

VA QUICK REFERENCE

Did you know?

- ◇ VA funding fee can be added to 100% financing.
- ◇ VA has no monthly mortgage insurance.
- ◇ A COE (Certificate of Eligibility) is required for all purchase and cash-out refinance transactions. A COE is also necessary for a VA IRRRL to verify Exempt or Non-Exempt status.
- ◇ When a Veteran has never used VA entitlement or has had all entitlement restored, VA will allow 100% financing with no loan limit. Subject to investor requirements.
- ◇ When a Veteran has previously used basic entitlement for a primary home purchase, if they decide to purchase a new primary residence, they may have bonus entitlement available. The bonus entitlement calculation is subject to county loan limits, which is \$510,400 in most counties and may be adjusted annually. Use this link to visit the VA website to verify county loan limits, http://benefits.va.gov/HOMELOANS/purchaseco_loan_limits.asp. It's important to remember, bonus entitlement can only be used to purchase a home with a loan amount of \$144,001 or higher.
- ◇ The seller can pay for all closing costs, i.e.—appraisal, recording fees and taxes, title work, origination fee, etc.
- ◇ The seller may also provide 4% seller concessions. Seller concessions are anything of value added to the transaction by the builder or seller for which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide. Examples of seller concessions: Personal property in purchase contract (flat screen TV), seller pays the Veteran's VA funding fee, seller prepays Veteran's property taxes and insurance.
- ◇ The Veteran **may not** pay for the Pest inspection on a purchase.
- ◇ For a VA cash-out refinance, there must currently be a lien on the property.
- ◇ VA guarantees 25% of the mortgage, even when the Veteran's spouse is a co-borrower, and often times there is no down payment required.
- ◇ The Veteran must certify that they intend to occupy the property within 60 days of Closing. If active-duty military and stationed elsewhere (i.e.-overseas or in a different state), the Veteran must occupy the home within 12 months. **Note:** A spouse, caretaker or a Veteran's attorney-in fact of a Veteran's child(ren) may fulfill the occupancy requirement as long as the Veteran will eventually reside in the home.
- ◇ Non-taxable income may be grossed up for purposes of calculating the DTI ratio, however, it cannot be used when figuring residual income.
- ◇ When a Well is present, a bacteria water test is required.

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Residual Income

Residual income is the amount of net income remaining (after deductions of debts, obligations and monthly shelter expenses) to cover family living expenses such as food, health care, clothing, and gasoline. All members of the household are included in determining if the residual income is sufficient. They must be counted even if the veteran's spouse is not joining in title or on the mortgage, or if there are any other individuals depending on the veteran for support, such as children from a spouse's prior marriage who are not the veteran's legal dependents. It is appropriate, however, to reduce the number of a household to be counted for residual income purposes if there is sufficient verified income not otherwise included in the loan analysis, such as child support being regularly received. If a non-borrowing spouse works outside the home, verification that he/she has stable and reliable employment may allow us to omit the spouse from the count when determining the sufficiency of residual income.

The residual income figure may be reduced by 5% when the Veteran has access to military facilities such as:

- Commissary (groceries, sundry items, etc.)
- Exchange (military department and drug store)
- MRW (recreational facilities, youth activities, etc.).

When DTI exceeds 41%, residual income must exceed the residual income guideline by more than 20% unless there are other strong compensating factors to reasonably offset the higher DTI and lack of residual income.

Table of Residual Incomes by Region For Loan Amounts of \$79,999 and Below				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
over 5	Add \$75 for each additional member up to a family of seven			

Table of Residual Incomes by Region For Loan Amounts of \$80,000 and Above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
over 5	Add \$80 for each additional member up to a family of seven			

More information regarding residual income can be found in the VA income documentation in the CDA Hot Topic section of EquityZone, http://media.wix.com/ugd/4bbffb_a57794a80d5249509b1a18db66f6b9c5.pdf.

VA's List of Compensating Factors:

- * Excellent long term credit
- * Conservative use of consumer debt
- * Minimal consumer debt
- * Long term employment
- * Significant assets or down payment
- * High residual income



VA's Derogatory Credit Seasoning Requirements:

Foreclosure: 2 Years

Bankruptcy Chapter 7: 2 Years

Bankruptcy Chapter 13: If the applicant has finished making all payments satisfactorily, the lender may conclude that the applicant has reestablished satisfactory credit. If the applicant has satisfactorily made at least 12 months worth of the payments and the Trustee or the Bankruptcy Judge approves of the new credit, the lender may give favorable consideration.