning requirements before a Veteran invoked a CARES Act forbearance, the seasoning requirement remains satisfied. However, in a case where a borrower made only five consecutive payments before invoking a CARES Act forbearance, such borrower would need to make six additional consecutive payments, post forbearance, in order to meet the seasoning requirement. For loans being refinanced within 1 year from the date of closing, lenders must obtain a payment history/ledger documenting all payments, unless a credit bureau supplement clearly identifies all payments made in that timeframe. If the loan is selected for audit by VA, the lender must include the payment ledger/history and/or credit bureau supplement of the loan being refinanced in the loan file for VA review.
Loan Amount	Minimum loan amount is $100,000
Net Tangible Benefit	Net Tangible Benefit (NTB) standards apply to all cash-out refinancing loans. It consists of the NTB Test, Loan Comparison, and Home Equity Disclosure. **NTB Test**: All cash-out refinancing loans must pass the NTB test. This requirement is met if the refinancing loan satisfies at least one of the of the following: • The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guarantee insurance; or

	• The term of the new loan is shorter than the term of the loan being refinanced; or • The interest rate of the new loan is lower than the interest rate on the loan be refinanced (NOTE: If the loan being refinanced had an adjustable interest rate or was modified, the current interest rate must be used when determining if this requirement has been met); or • The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced; or • The new loan results in an increase in the borrower's monthly residual income. (residual income, including refinancing monthly PITI (principal, interest, taxes, and insurance) payment vs. current residual income, including monthly PITI payment of the loan being refinanced.) In cases where the amounts are changing between the application date and the closing date of the refinance transaction, the new TI amount will be used in determining residual income for both the current and refinanced loan); or • The new loan refinances the Veteran's interim construction loan; or • The new loan amount is equal to or less than 90% of the reasonable value of the home (i.e. LTV is ≤ 90%), or • The new loan refinances an adjustable rate loan to fixed rate loan **Loan Comparison Disclosure:** The lender must provide the Veteran a comparison of the new loan to the existing loan being refinanced. VA requires lenders to generate two loan comparison disclosures, one within 3 business days from the initial date of the loan application and at loan closing. The borrower must certify receipt of both disclosures (i.e. signature, e-signature, email from the borrower certifying receipt, email read receipts, system time/date stamp where a borrower certified receipt, etc). Initial 3-Day Disclosure: Lender's shall provide a reasonable estimate within 3 business days of loan application. Reasonably accurate estimates, may involve the use of borrower documentation, such as their mortgage statement, closing documents, their own estimation of the existing loan terms, online property valuation tools, and manual calculations. Final Loan Closing Disclosure: The final loan comparison disclosure provided at loan closing shall be accurate with respect to the new loan information, while the initial loan information may be a generally accurate representation of the existing loan, given that payments may be in transit, tax and insurance amounts may be pending, and payoffs may fluctuate when the final closing date has not been determined. Contents of the Initial 3-Day Disclosure and the Final Loan Closing Disclosure: The following will be provided in the disclosures: 1. Refinancing loan amount (including VA funding fee, if financed into the loan) vs. the payoff amount (including fees, escrow shortages, and prorated interest) of the loan be refinanced. 2. Interest rate 3. Mortgage Loan Type (i.e. fixed, adjustable) 4. Loan term of the refinancing loan, vs. the remaining term of the loan being refinanced. The term may be expressed in months or years and months. 5. The total payments the Veteran will have paid after making all payments (principal and interest) as scheduled on the refinancing loan vs. the total remaining payments the Veteran will have paid after making all remaining payments of principal, interest, and mortgage insurance (if applicable) as scheduled on the loan being refinanced. 6. LTV of the refinancing loan vs. loan payoff (including fees, escrow shortages, and prorated interest) to current value of the loan being refinanced. **Home Equity Disclosure**: The lender must disclose the amount of home equity being removed from the home as a result of the new loan to the Veteran within 3 business days from the initial date of the loan application and at loan closing. The disclosure must also explain to the Veteran how the removal of home equity may affect the sale or refinance of the home in the future. Similar to the Loan Comparison Disclosure, the borrower must certify receipt of the Home Equity Disclosure (i.e. signature, e-signature, email from borrower certifying receipt, email read receipts, system time/date stamp where a borrower certified receipt, etc.). For the initial home equity disclosure, lenders may use estimated loan payoff or unpaid principal balance and estimated current property value to determine the home equity being removed from the home. However, the lender must use the final payoff amount (including fees, escrow shortages, and prorated interest) and the reasonable value shown on the Notice of Value (NOV) to determine the home equity being removed from the home on the home equity disclosure provided to the Veteran at loan closing.

<table>
<tr>
<td>Property Types</td>
<td><u>Eligible</u>:
SFR/PUD
Condo (VA approved)
2-4 Units</td>
<td><u>Ineligible</u>:
Manufactured homes
On-frame modular construction
Co-op share loans
Agricultural properties (farms, ranches)
Leasehold property</td>
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<tr>
<td>Subordinate Financing</td>
<td colspan="2">Secondary borrowing is acceptable as long as:
The Veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA,
The loan (in conjunction with the first mortgage) may not exceed the NOV, and
The requirements detailed below are met:
The lender must submit documentation disclosing the source, amount, and repayment terms of the second mortgage and agreement to such terms by the Veteran and any co-borrowers.
The second mortgage must be subordinated to the VA-guaranteed loan, that is, the second mortgage must be in a junior lien position relative to the VA loan.
Proceeds of the second mortgage may be used for a variety of purposes, including, but not limited to:
closing costs, or
a downpayment to meet secondary market requirement of the lender.
But may not be used to cover any portion of a downpayment required by VA to cover the excess of the purchase price over VA's reasonable value.
There can be no cash back to the Veteran from the VA first mortgage or a second mortgage obtained simultaneously, except any cash the Veteran paid in the transaction.
The Veteran must qualify for the second mortgage which is underwritten as an additional recurring monthly obligation.
The rate on the second mortgage may exceed the rate on the VA-guaranteed first; however, it may not exceed industry standards for second mortgages.
The second mortgage should not restrict the Veteran's ability to sell the property any more than the VA first mortgage. That is, it should be assumable by creditworthy purchaser(s).
There should be a reasonable grace period before. A late charge comes due, or commencement of foreclosure proceedings in the event of default.</td>
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<tr>
<td>Underwriting</td>
<td colspan="2">Underwritten by a VA Automatic & LAPP approved underwriter.
AUS Approve loans – may follow documentation requirements
AUS Refer and manually underwritten loans – must follow manual underwriting requirements
If loan requires VA's prior approval, additional underwriting turnaround time is required
All Prior Approval loans require manual underwriting.
For loan amounts > $1,500,000, pre-qualification and final approval must be approved by Senior Management. Extended turn around times will apply.
<u>VA Prior Approval Required For</u>:
Joint loans involving a veteran and non-veteran who is not the veteran's spouse (not on IRRRL loans)
A non-veteran on a joint VA loan is not required to certify occupancy. Any borrower on a joint loan who does not use entitlement for the loan (such as a non-veteran), does not have to intend to occupy the property.
Joint loans involving two or more veterans who intend to use their entitlement and take title jointly.(not on IRRRL loans)
Loans to veterans in receipt of VA non-service related pension (not on IRRRL loans)
Loans to veterans rated incompetent by VA (Not on IRRRL loans)
<u>Note</u>: A loan made to a married couple in which both applicants are veterans using their Certificates of Eligibility (COEs) is not required to be sent to VA for prior approval.
Prior approval loans must be uploaded through WebLGY See the Prior Approval Reference Guide at:
http://www.benefits.va.gov/homeloans/documents/docs/prior_approval_LP_lenders.pdf
Lenders must follow the guidelines in Chapter 5 of VA's Lender's Handbook for prior approval procedures including the stacking order in topic 4, section c.
The lender must furnish a cover letter with the upload,that states the reasons for the prior approval and explains any unique circumstances. In addition, the cover letter must include the submitting underwriter's name, phone number, e-mail address and his or her manager's name, phone number and e-mail address.
A joint loan with a veteran and a non-veteran will require a down payment. Only the veteran's portion (half) of the loan is covered by VA guaranty. The non-veteran's portion will require a <u>minimum 25% down payment</u>. As with all VA loans, GNMA requirements must be met as well.</td>
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	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**. • The VA Underwriter must then use this information to determine the veteran borrower's true monthly qualifying income.
VA Funding Fee	VA Funding Fee applies unless the Veteran is exempt.

VA Funding Fee Table as of 1/1/2020

Transaction Type	Down Payment	First Time Use	Subsequent Use
Purchase and Construction	None	2.30%	3.60%
	5% (less than 10%)	1.65%	1.65%
	10% or more	1.40%	1.40%
Refinance Cash-out	N/A	2.30%	3.60%