

# More VA loan approvals and more closings

**VA loans remain a very desirable and profitable product. As with most loan applications, a good submission equals a good approval. Here are some tips specific to VA loans...**

Most commonly missed items on a VA application that hinder Underwriters abilities to formally approve a loan.

1. Dependents and their ages (size of veteran's family determines their residual income guideline) See charts provided for State and Family size & how to calculate residual income
2. Funding Fee – this is determined by the Certificate of Eligibility – This is a required document that **MUST** be in the file upon submission (due to the recent issues with Broker's and their ability to access the VA portal – REMN can try to obtain as long as we have a signed application and a copy of the Veteran's DD214 or paystub if they are active military) Brokers can also fax the 26-8937 form to their Regional Loan Center) Paper forms of the Certificate of Eligibility – are no longer Valid
3. Fully employment information
  - a. Recently discharged Veterans – if they are on the current civilian job less than 12 months from being discharged from the Service they **MUST** provide proof that the job they performed for the US Military is in the same line of work as their Civilian job – the Veteran needs to provide his DD214 (discharge papers) that will state what their duties were in the military and they **MUST** provide a signed LOX from the Veteran explaining how their training in the military prepared them for their civilian job.

**EXAMPLE:**  
**ACCEPTABLE:** Veteran was an MP (military police) and is now a Police officer – this is acceptable  
**NOT ACCEPTABLE:** Veteran worked in the Armory and is now an IT specialist for a private company.
  - b. **ETS** – Estimate Time of Separation for **ACTIVE** Military **ONLY** – this is noted on the top of the Veteran's Paystub and it is also confirmed by the Commanding Officer Letter that is required in lieu of a Verbal VOE – when a Veteran is going to be discharged from the Service within 12 months of the closing date the Veteran must provide one of the following:
    1. Documentation that the Veteran has already re-enlisted or extended his/her period of active duty to a date beyond the 12 month period following the projected closing of the loan – must provide new military orders supporting this
    2. Verification that the Veteran has obtained Valid offer of local Civilian employment – the Veteran must qualify on the income he will be earning on this new job not his military income and must also meet the recently discharged Veteran's rule listed above in #3a.

3. Statement from Veteran that he/she intends to re-enlist or extend his/her active duty and it MUST be confirmed by their Commanding Officer that such reenlistment or extension of active duty will be granted
4. MANUAL UNDERWRITTEN LOANS – REFER ON DU – many brokers do not read their DU findings – it will state specifically what is needed on the loan for an underwriter to grant the approval. Please keep in mind this does not mean the lender will automatically approve a REFER on DU. Majority of the time the reason for the refer is bad credit whether recent or old, low fico scores and High DTI's. For the VA underwriter to approve a Manual underwritten loan we MUST have the following and then the file MUST go to upper management to approve the manual u/w
  - a. 12 months cancelled rent checks on purchase deals – if your Veteran does not have a history of making rental payments – it is going to be very difficult for us to approve a refer DU – 9 times out of 10 without proof we cannot proceed with the loan – this is a MAJOR comp Factor
  - b. Compensating factors – please see chart provided – if your Veteran has min. funds, lack of credit or bad credit, high DTI – how are we approving the loan – the broker must review the list provided and send in a statement as to what the compensating factors are on their loan (remember if you provide nothing you are leaving just the borrower's credit profile for us to Make a decision)

## **COMMON ISSUES OR LACK OF COMMUNICATION THAT MAY DELAY A REVIEW OF YOUR LOAN**

Most common complaints by underwriters is the lack of communication regarding when VA appraisal are available. It is just as a much the broker's responsibility to inform their VA underwriter when a VA appraisal is available for review.

Paid receipt for VA purchases – do to the high volume of VA appraisers complaining that they are not paid in a timely manner on their services, REMN and many other lenders have taken the position that a PAID receipt prior to a CTC being issued –**PLEASE NOTE: BORROWERS CANNOT PAY FOR THE APPRAISAL DIRECTLY TO THE APPRAISER THIS IS NOT PERMITTED BY VA – brokers must pay and then collect from the borrower**

## **VA IRRRL STREAMLINE REFINANCE**

The following is required upon submission of a VA IRRRL streamline refinance:

1. IRRRL case assignment pulled from the VA Portal – it must reflect the Prior Loan information
2. Fully completed 1003, refinance section must be completed, listing employment, NO income, present housing expense, proposed housing expense, liabilities per the credit

report provided (if mortgage only – only list mortgage), REO section fully completed, declarations, details of transaction, government monitoring section – believe it or not most of the time we get a half completed application which again causes us to not be able to see the whole picture.

3. Photo ID
4. Copy of SS card (these are no income loans we have no proof of their SS # without the card)
5. Pay off for mortgage
6. Loan Comparison form – this MUST be fully completed per the Note provided and new terms of new loan and it MUST be signed by borrowers
7. Disclosures – generic, state specific, and VA forms (see list provided for VA disclosures)
8. Calculation of loan amount – the MAX loan amount that can be given is the total Pay off + closing costs/prepaid – keep in mind you MUST subtract the broker credit towards closing costs prior to adding it to the total pay off.

## **REQUIRED VA DISCLOSURES**

### ***PURCHASE DEALS:*** (all are available on REMN's website)

**Certificate of Eligibility – COE**

**Nearest living Relative** (not living with borrower)

**DD214** if discharged from military

**Statement of Service** from Commanding Officer if active duty

**Assumption Notice** form 26-8978

**Debt Questionnaire** form 26-0551

**VA Case assignment**

**ECOA Notice**

**Servicing Transfer Disclosure**

**VA amendatory clause**

**Lender Certified True Copy** –MUST use form on REMN's website

**Child Care Statement** – if there are minor children the borrowers MUST provide a signed/dated statement – do they have child care expenses (day care, after care, babysitter – anything declared on their tax returns – please note if you lie we will know and find it on the tax transcripts) this debt must be included in the liability section of the 1003.

## ***REFINANCE TRANSACTIONS*** (NOT IRRRL)

**SAME AS ABOVE** minus NO VA amendatory clause

## ***STREAMLINE VA IRRRL REFINANCES***

**SAME AS ABOVE** minus NO VA amendatory clause

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**Loan comparison form** – fully completed per Note provided and new terms

# Residual Income Regions

North East	Midwest	South	West
Connecticut	Illinois	Alabama	Alaska
Maine	Indiana	Arkansas	Arizona
Massachusetts	Iowa	Delaware	California
New Hampshire	Kansas	District of Columbia	Colorado
New Jersey	Michigan	Florida	Hawaii
New York	Minnesota	Georgia	Idaho
Pennsylvania	Missouri	Kentucky	Montana
Rhode Island	Nebraska	Louisiana	Nevada
Vermont	North Dakota	Maryland	New Mexico
	Ohio	Mississippi	Oregon
	South Dakota	North Carolina	Utah
	Wisconsin	Oklahoma	Washington
		Puerto Rico	Wyoming
		South Carolina	
		Tennessee	
		Texas	
		Virginia	
		West Virginia	

# Residual Income Chart (as of 4/2011)

**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 7.			

**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 7.			

# Residual Income

VA has two residual income charts categorized by the loan amount and family size along with the region the property is located in. Meeting residual income does not constitute an automatic approval. It is used in conjunction with credit requirements. A loan can be declined for inadequate residual income.

- Even with Approve/Eligible or Accept Findings, loan must meet residual income guidelines
- Residual income is net income remaining after deducting:
  - Federal Tax, State Tax, Social Security and Medicare
  - Revolving and installment debt
  - Child support or alimony obligations
  - Child care or job expenses
  - Home maintenance at .14¢ per square foot
- Cannot use “grossed up” income in residual income
- Based on loan amount, family size and region
  - Dependents on 1003 become important to determine family size
- Must meet residual income or loan cannot be approved
- If DTI >41% borrower must have additional 20% residual income available

# Residual Income (Cont)

REMNs may omit any individuals from “family size” who are fully supported from a source of verified income which, for whatever reason, is not included in the effective income in the loan analysis.

- A spouse not obligated on the note who has stable and reliable income sufficient to support his or her living expenses, or
- A child for whom sufficient foster care payments or child support is received regularly, and
- Reduce the residual income figure (from the following tables) by a minimum of 5% if the Veteran is active duty.

# Using “Grossed Up” Income to qualify

Follow these steps to have the Loan Analysis Worksheet/Encompass & AUS match correctly:

1. Subtract grossed up income from regular income
2. Add the difference to the Social Security line (or any tax lines) on the Loan Analysis Worksheet
  - The grossed up amount will not be calculated in the residual income figure, but will be factored into the back ratio.
    - *Note to Underwriters: always include comments regarding calculation amounts and line item breakdown.*

# Certificate of Eligibility (update 9/14/11)

Funding Fee Exemption Status and Verification of Income on Certificate of Eligibility. Effective September 11, 2011 the COE will include a new field entitled "Funding Fee". The exemption status, either "EXEMPT", "NON EXEMPT" or CONTACT RLC" will appear to the right of the new field title.

- EXEMPT status indicates the Veteran is exempt from paying the funding fee.
- NON-EXEMPT status indicates the Veteran is not exempt from paying the funding fee.
- CONTACT RLC indicates a system-generated determination is not available.

**VA** Department of Veterans Affairs **CERTIFICATE OF ELIGIBILITY**  
**REFERENCE NUMBER 3248465** **FOR LOAN GUARANTY BENEFITS**

**NAME OF VETERAN** GERALD CALVIN GRAHAM **SERVICE NUMBER** 54990231  
**SOCIAL SECURITY NUMBER** XXX-XX-5419

**ENTITLEMENT CODE** 05 **BRANCH OF SERVICE** Army **FUNDING FEE** NON EXEMPT

Prior Loans charged to entitlement:					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status

**THIS VETERAN'S BASIC ENTITLEMENT IS \$36,000\***  
**TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$0\***

The veteran is eligible for the benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement for veterans who have not previously used home loan benefits is \$36,000. Additional entitlement is available for most loans in excess of \$44,000. In such cases, the entitlement amount is 25% of the VA loan limit for the county where the property is located. VA county loan limits are adjusted annually, and the current limits are available at [www.benefits.va.gov/home loans](http://www.benefits.va.gov/home loans).

Issued By: ERNEST PHILLIPS Date: September 14, 2011

#### CONDITIONS

Subsequent Use Funding Fee- Entitlement code of '5' indicates previously used entitlement has been restored. The veteran must pay a subsequent use funding fee on any future loan unless veteran is exempt.

Funding Fee - Veteran is not exempt from funding fee.

# Funding Fee Schedule - Purchase

Type of Veteran	Down Payment	Percentage for First Time Use	Percentage for Subsequent Use
		10/06/11 to Present	10/06/11 to Present
Regular Military	None	2.15%	3.30%
	5% or more (up to 10%)	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves / National Guard	None	2.40%	3.30%
	5% or more (up to 10%)	1.75%	1.75%
	10% or more	1.50%	1.50%

# Funding Fee Schedule - Refinance

Type of Veteran	Percentage for First Time Use	Percentage for Subsequent Use
	10/06/11 to Present	10/06/11 to Present
Regular Military	2.15%	3.30%
Reserves / National Guard	2.40%	3.30%

  

Type of Loan	Percentage for Either Type of Veteran Whether First Time or Subsequent Use
Interest Rate Reduction Refinance Loans (IRRRL)	.50%
Loan Assumptions	.50%

# ETS < 12 Months

If the date is within 12 months of the anticipated date that the loan will close, the loan package must also include one of the following four items, or combinations of items, to be acceptable:

1. Documentation that the veteran has already re-enlisted or extended his/her period of active duty to a date beyond the 12-month period following the projected closing of the loan, or
2. Verification of a valid offer of local civilian employment following the release from active duty. All data pertinent to sound underwriting procedures (date employment will begin, earnings, and so on) must be included, or
3. Statement from the veteran that he/she intends to reenlist or extend his/her period of active duty to a date beyond the 12 month period, plus
4. Statement from the veteran's commanding officer confirming that:
  - Veteran is eligible to re-enlist or extend his/her active duty as indicated, and
  - Commanding officer has no reason to believe that such reenlistment or extension of active duty will not be granted

# 95% Cash Out Program

- REMN will offer a 95% LTV cash out product
  - Must meet all of the following to proceed @ 95% LTV
- Maximum loan amount = \$417,000
- Minimum credit score = 680
- 30 Yr fixed only
- Maximum DTI = 41%
  - With Approve/Eligible up to 50% DTI available
- Not eligible for properties located in Texas
- Increased residual income
- VA allows unlimited CLTV; Secondary must be notified for special pricing if CLTV exceeds 100%

<b>FAMILY SIZE</b>	<b>AMOUNT</b>
Veteran only	\$1000
Veteran plus 1	\$1500
Veteran plus 2	\$2000
Veteran plus 3	\$2250
Veteran plus 4	\$2500
Veteran plus 5	\$3000
Over 6	Add \$200 for each add'l family member

# Residual Income Chart - 95% Cash-Out

Chart for 95% Cash-Out Refinance Product ONLY

<b>Family Size</b>	<b>Amount</b>
Veteran Only	\$1,000
Veteran + 1	\$1,500
Veteran + 2	\$2,000
Veteran + 3	\$2,250
Veteran + 4	\$2,500
Veteran + 5	\$3,000
Over 6	Add \$200 for each additional family member

# Jumbo VA Loans

- Loan amounts >\$417,000 with a maximum loan amount equal or below the VA county limit and VA's single family county limit for subject area
- Single family loan limits for all property types (1-4 units)
- 660 minimum credit score
- 6 months reserves
- Conventional appraisal (including IRRRL's)

# Compensating Factors

Used for Refer or Manual Underwrites;

- Cannot be used to offset derogatory credit
- Excellent Credit History
- Conservative use of consumer credit
- Minimal consumer debt
- Long-term employment
- Significant liquid assets
- Sizable down payment
- Existence of equity in refinancing loans
- Little or no increase in shelter expense
- 20% greater residual income
- Tax credits for child care
- Tax Benefits for home ownership
- Homebuyer education class

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