

FRST MORTGAGE CORPORATION

VA Loan Guaranty Program

Serve the mortgage lending needs of borrowers who serve our country

Retail Division
October 2009

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VA Home Loan Program

Topics for Discussion

- ❖ Introduction
- ❖ Highlights of the Program
 - ❖ 7 Step Process
- ❖ General Eligibility Guidelines
 - ❖ Borrower Eligibility
 - ❖ Certificate of Eligibility
 - ❖ VA Funding Fee
 - ❖ CAIVRS
- ❖ Program Guidelines
 - ❖ Interest Rate Reduction Refinance Loans
- ❖ Underwriting Guidelines
- ❖ VA Fees & Charges
- ❖ Resources, Tools, Training, Support

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VA Home Loan Program

Introduction to First Mortgage Corporation
VA History
Why Choose a VA loan?
Highlights of the Program

INTRODUCTION

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VA Home Loan Program




Introduction to FMC

- *First Mortgage Corporation is an independent residential Mortgage Banking firm with branch offices located throughout the west.*
- Founded in 1975, FMC is a direct-lending mortgage banker approved as a lender and/or loan servicer by the Federal Housing Administration (FHA); the Veterans Administration (VA); the Federal National Mortgage Association (Fannie Mae); the Federal Home Loan Mortgage Corporation (Freddie Mac); the Government National Mortgage Association (Ginnie Mae); the California Housing Finance Agency (CalHFA); the Nevada Housing Division (NHD); the California Public Employees' Retirement System (CalPERS); the California Teachers' Retirement System (CalSTRS); the National Homebuyers Fund (NHF) and many other major secondary market institutions.
- First Mortgage Corporation is currently rated the #5 FHA Lender in CA!
- *Having funded in excess of \$12 billion in residential real estate loans, FMC has assisted more than sixty thousand families with their mortgage needs. FMC enables families to enjoy the American Dream of Homeownership... "it's the only thing we do."*
- FMC has a longstanding tradition of providing unparalleled customer service and a reputation built on adding value to the home loan process. That's why FMC should be considered... "YOUR **FIRST LENDING RESOURCE**".

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VA Home Loan Program




Veterans Administration (VA) HISTORY

- Established in 1930 to provide federal benefits to veterans and their families, including health care, financial assistance, and burial benefits.
- In 1944, the Servicemen's Readjustment Act (known as the "G.I. Bill") was signed into law and provided a variety of benefit programs to facilitate the adjustment of returning veterans to civilian life, including federally insured home loans with no down payment.
- In 1989, the Veterans Administration was renamed the Department of Veterans Affairs.

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VA Home Loan Program




Common VA Terms

- COE (Certificate of Eligibility):
 - Certificate provided by VA to evidence a Veteran's entitlement to participate in the VA Home Loan Guarantee Program
 - In order to get a COE, lenders can access the ACE (Automated Certificate of Eligibility) System on the internet to prove eligibility
- CRV (Certificate of Reasonable Value):
 - The VA certifies the fair market value of the property once the home is appraised
- Entitlement:
 - Dollar amount of loan guarantee that the Veteran's Benefit Administration (VA) provides to each eligible veteran
- Funding Fee:
 - The name of the fee that VA charges when a veteran uses its Home Loan Guarantee Program
 - This fee is generally rounded to 2% to 3% depending on whether its your 1st VA loan; disabled veterans may be exempt from this fee
- NOV (Notice of Value):
 - This form is issued to the borrower in conjunction with an appraisal
 - Every NOV must include an estimated reasonable value of the property, estimated economic life of the property, and list of any property related conditions and requirements necessary for VA loan guaranty

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VA Home Loan Program




What is a VA Guaranteed Loan?

- VA guaranteed loans are loans made by private lenders such as banks, savings and loans, or mortgage companies to eligible veterans for the purchase of a home **THAT MUST BE FOR THEIR OWN PERSONAL OCCUPANCY.**
- A veteran applies with a lender and once approved, VA will guarantee a portion of it to the lender. This guarantee protects lenders against loss in the event of foreclosure, up to the amount of the guaranty, and allows a veteran favorable financing terms.
- The Veterans Benefit Act of 2004 changed the **maximum guaranty amount to 25% of the Freddie Mac Conforming loan limit.**
 - Eg., the guaranty amount for 2009 is \$104,250 which is based on the conforming limit of \$417,000: **$\$417,000 \times 25\% = \$104,250$**

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VA Home Loan Program




VA 2009 Loan Limits

- On October 10, 2008, the president signed the Veteran's Benefits Improvement Act of 2008 (VA Circular 26-08-19)
 - The maximum guaranty amount varies depending upon the location of the property
 - For all locations in the US other than Alaska and HI, the maximum guaranty amount is the **greater of 25% of (a) \$417,000 or (b) 125% of the area median price for a SFR, but in no case will the guaranty exceed 175% of the Freddie Mac loan limit for a SFR in the county in which the property securing the loan is located**
 - This translates to a potential maximum loan amount of \$1,094,625
 - In Alaska and HI, the maximum guaranty amount is the **greater of 25% of (a) \$625,500 or (b) 125% of the area median price for a SFR, but in no case will the guaranty exceed 175% of the Freddie Mac loan limit for a SFR in the county in which the property securing the loan is located**
 - This translates to a potential maximum loan amount of \$1,641,937.50

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VA Home Loan Program



Opportunity? ----- Solution?

<p>Opportunity? <i>There are U.S. Veterans who:</i></p> <ul style="list-style-type: none"> • Are in need of up to \$1.5 million in financing (FMC limits to \$1mil – Check with Secondary for availability) • Have limited cash for down payment or closing costs • Have little reserves • Are first-time homebuyers who may not be eligible for traditional financing • Require more flexibility in calculating household income and payment ratios 	<p>Solution? <i>Provide qualified U.S. Veterans solutions, by offering:</i></p> <ul style="list-style-type: none"> • Loan amounts up to \$1,000,000 million on 1-unit owner occupied purchase properties (Check with Secondary for > \$1mil) <ul style="list-style-type: none"> • Cash Out, 2nd Homes, NOO, and 2-4 units cap at \$417,000 (\$625,500 in AK and HI) • Up to 100% LTV/CLTV with full entitlement at a maximum loan amount of \$1,094,625 • Fully assumable to qualified borrowers • Purchase or Refinance a O/O property • Lender & Seller paid Buy-downs available • Interested party contributions allowed • Borrower's must qualify based on income and credit history • No reserves on loan amounts to \$417,000 (\$625,500 in AK and HI)
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What the VA Loan OFFERS

Benefits of a VA Loan:

- NO DOWN PAYMENT** – 100% up to \$1,094,625 (\$1mil for FMC – Check with CMD)
- NO MONTHLY MORTGAGE INSURANCE PREMIUMS**
- NO RESERVE REQUIREMENTS** – Conforming 1 unit only (Own no other real estate)
- 100% GIFT FUNDS ALLOWED**
- Ability to finance the funding fee** (plus reduced funding fee depending on down payment, and the exemptions for veterans receiving compensation)
- Fully Assumable to qualified borrowers

VA does not do the following:

- Guaranty that the property is free of defects. **VA guarantees only the loan.** It is the veterans responsibility to assure that they are satisfied with the property being purchased. The VA appraisal is not intended to be an "inspection" of the property. A veteran should seek expert advice (a qualified residential service) as necessary BEFORE legally committing to a purchase contract.
- If you have a home built, VA cannot compel the builder to correct construction defects although VA does have the authority to suspend a builder from further participation in the home loan program.
- VA can't guarantee the veteran is making a good investment.



FYI - 7 STEPS to a VA Loan

Step 1 – Veteran applies for Certificate of Eligibility (COE). Processor may apply for it using the WebLGY application (AUTOMATED PROCESS)

Step 2 – Veteran finds home and signs purchase agreement pending VA loan approval (NOT AUTOMATED)

Step 3 – Veteran completes 1003 and presents COE. (NOT AUTOMATED)

Step 4 – Processor orders Appraisal from a VA licensed appraiser who will issue the Notice of Value (NOV) (AUTOMATED)

Step 5 – Submit loan file to UW for full loan approval. Approval issued if appraisal, credit and income are acceptable (NOT VA AUTOMATED)

Step 6 – Upon satisfaction of all loan conditions, docs are drawn, loan closes (Follow FMC closing process) (NOT AUTOMATED)


Step 7 – First Mortgage applies to VA for evidence of guaranty (AUTOMATED)



Basic Program Guidelines
 Interest Rate Reduction Refinance Loans (IRRRLs)
 VA Loan Amounts

PROGRAM GUIDELINES

VA Home Loan Program




VA Program Guidelines

Topic	Description
Eligible Product Types	<ul style="list-style-type: none"> • 30 & 15 Year Fixed Mortgages • 1 Yr ARM - Quality borrower @ Note Rate PLUS 1% • 3/1 T-Bill ARM - Quality borrower @ Note Rate • 5/1 Adjustable Rate Mortgage - Quality borrower @ Note Rate
Eligible Properties	<ul style="list-style-type: none"> ☐ Loan amounts up to \$417,000 <ul style="list-style-type: none"> ▪ SFRs ▪ PUDs ▪ VA Approved Condos ▪ 2-4 units ▪ Manufactured Homes (Program 07 only) ☐ Loan amounts > \$417,000 <ul style="list-style-type: none"> ▪ SFRs ▪ PUDs ▪ VA Approved Condos
Eligible Transactions	<ul style="list-style-type: none"> ✦ Purchase ✦ IRRRL (Program 07 only) ✦ Cash out refinances <ul style="list-style-type: none"> ▪ VA does not have a rate/term refinance program other than the VA IRRRL, so all refinance loans are designated as cash-out unless using Program 07 since Program 72 no longer offer VA IRRRL

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Basic Program Guidelines

Topic	Description
Cash Out Refinance	<ul style="list-style-type: none"> • Max 85% LTV of the VA reasonable value (no seasoning), • PLUS • VA Funding Fee, • PLUS • Cost of any energy efficiency improvements up to \$6,000 <ul style="list-style-type: none"> ▪ Cash Out may be used to pay off existing liens on the property, allowable fees, charges, and discount points ▪ Cash Out to the borrower only under the following circumstances <ul style="list-style-type: none"> • Cash Out Refinance loan • Refund of items that the borrower paid cash for and were subsequently included in the loan amount
Occupancy	<p>Owner Occupied only except:</p> <ul style="list-style-type: none"> ✓ IRRRL's (Interest Rate Reduction Refinance Loans) NOO or 2nd Home allowed if veteran can attest that he/she once occupied property as primary residence ✓ Occupancy by Veteran's spouse in the case when a Veteran is stationed elsewhere satisfies the occupancy requirement

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Basic Program Guidelines

Topic	Description
Down Payment	<p>No down payment is required by VA since VA loans can be for the full reasonable value of the property, unless:</p> <ul style="list-style-type: none"> ➢ The purchase price exceeds the reasonable value of the property, or ➢ Down Payments is required per investor requirements. <ul style="list-style-type: none"> ▪ Eg., when veteran has less than full entitlement available in which case a down payment may be required in order meet FNMA or other secondary market requirements. ➢ Down payment cannot be gifted ➢ 2nd Mortgages may not be used for down payment ✦ "Rule of Thumb" for GNMA is: The VA guaranty or a combination of VA guaranty plus down payment and/or equity must cover at least 25% of the loan.
2ndary Financing	<ul style="list-style-type: none"> • Allowed and must be simultaneously with the 1st Mortgage • Must submit documentation as to source, amount, repayment terms • Veteran must qualify for the 2nd as additional recurring monthly obligation • Cannot be used towards DP required by VA; OK for excess down payment • Can be used to pay closing costs

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Maximum Loan Amount

Topic	Description
Purchase	<ul style="list-style-type: none"> ➤ 100% up to \$417,000, including Funding Fee ➤ 100% up to \$1,094,625 in certain areas based on 2009 loan limits <ul style="list-style-type: none"> ➤ (FMC max is \$1mil – Check with Secondary Marketing for availability)
Cash Out	➤ Cash out refinance is 85% of the appraised value (base amount) PLUS the VA Funding Fee, PLUS cost of the energy efficient improvements up to \$6,000
IRRRL	➤ See IRRRL sheet

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Interest Rate Reduction Refinance Loans

- **IRRRL is a VA loan to refinance an existing VA loan at a lower interest rate and monthly payments with streamlined documentation.**
- **Loan Limit Maximum:** \$417,000
- **Interest Rate:** Must be lower than rate on current VA loan, except ARM to Fixed
- **Term:** Existing VA loan term plus 10 years, not to exceed 30 years
- **Payment:** The P&I must be less than the P&I on the current loan, unless the IRRRL is refinancing an ARM, or the term of the IRRRL is shorter than the term of the current loan, or Energy Efficient Improvements are included in the IRRRL
- If the PITI increases by more than 20%, the Veteran must **credit qualify**
- **Credit:** Loan must be current. Credit Report is required. Must have rating on current mortgage. Any derogatory credit since loan origination will be previewed by underwriting to determine acceptability.
 - **Maximum Loan Amount Calculation on a IRRRL:**
 - The amount of the existing VA loan balance, PLUS
 - Fees and closing costs, PLUS
 - VA funding fee, PLUS
 - Up to 2 discount points, PLUS
 - Cost of any energy efficient improvements up to \$6,000

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Interest Rate Reduction Refinance Loans cont'd...

SAMPLE Documentation Requirements:

- NO APPRAISAL
 - Prior Loan Validation required. Order through TAS.
 - Rate Reduction Refinancing Worksheet, VA 26-8923
 - VA Benefits Form (if applicable) VA 26-8937
 - Initial Loan Application & Addendum signed by borrower and I.O.
 - VA Old versus New worksheet
- Credit Report
- Mortgage Rating
- Copy of Note & Deed on Existing Loan
- Copy of payoff demand from Title
- Preliminary Title Report
- Veteran's Nearest Living Relative (Name, Address, Phone Number and Relationship).

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VA Home Loan Program



FYI - Funding Fee Cont'd...

How to verify exempt status:

Verify exempt status by obtaining:


- A properly completed and signed VA Form 26-8937, Verification of VA Benefits Form, sent to and processed by VA
 - For a Veteran who elected service retirement pay instead of VA compensation, a copy of the original VA notification of disability rating and documentation of the Veteran's service retirement income, along with the 26-8937 form completed

OR

- Indications on the COE that the borrower is entitled as an unmarried surviving spouse

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VA Home Loan Program



VA GUARANTY

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Maximum Guaranty

- The VA guaranty or a combination of the VA guaranty plus the borrower's down payment and/or equity, must be equal to at least 25% of the subject property's estimated reasonable value as documented in the Notice of Value (NOV)
- The maximum guaranty on a VA loan is the lesser of the veteran's available entitlement or the maximum potential guaranty amount indicated below

Loan Amount	Loan Type	Maximum Potential Guaranty
Up to \$45,000	All	50% of loan amount
\$45,001 - \$56,250	All	\$22,500
\$56,251 - \$144,000	All	40% of the loan amount with a maximum of \$36,000
\$144,001 - \$417,000	Purchase and refinance	25% of the loan amount with maximum \$104,250 (\$156,375 in AK and HI)
\$417,001 - \$1,500,000	Purchase and refinance	25% of the greater of: (a) \$417,000 OR (b) 125% of the area median price for a SFR not to exceed 175% of the GSE limit (\$1,094,625)

VA Home Loan Program



VA Guaranty Calculation Examples

Example 1:


- Veteran has full entitlement available and is purchasing a home for \$300,000 where the county loan limit is \$417,000.
 - $\$417,000 \times 25\% = \$104,250$ Maximum Guaranty and Available Entitlement
 - $\$300,000 \times 25\% = \$75,000$ Guaranty and Down Payment Combination Required
- ◆ Since VA's guaranty is limited to the lesser of 25% of the county loan limit or 25% of the loan amount, VA will guaranty \$75,000 on Veteran's \$300,000 loan in this county.
- ◆ **A down payment should not be required.**

Example 2:

- Veteran has used \$48,000 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$320,000 where the county loan limit is \$625,000.
 - $\$625,000 \times 25\% = \$156,250$ Maximum Guaranty and Available Entitlement
 - $\$156,250 - \$48,000 = \$108,250$ Entitlement Available
 - $\$108,250 \times 4 = \$433,000$ Maximum Loan Amount with 25% Guaranty
- ◆ Since the proposed loan amount will be less than \$433,000, the lender will receive 25% VA Guaranty on the loan of \$320,000.
- ◆ **A down payment should not be required.**

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VA Home Loan Program



VA Guaranty Calculation Examples

Example 3:


- Veteran has used \$104,250 of entitlement on a prior loan, which may not be restored and is purchasing a home for \$380,000, where the county loan limit is \$815,000.
 - $\$815,000 \times 25\% = \$203,750$ Maximum Guaranty
 - $\$203,750 - \$104,250 = \$99,500$ Entitlement Available
 - $\$99,500 \times 4 = \$398,000$ Maximum Loan Amount with 25% Guaranty
- ◆ Since the proposed loan amount will be less than \$398,000, the lender will receive 25% VA Guaranty on the loan of \$380,000.
- ◆ **A down payment should not be required.**

Example 4:

- Veteran has full entitlement available and is purchasing a home for \$800,000 where the county loan limit is \$729,750.
 - $\$729,750 \times 25\% = \$182,437.50$ Maximum Guaranty and Available Entitlement
 - $\$182,437.50 / \$800,000 = 22.81\%$ Guaranty
 - $\$800,000 \times 25\% = \$200,000$ Guaranty and Down Payment Combination Required
 - $\$200,000 - \$182,437.50 = \$17,562.50$ Down Payment
- ◆ **A down payment of \$17,562.50 is required.**

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VA Home Loan Program




**ELIGIBLE BORROWERS – Basic Veteran Eligibility
CAIVRS
CERTIFICATE OF ELIGIBILITY (COE)**

**BASIC ELIGIBILITY
GUIDELINES**

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Loan Program




Underwriting Methods
Underwriting Standards
Other General Guidelines

UNDERWRITING GUIDELINES

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VA Home Loan Program



Underwriting Method


UW follows standard VA guidelines and regulations – Refer to VA Handbook – Chapter 4.
(DU & LP Automated Underwriting Engines incorporates VA's credit standards)

Underwriting Method	Eligible	Acceptable AUS Result
Manual (Program 07 only)	Yes	N/A
Desktop Underwriter® (DU®)	Yes	Approve/Eligible
Loan Prospector® (LP)	Yes	Accept

- A finding of "Approve/Eligible" or "Accept" can reduce the amount of documentation requirements, and underwriting time of a loan file
- Absence of the above findings does not provide a basis for denying a loan application. **Manual UW is permitted on Program 07 only.**

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VA Home Loan Program




FYI - VA Loans in AUS

Topic	Description
DU	<ul style="list-style-type: none"> With the January 24 release of DU, the maximum loan amount calculation applied to VA loans are removed DU will now only identify if the property's loan amount exceeds the individual county limit Must manually determine the guaranty percentage and maximum loan amount based on the borrower's entitlement
LP	<ul style="list-style-type: none"> With the December 16 release, LP was updated to align with the VA changes on maximum 100% LTV for cash-out refinances (Program 72 max LTV 90%) LP is not updated to identify the maximum loan amount for a particular property location based on the MSA

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UW: Income Cont'd...

- Active Military income – consider base pay as stable & reliable unless applicant is within 12 months of release of active duty.
- Leave and Earnings Statement is required (LES). If re-enlisting, letter from commanding officer & the veteran stating may/will reenlist.
- Military quarters allowance and Basic Allowance Subsistence (BAS) can be considered income. Both non-taxable.
- Other Military allowances – obtain verification of type and amount and length of receipt.
- Income from Reserves or National Guard can be considered if the length of total service indicates a strong probability of continuance.

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UW: Income Tax Calculator


- Determine the appropriate deductions for Federal income tax and Social Security/Medicare by using "Employer's Tax Guide" charts.
- Determine the appropriate deductions for state and local taxes. Social Security/Medicare is 7.65% of gross monthly income;

OR

- Log on to www.paycheckcity.com and select "Personal Calculators", then "Paycheck Calculator" to determine all types of taxes.

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UW: Debts & Obligations

- Must verify alimony and child support.
- Student loans scheduled to begin within 12 months of the Note Date will be counted.
- Loans secured by deposited funds are not counted.
- Installment debts with less than 10 months remaining do not necessarily need to be included in credit qualifying. Large payments should be considered. Do not omit these debts in the AUS system.
- Always "populate" liabilities in AUS.
- 401(k) loans are not used against in debt calculation.
- Loan Pay advances (primarily seen on LES statement of in-service veterans) are used against and must be documented.

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UW: Compensating Factors

Topic	Description
Compensating Factors	<ul style="list-style-type: none"> Valid compensating factors should logically be able to compensate for the identified weakness in the loan. Should represent unusual strength rather than mere satisfaction of basic program requirements. Eg., Sufficient assets for closing or meets residual income guidelines is not a compensating factor. Eg., significant liquid assets may compensate for a residual income shortfall whereas long term employment would not.
Sample Compensating Factors	<ul style="list-style-type: none"> Excellent credit history Conservative use of consumer credit Minimal consumer debt Long-term employment Significant liquid assets Sizable down payment Existence of equity in a refinance loan Military benefits High residual income Low DTI Tax credits for child care Tax benefits of home ownership

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VA Home Loan Program




Appraisal Requirements for Loans Exceeding \$417,000 (\$625,000 in AK & HI)

Loan Amount	Appraisal Requirement
\$417,001 - \$650,000	VA-required appraisal
\$650,001 - \$1 million	VA-required appraisal and LARA
> \$1 million	VA-required appraisal and field review

- Appraisals are ordered via The Appraisal System (TAS)
- If you're not already registered, please go to the following website: <http://www.homeloans.va.gov>
 - From the US Department of Affairs homepage, click on "The Appraisal System" (TAS) (3rd option from the bottom)
 - Click on "Register" (Left-hand side of the screen)
 - Register with VA
 - Order appraisal by choosing "LAPP". Do not order as an "IND" appraisal.
 - On IRRRL's, no appraisal is required. Order a "Case Number Only" through TAS.
 - Put First Mortgage as the Sponsor

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VA Home Loan Program




Borrower (Veteran) Allowable Fees & Charges

VETERAN FEES & CHARGES

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Rates & Fees

Topic	Description
Interest Rates	Interest rate is fixed and the payment is fully amortized over the entire term of the loan. For ARM loans, interest rate is fixed during the initial period and may change after the fixed period based on index, margin and caps. Available on page 2 of FMC Rate sheet through: <ul style="list-style-type: none"> FMC Retail website or Secondary Market
Points (Origination & Discount)	Points are negotiated between LO and Veteran: <ul style="list-style-type: none"> ➢ 1% Max Origination Point ➢ Reasonable Discount Points (based on loan amount plus funding fee if financed) <ul style="list-style-type: none"> ✓ Points may be financed into the loan on refinances (IRRRLs caps 2% financed)
Closing Costs	Those payable by the veteran are limited by regulation to a specific list of items plus a 1% flat fee charge by the lender (See Fee Section for more information) <ul style="list-style-type: none"> • Any other party, including seller, can pay any costs on behalf of the veteran. • Closing costs cannot be financed in the loan except on certain refinancing loans <ul style="list-style-type: none"> • Can be borrowed but must be included in DTI calculation

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VA Home Loan Program



Veteran Fees & Charges

Fees/Charges Veteran CAN pay	Fees/Charges Veterans CANNOT pay
<ul style="list-style-type: none"> <input type="checkbox"/> 1% Origination Fee PLUS <input type="checkbox"/> Reasonable Discount Points (Max 2% on IRRRL) <input type="checkbox"/> Appraisal, Recording, Credit Report, Flood Certification, and Survey Fee <input type="checkbox"/> Prepaid Items, Taxes, Assessments, and Insurance <input type="checkbox"/> Hazard Insurance Premium, Title Insurance <input type="checkbox"/> Courier Fee on Refinances <input type="checkbox"/> 1% Flat Lender Fee to cover all un-reimbursable itemized fees & charges 	<ul style="list-style-type: none"> ▪ Escrow ▪ Processing, Document, Underwriting ▪ Termite Report and Repairs, ▪ Tax Service Fees ▪ Notary Fees ▪ Appraisals requested by FMC or Seller for reconsideration of value ▪ Appraisals requested by parties other than FMC or the Veteran ▪ Attorneys Fees ▪ Brokerage Fees

VA Home Loan Program



FYI - Veteran Fees & Charges


Itemized Fees & Charges:

Veteran can pay any or all of the itemized fees and charges listed below in amounts that are reasonable and customary. If service is performed by a 3rd party, Veteran cannot pay any amount that exceeds the actual charge by the 3rd party.

- Appraisals, including 2nd appraisals requested by the Veteran for reconsideration of value
- Recording fees and Recording Taxes or other charges incident to recordation
- Credit report or on AUS-decisioned loans, up to \$50 evaluation fee charged in lieu of credit report
- Prepaid items such as taxes, assessments, initial deposit for the tax and insurance account, etc.
- Hazard insurance premium including flood insurance, if required
- Flood Insurance Determination
- Survey
- Pest Inspection fees for refinances only
- Title Insurance & Title examination
- Special mailing fees such as fed-ex, express mail, etc. for refinance loans only

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VA Home Loan Program




VA Processing Steps
 Ordering a COE
 Loan Analysis Worksheet
 VA Forms & Disclosures

OTHER INFORMATION

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VA Home Loan Program




VA Processing Steps

1. Originate Loan Application with all applicable VA forms and disclosures.
2. Order Certificate of Eligibility through TAS.
3. Run CAIVRS
4. Order Verification of VA Benefits (if applicable).
5. Run Automated
6. Order Appraisal through TAS
7. Process file and check for all VA forms.

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VA Home Loan Program



FYI - Ordering an electronic COE

Topic	Description
Who orders the COE?	The Veteran should provide the COE.
How can you get the COE?	<ul style="list-style-type: none"> <input type="checkbox"/> If the Veteran does not have his/her COE, you can order it through ACE (Automated Certificate of Eligibility) which can be found at http://vip.vba.va.gov <input type="checkbox"/> Scroll down the left-hand side of the page until you see 'Application' and 'WebLGY'. Click this and choose 'Eligibility' from the main menu. <input type="checkbox"/> Chose Automated Certificate of Eligibility <input type="checkbox"/> Follow Instructions <input type="checkbox"/> Input Veterans name as it appears on DD214 (discharge papers)
Cases ACE will not process:	<ul style="list-style-type: none"> • Persons whose service was or is in the Reserves/National Guard • Persons who may have had prior VA loan(s) that went into foreclosure • Persons who did not serve the minimum required length of service and were not discharged for an authorized exception • Persons who were discharged under conditions other than honorable • Persons seeking restoration of previously used entitlement • Unmarried surviving spouse

VA Home Loan Program

FYI - Ordering an electronic COE

After logging into the Veterans Information Portal: The website is <http://vip.vba.va.gov>.

1. Choose the WebLGY application.
2. Click on "Eligibility".
3. From the drop down box, select "Automated Certificate of Eligibility"
4. Input all requested information (name, SSN, date of birth, etc.), then "Submit"

At this point, you will either get a message that you can view/print the COE or that the system was unable to process your case online. If the system cannot process the case online, the following steps must be completed:

1. Click on the "Electronic Application" link.
2. Input required information. This information comes directly from the application for the COE, VA Form 26-1880.
3. Supporting documentation such as the DD-214 or HUD-1 Settlement Statement may be scanned and uploaded for submission with the electronic application.
4. Provide your e-mail address so that you can be notified when the application has been processed.

Be sure to keep the reference number generated by the application. Using the reference number, you may track the progress of the electronic application.

If you choose not to use the electronic application process, the mailing address of the eligibility center is provided on the screen.

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VA Home Loan Program

FYI - Ordering a COE cont'd...

- To obtain a COE, when Veteran and ACE cannot provide one:
 - Request electronically through TAS.
 - Complete VA Form 26-1880, Request for a Certificate of Eligibility in TAS.
 - Follow instructions.
- To manually request a Certificate of Eligibility:
 - Complete VA Form 26-1880, request for Certificate of Eligibility.
 - Need completed 1880 and a copy of DD214 (discharge papers). In-Service veterans need a "Statement of Service" rather than DD214. Send to:

Overnight Address: VA Loan Eligibility Center,
251 North Main Street
Winston-Salem, NC 27155

Mailing Address: VA Loan Eligibility Center
PO Box 20729
Winston-Salem, NC 27120

E-Mail Address: NCEligibl@vbava.gov

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VA Home Loan Program

FYI - Loan Analysis Worksheet

- This is where everything comes together. There are six sections as follows:
 - Loan Data
 - Borrower's Personal and Financial Status
 - Estimated Monthly Shelter Expenses
 - Debts and Obligations
 - Monthly Income and Deductions
 - Disposition of Application and Underwriter Certification.

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VA Home Loan Program




FYI - VA Forms & Disclosures

- VA Loan Analysis Sheet VA Form 26-6393.
- Certificate of Eligibility
- Request for Determination of Eligibility VA Form 26-1880.*
- Copy of Certificate of Release or Discharge from Active Duty, DD Form 214.
- Verification of VA Benefits VA Form 26-8937.
- VA Addendum to URLA, pages 1 and 2 signed by borrowers & LO.
- Request for Determination of Reasonable Value VA Form 26-1805.
- Child Care Certification.*
- Reservist Certification. (See attached example)*
- Nearest Living Relative. (Name, Address, Relationship & Phone Number).

* Signed by Borrower(s) at application.

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VA Home Loan Program




FYI - VA Forms & Disclosures cont'd...

- Federal Collection Policy Notice VA Form 26-0503.*
- Counseling Checklist (In-Service personnel only) VA Form 26-0592.*
- Interest Rate and Discount Statement.*
- Amendatory Statement (VA Option Clause) signed by borrowers & sellers.
- Interest Rate Reduction Refinancing Loan Worksheet (IRRL only)
- VA Loan Comparison - Old versus New Loan (IRRL only).*
- Clear CAIVRS on all borrowers.
- Statement from borrower acknowledging Funding Fee amount or stating exempt from funding fee.*
- Evidence of Social Security Number.
- Picture ID

* Signed by Borrower(s) at application.

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VA Home Loan Program



FYI - Reserve-Guard Certification

Dear Veteran:

The Veterans Administration is requiring lenders to determine if a discharged veteran is a member of a Reserve or Guard unit and if they have any obligation time remaining.

- I hereby certify that I have Reserve or Guard obligation time remaining.
- I hereby certify that I do not have Reserve or Guard obligation time remaining.
- I have not been called for Active Duty at time of Loan Application.

Signature

Date

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Important Tips
Resources
Trainings, Tools, Marketing & Support

MISCELLANEOUS



Important Tips to Remember

- ❖ Veterans purchasing loans with a non-veteran is OK but VA will only guaranty that portion of the loan attributed to the veteran and a spouse. Eg., Non-married borrower's or two veterans may be OK; must be submitted directly to VA for approval.
- ❖ If two veterans are purchasing a home together, the use of 2 certificates does not mean you can double the guaranty or loan amount.
- ❖ We cannot issue a loan approval prior to an appraisal being ordered.
- ❖ A veteran can re-use VA benefits multiple times as long as there is sufficient entitlement to cover the new loan and the new loan is for a Primary Residence.
- ❖ A Veteran may still do a IRRRL on a property they no longer occupy.
- ❖ Part time income for borrowers with a full time job is considered overtime income.
- ❖ If the veteran states he/she will be living in military quarters at no cost and his/her spouse will be living in the subject property, you do not have to consider separate household expenses.
- ❖ 401k loans may be disregarded
- ❖ Non taxable income can be grossed up for determining the ratio only. Grossing up 15-20% would be acceptable.



VA Resources

- Department of Veterans Affairs
 - VA Lender Handbook: http://www.warms.vba.va.gov/pam26_7.html
 - VA Circulars: <http://www.homeloans.va.gov/new.htm>
 - VA 2009 Loan Limits: http://www.homeloans.va.gov/docs/2009_county_loan_limits.pdf
 - VA Approved Condominium list: http://condopudbuilder.vba.va.gov/2_2frames.html
 - DU User Guide on VA Loans: <https://www.efanniemae.com/sfi/guides/duguides/pdf/vaduug.pdf>
 - ACE system (obtain Case Numbers): <https://vip.vba.va.gov/portal/VBAH/Home>
 - Paycheck deduction calculator: www.paycheckcity.com/netpaycalc/netpaycalculator.asp

VA Home Loan Program



Marketing & Support

<p><u>WEB SITE</u></p> <ul style="list-style-type: none"> • TRAINING MATERIALS • CALCULATORS • TOOLS • FORMS • MARKETING 	<p><u>TRAININGS</u></p> <ul style="list-style-type: none"> • First Mortgage offers FREE Weekly ONLINE Trainings • Available every Thursday mornings @ 9:30 am PST • Next Week's Topic: Manufactured Homes 	<p><u>SUPPORT</u></p> <p style="text-align: center;">Contact loanhelp@firstmortgage.com</p> <p style="text-align: center;">for help with your:</p> <ul style="list-style-type: none"> • Scenarios • Pricing • Program Guidelines • Loan Submissions • Fees • Training sign ups
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VA Home Loan Program



**On behalf of First Mortgage,
 thank you for joining today's
 training and we hope the
 information provided will help
 you build your business!**

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