VA
Underwriting Guidelines
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**02.27.2017**
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MiMutual Underwriting

Philosophy
MiMutual underwrites and purchases all types of residential mortgages. These programs and products can be found in our Product Matrices (located on our website, at www.michiganmutual.com), and on our daily rate sheet. The Product Matrices will reference specific product features and requirements (such as maximum Loan-to-Value ratios and minimum credit score requirements, if any). This guide is intended to address unique underwriting situations.

MiMutual uses Automated Underwriting Systems (AUS). Generally, underwriters validate to the conditions set forth by the AUS. However, there are circumstances where underwriters will need to add conditions to the loan. These guidelines are meant to serve as a guide for obtaining adequate documentation to enable us to satisfy those conditions.

MiMutual underwrites a borrower’s creditworthiness based solely on information that we believe is indicative of the applicant’s willingness and ability to pay the debt they would be incurring. We prudently underwrite to agency standards and guidelines. Due to a multitude of factors involved in a loan transaction, no set of guidelines can contemplate every potential situation. Therefore, each case is weighed individually on its own merits. MiMutual’s underwriting philosophy is to weigh all risk factors inherent in the loan file, giving consideration to the individual transaction, borrower profile, the level of documentation provided, and the property used to collateralize the debt.

Our commitment to fairness and equal opportunity is clear and unequivocal. The application of fair and consistent underwriting practices is mandated in the underwriting guidelines outlined in this guide. All loans considered for denial will be subject to a second level review prior to a final decision.

As our guidelines and processes are impacted by external market conditions, it will be necessary for us to reevaluate the guidelines in this manual from time to time. Occasionally, revisions will be made. As applicable, corporate written notifications and updates will be provided to you and incorporated into these guidelines.

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Program Description

The Veterans Administration (VA) was established in 1930 when Congress authorized the President to “consolidate and coordinate government activities affecting war Veterans”. The Servicemen’s Readjustment Act of 1944 (known as “the G.I. Bill”) authorized the VA to administer a variety of benefit programs, including a home loan guaranty program, to facilitate the adjustment of returning Veterans to civilian life. The Department of Veterans Affairs (VA) was established as a Cabinet-level position on March 15, 1989. The VA loan guaranty program encourages lenders to offer long-term, low-down payment mortgages by protecting lenders against loss. Like many other benefits, VA loans have requirements the recruit must fulfill before they can be considered eligible to apply.

The underwriting information contained in this section is intended for use in conjunction with VA Guidelines. Unless otherwise stated, all VA loans must conform to applicable VA one-to-four family housing requirements as well as federal, state and local law compliance. All loans must be guaranteed by VA and eligible for inclusion in pools of mortgage-backed securities fully guaranteed by the Government National Mortgage Association (Ginnie Mae). MiMutual reserves the right to deny any loan which does not meet these guidelines/requirements. To the extent that any conflicts exist between the provisions set forth in the VA guidelines and MiMutual’s guidelines, then MiMutual guidelines should be followed.

In addition to program eligibility and prudent underwriting, MiMutual requires all loans to meet the Ability to Repay rules established by the Consumer Financial Protection Bureau (CFPB). The ATR Rule requires that a reasonable, good faith determination is made before or when the loan is consummated, and that the consumer has a reasonable ability to repay the loan. The eight underwriting factors established by the CFPB must be considered, and the loan must be documented accordingly.

1. The borrower’s current or reasonably expected income or assets;
2. The borrower’s current employment status;
3. The borrower’s monthly payment on the covered transaction;
4. The borrower’s monthly payment on any simultaneous loan;
5. The borrower’s monthly payment for mortgage-related obligations;
6. The borrower’s current debt obligations, alimony, and child support;
7. The borrower’s monthly debt-to-income ratio or residual income; and
8. The borrower’s credit history

Additionally, MiMutual will only underwrite/close loans that are Qualified Mortgages (QMs) which meet the criteria for Safe Harbor. In the interim final rule, VA defines a Safe Harbor Qualified Mortgage as one that meets Ability to Repay requirements, regardless of whether the loan might be considered a high cost mortgage transaction. All of MiMutual’s guidance contained in this document will ensure that all loans are underwritten as Safe Harbor Qualified Mortgages. Qualified Mortgages with Rebuttable Presumption are not permitted, with the exception of IRRRLs that do not meet the 36 month recoupment requirement for Safe Harbor.

All loans must be prudently underwritten by MiMutual and be of sound investment quality. Loans having serious credit and/or property deficiencies may be denied at the option of MiMutual.

Note: Guidance contained in this document assumes the loan received an Approve/Eligible recommendation. Manual underwrites require compliance with agency guidelines.
Requirements and Restrictions

Loan Requirements
- 15, 20, 25 and 30 year fixed rate terms available.
- 5/1 ARM available.
- Minimum 640 credit score regardless of AUS decision.
- Maximum mortgage amount of $417,000 (unless borrower qualifies for the High Balance program), which includes the VA funding fee.
  - For loans closed on/after January 1, 2017, the maximum mortgage amount is $424,100
- DO/DU findings reflecting Approve/Eligible and Refer/Eligible (manual underwrites) are acceptable.

Loan Restrictions (Ineligible)
- VA loans approved based on non-traditional credit history (borrower must have traditional credit with valid credit scores).
- Non Occupying Co-Borrowers
- Veteran with Non-Veteran / Non-Spouse, including “Common Law Marriages”. (See Veteran/Borrower rules)
- Escrow waivers
- Loans requiring VA prior approval (i.e. Joint Loans)
- Refinance loans that have been restructured due to a financial hardship / in forbearance / short payoff loans
- Any loans with an existing PACE/HERO loan that is not being paid off. These liens may not remain outstanding.

Qualified Mortgages with Rebuttable Presumption
This policy is intended for loans that are considered Qualified Mortgages (QM) with rebuttable presumption, and therefore do not meet QM safe harbor requirements.

VA IRRRLs that do not meet the 36 month cost recoupment requirement for Safe Harbor are permitted, providing the following criteria are met:
- Loan passes QM Points and Fees test
- An escrow account for payment of property taxes and insurance premiums is required
- Loans that are required to credit/income qualify (with complete income documentation) per Agency direction are subject to the Residual Income Calculation requirements as set forth by VA
Maximum LTV / CLTV

Purchase of Existing Properties
Assuming sufficient entitlement, existing and occupied dwellings over one year old may use 100% of the lesser of:

- The VA Notice of Value
- The contract/sales price

100% maximum CLTV allowed (calculated on base mortgage amount, exclusive of Funding Fee, subject to Vet’s available entitlement). The total loan amount, including the funding fee, may never exceed the maximum VA County Loan Limit.

New Construction by Property Type
Properties that are proposed or under construction are not eligible. If the borrower holds title to the lot at the time of end loan financing, loan should be structured as a refinance. If the sales contract is for both the lot and the improvements, loan should be structured as a purchase.

Assuming sufficient entitlement:

**Home Built FOR Veteran on Lot Acquired by Veteran**
90% LTV/CLTV of the lesser of:

- The VA Notice of Reasonable Value, or
- The construction contract price, plus any unpaid balance on the note for the land purchase.

**Home Built BY Veteran on Lot Acquired by Veteran**
90% LTV/CLTV of the lesser of:

- The VA of Reasonable Value, or
- The actual cost of construction (exclusive of Veterans’ own labor), plus any unpaid balance on the note for land purchase.

**Property (House and Lot) Purchased From Builder as Package**
100% LTV/CLTV of the lesser of:

- The VA Notice of Value, or
- The contract/sales price
**Property Construction was Financed by a Construction Loan**

100% LTV/CLTV of the lesser of:
- The VA Notice of Value appraised value, or
- The outstanding balance on the construction loan, plus
  - Any unpaid balance on the note for land purchase (if acquired separately), and
  - Closing costs, including discount points paid by the Veteran.

**NOTE:** No cash back to borrower allowed. The lot equity may NOT be financed in the loan amount. See the table on the following page for an example of the calculation used to determine the maximum loan amount.

### Factor | Amount
--- | ---
Balance of Construction Loan | \$70,000 (a)
Lot Value | \$25,000
Current balance owed on lot | \$10,000 (b)
Closing costs & discount | \$3,000 (c)
Maximum VA loan amount | \$83,000 (a + b + c)

**Cash-Out Refinance**

Called “cash out” by VA, even if the borrower receives no cash at closing. Includes rate/term refinance. Assuming sufficient entitlement:
- Owner-occupied, existing dwellings over one year old. 100% maximum LTV/CLTV (calculated on base mortgage amount exclusive of Funding Fee, subject to Vet’s available entitlement). **The total loan amount, including the funding fee, may never exceed the maximum VA County Loan Limit.**
  - For LTVs > 90%, the following requirements must be met:
    - 680 middle score
    - Max $50,000 cash in hand
- No Seasoning Requirement.
- The Veteran must be in title to the property. Properties free and clear are not eligible.

**Paying off an Installment Land Contract**

The maximum total mortgage amount on a Land Contract refinance is limited to the lesser of:
- 90% LTV based on the VA Notice of Value, or
- \$144,000 (assuming full \$36,000 entitlement is available). **Bonus entitlement is not permitted to be used.**

Cash-out is not permitted. No Seasoning Requirement.

**IRRRLs**

LTV is not determined, as an appraisal is not obtained. **VA Form 26-8923** must be used to determine maximum loan amount. See **IRRRL** chapter for further details.

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Collateral Requirements

To be eligible for VA Guaranty, a property is to be free of health and safety hazards and major structural problems.

Eligible Collateral

- Single Family Residence
- 2-4 Unit Dwellings (Veteran must occupy one of the units)
- Planned Unit Dwellings (PUDs). *Do not require VA approval
- Townhome/Rowhome
- Condominiums (Must be approved by VA – no exceptions)
- Log; Dome; Berm Homes; Pier Foundations; Auxiliary/Accessory Dwelling Units; Homes with extreme functional obsolescence (i.e. one bedroom) – Must be common and typical for the area and have like comparables
- Modular Homes – Must be “off frame” or “off chassis”

Ineligible Collateral

- New Construction located within a Flood Zone
- Properties that are proposed or under construction
- Flood Hazard Area where the community does not participate with FEMA
- Mobile/Manufactured Homes
- Agricultural; Commercial/Industrial use
- Income Producing Properties/Mixed Use Properties
- Boarding Houses, Hotel, Motels and Tourist Homes
- Fraternity and Sorority Houses
- Leasehold Properties (title must be held in Fee Simple interest only)
- VA Indian Leasehold Properties
- Properties currently listed for sale (refinances)
- Non-Owner Occupied Properties
- 2nd Homes
- Time-Share Units/Cooperatives
- Construction Financing
- Properties vested in Life Estates (refinance transactions)
- Multiple dwellings on a single parcel of land.
- Properties that do not meet VA’s Minimum Property Requirements (MPRs) – see below.
- Properties rated in “fair” or “poor” condition for any loan program
- Properties located in Coastal Barrier Resource Systems (CBRS)
- Properties located on a repaired sinkhole or with sinkhole activity
**Appraisals**

**Ordering an Appraisal**
VA appraisals are ordered through VA’s WebLGY, in which appraisal assignments are automatically made on a rotational basis by VA. You must be approved as an Agent of MiMutual prior to ordering your appraisal. If you are not already an approved Agent with MiMutual, click here for approval instructions.

**VA Case Number Assignments**
Every VA loan in process must have a VA case number assigned to the subject property prior to requesting an appraisal. WebLGY allows lenders to request and receive case numbers and appraisal assignments online within seconds. A user ID and password are required to access the system. WebLGY may be accessed at the following link: https://vip.vba.va.gov/portal/VBAH/Home.

**VA Appraisal Assignment**
Please follow the process below when ordering VA appraisals:

- Upon login to the Veteran’s Information Portal (VIP) https://vip.vba.va.gov/portal/VBAH/Home and choose WebLGY (TAS has migrated to WebLGY). Then select “Request an Appraisal” (this function assigns a loan number and appraiser to a single property case).
- Under Origination Appraisals, select “LAPP” (Lender Appraisal Processing Loans).
- Enter MiMutual’s sponsor ID # 749814-00-00, and enter vaappraisals@michiganmutual.com under 1C (you may enter more than one email address separated by semicolons). Complete the form as required.

The following additional requirements apply:

- A copy of the sales contract must be provided to the fee appraiser immediately upon assignment or within 1 business day of the appraisal request. If the agreement of sale is amended during the process, the requester must provide the updated contract to the appraiser.
- VA REO’s: Properties purchased as VA Real Estate Owned (REO’s) are not eligible for LAPP Appraisals. The VA will issue the Notice of Value (NOV) if the Liquidation Appraisal issued by the VA is less than 6 months old. Contact the Regional Loan Center where the property is located for the liquidation appraisal. To request a NOV from the VA submit a completed paper copy of VA Form 26-1805 (Request for Determination of Value) to the VA Regional Loan Center. VA will then transfer the appraisal from the current servicer, if applicable to MiMutual and issue a new case number. Note that the MiMutual VA underwriter still needs to perform complete underwriting on these transactions.
- MiMutual will provide the NOV (Notice of Value) and a copy of the appraisal to the veteran at the address provided to us above. We will also include a copy to the broker contact provided.

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Appraisal Requirements
Appraisals are not intended to be property inspections; however, appraisers are required by VA to determine the overall condition of the subject property and recommend any readily observable repairs necessary to meet the Minimum Property Requirements as provided by VA. An appraisal is required to help ensure that any property that will become the security for a VA-guaranteed loan:

- Has a loan-to-value (LTV) within program parameters, and
- Is in a condition acceptable to VA

VA requires appraisers to include Fannie Mae’s Market Conditions Addendum, Form 1004MC, in all VA appraisal reports.

Uniform Appraisal Dataset (UAD)
All appraisal reports must be completed in compliance with the Uniform Appraisal Dataset (UAD). This rule applies to all VA mortgage loans.

The UAD defines all fields required for an appraisal submission for specific appraisal forms and standardizes definitions and responses for a key subset of fields. UAD was formulated to improve the quality and consistency of appraisal data. The UAD does not change the look of the existing appraisal forms, but some fields on the forms are being extended to include additional information.

The appraisal forms that must be UAD-Compliant effective January 1st are:

- Uniform Residential Appraisal Report (FNMA Form 1004)
- Individual Condominium Unit Appraisal Report (FNMA Form 1073)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (FNMA Form 1075)
- Exterior-Only Inspection Residential Appraisal Report (FNMA Form 2055)

**NOTE:** MiMutual is unable to accept properties with a Condition Rating of C5 or C6, nor a Quality Rating of Q6.

Compliance Inspection Report (VA Form 26-1839)
This may be used by the appraiser to report the completion of repairs and/or the satisfaction of requirements and conditions noted in the original appraisal report for existing/new/proposed construction. Additionally, effective March 25, 2014, Freddie Mac Form 442, Fannie Mae Form 1004D, Part B: Certification of Completion, or the appraiser’s letterhead may be used to certify satisfactory completion of the required repairs, or to report their repair inspection findings, if repairs were not acceptably completed. Photos of completed repairs are expected to be included with the appraiser’s inspection or certification. Fannie Mae Form 1004D, Part A is not acceptable for VA use.

Appraisal Rebuttal Process
Any requests for changes to repairs and/or value to the NOV must be made in writing with supporting documentation to the MiMutual LAPP Underwriter (SAR). The SAR will work with the appraiser and/or VA if necessary and issue a revised NOV if applicable.
Revisions Due to Sales Contract Amendments
If the agreement of sale / sales contract is amended during the appraisal process (prior to the Effective Date of the appraisal), MiMutual must provide the updated contract to the appraiser to ensure the appraiser has the opportunity to consider any changes and their potential impact on value.

If the agreement of sale / sales contract is amended subsequent to the Effective Date of the appraisal, but prior to loan closing, MiMutual must use due diligence in determining whether the amendment(s) could reasonably be thought to affect the estimated value of the property being used as security for the loan. If so, MiMutual must forward the amended agreement of sale to the appraiser for consideration. The appraiser will be responsible for determination of the impact of the amended sales agreement and compliance with all provisions of the USPAP in developing and reporting credible assignment results.

Appraisal Portability/VA Case Transfers
Cases may be reassigned between lenders in WebLGY. In transactions where a borrower has switched brokers/lenders, at the borrower’s request, the case will be reassigned to the second broker/lender, including the appraisal report. VA does not require that the client name (lender name) or the borrower name on the appraisal be changed when it is transferred (case number transfer executes appraisal transfer) to another lender. In accordance with the Uniform Standard of Professional Appraisal Practice (USPAP), the broker/lender is not permitted to request that the appraiser change the name of the client within the appraisal report. MiMutual will accept the appraisal report in the name of the original VA Lender. The NOV must be reissued by MiMutual. Second appraisals are not allowed by VA and may not be charged to the Veteran.

Appraisal Validity Period
The Notice of Value (NOV) for properties appraised as existing, new, proposed or under construction is valid for six months. NOVs cannot be re-used after the mortgage for which the appraisal was ordered has closed. A new NOV/appraisal is required for each purchase/refinance transaction requiring an appraisal. Example: an appraisal used for the purchase of a property cannot be used again for a subsequent refinance, even if the six months has not elapsed.

Appraisal Delivery Requirements
Under the Dodd Frank Act, Regulation B has been revised for all applications taken on/after January 18, 2014. The borrower is required to receive a copy of all valuation documents developed in connection with an application for a loan that is secured by a first lien on a dwelling. This includes:

- Appraisals
- Desk reviews
- AVMs / BPOs

MiMutual will deliver the valuation documents directly to the borrower. This will occur promptly upon completion of the documents or no later than three days prior to closing, whichever is earlier, unless the borrower chooses to waive their right to receive the valuation documents prior to closing on the Appraisal Delivery Timing Waiver disclosure. In this case, the valuation documents are not required to be delivered 3 days prior to closing, but must always be delivered at the time of consummation (at the latest).
Modular Home Eligibility
Modular homes are eligible, provided they are covered by a HUD structural engineering bulletin, or constructed to the standards of the State in which the factory is located and receive that State’s approval certification. They are delivered to the building site in sections, but are not attached to a chassis supported by wheels.

An appraisal request involving modular construction must include either
- evidence of coverage by a HUD structural engineering bulletin, or
- a certification of approval by the State in which the unit is fabricated. This requirement will be made a condition of the VA value notice if not submitted with the appraisal request.

Minimum Property Requirements
VA Minimum Property Requirements (MPRs) provide general acceptability criteria for properties that will become the security for VA-guaranteed loans. MPRs provide a basis for determining that the property is safe, structurally sound, sanitary, and meets the standards considered acceptable in a permanent home in its locality. All properties, including foreclosed properties, must be in a condition that meets MPRs or have a reasonable likelihood the property can be repaired to meet the MPRs prior to loan closing. In those cases where repairs are required, the VA appraiser must list on the appraisal report any repairs necessary to meet MPRs and provide an estimate of the fair market value for the property, as if repairs are completed. The property seller is expected to pay for these required repairs since they are included in the estimate of value. It is not allowable to escrow funds from the Veteran purchaser for use in making the required repairs. Properties not likely to meet VA’s MPRs (list not all inclusive):
- An area subject to regular flooding, whatever the reason, whether or not it is located in an SFHA (Special Flood Hazard Area) designated by FEMA
- A Coastal Barrier Resources System Area. The CBRS is a system of protected coastal areas that includes oceanfront land, the Great Lakes, and Other Protected Areas (OPAs).
- An Airport Noise Zone 3, if proposed or under construction.
- A transmission line easement involving high-pressure gas or liquid petroleum or high-voltage electricity, if any part of the residential structure is located within the easement
- An area susceptible to geological or soil instability (such as earthquakes, landslides, or other history of unstable soils), if proposed/under/new construction, and the builder cannot provide evidence that either the site is not affected or the problem has been adequately addressed in the engineering design.
- Any property ownership not fee simple.
- Properties without a permanent heat source.
- Properties without domestic hot water, a continuing supply of safe and potable water for drinking and other household uses.
- Properties without sanitary facilities and a safe method of sewage disposal.

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**FEMA Declared Disaster Area Policy**

The FEMA Declared Disaster Area Policy applies to all areas eligible for individual assistance due to a federal government disaster declaration.

If the subject property has had an appraisal completed prior to a declared disaster, prior to the end date of a declared disaster, or after a declared disaster with no comments addressing the post-disaster condition of the property from the appraiser, a 1004D with photos will be required to recertify the value/condition of the subject property.

**Repair Escrows**

MiMutual does not allow repair escrows on VA guaranteed mortgages.

**Required Repairs**

The cost of required repairs can only be paid by the veteran when negotiated into the sales price. Any lender-required repairs cannot be paid for by the veteran (any repairs required outside of the NOV-related repairs). Any repairs being paid for by the veteran must be reflected in the Purchase Agreement. If the contract reflects “as is” and the NOV subsequently reveals required repairs, an addendum to the contract will be required identifying the repairs, and who is responsible to pay for them.

**Acreage**

No maximum number of acres; however, property cannot have agricultural use and comparable sales must have similar acreage.

**Estimated Remaining Economic Life**

The appraiser is required to indicate the estimated remaining economic life of the subject property as a single number or as a range. The subject property must possess sufficient remaining physical life to warrant a long-term mortgage. VA requires a minimum of 30 years remaining economic life.

**Commercial/Industrial Zoning**

While there are no zoning classification restrictions, the property must have residential use and all comparable sales must have similar influence. The Zoning Compliance must be Legal or Legal Non-Conforming. The highest and best use of the subject property as improved (or as proposed) must be the present use. Illegal properties are not eligible for VA financing.

**Properties Listed for Sale within the Last 6 Months (Refinances)**

Cash out transactions require the MLS to be cancelled at least six months prior to disbursement or the loan is subject to a maximum 70% LTV. In all circumstances, listing agreements must be cancelled prior to loan disbursement. The listing agreement, evidence of cancellation, and signed/dated explanation from the borrower with the reason why the property was for sale is required. These properties pose an increased risk to MiMutual, therefore may be subject to additional documentation and/or limitations.
Attic
It is the homeowner/seller’s responsibility to provide clear access to this area. VA appraisers are required to observe the attic area. The attic must be properly ventilated. Dampness and moisture must be address and if excessive and is required to be corrected.

Crawl Space
There must be adequate access to the crawl space. The appraiser is required to make, at a minimum, entry of the head and shoulders. Crawl space must be clear of debris and properly vented. Dampness and moisture must be address and if excessive and is required to be corrected.

Roof

Inspection and Life Expectancy
The covering must prevent moisture from entering and provide reasonable future utility, durability, and economy of maintenance. The appraiser must visually examine the roof to determine whether deficiencies present a health and safety hazard or do not allow for reasonable future utility. The roof should have a remaining physical life of at least two years.

Snow Covered Roof
In areas of the country where the snow is likely to lay for more than a few days, the appraiser is required to make an extra thorough inspection of the attic and all visible roofing areas for signs of failing roofing materials.
- If there is evidence of damage and/or leaks, the appraiser is to condition for further inspection.
- If there is no evidence of damage and/or water leaks, the borrower must be informed that the roof was snow covered at the time of the appraisal and that it is acceptable to the purchaser/borrower without any warranty or guarantees from VA and/or MiMutual.

In areas of the country where the snow is not likely to lay for more than a few days, a clear roof inspection by the appraiser is to be obtained prior to closing.

Multiple Parcels of Land
Properties with multiple parcels are only acceptable if one of the following is criteria is met:
- All parcels were part of the original acquisition of the property as verified by the warranty deed.
- Any additional parcels included on title/appraisal, are designated as non-buildable and cannot be legally split from the subject property. Appraiser must comment on this.
**Property Seasoning**
For refinance transactions, there is not a seasoning requirement.

New Construction/less than 1 year old versus existing construction will be determined by the date on the Certificate of Occupancy.

Purchase transactions **do not** require the seller to be in title for a minimum of 90 days to be eligible for VA financing. However, a 12 month chain of title is required on all transactions. Properties that may have multiple title transfers within the last year may require additional documentation or could be deemed ineligible for sale to MiMutual.

**Termite Inspections**
Wood destroying insects and other organisms can cause serious problems in the wooden structural components of a house, and may go undetected for a long period of time. VA requires a termite inspection when there is evidence of a condition conducive to pest infestation (as noted by the appraiser), and per local requirements by state. Follow the link for [VA’s local requirements by state](#) in all RLCs. By clicking on the state of the subject property, the site will provide a list of counties in that state that require termite inspections. If a particular state says “No Local Requirements”, a termite inspection is required for the entire state.

**Termite Inspections on New Construction Properties**
VA requires a termite inspection on new construction properties. The builder must complete the form HUD-NPCA-99-A, Subterranean Termite Protection Builder’s Guarantee, providing a 1-year guarantee and indicating that one of the following accepted treatment methods was used:

- Bait system, or
- Wood (pressure preservative treated wood as outlined in ML 01-04). Under "Type of Treatment", check the box titled "wood" and add statement "Complies with Mortgagee Letter 2001-04 for use of preservative treated wood", or
- Soil (Chemical Soil treatment) - HUD-NPCA-99-B is to be used with form HUD-NPCA-99-A only if the property is treated with a soil termiticide. The licensed pest control company is responsible for completing form HUD-NPCA-99-B, as appropriate, and providing it to the builder who is responsible for distribution. Please see ML99-03, or
- Building using steel, masonry or concrete building components (with only minor interior wood trim and roof sheathing.). Under "Type of Treatment" on form the builder is to add in the space to the right of the box titled "Soil" the statement "Masonry (steel or concrete) construction, no treatment needed. Complies with ML 01-04."

The use of post-construction soil treatment where a chemical termiticide is applied only around the perimeter of the foundation is NOT acceptable.

**NOTE:** All chemical soil treatments, bait systems, and chemical wood treatments must be approved by the Environmental Protection Agency (EPA) and applied in accordance with the EPA label instructions.
Water and Sewage Systems Requirements

Each living unit must contain the following:

- Domestic hot water
- A continuing and sufficient supply of potable water under adequate pressure and of appropriate quality for all household uses
- Sanitary facilities and a safe method of sewage disposal

For properties served by individual water and/or sewer systems (well and/or septic), connection to public water and/or public sewer will only be mandatory when such connection is required by the local building, planning, or health authorities.

For properties on individual water and/or sewer (septic) systems where well water or septic tests or certifications were required, the validity of those tests or certifications is 90 days unless the local health authority indicates otherwise.

All NOVs issued on properties served by individual water and/or sewer systems will require NOV Item #6 to be checked for connection to public water or public sewer only if the local building, planning, or health authority requires such connection.

The property is ineligible for a VA-guaranteed loan if served by any of the following:

- Spring
- Lake
- River
- Cistern/Cesspool
- Dug Well
- Well located within the foundation walls

Individual Water Supply System (Well)

A well test (or inspection) is required under the following circumstances:

- If mandated by state or local jurisdiction;
- If there is knowledge that the well water may be contaminated;
- If the appraiser suspects a problem and requires a water test;
- When there is evidence of:
  - Corrosion of pipes (plumbing)
  - Areas of intensive agriculture within ¼ mile
  - Coal mining or gas drilling operations within ¼ mile
  - Dump, junkyard, landfill, factory, gas station, or dry cleaning operation within ¼ mile
  - Unusually objectionable taste, smell or appearance of well water
**Shared Well**

A shared well is acceptable provided a “shared well agreement” is executed by and obligates all of the parties involved (and their successors in title). A **shared well can only service up to four properties.** The legal instrument that is signed by all of the property owners must include language that supports:

- Reasonable and fair provisions for maintenance and repair of the system and the sharing of those costs, and
- Is binding on the signatory parties and their successors in title, and
- Is recorded in local deed records or in recordable form.

The Shared Well agreement must be fully executed (and either recorded or in recordable form), and provided in the loan submission package at time of underwriting. In addition, the following requirements must be met:

- The quality of the water is found acceptable (documentation from the health department or local authority)
- The well meets local code
- The water supply has sufficient volume or capacity to service all of the properties
- There must be a permanent easement which allows access for maintenance and repair

**Community Well**

If the property is serviced by a community well system, VA requires documentation such as the articles of incorporation or bylaws and/or Community Well agreement that will support the following:

- Service will be continuous and cannot be stopped and/or interrupted.
- The rate of the service, and that it is reasonable
- Identify the property/our borrowers have ownership rights
- The maintenance and expense of the well are properly managed
- That the well has been tested within the last year and meets local or state authority water quality requirements (the most recent test must be provided)
- Evidence of approval of the facilities by the appropriate State or local public utility and/or health authority

The Community Well agreement must be fully executed (and either recorded or in recordable form) and provided in the loan submission package at time of underwriting.
**Water Testing**

Water testing is required in all of the above cases. Certification must be provided by one of the following:
- Health authority approval from the local municipality;
- A licensed water lab

The water must meet the requirements of the Environmental Protection Agency EPA and the maximum contaminant levels established by the EPA will apply. The water must be checked for the following contaminants:
- Lead (First Draw)
- Nitrate (as Nitrogen)
- Nitrite (as Nitrogen)
- Total Nitrate/Nitrite
- Total Coliforms
- Fecal Coliforms or E Coli

The Minimum Water Quality Testing Parameters for HUD reflecting the Maximum Contaminant Levels allowed and the required treatments is posted on the MiMutual website. Click [here](#) for Water Testing Requirements Chart.

**Water Purification Systems**

VA loans on properties that utilize an individual water purification system are now eligible for purchase unless the following apply:
- Public water is not available, and
- Individual water supplies in the area are served by an aquifer confirmed by the health department to be contaminated

**NOTE:** An individual water purification system is a system that is needed to make the water safe and meet code when the individual water supply is unsafe for human consumption unless the system is operating properly. This is not a system that is installed to improve the taste or softness of the water. Properties with individual water purification systems can be identified by reviewing the appraisal.

**Individual Sewage System (Septic)**

A well test (or inspection) is required under the following circumstances:
- If mandated by state of local jurisdiction;
- If the appraiser suspects a problem with the system and requires a test;
- Problems are common in the area; or
- If there is knowledge there is a problem with the system
- May be required in cases where the property has been vacant
- If inspection is required certification must be provided by one of the following:
- Health authority approval from the local municipality;
- A licensed sanitarian

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Distance Between the Well and the Septic System

VA has no specific minimum property setback distance between the well and the dwelling or property line. Additionally, VA has not established a minimum acceptable "separation distance" between an individual well and a septic tank/leach field. However, there should be adequate separation distance between these facilities to preclude contamination of the well water by the septic tank or its leach field. Determinations such as minimum distance from property lines or "acceptable" separation distance between well and septic tank (or septic field) are typically made by the local/county building, planning, and/or environmental health authority.

VA's general individual (well) water requirements are found in VA Lender's Handbook, Chapter 12; Minimum Property Requirements.

Access to Property

Each property must be provided with a safe and adequate pedestrian or vehicular access from a public or private street. All streets must have an all-weather surface. Private streets must be:

- Protected by a permanent easement, and
- Maintained by a homeowners association or joint maintenance agreement.

Access to Living Unit

Access to the living unit must be provided without passing through any other living unit. Each living unit must be able to be used and maintained individually without trespass upon adjoining properties. Any easements required must run with the land.

Access to Rear Yard

Access to the rear yard must be provided without passing through any other living unit. For a row-type dwelling, the access may be by means of:

- Alley
- Easement
- Passage through the subject dwelling

Party Walls

A building constructed to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the roof ridge. The wall may separate row type townhouses or semi-detached units.

Gas and Petroleum Pipelines

No part of any residential structure may be located within a high pressure gas or liquid petroleum pipeline easement. Any detached improvements even partially in the pipeline easement will not receive value for VA purposes.
High Voltage Electric Transmission Lines
No part of any residential structure may be located within a high voltage electric transmission line easement. Any detached improvements, even partially in a transmission line easement, will not receive value for VA purposes. In addition, the residential structure may not be located within the fall zone.

Lead-Based Paint
Lead-based paint constitutes an immediate hazard that must be corrected, unless testing shows that lead is not present in the paint at a level above that permitted by law.

VA Appraisers must:
- Assume that a defective paint condition (involving cracking, scaling, chipping, peeling, or loose paint) on any interior or exterior surface of properties built prior to 1978 involves lead-based paint.
- Clearly identify the location of such conditions, and
- Recommend correction.

Any defective paint condition identified must receive adequate treatment to prevent the ingestion of contaminated paint. **Lead-Based Paint must be abated by a contractor/firm that is an EPA trained/certified professional.** The surface requiring treatment must be thoroughly washed, scraped, wire-brushed or otherwise cleaned to remove all cracking, scaling, peeling, chipping and loose paint and then repainted with two coats of a suitable nonleaded paint.

Planned Unit Developments (PUDs)
PUDs do not require VA Approval. The estate must not be less than fee simple, title must not be subject to unreasonable restrictions on use and occupancy, and any mandatory homeowner association dues must be subordinate to the VA-guaranteed mortgage. In addition, the AUS findings must reflect the property as a PUD and the PUD rider is required to be executed at closing.
**New Construction**

To be eligible for appraisal as “new construction”, the property must be fully completed or completed except for customer preference items (such as, interior wall finishes, floor covering, appliances, fixtures and equipment, etc.). Neither construction exhibits nor VA or HUD inspections during construction are required for properties appraised as “new construction”; however, the builder must be on the VA approved builder list. **Properties that are proposed or under construction are ineligible for financing with MiMutual.**

**Construction Warranty**

Properties appraised as “new construction” must be covered by either

- a one-year VA builder’s warranty, or
- a ten-year insurance-backed protection plan.

If the builder will provide a **one-year VA builder’s warranty**, then both of the following will be required:

- The veteran purchaser’s written acknowledgment that, “I am aware that VA did not inspect this property during construction and that VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported in writing during the one-year VA builder’s warranty period.”
- A one-year VA builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction.

If the builder will provide a **ten-year insurance-backed protection plan**, then both of the following will be required:

- The veteran purchaser’s written acknowledgment that, “I am aware that VA did not inspect this property during construction and that it does not qualify for VA assistance with construction complaints.”
- Evidence of enrollment of the property in a ten-year insured plan acceptable to HUD
Condominiums

All condos must be approved by VA, and meet VA MPRs. A printout from VA’s CPB (Condo/PUD/Builder) is required to evidence the condominium project is approved by VA. Site condominiums are included as VA does not recognize these as single family dwellings. The approved list can be accessed on the internet at the following web address: https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch

If the word “condo” appears in the legal description, the property will be deemed a condo.

Condominium Property Eligibility

Eligible
- Existing Construction (all units, common elements, and facilities within the project must be 100% complete, as evidenced by issuance of the final Certificate of Occupancy and the Homeowners Association has been turned over).
- Proposed and/or New Construction are not eligible.

Ineligible
- Condominium Hotel or “Condotels” and Co-Ops
- Manufactured Home Condominiums and Houseboat projects
- Multi-dwelling unit condominiums (i.e. more than one dwelling per condominium unit)
- Leasehold projects
- Any/all projects not deemed to be used primarily as residential
- Projects consisting of only one unit

Insurance Requirements
For condominiums, in addition to $1 million Liability Insurance / Fidelity Bond Coverage, MiMutual requires the borrower to purchase an HO-6 Insurance Policy.

Hazard/Liability Insurance (Project Approval)
The homeowners’ association is required to:
- Maintain adequate “master” or “blanket” property insurance in an amount equal to 100% of current replacement cost of the condominium exclusive of land, foundation, excavation and other items normally excluded from coverage;
- Maintain comprehensive general liability insurance covering all of the common elements, commercial space owned and leased by the owners’ association, and public ways of the condominium.

If the HOA does not maintain 100% coverage, the unit owner may not obtain “gap” coverage to meet this requirement.
**HO-6 (Loan Level)**
The unit owner is required to obtain a “walls-in” coverage policy (HO-6 or its equivalent) if the master or blanket policy does not include interior unit coverage. The “walls-in” coverage must be sufficient, as determined by the insurer, to repair the interior of the condominium unit, including additions, improvements and betterments to restore the unit to its original condition prior to the claim event.

**Fidelity Bond / Fidelity Insurance (Project Approval)**
Fidelity Bond Insurance may also be known as “Employee Dishonesty” or “Crime Policy”. For all new and established projects with more than 20 units, the **homeowners association** is required to obtain and maintain this insurance.
- The homeowners association must maintain this insurance for all officers, directors, and employees of the association and all other persons handling or responsible for funds administered by the association;
- The coverage must be no less than a sum equal to three months aggregate assessments on all units plus reserve funds unless State law mandates a maximum dollar amount of required coverage.

If the homeowners association engages the services of a management company, the homeowners association must require the **management company** to maintain Fidelity Bond/Fidelity Insurance coverage for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the owners association. The required coverage must meet the following requirements:
- The homeowner’s association’s Fidelity Bond/Fidelity Insurance policy specifically names the management company as an agent or insured;
- OR
- The homeowner’s association’s Fidelity Bond/Fidelity Insurance policy includes a “Covered Employee” endorsement that states the person employed by the management company performing the services directed and controlled by the homeowner’s association is covered under the homeowner’s association’s policy.

In no event may the aggregate amount of such bonds be less than a sum equal to 3 months aggregate assessments on all units plus reserve funds unless State law requires a maximum amount of required coverage.

**Flood (Project and Loan Level)**
The homeowners’ association is required to obtain and maintain:
- Coverage equal to the replacement cost of the project less land costs or up to the National Flood Insurance Program (NFIP) standard of $250,000 per unit, whichever is less;
- The maximum limit of building insurance coverage of a residential condominium building in a regular program community is $250,000 times the number of units in the building (not to exceed the building’s replacement cost);
- The homeowners association, not the borrower or the individual unit owner, is responsible for obtaining and maintaining adequate flood insurance under the NFIP on buildings located in a Special Flood Hazard Area (SFHA); and

The flood insurance coverage must protect the interest of borrowers who hold title to an individual unit as well as the common areas of the condominium project.
Site Condominiums

A detached condo is not necessarily a site condo. Site condominiums are defined as:

- Single family totally detached dwellings (no shared garages or any other attached buildings such as archways or breezeways), and
- Are encumbered by a declaration of condominium covenants or condominium form of ownership, and
- The condominium unit consists of the entire structure as well as the site and air space, and are not considered to be common areas or limited common areas, and
- Insurance and maintenance costs are totally the responsibility of the unit owner, and
- Any common assessments collected will be for amenities outside of the footprint of the individual site.

Condominium project approval is required for Site Condominiums.

NOTE: These cases must also be run through DU as Condominiums

Condominium Conversions

Condo conversions are eligible if the following conditions are met:

- The conversion occurred more than one year before the borrower(s) application for a mortgage;
- Is an established project.
- The Homeowner’s Association has been turned over to the unit owners for no less than 12 months.
- Either the borrower or co-borrower were tenants of that rental project prior to conversion; and
- The project meets all other VA requirements for approval and is VA Approved.

NOTE: New Condominium Projects in the State of Florida are not eligible.
Credit

Documentation Requirements
All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Verification of Institutional Mortgage History
A current payoff is required (on all refinance transactions), and one of the following:
- Verification of Mortgage dated within thirty days of closing.
- If mortgage history is current on credit bureau and last reported date is within sixty days, and payoff shows current, no Verification of Mortgage is required. This applies to subject property and any other properties owned. (If mortgage is included as part of a bankruptcy or is otherwise not reported accurately on credit, a payment history/ledger will be required).
- 12 months canceled checks (front and back) or 12 consecutive month’s bank statements showing payments.

Verification of Rental Payment History
If Verification of Rental Payment History is required, one of the following options may be used:
- VOR from an uninterested party.
- 12 months canceled checks (front and back) or 12 consecutive month’s bank statements showing payments.

Land Contract/Contract for Deed
- Copy of Land Contract (recorded or unrecorded)
- Last 12 (or from inception of the contract) consecutive months canceled checks (front and back), or bank statements showing payments.

Lease with Option to Purchase
- A copy of Lease w/Option Agreement, and
- Last 12 consecutive months canceled checks (front and back), or bank statements showing payments

NOTE: All land contract transactions are considered as refinances.

Credit Reports
All credit reports since the date of application must be provided to the MiMutual underwriter for review. If a credit report (or multiple reports) exist that were pulled before the credit report being used to decision the file, the underwriter will condition for a copy of each report and analyze the data as a part of the borrower’s credit review.
Housing Payment History

**Purchases**
1x30 on housing payment history (all residences collectively) is permitted in the last 12 months.

**Cash Out Refinances and/or Refer Recommendations**
A 0x30 housing payment history on all residences in the last 12 months is required (if applicable).

**NOTE:** Timeshares are considered as consumer debt, and not real estate. Therefore, any adverse credit on a timeshare should not be considered when analyzing mortgage delinquency/foreclosure.

Bankruptcy

**Chapter 7 Bankruptcy**
MiMutual will deem the age of the bankruptcy by the discharge/dismissal date for chapter 7. Chapter 7 BK’s discharged less than 2 years will not be eligible. (Exceptions may be made and files will be reviewed on a case-by-case basis with documentable extenuating circumstances).

**Chapter 13 Bankruptcy**
- **Currently in Chapter 13 Bankruptcy** (BK not discharged) – This does not disqualify a borrower, provided that one year of the payout period under the bankruptcy has elapsed and the borrower's payment performance has been satisfactory (i.e., all required payments made on time). If a mortgage is included in the BK, the most recent 12 month mortgage history reflecting all mortgage payments have been paid within the month due and the mortgage pay off statement reflecting zero (0) delinquent interest is required. In addition, the borrower must receive permission from the BK court to enter into the mortgage transaction.
- **Discharged Chapter 13** – If BK has been discharged within the last 12 months from date of loan application, MiMutual will require the complete BK documents (with all schedules and pages) and the complete payment history reflecting all required payments made according to the plan (must have minimum 12 months paid through the plan).
Foreclosure/Deed-in-Lieu
A borrower is not eligible for a new VA-guaranteed mortgage when, during the previous two years, he/she had real property that was foreclosed or has given a deed-in-lieu of foreclosure. The two years is calculated from the date of the foreclosure (Sheriff’s Deed) or deed-in-lieu to the date of the loan application. Exceptions to the two year period (but not less than one year) may be granted if the foreclosure was the result of documented extenuating circumstances that were beyond the control of the borrower (such as death of a primary wage earner) and the borrower has re-established good credit since the foreclosure. The inability to sell a property and/or divorce is not considered extenuating circumstances. However, the situation in which a borrower’s loan was current at the time of a divorce in which the ex-spouse received the marital property (per the divorce decree the ex-spouse is held liable for the mortgage) and the property was later foreclosed will not be considered in borrower’s credit analysis.

Foreclosure Discharged in a Chapter 7 Bankruptcy
The seasoning period is calculated from the date the borrower was no longer legally responsible for the debt. If the mortgage was discharged through a Chapter 7 bankruptcy, then a subsequent foreclosure on that property doesn’t “double hit” the veteran with a new 24-month waiting period.

However, if the foreclosure occurred on a federal loan, an additional waiting period may apply due to the default or delinquency on federal debt. If the government files a foreclosure claim, then the borrower may need to wait three years from that date, regardless of the bankruptcy discharge (clear CAIVRS).

The foreclosure can also affect the borrower’s loan if the home was backed with a VA mortgage. The VA loan entitlement utilized on that mortgage would effectively be unavailable, and the borrower would have to rely on their second-tier entitlement to purchase again without a down payment.

Pre-Foreclosure Sales / Short Sales
Borrowers with previous short sales/short payoffs are treated the same as borrowers with a previous foreclosure, regardless if the borrower was current on their mortgage prior to the short sale.

Hardship Modification

Purchases
A previous hardship modification does not render a borrower ineligible for financing. However, short sale seasoning requirements must be met.

Refinances
Mortgages that have been modified due to a hardship are not eligible to be refinanced.

Consumer Credit Counseling
Regardless of AUS Approve/Eligible or Refer/Eligible (manual underwrites), MiMutual will require a minimum 12 month payment history from CCC showing 0x30. In addition, a letter of authorization from the CCC Agency is required, allowing borrower to obtain new mortgage financing. CCC plan payment must be included in DTI calculation.

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Credit Score
MiMutual requires a minimum credit score of 640. MiMutual will take the middle score from the three reporting credit repositories. If only 2 of 3 scores report, the lower of the 2 scores will be used. Borrowers with only 1 credit score may be considered with traditional credit depth. MiMutual does not underwrite loans for borrowers with only non-traditional credit.

NOTE: At times, non-traditional credit may be requested / utilized to supplement and/or strengthen a borrower’s credit profile.

Valid Credit Score
Validating credit scores is subjective, and it typically requires 2-4 tradelines to validate a credit score depending on depth of credit, the type of tradeline, and length of time established. If you are in doubt, email our scenario help desk (wholesalescenarios@mimutual.com), submit your scenario through our website, or contact your Account Executive. Submission of a full credit package including all income and asset information for underwriter review may be required.

Credit Inquiries within 90 Days of Report Date
All credit inquiries dated within the last 90 days of report date must be addressed by the borrower(s). An itemized list detailing each inquiry must be provided (date, creditor, and outcome), along with a satisfactory explanation for each inquiry. A blanket statement addressing all inquiries at once is unacceptable. If any new debt was incurred, provide evidence of terms for inclusion in debt ratio.

Accounts with No Monthly Payment Reported
For revolving and installment debt, MiMutual will use 5% of the monthly balance if the credit report does not reflect a monthly payment or satisfactory documentation of the monthly payment cannot be provided (for revolving accounts, the greater of 5% of the balance or $10 will be used).

Open 30-Day Charge Accounts
MiMutual will require a monthly payment of 5% of the balance or $10 (whichever is greater) as a monthly payment for qualification purposes.

Recurring Obligations
Debts lasting more than ten months must be included. The following must be included when computing the debt-to-income ratios for recurring obligations:
- Monthly housing expense
- Installment debt lasting ten or more payments (see installment debt above)
- Child support or separate maintenance payments (such as alimony) lasting ten or more payments (see installment debt above)

Revolving and/or Open-Ended accounts, regardless of the balance, are counted as a liability for qualifying purposes even if the account appears likely to be paid off within ten (10) months or less.
Contingent Liability
Contingent liability exists when an individual will be held responsible for payment of a debt should another joint obligated party default on the payment. Unless the borrower can provide conclusive evidence from the debt holder that there is no possibility the debt holder will pursue debt collection against him or her should the other party default, the full payment will be included in the DTI (e.g. in a divorce situation we require the divorce decree with the property settlement indicating which spouse obtains the marital property and that the other spouse is released from liability). If the account is paid as agreed and the last 12 months canceled checks are provided (showing the co-obligor is making the payments), this monthly payment will not be included in the borrower's debt ratio. Accounts listed on the credit report that are not paid as agreed, and/or accounts in borrower’s name only (individual accts) will be included in the debt ratio. In cases of Divorce when the Judgment for Divorce indicates the ex-spouse has received the marital property and is liable for the debt, TOTAL Scorecard / DU Approve/Eligible transactions may only require the Judgment for Divorce / Divorce Decree in which case cancelled checks would not be required.

Joint/Co-signed Debts by Applicants
If the account is paid as agreed and the last 12 months canceled checks are provided (showing the co-obligor is making the payments), this monthly payment will not be included in the borrower’s debt ratio. Accounts listed on the credit report that are not paid as agreed, and/or accounts in borrower’s name only (individual accts) will be included in the debt ratio.

Installment Debt
Installment accounts (excluding leases) with less than 10 payments remaining on the balance may be excluded from the debt-to-income ratio (DTI). If the amount of the debt affects the borrower’s ability to make the mortgage payment during the months immediately after loan closing, MiMutual will include the debt in the DTI (particularly if the borrower will have limited or no cash assets after loan closing).

NOTE: Lease accounts are always included in debt ratio, regardless of number of months remaining on the lease agreement.

Projected Obligations
If a debt payment (excluding a student loan) is scheduled to begin within twelve months of the mortgage loan closing, the anticipated monthly obligation will be included in the DTI unless the borrower provides written evidence that the debt will be deferred for 12 months from loan closing. MiMutual will use 5% of the monthly balance if the credit report does not reflect a monthly payment or satisfactory documentation of the monthly payment cannot be provided. Similarly, balloon notes, “12 months same as cash”, etc. will be considered in the DTI.
student loans

if the veteran or other borrower provides written evidence that the student loan debt will be deferred at least 12 months beyond the date of closing, a monthly payment does not need to be considered.

if a student loan is in repayment or scheduled to begin within 12 months from the date of the VA loan closing, the anticipated monthly obligation must be considered in the loan analysis, and the payment from the applicable option below must be utilized. calculate each loan at a rate of 5.0% of the outstanding balance divided by 12 months (example: $25,000 student loan balance x 5.0% = $1,250 divided by 12 months = $104.17/month is the monthly payment for debt ratio purposes).

- the payment(s) reported on the credit report for each student loan must be used if the reported payment is greater than the threshold payment calculation above; or
- if the payment reported on the credit report is less than the threshold payment calculation above, the loan file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan. the statement(s) must be dated within 60 days of VA loan closing and may be an electronic copy from the student loan servicer’s website or a printed statement provided by the student loan servicer. at the underwriter’s discretion, the credit report may need to be supplemented with this information.

obligations not considered debt

Obligations not to be considered debt (or subtracted from the borrower’s gross income) for qualifying purposes include federal, state and local income taxes; FICA or other retirement contributions such as 401K contributions (including 401K Loans); union dues child care; open accounts with zero balances and voluntary deductions to one’s bank/investment account.

payment plans

MiMutual will accept payment plans (in lieu of payoff) for collections/charge-offs, tax liens, etc., if the payment arrangement has been established for at least 12 months. however, if borrower has the ability to pay the account off with loan proceeds, account must be paid in full. borrower must provide monthly repayment plan, acceptable 12 month payment history reflecting payments made according to plan with no history of late payments (no 30+ day late payments), and borrower must qualify with monthly payment.

subordinating a lien

If a lien is being subordinated, MiMutual will require a fully executed subordination agreement prior to closing. Tax liens may be subordinated, provided there is an acceptable payment plan in place for a minimum of 12 months. CLTV cannot exceed 90% on refinances, and 100% on purchases.

CAIVRS

Perform and document a CAIVRS screening on each Veteran and any co-obligor. An applicant cannot be considered a satisfactory credit risk if he or she is presently delinquent or in default on any debt to the federal government until the delinquent account has been brought current or satisfactory arrangements have been made between the Veteran and the Federal agency (see Payment Plans).
MiMutual Infile Credit Reports
In certain circumstances, MiMutual will pull a single-bureau, in-file credit report 10 days prior to closing. Any changes in payments or balances will require the liabilities to be updated, and the AUS must be rerun with the most current information available – loan must still receive an acceptable decision. If any derogatory credit is found since the date of the tri-merge credit used to underwrite the loan, a new tri-merge credit report must be pulled and attached to the AUS findings so the delinquency can be factored into DU’s decision. If credit report used to underwrite the loan exceeds 60 days at closing, an in-file credit report within the 10 days prior to closing is required

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Employment/Income

Generally, borrowers must be employed for 2 years in the same line of work and have at least 12 month on the current job. In most circumstances, employment less than 12 months is not considered stable and reliable; however, it may be considered stable and reliable if the individual facts warrant such a conclusion. Income less than 12 months will be considered on a case-by-case basis; however, no less than 6 months will be accepted. MiMutual will use a college degree and/or transcripts to document previous history, if dated within 6 months of current employment start date. Large fluctuations in income are ALWAYS subject to underwriter discretion.

MiMutual will do a phone verification of employment on all loans within 10 days of closing.

MiMutual will require IRS transcripts for the most recent two tax periods (W2s and 1040s), to validate all income used for qualifying. All 4506T results must be obtained by MiMutual.

Documentation Requirements
All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Hourly or Salaried Employees (Non-Military Employment)
Verify a minimum of 2 years employment.

If the applicant has been employed by the present employer less than 2 years:
• verify prior employment plus present employment covering a total of 2 years,
• provide an explanation of why 2 years employment could not be verified,
• compare any different types of employment verifications obtained (such as, Verification of Employment (VOE), pay stubs, and tax returns for consistency), and
• clarify any substantial differences in the data that would have a bearing on the qualification of the applicant.

Standard Documentation
Acceptable verification consists of:
• Request for Verification of Employment, or any format which furnishes the same information as VA Form 26-8497, plus
• Most recent paystub

If the employer does not indicate the probability of continued employment on the VOE, a request for additional information is not required.

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Alternative Documentation
Alternative documentation may be submitted in place of a VOE if MiMutual concludes that the applicant’s income is stable, reliable, and anticipated to continue during the foreseeable future. 2 years employment is not required to reach this conclusion.

Alternative documentation consists of:
• Paystubs covering at least the most recent 30 day period
• W2 forms for the previous 2 years
• Telephone verification of the applicant’s current employment
  o If the employer is not willing to give telephone verification of the applicant’s employment or the paystubs or W2 forms are in any way questionable as to authenticity, use standard documentation. Alternative documentation cannot be used

Overtime and Bonus Income
Overtime and bonus income can be used to qualify if the borrower has received this income for the past two years and the income stream has been consistent and is likely to continue. If the income has not been stable and/or is not likely to continue, it may not be used to qualify. Periods of overtime and bonus income received for less than two years may be acceptable and will be considered on a case-by-case basis.

Second Jobs / Part-Time Income
Second jobs / part-time Income can be used to qualify if the borrower has received this income for the past two years and the income stream has been consistent and is likely to continue. If the income has not been stable and/or is not likely to continue, it may not be used to qualify. Periods of second jobs / part-time income received for less than two years may be acceptable and will be considered on a case-by-case basis.

Seasonal Employment
Seasonal income may be used to qualify the borrower, permitting:
• Total year-to-date earnings can be documented
• It can be verified that the borrower has worked in the same job (or the same line of seasonal work) for the past 2 years
• The borrower’s employer can confirm that there is a reasonable expectation that the borrower will be rehired for the next season

Unemployment Benefits Income
Unemployment compensation cannot be used to qualify the borrower unless it is clearly associated with seasonal employment that is reported on the borrower’s signed federal income tax returns, and is expected to recur.
**Union Employment**

Union employees who receive their compensation from multiple employers based on assignments through their local labor union are acceptable, and not deemed unstable. Income may be used to qualify the borrower when the following is obtained:

- Documentation evidencing the borrower’s total earnings year-to-date
- Signed and dated individual income tax returns for the previous 2 years, and
- Evidence of the union’s history with the applicant

**Commission Income**

Commission income (including borrowers paid piece work / piece job, truckers paid per mile, etc) can be used to qualify if the borrower has received this income for the past two years, the income stream has been consistent, and is likely to continue. If the income has not been stable and/or is not likely to continue, it may not be used to qualify. Periods of commission income received for less than two years may be acceptable and will be considered on a case-by-case basis (commission income earned for less than one year will not be considered effective income). In addition to normal employment, copies of tax returns for the last two years are required and any Unreimbursed Employee Business Expenses must be subtracted from the gross income prior to calculating the borrower’s housing and debt-to-income ratios.

**1099 Employees**

Provide one of the following:

- Last two years tax returns and one computer-generated pay stub no more than 30 days old at time of closing, showing year-to-date earnings.
- Last two years tax returns and a signed Verification of Employment no more than 90 days old at time of closing, showing year-to-date earnings.

**Unreimbursed Employee Business Expenses**

For a borrower who qualified using commission income of less than 25% of the total annual employment income:

- IRS Form 2106 expenses are not required to be deducted from income even if they are reported on IRS Form 2106 and are not required to be added as a monthly liability.
- Tax returns are not required to document the source of income and deductions.

For a borrower earning commission income that is 25% or more of annual employment income, IRS Form 2106 expenses must be deducted from gross commission income regardless of the length of time the borrower has filed the expenses with the IRS.

- One exception to the policy clarification concerns an automobile lease or loan payment. Automobile lease or loan payments are not subtracted from the borrower’s income; they are considered part of the borrower’s recurring monthly debt obligations in Section D on the VA Form 26-6393.
- Tax returns are required to document the source of income and deductions.

A 2 year average must be taken, unless the expenses are increasing from year to year. In this case, a 12 month average of the most recent (higher) year must be used.

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Automobile Allowances
Only the amount by which the borrower’s automobile allowance exceeds the automobile expense may be used as income (the difference between the automobile allowance and the 2106 expense may be added to income if positive or must be treated as a liability if negative). In addition, the borrower’s auto loan payment must be counted as a debt, and may not be offset by the automobile allowance.

Self-Employed
Any individual who has a 25% or greater ownership interest in a business is considered to be self-employed. Even if the income from the self-employed borrower’s business is not used for qualification purposes, the business must still be analyzed to ensure that it will not negatively affect the borrower’s personal income or assets. When the borrower is self-employed, the borrower’s last two years complete tax returns must be obtained and analyzed on a cash flow analysis form to determine the impact of any business losses on the income used to qualify, regardless of whether or not the self-employment income is being used to qualify. Additionally, a signed year-to-date profit and loss is required. A business credit report may be required in some instances.

**NOTE:** A Profit & Loss Statement (P&L) will be used to support a two year income average; however will not be used for qualifying purposes.

Child Support and Maintenance Income
Alimony, child support, or maintenance income may be considered effective, if:
- payments are likely to be received consistently for the first three years of the mortgage
- the borrower provides the required documentation, which includes a copy of the:
  - Final divorce decree
  - Legal separation agreement,
  - Court order, or
  - Voluntary payment agreement, and
- the borrower can provide acceptable evidence that payments have been received during the last 3 months, such as
  - Cancelled checks
  - Deposit slips/bank statements
  - Tax returns, or
  - Court records.

**Note:** Child support may be grossed-up under the same provisions as nontaxable income sources.
Social Security Income
Social Security income must be verified by the Social Security Administration (SSA) or from Federal tax returns. If any benefits expire within the first full three years of the loan, the income may only be considered as a compensating factor.

- MiMutual will obtain a complete copy of the current awards letter.
- Not all Social Security income is for retirement-aged recipients; therefore, documented continuation is required.

NOTE: Some portion of Social Security income may be grossed-up if deemed nontaxable by the IRS.

Social Security (Long-Term) Disability Income
A borrower receiving Social Security income as a result of a long-term disability does not have a defined expiration date and must be expected to continue. The required documentation to verify the amount of the monthly benefit is:

- a copy of the Social Security Disability Income (SSDI) award letter; or
- current bank statement reflecting direct deposit of benefit and previous year’s 1099; or
- current bank statement reflecting direct deposit of benefit and previous year’s tax return reflecting receipt of benefit

Social Security Income Received for a Child
SSI received for a child requires documentation the income will continue for at least the first full three years of the loan (from loan closing date) or the income may only be considered as a compensating factor. Documentation required:

- The child’s Award Letter; and
- Birth certificate reflecting the child is ≤14 years old (if the child is 15 or older there is not a 3 year continuance of income)

Social Security Disability Received for an Adult Child (18 or Older) or Parent
SSI received for an adult child or parent requires documentation the income will continue for at least the first full three years of the loan (from loan closing date) or the income may only be considered as a compensating factor. Documentation required:

- The most current Award Letter reflecting the borrower as payee/guardian for the adult child/parent; and
- Birth Certificate or other legal document indicating the dependent is 18 or older; and
- Last 2 years 1099s showing borrower as payee to support history of receipt; and
- Legal Guardianship documents reflecting the borrower as a legal guardian for the adult/child/parent are required.

Retirement Income
Retirement income must be verified from the former employer, or from Federal tax returns. If any retirement income, such as employer pensions or 401(k) distributions, will cease within the first full three years of the mortgage loan, the income may only be considered as a compensating factor.
Military Income
MiMutual will consider the applicant’s base pay as stable and reliable except if the applicant is within 12 months of release from active duty.

After analysis of the additional documentation submitted, if the applicant will not be reenlisting, MiMutual will determine whether:

- The applicant’s anticipated source of income is stable and reliable, and/or
- Unusually strong underwriting factors compensate for any unknowns regarding future sources of income.

Military Personnel within 12 Months of Active Duty Release
A Veteran borrower or reservist who is within 12 months of release from active duty as of the anticipated date of loan closing requires certain specific information.

An enlisted Veteran borrower’s Leave and Earnings Statement (LES), an officer’s orders, or a member of the National Guard or Reservist’s current contract will show the date of expiration of the Veteran’s current contract for active service. If that date is within 12 months of the anticipated date that the loan will close, the loan package submitted for approval must include one (1) of the following:

- Documentation that the Veteran or reservist has in fact 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
- Verification of a valid offer of local civilian employment following release from active duty, including the date employment will begin (earnings must be included), or
- A statement from the service member that he/she intends to re-enlist or extend his/her period of active duty to a date beyond the 12 month period following the projected loan closing date, PLUS
  - A statement from the service member’s commanding officer confirming:
    - That the service member is eligible to re-enlist or extend his/her active duty as indicated, and
    - That the commanding officer has no reason to believe that such reenlistment or extension of active duty will not be granted.

Documentation of other unusually strong positive underwriting factors may also be used as compensating factors, such as:

- A down payment of at least 10%,
- Significant cash reserves, and/or
- Clear evidence of strong ties to the community, coupled with a nonmilitary spouse’s income so high that only minimal income from the active duty service member is needed to qualify.
Military Allowances

Active Duty Veterans are eligible for allowances in addition to their base pay. The following allowances are reflected on a Vet’s Leave and Earnings Statement when applicable:

Military Quarters Allowance
Military quarters allowance is indicated on the LES and may be included in effective income if properly verified. In most areas, there will be an additional variable housing allowance, which can also be included. The military quarters and variable housing allowances are not taxable income.

Subsistence and Clothing Allowances
Any subsistence (rations) and clothing allowances are indicated on the LES and may be included in effective income if properly verified. These allowances are not taxable income.

NOTE: The clothing allowance generally appears on the LES as an annual amount. Convert it to a monthly amount for the loan analysis.

Other Military Allowances
To consider a military allowance in the underwriting analysis, obtain verification of the type and amount of the military allowance, and how long the applicant has received it. Examples include; flight or hazard pay, overseas pay, and combat pay.

NOTE: All of these are subject to periodic review and/or testing of the recipient to determine continued eligibility. These types of allowances are considered taxable income by the IRS, unlike housing, clothing, and subsistence allowances.

Military allowances may be included in effective income only if such income can be expected to continue because of the nature of the recipient’s assigned duties.

Leave and Earnings Statement (LES)
The Leave and Earnings Statement (LES) is a comprehensive statement which shows the service member’s leave and earnings for the month. The LES is divided into three major areas: Entitlement, Deductions, and Allotments. Each area categorizes what the service member has earned for the month.

The service member has the option of receiving his or her pay one or two times a month. If they select to receive their pay twice a month they will receive an "Advice of Payment" (AOP). The AOP provides the service member a brief view of their semi-monthly pay on the 15th of each month. The service member will then receive an “End of the Month” (EOM) LES statement capturing all the monthly entitlements, deductions, allotments and any appropriate details.

The LES also records and maintains the service member’s leave information, tax withholding information, and Thrift Saving Plan (TSP) Information. Active duty service members are able to go on myPay and request copies of their LES for the past 12 months. Reserve and National Guard can request copies for the past 3 months. However, service members may go into their servicing finance office and request a copy of their LESs.
**Foster Care Income**
Verify the foster care income with letters of verification from the organizations providing the income, and document that the borrower has a two-year history of providing foster care services. Foster care income must be likely to continue for the next three years. **Generally, foster care income is to be used only to balance the expenses of caring for the foster child(ren) against any increased residual income requirements.**

**Non-Taxable Income**
Tax-free income may be grossed up for purposes of calculating the DTI ratio only – not residual income. This is a tool that may be used to lower the debt ratio for Veterans who clearly qualify for the loan. Grossing up non-taxable income involves adjusting the income upward to a pre-tax or gross income amount, which, after deducting state and Federal income taxes, equals the tax-exempt income. Use current income tax withholding tables to determine an amount which can be prudently employed to adjust the borrower’s actual income.

When entering non-taxable income into an LOS, make sure to use the actual income not the grossed up amount, as DU will calculate residual income automatically. The grossed up income cannot be used to calculate residual income. If grossing up income to qualify, note the calculation and the resulting ratio in the Remarks section of the VA Loan Analysis Worksheet (VA Form 26-6393).

Some examples of non-taxable income include:
- Social Security
- Child Support
- Foster Care
- Military Allowances, such as:
  - Basic Allowance for Housing (BAH)
  - Basic Allowance for Subsistence (BAS)
  - Clothing allowances
  - Hazard pay
  - Rations allowance
  - Combat pay
  - Flight pay
  - Overseas pay, etc. (Also, see above Military Income)

**NOTE:** All of these income types require a minimum 3 year continuance to be used for qualifying.

To determine the borrower’s tax rate from the previous year, take the borrower’s taxable income (from page 2 of the 1040 and the 1040A, or page 1 of the 1040EZ) and their filing status (single, married filing jointly, married filing separately, head of household), and compare it against a tax rate table for the applicable year. This will provide the rate that the borrower’s taxable income is taxed at, and therefore what percentage their non-taxable income may be grossed up by.
**Short Term Disability/Workman’s Comp**
Not eligible. No Exceptions.

**Foreign Income**
Foreign income will be considered as acceptable for qualifying only if the income is claimed on US Tax Returns and verifiable via 4506T results.

**Maternity Leave**
If the borrower will return to work as of the first mortgage payment date, the borrower's regular employment income may be used for qualifying. If the borrower will not return to work as of the first mortgage payment date, the lender must use the lesser of the borrower's regular employment income or maternity leave income (if any).

If it is determined a borrower will be on maternity leave at the time of closing and that borrower's income is needed to qualify for the loan, the lender must confirm the effective income used for qualifying is supported and employment will continue as described below:

- The borrower must have a stable employment and income history that meets standard eligibility requirements; and
- The borrower must provide written confirmation of his or her intent to return to work and the agreed upon date of return as evidenced by documentation provided by the employer.

Information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period would conclude the borrower’s income may not be used as effective income for qualifying.

A verbal verification of employment is required to be obtained within 10 business days of closing. If the employer confirms the borrower is on maternity leave, and the return to work date is consistent with the documentation provided, this is sufficient to consider the borrower as employed.

Income must be verified accordingly with:
- the amount and duration of the borrower's “maternity leave income,” which may require multiple documents or sources depending on the type and duration of the leave period; and
- the amount of the “regular employment income” the borrower received prior to the maternity leave. Regular employment income includes, but is not limited to, the income the borrower receives from employment on a regular basis that is eligible for qualifying purposes (for example, base pay, commissions, and bonus)

*Note: Income verification may be provided by the borrower, by the borrower's employer, or by a third-party employment verification vendor.*
**Rental Income**

Borrower must have a 2 year history of managing rental properties as evidenced by 2 years tax returns (Schedule E).

**Multi-Unit Property Securing the VA Loan**

**Verification**
Verify:
- cash reserves totaling at least 6 months mortgage payments (principal, interest, taxes, and insurance - PITI), and
- documentation of the applicant’s prior experience managing rental units or other background involving both property maintenance and rental.

**Analysis**
Include the prospective rental income in effective income only if:
- evidence indicates the applicant has a reasonable likelihood of success as a landlord, and
- cash reserves totaling at least 6 months mortgage payments are available.

The amount of rental income to include in effective income is based on 75 percent of:
- verified prior rent collected on the units (existing property), or
- the appraiser’s opinion of the property’s fair monthly rental (proposed construction).

**Rental of the Property Applicant Occupied Prior to the New Loan**

**Verification**
Obtain a copy of the rental agreement on the property, if any.

**Analysis**
Use the prospective rental income only to offset the mortgage payment on the rental property and only if there is no indication that the property will be difficult to rent. This rental income may not be included in effective income.

Obtain a working knowledge of the local rental market. If there is no lease on the property, but the local rental market is very strong, MiMutual may still consider the prospective rental income for offset purposes.
Rental of Other Property Not Securing the VA Loan

**Verification**
Obtain the following:
- documentation of cash reserves totaling at least 3 months mortgage payments (principal, interest, taxes, and insurance - PITI), and
- individual income tax returns, signed and dated, plus all applicable schedules for the previous 2 years, which show rental income generated by the property

**Analysis**
Rental income verified as stable and reliable may be included in effective income. If there is little or no prior rental history on the property, MiMutual will make a determination based on review of:
- documentation of the applicant’s prior experience managing rental units or other background involving both property maintenance and rental
- any leases on the property, and
- the strength of the local rental market.

Property depreciation claimed as a deduction on the tax returns may be included in effective income

**Section 8 Income**
Section 8 income may not be used to qualify

**Income Transcript Verification**
4506T results (IRS transcripts) will be requested on every loan that is registered with MiMutual. These are reviewed to verify that the income documentation supplied matches the information provided to the IRS for the last 2 years of income used to qualify.
Full Tax Return Transcripts (1040s)
When tax returns are required and must be verified, the Underwriter must also look for items that may not have been disclosed, such as Unreimbursed Business Expenses, self-employed earnings, and/or mortgage interest deductions where no real estate ownership appears on the 1003.

- Beginning in February 2017, the 2016 and 2015 results must be requested from the IRS by MiMutual.

**NOTE:** If 2016 income is being used to qualify, it is acceptable to proceed with 4506T results showing no record of return found until June 1st.

- If 2016 income is derived from tax returns and being used to qualify, but cannot be verified through 4506T results, the tax returns must be brought to the borrower’s local IRS office to be signed and stamped as evidence the returns provided to MiMutual are the same as the ones filed with the IRS. **OR**, if tax returns were filed by a licensed CPA, it is acceptable to obtain a letter along with copies of the tax returns directly from the CPA confirming returns have been filed with the IRS. However, this is unacceptable if borrowers have not filed tax returns for the last 2 years.

- If, upon underwriter review of the income documentation, it is determined that the 2014 earnings must be considered in qualifying the borrower, then 2014 transcripts are required.

Effective June 1st 2017, 2016 tax information is required to be verified. For Borrowers with a documented extension to file, it is acceptable to receive results that state “No Record of Return Found”.

Wage and Income Transcripts (W2 Only)
In certain situations, only wage and income transcripts (and not complete tax return transcripts) may be obtained. This does not apply to:

- Self-employed borrowers
- Borrowers with seasonal employment, employed by a family-owned business, or with commission earnings greater than 24.99%
- USDA and Jumbo programs
- Borrowers who have ownership in rental properties
- Any loan where 1040s have been supplied to MiMutual, regardless of whether or not they were required. **1040s may not be recycled, deleted, or obsoleted if they were provided, and full tax transcripts must be obtained.**

This is acceptable for select income types, including but are not limited to:

- Hourly and salaried employees
- Borrowers receiving non-employment income, such as pension, social security (not being grossed up), etc.

Additionally, there are a number of income types that would not require full tax return transcripts unless the tax-exempt nature of the income must be documented in order to gross up the earnings. These income types include but are not limited to:

- child support,
- Social Security income,
- some disability payments, and
- some forms of military income
**Timing of Tax Returns**

When using tax returns to verify income, the following documentation requirements will apply. Only income that can be verified via 4506T can be used for qualifying. In cases where the 4506T results are unable to be obtained due to taxes having been recently filed, the IRS response to the request must reflect “No Record of Return Found”. In these cases, the following options are available, and can be considered as “verified” for qualification purposes:

- Copies of the most recent year’s signed return, stamped as received and signed by the borrower’s local IRS office.
- If tax returns were filed by a licensed CPA, it is acceptable to obtain a letter, along with copies of the tax returns directly from the CPA, confirming returns have been filed with the IRS.

**NOTE:** Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis, and are subject to underwriter discretion.

When an IRS Form 4506T request returns one of the following messages:

- “Due to limitations, the IRS is unable to process this request. The IRS will mail a notification to the borrower to explain this reason; please contact your borrower”,
- “Rejection Code 10”, or
- other verbiage related to a “limitation” precluding completion of the request, the following steps may apply:
  - MiMutual must retain the determination from the IRS that their request cannot be processed, with a code of “Unable to Process” or “Limitation”
  - The applicant may request their tax return transcripts and deliver them to MiMutual. Information on how to request transcripts by mail is available at [http://www.irs.gov/individuals/get-transcript](http://www.irs.gov/individuals/get-transcript)
  - The applicant must request the previous (one or two, per MiMutual policy) years of complete tax return transcripts. If the applicant has not filed their 2014 taxes, MiMutual must retain:
    - Transcripts for the previous (one or two, per MiMutual policy) tax years,
    - Evidence of the applicant’s request for an extension,
    - Documentation of 2014 earnings, and
    - Current income documentation as required per guidelines.

IRS transcripts are required as part of a complete loan application package. The above guidelines are only valid for lender requests that the IRS will not process due to the recent data breach or confirmed identity theft. These guidelines do not apply to “rejected” requests from the IRS due to misspelled names or incorrect/transposed data.
Additional Documentation Requirements

- When using tax returns to verify income, and it is between the tax filing date (typically April 15th) and the extension expiration date (typically October 15th), the borrower must provide:
  - Copy of the filed extension. MiMutual will review the total tax liability reported on IRS Form 4868 (Extension to File) and compare it with the borrower’s tax liability from the previous two years as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with previous years may make it necessary for MiMutual to require the current returns in order to proceed.
  - Current year Profit & Loss Statement, executed by the borrower
  - Year-End Profit & Loss Statement for prior year, executed by the borrower
  - Tax returns for the previous 2 years
- After the tax return extension expiration date, loan is not eligible without prior year tax returns
- When tax returns provided were filed within 90 days of the application date and reflect that the borrower had underpaid throughout the year, proof of payment and source of funds are required to document that the tax liability has been fully satisfied. Any excessive tax liability outside of 90 days is subject to underwriter discretion.
- If the 4506T results reflect a borrower with a Schedule C business that the underwriter was previously unaware of, complete tax returns do not have to be obtained if:
  - The Schedule C business reflects positive income, or
  - The Schedule C business reflects a loss that fits in the borrower’s ratios

The business must be added to the 1003 so the findings consider the self-employment and provide an accurate recommendation.

**NOTE:** This only applies to Schedule C businesses, not Schedule E. If the Schedule E reflects any information (partnership, S Corporation, or rental properties) that the underwriter was previously unaware of, complete personal tax returns (and possibly business tax returns) must be obtained.
Deductions from Income

The appropriate deductions for Social Security, Federal income taxes, and any state or local taxes must be taken into consideration in order to calculate the borrower’s residual income on the VA Loan Analysis (VA Form 26-6393).

**FICA Withholding**

FICA tax is a combination of Social Security and Medicare tax.

The total tax rate for a W-2 paid borrower is 7.65%. Of that, 6.2% is allocated to Social Security and 1.45% is allocated to Medicare.

The total tax rate for a self-employed borrower, or a borrower who is paid on IRS Form 1099, is 13.3%. Of that, 10.4% is allocated to Social Security and 2.9% is allocated to Medicare.

Social Security withholdings are calculated by multiplying the lesser of the taxpayer’s actual wages or Social Security maximum wages by a rate of 6.20% (or 10.4% if self-employed). The maximum taxable wages may adjust each year. Once the taxpayer’s income exceeds the maximum amount, the Social Security tax is no longer required. Unlike Social Security withholdings, all of the taxpayer’s wages are subject to the Medicare tax.

**Income Tax Withholding**


State and local taxes must be determined using similar materials to those provided by the state and local authority. The following website provides a listing of state Department of Revenue links: [http://www.aicpa.org/Research/ExternalLinks/Pages/TaxesStatesDepartmentsofRevenue.aspx](http://www.aicpa.org/Research/ExternalLinks/Pages/TaxesStatesDepartmentsofRevenue.aspx). Click on the state of your choice to arrive at the state web page. At this point, each state appears to have information under different titles and in different locations within their website.
Assets

Borrower's Own Funds to Close
MiMutual follows AUS findings for acceptable documentation. All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Bank Statements
When using most recent two months’ bank statements dated within 60 days of closing, large deposits must be explained and documented.

Verification of Deposit
When using a VOD, a two month average balance must be reflected (current balance must show sufficient funds required). Large increases must be explained and documented.

**NOTE:** Any depository account that is not solely in the borrower’s name must be accompanied by a written statement signed by the non-borrower party listed on the account, granting full access and use of the funds.

HUD-1 from Sale of Current Residence
Final HUD-1 from sale of current residence is acceptable documentation, providing it is dated within 30 days of loan closing.

Large Deposits
MiMutual will:
- obtain an explanation and documentation for recent large deposits in excess of 1% of the appraised value, and
- verify that any recent debts were not incurred to obtain part, or all, of the required cash investment on the property being purchased.

Cash Back on Purchases
Not allowed; however, items the borrower has paid outside of closing (i.e. appraisal, homeowner’s insurance) may be reimbursable through seller contributions at the time of closing. Borrower must provide satisfactory documentation of payment for these services prior to closing.
Gifts (Personal and Equity)
Gifts refer to the contributions of cash or equity with no expected or implied repayment of the funds to the donor by the borrower.

NOTE: The portion of the gift not used to meet closing requirements may not be counted as cash reserves.

Acceptable Sources for Gift Funds
Gifts may be provided by:
- the borrower’s family member
- the borrower’s employer or labor union
- a close friend with a clearly defined and documented interest in the borrower
- a charitable organization
- a governmental agency or public entity that has a program providing homeownership assistance to:
  - low- and moderate-income families, or
  - first-time homebuyers.

NOTE: Family member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status: Child, parent, or grandparent (a child is defined as a son, stepson, daughter, or stepdaughter; a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent); Spouse or domestic partner; Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption; Foster child; Brother, step-brother; Sister, step-sister; Uncle; Aunt; or Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.

The gift donor may not be a person or entity with an interest in the sale of the property, such as:
- the seller
- the real estate agent or broker
- the builder, or
- an associated entity.

Donor’s Source of Funds
Cash on Hand is not an acceptable source of donor gift funds.

Gift Letter
A gift letter must be obtained, signed and dated by the donor and borrower. The gift letter must:
- show the donor’s name, address, telephone number
- specify the dollar amount of the gift, and
- state:
  - the nature of the donor’s relationship to the borrower, and
  - that no repayment is required.

An acceptable Gift Letter is located on MiMutual’s intranet. A different form may be used, providing it contains all the same information.
**Documenting the Transfer of Gift Funds**

The transfer of gift funds from the donor to the borrower must be documented in accordance with the requirements below:

- if the gift funds have been verified in the borrower’s account, obtain the donor’s bank statement showing the withdrawal and evidence of the deposit into the borrower’s account
- if the gift funds are not verified in the borrower’s account, obtain the certified check or money order or cashier’s check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor’s account

If the gift funds are paid directly to the settlement agent, it must be verified that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source.

If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the donor must provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction.

MiMutual and its affiliates are prohibited from providing the loan of gift funds to the donor unless the terms of the loan are equivalent to those available to the general public.

Regardless of when gift funds are made available to a borrower, MiMutual must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source.

**Gifts of Equity**

Only family members may provide equity credit as a gift on property being sold to other family members. Mortgage Payoff (if any) must reflect no more than 29 days delinquent at time of closing. Any history of major delinquencies (60 days or more) reflected on title or payoff will require additional information and may not be eligible. Spouse to Spouse purchases are not acceptable except in instances such as divorce, where legal documentation (such as a divorce decree) indicates the seller/spouse will be vacating the property.

A gift letter signed and dated by the donor and the borrower must be obtained, and include the following:

- The donor’s name, address, and telephone number;
- The donor’s relationship to the borrower;
- The dollar amount of the gift; and
- A statement that no repayment is required.

**Gift Funds/Grants by Charitable Organizations**

Gifts administered by charitable organizations are acceptable. The gift from the charitable organization to the homebuyer must meet VA requirements and the transfer of funds must be properly documented. Gifts from charitable organizations where the seller makes a contribution are not acceptable.
Collateralized Loans
Funds can be borrowed for the total required investment as long as satisfactory evidence is provided that the funds are fully secured by an asset. Such assets may include stocks, bonds, real estate (other than the property being purchased), etc. In addition, certain types of loans secured against deposited funds, such as the cash value of life insurance policies, loans secured by 401(k)s, etc, in which repayment may be obtained through extinguishing the asset, do not require consideration of a payment for qualifying purposes. However, in such circumstances, the asset securing the loan may not be included as assets to close or otherwise considered as available to the borrower.

An independent third party must provide the borrowed funds. The seller, real estate agent or broker, lender, or other interested third party may not provide such funds. Unacceptable borrowed funds include signature loans, cash advances on credit cards, borrowing against household goods and furniture, and other similar unsecured financing.

Sale of Personal Property
If the borrower intends to sell personal property items (cars, recreational vehicles, stamps, coins, baseball card collections, etc.) to obtain funds required for closing, the borrower must provide a satisfactory estimate of their worth, in addition to conclusive evidence the items have been sold. The estimated worth of the items being sold may be in the form of published value estimates, such as those issued by automobile dealers, philatelic or numismatic associations, or a separate written appraisal by a qualified appraiser with no financial interest in the loan transaction. Only the lesser of this estimate of value or the actual sales price is considered as assets to close.

Cash Saved at Home
Borrowers who have saved cash at home and are able to demonstrate adequately the ability to do so are permitted to have this money included as an acceptable source of funds to close the mortgage. To include such funds in assessing the homebuyer’s cash assets for closing, the money must be verified -- whether deposited in a financial institution or held by the escrow/title company -- and the borrower must provide satisfactory evidence of the ability to accumulate such savings.

The asset verification process requires the borrower to explain in writing how such funds were accumulated (borrower must provide a budget) and the amount of time taken to do so. We will determine the reasonableness of the accumulation of the funds based on the borrower's income stream, the time period during which the funds were saved, the borrower's spending habits, documented expenses, and the borrower's history of using financial institutions. (All other factors being equal, individuals with checking and/or savings accounts are less likely to save money at home than an individual with no history of such accounts.)
Refinance Transactions

Mortgage Payoffs
All refinance transactions will require current payoff statements for all liens on title to reflect the loan is current at time of closing (should not reflect more than 59 days of interest). However, paying off an existing FHA loan, where it is permitted for the servicer to collect a full 30 days of interest if payment in full is received after the required monthly payment due date, may result in a full two months’ worth of interest on the payoff. As long as the mortgage is current, this would be considered acceptable.

Payoff Used for Mortgage Amount Calculation
The amount of the existing first mortgage may include the interest charged by the servicing lender when the payoff will not likely be received on the first day of the month. In determining the existing debt as part of the mortgage amount calculation, accrued late charges and escrow shortages may be included. Fax fees and delinquent interest may never be included.

Prepaid expenses may include the per diem interest to the end of the month on the new loan, hazard insurance premium deposits, monthly mortgage insurance premiums and any real estate tax deposits needed to establish the escrow account regardless of whether the lender refinancing the existing loan is also the servicing lender for that mortgage.

Short Payoffs
Not eligible on refinance transactions

Subordinate liens
Subordinate liens, including credit lines, regardless of when taken, may remain outstanding (but subordinate to the VA-guaranteed mortgage) and are subject to 90% CLTV. A copy of the current note is required and the borrower must qualify with the scheduled monthly payments. A subordination agreement will be required. Modified existing subordinate liens are acceptable and are not considered a new subordinate lien.

New subordinate liens may be placed behind the VA-guaranteed mortgage and are subject to 90% CLTV. The borrower must qualify with the scheduled monthly payments.

Property Listed for Sale
Property may not have been listed for sale a minimum of six months prior to disbursement or the loan is subject to a maximum 70% LTV. In all circumstances, listing agreements must be cancelled prior to disbursement. The listing agreement, evidence of cancellation, and signed/dated explanation from the borrower with the reason why the property was for sale is required. These transactions pose additional risk to MiMutual and therefore may be subject to additional documentation and/or limitations.

Back to Top
**Cash Out and Principal Curtailments**

A principal curtailment due to an excess premium from the Lender Credit is acceptable for all loan types; however, a principal curtailment to correct the amount of cash back to the borrower is *not permitted*. The matrix below describes maximum cash out requirements and allowable curtailments.

<table>
<thead>
<tr>
<th>Product</th>
<th>Maximum Cash to Borrower</th>
<th>Maximum Principal Curtailment Due to changes in payoff figures, closing costs, etc.</th>
<th>Maximum Premium Pricing Curtailment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash out refinance</td>
<td>No Limit</td>
<td>Prohibited</td>
<td>1% of the loan amount or $2,000, whichever is less</td>
</tr>
<tr>
<td>IRRRL</td>
<td>*$500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Closing costs paid out of the borrower’s own funds may be reimbursed at closing and are not considered cash out.

When a principal curtailment is permitted, all excess amounts must be clearly reflected on the HUD-1 as a principal reduction.

*Loan amounts must be properly calculated for the specified loan programs. If the loan amount is outside of the guidelines, the loan amount must be corrected.*

**Texas Refinances**

When refinancing a loan in Texas, it first has to be determined whether or not the property is eligible for max financing based on the borrower’s current liens. A Texas cash out refinance is typically referred to as a 50(a)(6). There are 2 different ways a property can be subject to Texas Article XVI, Section 50(a)(6):

- If the borrower will receive any amount of cash out from the refinance, even if it is of an incidental amount, or
- If the borrower has ever done a cash out refinance on the subject property before, or has taken a non-purchase money second, even if the current transaction is only a rate/term refinance. *Once a Texas Equity Loan, always a Texas Equity Loan.*

**MiMutual does not allow Texas 50(a)(6) transactions.** MiMutual will only approve purchases, and rate/term refinance loans in Texas where the borrower has never taken equity from the property.
Purchase Transactions

**Fully Executed Residential Purchase Agreement**
All purchase transactions require this document to be signed by ALL parties. The current owner of record must execute as the seller of subject property. All borrowers on the loan application must sign the agreement. All sellers that sign purchase agreement must be authorized by that entity.

If any changes to the purchase agreement occur, see [Revisions Due to Sales Contract Amendments](#).

**Earnest Money Deposit (EMD)**
Follow AUS findings regarding documentation requirements for the EMD.

**Amendatory Clause/VA Escape Clause**
The Amendatory Clause is intended to ensure that prospective homebuyers with VA guaranteed loans receive important information in a timely manner about the house to be purchased. If buyers have not received information about the appraised value of the home they intend to buy, the buyers are not obligated to buy the home. The borrower (buyer) and seller must execute this document. Please refer to our website for a copy of this form.

**NOTE:** This disclosure is not required on properties owned by banks or Agencies, or REO properties being disposed of by a lender.

**Real Estate Certification**
This disclosure is signed by ALL parties involved in the transaction: borrower, seller, real estate agent or broker. It certifies that the terms and conditions of the sales contract are true to the best of their knowledge. Please refer to our website for a copy of this form.

**Reacquisition of a Formerly-Owned Property**
MiMutual is unable to finance the acquisition of a property that the borrower (or their spouse) has had previous ownership in, that resulted in foreclosure or short sale activity, where they relinquished their ownership interest but did not change their residency. MiMutual considers this as unacceptable property flipping.
Short Sales
MiMutual will accept purchase transactions where the seller is selling the home under a “short sale” agreement with their current lender. MiMutual must be provided the fully executed short sale approval letter, and the requirements set forth by the current lender must be met prior to closing.

Seller Contribution/Concessions
Maximum seller concessions are 4%. Any seller concession or combination of concessions which exceeds 4% of the established reasonable value of the property is considered excessive, and is unacceptable for VA-guaranteed loans.

A seller concession is 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.

Seller concessions may include, but are not limited to:
- Payment of ease-in funds to reduce the borrower’s monthly payment,
- Payment of funding fee,
- Payment of prepaid items (i.e., tax and insurance escrow, prepaid interest, etc.),
- Payment of extra discount points to provide a permanent interest rate,
- Buy-down
- Gifts (such as a television set or microwave oven),
- Personal property items (i.e., lawn tractor, oriental rug), and
- Payment of debt(s) to assist borrower in qualifying for the loan.

If a seller is leaving personal property items (i.e., a lawn tractor), the appraiser must comment on how that affects the value of the real estate property and should provide an estimate of value for the personal property item (to determine if the seller contribution limit has been exceeded, as this is considered an “excessive” seller contribution).

NOTE: VA does not object to seller-paid advanced payments of recurring HOA dues or taxes that come due during the first year of the mortgage. In any event, the borrower’s cash investment must not be reduced as the result of advanced payments paid by the seller. Additionally, the borrower must qualify with the HOA or tax payment.

Seller concessions do not include the items shown below, as these are considered seller contributions:
- Payment of the borrower’s closing costs, or
- Payment of points as appropriate to the market. For example, if the market dictates an interest rate of 7.5% with 2 discount points, the seller payment of the 2 points would not be a seller concession. If the seller paid 5 points, 3 of these points would be considered a seller concession.

Normal discount points and payment of the buyer’s closing costs are not considered in the total concessions when determining the 4% limit. However, total seller contributions cannot exceed 6%.
Determining Property Taxes on New Construction Dwellings
On newly-constructed properties, realistic estimates of the property taxes that reflect the value of the improvements once they are assessed by the units of government to which those taxes are paid must be used. Such estimates may be obtained from reliable sources such as the appraiser, comparable sales data, or the assessor’s office.

Property Flipping
Purchase transactions do not require the seller to be in title for a minimum of 90 days to be eligible for VA financing. However, a 12 month chain of title is required on all transactions. Properties that have multiple title transfers within the last year may require additional documentation, or could be deemed ineligible for sale to MiMutual.

Second Appraisal / Desk Review / Field Review Requirements
These may be required on properties with significant increase in value within 91 to 180 days.

Prior Sales
To be evidenced by the most recent Warranty Deed from the seller’s acquisition of the property that reflects the dollar amount of the sale or the certificate of foreclosure on bank owned properties.

12-Month Chain of Title
To be evidenced by the most recent Warranty Deed from the seller’s acquisition of the property that reflects the dollar amount of the sale.

Downpayment Assistance Programs (DAPs)
VA does not permit the use of Downpayment Assistance Programs.
Seller Utilizing a Relocation Company

When the seller enlists the assistance of a Relocation Company for the sale of the subject property, the relocation agreement must always be reviewed by MiMutual prior to closing. There are multiple ways the transaction can be consummated, and it is very important to have a clear understanding of which of the below-mentioned methods is being used.

Relocation Company Takes Power of Attorney

The most common circumstance is where the Relocation Company signs the purchase agreement as the seller, and will sign the closing documents on behalf of the vested owner. In this instance, a Power of Attorney executed by the vested owner(s), authorizing the relocation company to sign on their behalf (the vested owner will reflect as the seller on the HUD-1 statement) will be required. The Power of Attorney must be executed and dated prior to the execution of the purchase agreement (unless the relocation agreement states that a Power of Attorney will be prepared to consummate the closing). There must be documentation allowing someone else the right to sell the property.

Double Escrow

Another common occurrence involving relocation companies is where the Relocation Company will actually be the seller reflected on the HUD-1 settlement statement. In this circumstance, the title commitment should have a requirement for the current vested owners to deed the property to the Relocation Company, and another requirement for the Relocation Company to deed the property to our borrower. This is the only time a “double escrow” is acceptable, and not considered property flipping.

Relocation Company Acts as Seller without Taking Title

In certain geographical areas (i.e. Michigan), it may be common practice for the Relocation Company to negotiate and execute the purchase agreement and HUD-1 at closing as the seller, and to receive the proceeds from the sale of the property without actually taking title. This option is acceptable only if all of the following fully executed documents are reviewed and approved by the underwriter prior to closing:

- Warranty Deed Reflecting the Vested Owner with Buyer Info Left Blank: This is a deed executed by the vested owners, which is held in escrow by the title company until a buyer is found and the sale is closed.
- Appointment of Special Agent and Assignment of Proceeds: This document is executed by the vested owner authorizing the Title Company/Closing Agent to complete the appropriate information on the blank deed and other pertinent documentation. This also directs the Title Company/Closing Agent to allow the Relo Company to receive all proceeds.
- Special Power of Attorney: This document is executed by the vested owner authorizing the Relo Company to sign/execute all documents necessary to consummate the sale (i.e. Purchase Agreement, closing docs, etc.). This document should also reference the blank deed that will be completed when a buyer is found and the sale is closed.
- Relocation Agreement: This is the agreement between the vested owner and the Relo Company that will describe the terms of the sale of the subject property. This document is essential in determining the legitimacy of the transaction to avoid potential unethical property flipping schemes.
General Provisions

Documentation Requirements
All documentation must be from a reasonably reliable third-party source, and must satisfy the requirements of the Ability to Repay Rule.

Citizenship
Citizenship of the United States is not required for eligibility. Borrowers must be one of the following: a U.S. Citizen, a lawful Permanent Resident Alien, or a lawful Non-Permanent Resident Alien. We will lend under the same terms and conditions for all three designations. A mortgage to a non-U.S. citizen who has no lawful residency status in the United States is not eligible.

Permanent Resident Aliens
Non-United States citizens who hold acceptable evidence of permanent residency issued by the U.S. Citizenship and Immigration Services (USCIS) are considered Permanent Resident Aliens. Lawful Permanent Resident Aliens must have any of the following:
- A legible copy of the front and back of the Permanent Resident Card/Alien Registration Card (USCIS Form I-551) otherwise known as a “Green Card”. While the Green Card itself states “Do Not Duplicate” for the purpose of replacing the original card, U.S. Citizenship and Immigration Services (USCIS) allows photocopying of the Green Card. Making an enlarged copy or copying on colored paper may alleviate any concerns the borrower may have with photocopying.
- Any other evidence of permanent residency issued by the INS

Non-Permanent Resident Aliens
Non-United States citizens who are permitted to reside in the United States on a temporary basis and may have been granted authorization to work in the U.S. by the U.S. Citizenship and Immigration Services (USCIS) are considered Non-Permanent Resident Aliens. Lawful Non-Permanent Resident Alien status must have the following:
- A legible copy of a valid (unexpired), acceptable visa (a copy of valid work permit only is unacceptable) with a copy of the I-94 Arrival/Departure Record. The I-94 indicates the immigration status. In order for us to have the most recent and accurate property Visa class, it is important to copy the Arrival/Departure Record and not just the Visa since the Non-Permanent Resident Alien’s status can change (for example, from student to worker). The Visa must evidence one of the following Visa classes:
  - A Series (A-1, A-2, A-3)
  - E-1
  - G Series (G-1, G-2, G-3, G-4, G-5)
  - L-1
  - O-1A, O-1B, O-2
  - TN, TC – See NAFTA below

NOTE: Non-Permanent Resident Aliens with Temporary Protected Status are not eligible
Additional Immigration Status
Loans to non-citizens who have been granted political asylum require underwriting to Non-Permanent Resident Aliens guidelines. Asylees and refugees must provide their Arrival and Departure Records (Form I-94) and copies of their employment authorization documents. A grant of asylum is for an indefinite period.

North American Free Trade Agreement (NAFTA) Workers
Canadian and Mexican citizens who are working in the United States under the terms of NAFTA must be treated as Non-Permanent Resident Aliens when determining their eligibility. They must meet the standard requirements established for Non-Permanent Resident Aliens. NAFTA workers must provide a NAFTA Worker’s Visa (see above TN and TC Visa classifications).

Diplomatic Immunity
Due to the inability to compel payment or seek judgment, transactions with individuals who are not subject to United States jurisdiction are not eligible. This includes embassy personnel with diplomatic immunity. Verification the borrower does not have diplomatic immunity will be determined by reviewing the Visa, passport or the U.S. Department of State’s Diplomatic List at www.state.gov/s/cpr/rls/dpl/.

Social Security Number
A valid Social Security Number is required for all borrowers. Evidence of social security number must be provided in each case file. An Individual Tax Identification Number (ITIN) is not acceptable.

Translated Documents
All documents of foreign origin must be filled out in English, or a complete and accurate translation from an acceptable source must be provided for each document.

Non-Occupant CoBorrowers
Non-occupant coborrowers are not permitted.
Legal Name
Each borrower must use their legal name when applying for a mortgage. Review the following list of documents to ensure the borrower’s name is consistent:
- Loan application (1003)
- Credit Report
- DU/LP findings

MiMutual requires that all pertinent loan documentation be prepared in the borrower’s legal name. In most cases the name reflected on the driver’s license is utilized to determine the borrower’s legal name. However, in those instances where there is a variance between the driver’s license, Social Security card, income, and asset documents, the underwriter will exercise due diligence to determine all documents belong to one and the same person.

Married Names
If a borrower has recently married or is married during loan processing, the new married name, if applicable, will be utilized for all pertinent loan documentation. MiMutual will require a copy of the marriage license if the new name is not reflected on both the driver’s license and the social security card. If Borrower Validation fails in FHA Connection due to this reason, MiMutual will order a third party Social Security Number verification.

NOTE: In all of the above cases, an AKA/FKA affidavit containing all name variations will be required at closing.

Maximum Number of Financed Properties/Multiple Properties
When multiple properties are owned, all mortgages must be current at time of closing. Also, If borrower is purchasing a new home (as owner occupied); however, is not selling current residence, MiMutual may consider the subject as non-owner occupied if the value of the subject is not greater than current residence (case by case). The borrower(s) can have no more than four (4) properties financed, including the subject property.

Age of Borrower
There is no maximum age limit for a borrower. The minimum age is 18.
**Power of Attorney**

VA will allow a veteran to use an attorney-in-fact to execute any documents necessary to obtain a VA-guaranteed loan. This enables active duty servicepersons stationed overseas, and other veterans who cannot be present to execute loan documents, to obtain VA loans.

The veteran must execute a specific power of attorney which is valid and legally adequate. The veteran’s attorney-in-fact may use this power of attorney to apply for a Certificate of Eligibility and initiate processing of a loan on behalf of the veteran.

To complete the loan transaction using an attorney-in-fact, ensure that the specific power of attorney complies with state law to the extent that:

- the mortgage can be legally enforced in that jurisdiction, and
- clear title can be conveyed in the event of foreclosure.

To complete the loan transaction using an attorney-in-fact, VA also requires the veteran’s written consent to the specifics of the transaction. This requirement can be satisfied by either:

- the veteran’s signature on both the sales contract and the Uniform Residential Loan Application, as long as the veteran’s intention to obtain a VA loan on the particular property is expressed somewhere in those documents, or
- a specific power of attorney or other document(s) signed by the veteran, which encompasses the following elements:
  - **Entitlement:** A clear intention to use all or a specified amount of entitlement.
  - **Purpose:** A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing.
  - **Property Identification:** Identification of the specific property.
  - **Price and Terms:** The sales price, if applicable, and other relevant terms of the transaction.
  - **Occupancy:** The veteran’s intention to use the property as a home to be occupied by the veteran (or other applicable VA occupancy requirement).

In addition, at the time of loan closing, MiMutual must:

- verify that the veteran is alive, and, if on active military duty, not missing in action (MIA), and
- make the following certification:

  “The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in-fact.”

It must always be verified that the veteran is alive at the time of loan closing, whether or not the veteran is still in the military. If the lender has difficulty obtaining verification that a service person in a combat area is alive and not in MIA status, the lender may request that VA obtain the necessary information on its behalf. VA may deny guaranty on a loan if the lender failed to properly verify the veteran’s status and the veteran was deceased (or MIA) at the time the loan was closed.
**Rescission**
MiMutual will not waive a borrower's three-day right to rescind. No exceptions.

**Taxes and Insurance Escrows**
Escrows for taxes and insurance (including flood insurance, if applicable) are required on all VA loans.

**Flood Insurance**
MiMutual requires flood insurance for all properties that are located within a flood zone. If flood insurance is not available in certain flood hazard areas because the community does not participate in the National Flood Insurance Program (NFIP), MiMutual will not finance properties located in those areas. Sufficient dwelling coverage must be determined using the same methodology as described in [Hazard Insurance](#) below, but may never exceed $250,000 (NFIP maximum). **All structures on the mortgaged property must be covered.**

Flood insurance premiums **must** be escrowed, regardless of LTV and/or state law. The only exception to this requirement is if the property has adequate flood insurance coverage provided by a condominium association, homeowners association, or similar group, and the premium is paid by the group as a common expense.

**Hazard Insurance**
MiMutual requires hazard insurance on all properties being financed. Sufficient dwelling coverage must be verified, using one of the three methods described below:

- Full Appraised Value (ultimate coverage)
- Total Loan Amount (provided it is at least 80% LTV)
- "Total Estimate of Cost - New" amount listed in the Cost Approach section of the appraisal (this would be the absolute minimum)

**NOTE:** Unless a higher maximum is required by state law, the maximum deductible is 5% of the policy face amount.

**Non-Homestead Property Taxes**
When the subject property is not currently owner-occupied, but it is verified that it will be when the mortgage transaction is complete, the verified amount of homestead property taxes may be used in qualification. This amount can be determined by county information that provides a clear description of the property tax amount once the homestead exemption has been applied.

**Title Companies/Settlement Agents**
We do not use an approved title company list. However, we reserve the right to refuse any title company/settlement agent. A loan-specific Insured Closing Protection Letter must be received prior to closing along with specific wiring instructions.
Title Requirements

Redemption Periods on Title
MiMutual will not accept an unexpired redemption period exception on the final title policy. This guidance applies when the seller is an entity other than the individual with redemption rights.

Schedule B
All exceptions reflected in Schedule B of the preliminary title report that may impact lien position must be addressed and/or cleared to ensure the final title policy will reflect the loan in first lien position.

Delinquent Property Taxes
Any delinquent property taxes being paid at closing on a refinance transaction will be considered a cash-out transaction. Transactions with severely delinquent property taxes must be manually underwritten and are subject to underwriter discretion.

Paying Debt at Closing
MiMutual will not allow debt to be paid at closing on a purchase transaction, with the exception of debts paid by the seller to assist the borrower in qualifying. Otherwise, any debt being paid at closing (other than existing mortgages on subject property) will be considered a cash-out transaction.

Verifications
Verification forms (VOEs/VODs/VORs, etc.) must pass directly between the broker and the provider without being handled or transmitted by any third party or using any third party’s equipment. Verifications must be addressed to the employer or financial institution and may not be directed to an individual (such as may be directed to Account Verification Department or Human Resources but not to John Doe). No document used in the processing or underwriting of a loan may be handled or transmitted by or through the borrower, a real estate agent or any other interested third party to the transaction. The Verification of Deposit (VOD) and Verification of Employment (VOE) may be faxed documents or printed pages from the Internet if they clearly identify their sources (e.g., contain the names of the borrower’s employer or depository/investment firm). The document must contain all headers/footers. Fax transmissions must clearly identify the source and a printed web page also must show its uniform resource locator (URL) address as well as the date it was printed.

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**Age of Documents**

Credit document expiration dates are listed below unless the nature of the document is such that its validity for underwriting purposes is not affected by being older than the number of prescribed days (e.g. divorce decrees, tax returns).

- Credit Report: 90 days
- Paystub: 60 days
- Written VOE: 90 days
- VOD/Bank Statement: 60 days (funds to close or reserves) or the most recent statement, if statements are received quarterly, as is typically seen with 401(k) or retirement account statements
- VOR: 90 days
- VOM: 30 days
- Appraisal: 180 days
- Title Commitment: 90 days
- Closing Protection Letters: 30 days, unless the body of the CPL states a different validity period
- Termite Inspection: 90 days

**NOTE:** Agency document expiration dates can be followed with a score of 680+, providing the loan is not a specialty product (for example, IRRRL or High Balance) and meets QM Safe Harbor requirements.

**Non-Purchasing Spouse**

On a purchase transaction, a non-purchasing spouse may appear on the security instrument or otherwise take title to the property at loan settlement. No other party (including a common law spouse) may appear on the security instrument or otherwise take title to the property on a VA purchase/loan. On a purchase or refinance transaction, if required by state law (dower right/homestead states) in order to perfect a valid and enforceable first lien, the non-purchasing spouse may be required to sign either the security instrument and/or other documentation evidencing that he or she is relinquishing all rights to the property. If the non-purchasing spouse executes the security instrument for such reasons, he or she is not considered a borrower for our purposes and need not sign the loan application.

Where there are non-purchasing spouses who sign security instruments relinquishing their rights to the property pursuant to applicable state laws, these non-purchasing spouses do not have to sign the mortgage note. Signing the security instrument for such purposes does not make the non-purchasing spouse a co-borrower.

Except for the obligations specifically excluded by state law, the debts of the non-purchasing spouse must be included in the borrower's qualifying ratios if the borrower resides in a community property state, or if the property to be insured is located in a community property state. Although the non-purchasing spouse's credit history is not to be considered a reason for credit denial, a credit report that complies with the VA requirements must be obtained for the non-purchasing spouse in order to determine the debt-to-income ratio / residual income.

Mortgages in the name of the non-purchasing spouse (the person named on the Note is not our borrower) must be verified as paid as agreed. Any delinquency on the mortgage history in the most recent 12 months must be evaluated when determining the credit worthiness of the borrower.
Electronic Signatures
MiMutual can accept eSigned origination documents (application, application disclosures, etc) from an approved vendor once the broker has been approved through our Client Relations department.

All loan submissions using eSign must include a Disclosure Tracking Summary or Disclosure Tracking Detail. If the Disclosure Tracking Detail indicate that disclosures were either not delivered in a timely manner to ensure compliance with federal and state regulations, or not in compliance with the eSign Act, the loan is ineligible for delivery to MiMutual.

Ineligible Documents for eSignature
The following documents require wet signatures:
- Any closing documents or documents that require notarization or witnesses, including Power of Attorney
- SSA-89
- Borrower’s Certification & Authorization
- LOX for inquiries
- Priority Appraisal Credit Card Authorization

Approved Vendors
- Accenture (fka Mortgage Cadence)
- Adobe® EchoSign®
- A la Mode, Inc.®
- Calyx Software® INK-it™
- Capsion (fka DocVelocity®)
- CIC®
- CSI
- Cogent Road
- Data-Vision, Inc.
  Remote Docs®
- Digital Delivery, Inc.
- DocMagic, Inc.
- Document Express, Inc.
- DocuPrep
- DocuSign®
- DocuTech™
- eLynx, uSign, Swiftview, or INBOX
- eOriginal®
- Encomia
- Ellie Mae® Encompass
- Fiserv
- Integrated Media Management (IMM)
- International Document Services (IDS)
- Mortgagebot, LLC
- Mortgage Builder
- MRG Document Technologies
- National Credit-Reporting System, Inc. (NCS)
- SigniaDocs
- Silanis’ ApproveIt®
- Sutisoft®
- Wave eSignSystems
- Wolters Kluwer
- Xerox Blitzdocs


**Trusts**

Living (“inter vivos”) trusts must comply with local state regulations and the following requirements. To be eligible for financing, the borrower must be:

- The settlor, or the person who created the trust, and
- The beneficiary, or the person who is designated to benefit from the trust, and
- The trustee or the person who will administer the trust for the benefit of the beneficiary, the borrower

**Eligible Borrowers**

- One or more borrowers with one living trust, or
- Two or more borrowers with separate living trusts, or
- Multiple borrowers with one or more holding title as an individual and one or more holding title as a living trust

**Eligible Properties**

- 1-4 unit primary residences

**Required Documentation**

- Attorney’s Opinion Letter from the borrower’s attorney, verifying all of the following:
  - The trust was validly created and is duly existing under applicable law,
  - The trust is revocable,
  - The borrower is the settlor of the trust and the beneficiary of the trust
  - The trust assets may be used as collateral for a loan,
  - The trustee is:
    - Duly qualified under applicable law to serve as trustee,
    - Is the borrower,
    - Is the settlor,
    - Is fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets
- Complete copy of the trust documents certified by the borrower to be accurate, OR a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements

**Exception for Trust Certificate Authorized States**

In lieu of the Attorney’s Opinion letter and copies of trust documents, the title company Trust Certification is acceptable for the following states:

<table>
<thead>
<tr>
<th>Alabama</th>
<th>Kansas</th>
<th>New Mexico</th>
<th>Tennessee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>Maine</td>
<td>North Carolina</td>
<td>Texas</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Michigan</td>
<td>Ohio</td>
<td>Vermont</td>
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<tr>
<td>California</td>
<td>Minnesota</td>
<td>Oregon</td>
<td>Virginia</td>
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<tr>
<td>District of Columbia</td>
<td>Missouri</td>
<td>Pennsylvania</td>
<td>Washington</td>
</tr>
<tr>
<td>Idaho</td>
<td>New Hampshire</td>
<td>South Carolina</td>
<td>Wyoming</td>
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</tbody>
</table>

The same terms and conditions apply as shown above for the Attorney’s Opinion.
Other Title and Closing Requirements

- The title to the property is vested in the trustee on behalf of the trust (or such other customary practices),
- Title binder may not contain any exceptions to coverage based on the mortgaged property being held by the living trust,
- The Note must be executed individually by the settlor and by the trustee on behalf of the trust. The Revocable Trust Rider must be used with the mortgage or Deed of Trust
- The date of the trust must be reflected on the Note as part of the description below the Trustee’s signature (i.e. Jane Doe, Trustee of the Jane Doe Trust dated April 1, 2000)

Ineligible

- Blind Trusts
- Life Estates

LDP/SAM Lists

MiMutual will examine HUD’s Limited Denial of Participation (LDP) list and the General Services Administration (GSA) Office of Governmentwide Policy’s System for Award Management (SAM) on all loans. The SAM replaced the GSA list as of October 31, 2012, and consolidates multiple legacy systems into one source of information. This review will be documented in the file and on the VA Loan Analysis. If the name of the borrower, seller, listing or selling real estate agent, or loan officer appears on either list, the application is not eligible.

The LDP list may be checked by going to https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp, and the SAM list by going to https://www.sam.gov/portal/public/SAM/.

CAIVRS

HUD’s CAIVRS is a Federal government-wide repository of information on those individuals with delinquent or defaulted Federal debt, and on those for whom a payment of an insurance claim has occurred. The broker must obtain a CAIVRS for all borrowers via the FHA Connection. Provide the website printout of the CAIVRS number at time of loan submission. If CAIVRS indicates the borrower is presently delinquent or has had a claim paid within the previous three years on a loan made or insured by VA or HUD on his or her behalf, the borrower is not eligible except as described below. Exceptions to this rule may be granted under the following situations:

Assumptions
If the borrower sold the property, with or without a release of liability, to an individual who subsequently defaulted, the borrower is eligible, provided he/she can prove the loan was not in default at the time of the assumption.

Divorce
A borrower may be eligible if the divorce decree or legal separation agreement awarded the property and responsibility for payment to the former spouse. A mortgage history must be provided to evidence the mortgage was paid as agreed prior to the divorce or legal separation. However, if a claim was paid on a mortgage in default prior to the divorce, the borrower is not eligible.
**Bankruptcy**
When the property was included in a bankruptcy that was caused by documentable extenuating circumstances beyond the borrower's control (such as the death of the principal wage earner or serious long-term uninsured illness), the borrower may be eligible if the borrower meets the bankruptcy requirements for reestablished good credit. The borrower must have demonstrated a documented ability to responsibly manage his/her financial affairs. Additionally, documentation must be provided that the borrower’s current situation indicates that the events that led to the bankruptcy are not likely to recur. An elapsed period of less than two years, but not less than 12 months may be acceptable.

**Debt-to-Income Ratios / Qualifying Ratios**
The VA qualifies the Veteran borrower on a single ratio (no housing ratio), as well as residual income. Residual income is the balance available for family living expenses after deducting income and social security taxes, debts, job related expenses, obligations, and monthly shelter expenses (maintenance and utility costs) from the borrower’s income. Loans not approved through DU must have a maximum 41% debt-to-income ratio (DTI), unless significant compensating factors are present. If the DTI exceeds 41%, residual income must exceed the guideline by at least 20% (regardless of AUS approval), or a second level signature is required for approval (the balance available for family support must exceed the guideline by 120%). See Qualifying Ratios and Residual Income Tables.

**VA Policy Limiting the Number of Mortgages per Borrower**
There is no limit to the number of VA mortgages the borrower may have, but the borrower must have available entitlement.
Compensating Factors

Compensating factors that may be used to justify an approval of a mortgage loan with ratios exceeding the benchmark guidelines are listed below. Any compensating factors used to justify mortgage approval must be supported by documentation and listed on the Loan Analysis Worksheet (VA Form 26-6393):

- The borrower has successfully demonstrated the ability to pay housing expenses equal to or greater than the proposed monthly housing expense for the new mortgage over the past 12-24 months, with little or no increase in monthly shelter expense.
- The borrower makes a large down payment (ten percent or more) toward the purchase of the property.
- The borrower has demonstrated an ability to accumulate savings and a conservative attitude toward the use of credit.
- Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses.
- The borrower receives documented compensation or income not reflected in the effective income, but directly affecting the ability to pay the mortgage, including food stamps and similar public benefits.
- There is only a minimal increase in the borrower’s housing expense.
- The borrower has substantial documented cash reserves (at least 3 months’ worth) after closing. In determining if an asset can be included as cash reserves or cash to close, the asset must be liquid or readily convertible to cash, and can be done so, absent retirement, death, or job termination (only 60% of the vested balance of a 401(k) / retirement account may be used). Funds borrowed against these accounts may be used for loan closing but are not to be considered as cash reserves. Assets such as equity in other properties and the proceeds from a cash-out refinance are not to be considered as cash reserves. Gift funds that remain in the borrower’s account following closing, subject to proper documentation, may be considered as cash reserves when the loan application is scored through TOTAL Scorecard.
- Conservative use of consumer credit / minimal credit user.
- Long-term employment
- The existence of a large equity position in refinance loans.
- High Residual income.
- The borrower has substantial non-taxable income (if no adjustment was made previously in the ratio computations and the income was not “grossed up”).
- The borrower has potential for increased earnings, as indicated by job training or education in the borrower’s profession.
- The home is being purchased as the result of relocation of the primary wage earner, and the secondary wage earner has an established history of employment (yet has not secured new employment), is expected to return to work, and reasonable prospects exist for securing employment in a similar occupation in the new area. The availability of such possible employment must be documented in the loan file.
Solar Leases and Power Purchase Agreements
These are agreements that are similar to renting a solar panel system. Under these arrangements, the solar leasing company owns and maintains the solar panel system.

These differ from PACE/Hero loans as they are not collected as special assessments by the taxing authority. Instead, the borrower pays the leasing company directly and generally places a lien (UCC filing) on title.

When a property has an existing Solar Lease or PPA that is not being paid off, the following requirements must be met in addition to the standard agency requirements:

- The solar panels may not be included in the appraised value of the property, however the appraiser must comment regarding the existence.
- The property must maintain access to a conventional source of electric power that meets market standards.
- The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- All liens must be subordinated to the new mortgage. In lieu of subordination, the lien may be terminated and re-recorded after the new mortgage has been recorded to ensure MMI has first lien position. Defer to the title company as to how they will ensure MMI’s first lien position.

The complete Power Purchase Agreement must be reviewed in ALL circumstances. The agreement must not contain any requirements for credit qualifying upon transfer – it must be transferrable without regard to the credit of the transferee. Additional guidance regarding these transactions is available within the 4000.1 and should be reviewed in detail to ensure all requirements are met.

Common terms included in Solar Leases & PPAs:

<table>
<thead>
<tr>
<th>Term Length</th>
<th>Residential solar leases are usually for 20 to 25 years.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance &amp; Maintenance</td>
<td>The leasing company will monitor the system's performance to ensure that it is operating correctly for the duration of the lease. They are also responsible for maintaining and repairing it, although solar panels require little to no maintenance over their lifetime.</td>
</tr>
<tr>
<td>Buying the System</td>
<td>The solar panel system can be bought at any time during the lease term, at the price defined in the contract or its fair market value, whichever is higher.</td>
</tr>
<tr>
<td>Selling the Home</td>
<td>If the property is being sold, the remainder of the lease can be transferred to the homebuyer, or the system can be bought from the leasing company by the seller and included in the sale of the property.</td>
</tr>
<tr>
<td>At the End of the Term</td>
<td>When the agreement ends, the system can either be bought outright, the leasing company can remove it, or the system can be left in place and the agreement renewed with the owner.</td>
</tr>
</tbody>
</table>
Program Specifics

Broker Approval
Each broker (referred to as “Agent” by VA) must contact the VA office with jurisdiction over its home office to obtain a VA lender ID number if it does not already have one. This number is used as the agent’s identifier in all VA lending transactions. In addition, you must be approved with MiMutual to submit VA loans.

The broker must provide the following information to MiMutual:
- Copy of Veteran’s Administration approval of Agent reflecting VA Lender ID number.
- List of geographic areas (states) in which the agent will be originating VA loans (must be licensed in states).
- Main Contact of Agent – name, address and phone number (should be someone at agent’s main office).
- Corporate Check in the amount of $100 made payable to the Department of Veterans Affairs.

MiMutual will then submit this documentation to VA to obtain their recognition of the broker as an Agent for MiMutual.

Required Forms

Origination Forms
Loan cannot be underwritten without these forms. These forms are required in addition to the standard required forms/disclosures such as the Loan Application, HUD/VA Addendum to the Loan Application, Good Faith Estimate, Borrower Cert/Auth, etc.

Loan Analysis Worksheet – VA 26-6393
Used by underwriter to analyze applicant’s income, expenses and creditworthiness, and indicate the credit decision.

Request for Determination of Reasonable Value – VA 26-1805
Used to order appraisals for the purchase of VA REO transactions. Form must be completed and submitted to VA (see Appraisal section). Most appraisals are ordered through VA’s webLGY.

Counseling Checklist for Military Homebuyers – VA 26-0592
Active duty military borrowers and their lenders must sign this form to certify that the borrower has received counseling on homeownership and the loan obligation.

Compliance Inspection Report – VA 26-1839
Used by the VA Appraiser to report property inspection results as required by the VA Notice of Value (NOV).

Request for Certificate of Eligibility – VA 26-1880
Veteran’s application for a Certificate of Eligibility (CoE) and/or Restoration of Entitlement. The Veteran must submit proof of military service (DD-214) or any existing C o E with the application.
Request for Certificate of Eligibility Unmarried Surviving Spouse – VA 26-1817
Application for VA Eligibility used by an un-remarried surviving spouse of a deceased Veteran (that died as a result of a service or service-connected causes).

Federal Collection Policy Notice – VA 26-0503
This form is not needed when a Uniform Residential Loan Application (URLA) and the Department of Housing and Urban Development (HUD)/VA Addendum are used as the information is incorporated in those forms. If the URLA and HUD/VA Addendum are not used on an IRRRL, Form 26-0503 is required.

Debt Questionnaire – VA 26-0551
Veteran-borrower completes and signs the form to provide information on prior VA loans and potential indebtedness to the Federal Government. All loan submissions must include this form.

Reservist/National Guard Certification
All Veteran borrowers must complete and execute the Reservist/National Guard Certification. When activated with the Reserves or Guard, Veterans whose loans are in process or ready to close may be subject to a sharp reduction in income. It’s important to recognize that activated reservists whose incomes are reduced may be unable to qualify for the loan they’re seeking. Therefore, except in cases where the Veteran is currently serving on active duty and qualifying income is derived from such service, MiMutual must ascertain if the Veteran has been notified of a mobilization of his or her unit. If the Veteran is in a unit with actual orders for mobilization, the loan must be underwritten on the basis of the Veteran’s income on active duty.

VA 5-Year Hybrid ARM Disclosure
Program disclosure for Hybrid ARM; all loan submissions of the 5/1 Hybrid ARM must include the appropriate ARM Disclosure.

VA ARM Certification
Certification the Veteran borrower received both the ARM Program disclosure and the Consumer Handbook on Adjustable Rate Mortgages is required. All loan submissions of the 5/1 Hybrid ARM must include this certification.

VA Notice to Homeowner
VA Notice of Assumption of VA Guaranteed Mortgages. Veteran borrower must execute notification prior to or at the time of loan closing.

Veterans Certification
Veteran must complete and sign this disclosure. If Veteran responds “yes” to any of the questions numbered 1 through 4, then the Verification of Benefit Related Indebtedness form must be sent to the VA regional office for completion. The Veteran must complete the nearest living relative information. All loan submissions must include this form.
Closing Forms

*Report and Certification of Loan Disbursement – VA 26-1820*
Used to report all closed home loans (both automatic and prior approval) to VA and request guaranty

*VA Notice to Homeowner*
VA Notice of Assumption of VA Guaranteed Mortgages. Veteran borrower must execute notification prior to or at the time of loan closing.

Miscellaneous Forms

*Certificate of Release or Discharge from Active Duty – DD Form 214*
The Defense Department issues to each Veteran a DD-214, identifying the Veteran's condition of discharge - honorable, general, other than honorable, dishonorable or bad conduct. Before January 1, 1950, several similar forms were used by the military services, including the WD AGO 53, WD AGO 55, WD AGO 53-55, NAVPERS 553, NAVMC 78PD, and the NAVCG 553. This form is required for the Veteran to obtain a Certificate of Eligibility. While not required on every transaction, the DD-214 is required in cases of recently discharged Veterans and documents a 2 year employment history.

Other Important Links/Documents

*VA Regional Loan Centers*

*2016 VA County Loan Limits*  (These limits apply to all loans closed 1/1/2016 through 1/1/2016)
*same as the FHFA’s limits. For purposes of determining the VA guaranty, reference only the one-unit limit, regardless of the number of units in the subject property*

*2017 VA County Loan Limits*  (These limits apply to all loans closed 1/1/2017 through 1/1/2017)
*same as the FHFA’s limits. For purposes of determining the VA guaranty, reference only the one-unit limit, regardless of the number of units in the subject property*

*How to read an Active Duty Leave & Earnings Statement (LES)*
For interactive explanation/understanding of the LES for Army, Navy, Air Force, Reserves/National Guard, or for the Civilian Pay Interactive LES, see the link below:
http://www.dfas.mil/militarymembers.html

*Federal Income Tax Chart*

*Department of Revenue/State and Local Income Tax information*
http://www.aicpa.org/yellow/yptsgus.htm

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Eligibility Requirements

Veteran Eligibility Rules/Documentation Requirements

**Veterans Discharged From Regular Military**
For Veterans that have been discharged from regular military, the *Certificate of Release or Discharge From Active Duty* (DD Form 214) will generally contain all the information needed for VA to make an eligibility determination for persons who served in a regular component of the Armed Forces.

Mi Mutual will require a legible copy of DD Form 214 for all recently discharged Vets (or if needed to document a 2 year employment history). Persons separated from military service after January 1, 1950 should have received DD Form 214. Persons separated after October 1, 1979 should furnish Copy 4 of DD Form 214 that includes character of service and separation reason. Persons separated from active duty before January 1, 1950 received documentation other than DD Form 214.

To be acceptable, the DD Form 214 should indicate the length of service and character of service. A DD Form 215 is issued to correct any incorrect information on a DD-214. If a DD-215 is submitted, the DD-214 must also be included.

**Veterans Discharged From the Reserves/National Guard**
For Veterans that have been discharged from the Reserves/Guard, there is no one form used which is similar to DD Form 214. Discharged members of the Army or Air Force may submit both a Report of Separation and *Record of Service* (NGB FORM 22 or NGB FORM 23), or a points statement.

Typically, all members of the Reserves and/or Guard receive an annual retirement point summary that indicates the level and length of participation at or near the Veteran’s anniversary date. The applicant should submit the latest such statement received along with evidence of honorable service. This is required for all recently discharged Vets (or if needed to document a 2 year employment history).

**Active Duty Service Personnel**
Veterans still on active duty must provide a current Statement of Service letter, signed by or at the direction of, the adjutant, personnel office, commander of the unit, or higher headquarters to which they are attached.

The *Statement of Service* is required as proof of service when a Veteran is serving on active duty. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated. The statement of service must clearly show the following:

- Veteran’s full name,
- Social Security Number (SSN),
- Date of Birth (DOB),
- The entry date on active duty,
- The duration of lost time, if any, and
- The name of the command providing the information.
**Reservists**

 Individuals who are still members of the Reserves/Guard must provide a *Statement of Service* signed by, or by the direction of, the adjutant, personnel office or commander of the unit or higher headquarters to which they are attached.

The *Statement of Service* is required as proof of service when a reservist continues to serve in the selected reserves. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer generated. The statement of service must clearly show the following:

- Veteran’s full name,
- Social Security Number (SSN),
- The entry date of applicant’s Reserve/Guard duty, and
- Name of the command providing the information.

Members of the Reserves or National Guard who are not otherwise eligible for home loan benefits are eligible for VA loans. They must have completed six (6) years of service in the Selected Reserve and must have been honorably released unless continuing to serve in the Selected Reserve. The Selected Reserve includes reserve components of the Armed Forces, the Army National Guard and the Air National Guard. A reservist who has been discharged from the Reserves or National Guard due to a service-connected disability prior to completing six (6) years of service is also eligible.

Members of the Reserves or National Guard, mobilized under Title 10, are eligible once they have served at least 90 days. Once they are mobilized and served the required time, they are considered “regular” Veterans.

**NOTE:** An online printout of the *Statement of Service* is insufficient documentation. The actual *Statement of Service*, signed by the commanding officer, must be provided due to missing specific information.

**Certification of Military Reservist Status**

If the borrower is in the reserves, MiMutual must be notified if the borrower’s status has been activated to active duty. If the borrower’s status changes prior to the loan closing, MiMutual must be notified as it could affect the underwriting of their mortgage loan.

For all loan applications, Veteran borrowers must complete the VA *Certification of Military Status* and indicate the following:

- If they are currently in the military reserves, and
- Whether or not they have been activated to active duty.

**NOTE:** The Underwriter will verify this information has been completed.
Unmarried Surviving Spouses

Some spouses of Veterans may have home loan eligibility. The conditions to determine if the spouse qualifies are as follows:

- The unmarried surviving spouse of any Veteran who died as a result of service or service-connected causes (there is no time requirement for length of service), and
- The spouse of an active duty member who is listed as missing in action (MIA) or a prisoner of war (POW) for at least 90 days. (Eligibility under this MIA/POW provision is limited to one (1) time use only.)

The Request for Determination of Loan Guaranty Eligibility – Unmarried Widows and Widowers (VA Form 26-1817) must be completed and forwarded to the VA Eligibility Center. Eligibility determinations for unmarried surviving spouses may take considerably longer to process than others.

A loan obtained with a surviving spouse Certificate of Eligibility requires an affidavit at closing that the surviving spouse is not married.

NOTE: A surviving spouse who remarries on or after attaining age 57, and on or after December 16, 2003, may be eligible for the home loan benefit. Applications from surviving spouses who remarried before December 16, 2003 are ineligible.

Spouses of Service Personnel Missing in Action or Prisoners of War

The spouse of any member of the Armed Forces on active duty who is listed as Missing in Action, or captured or interned in the line of duty, and has been so listed for a total of more than 90 days, is eligible for one guaranteed loan for the acquisition of a home.

Eligibility automatically terminates when the service personnel is no longer listed as Missing in Action or as a Prisoner of War.

A loan obtained with a surviving spouse Certificate of Eligibility requires an affidavit at closing that the surviving spouse is not married.

Veteran with Non-Veteran /Non-Spouse

Mi Mutual will not finance a VA loan for a Veteran with a Non-Veteran/Non-Spouse either in title or on the loan (including “common law marriages”). A Veteran and a Non-Veteran other than a spouse may be eligible under VA guidelines; however, VA will only guaranty the portion of the loan that is allocable to the Veteran’s interest in the property. Transactions involving a Veteran who will hold title with another party that is not his/her spouse, are considered Joint Loans by VA, even if the other party will not be an applicant/borrower on the loan. No portion of the guaranty applies to the portion of the loan allocated to the non-Veteran. In the event of a foreclosure where a loss is sustained, the mortgagee must absorb any loss attributable to the non-Veteran’s portion. Generally, this does not provide enough coverage for the lender on the loan and is not eligible for financing.

For example, if the transaction has a sales price/loan amount of $100,000 with the Veteran and a non-Veteran/non-spouse holding title, the Veteran’s interest in the property would be 50%. The loan guaranty certificate would only show a loan amount of $50,000 and VA’s guaranty would only apply to that amount.
**Two or More Veterans that are Not Married**

If the borrowers are two Veterans that are not married and both want to use their entitlement, MiMutual does not offer this type of VA loan (Joint Loan), as this loan must be underwritten on a prior approval basis by VA.

**Military Personnel within 12 Months of Active Duty Release**

A Veteran borrower or reservist who is within 12 months of release from active duty as of the anticipated date of loan closing requires certain specific information.

An enlisted Veteran borrower’s *Leave and Earnings Statement* (LES), an officer’s orders, or a member of the National Guard or Reservist’s current contract will show the date of expiration of the Veteran’s current contract for active service. If that date is within 12 months of the anticipated date that the loan will close, the loan package submitted for approval must include one (1) of the following:

- Documentation that the Veteran or reservist has in fact 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
- Verification of a valid offer of local civilian employment following release from active duty, including the date employment will begin and earnings must be included, or
- A statement from the service member that he/she intends to re-enlist or extend his/her period of active duty to a date beyond the 12 month period following the projected loan closing date, **PLUS**
- A statement from the service member’s commanding officer confirming:
  - That the service member is eligible to re-enlist or extend his/her active duty as indicated, **and**
  - That the commanding officer has no reason to believe that such reenlistment or extension of active duty will not be granted.

Documentation of other unusually strong, positive underwriting factors may also be used as compensating factors, such as:

- A down payment of at least 10%
- Significant cash reserves
- Clear evidence of strong ties to the community coupled with a non-military spouse’s income so high that only minimal income from the active duty service member is needed to qualify.
Certificate of Eligibility

The Certificate of Eligibility (COE) reflects the amount a Veteran may have available for guaranty on a loan. A Certificate of Eligibility is required on all purchase and cash-out transactions and is utilized to calculate the Veterans Entitlement. See Entitlement Code chart below.

To obtain a COE, use VA’s online application to obtain the COE. Go to VA’s Information Portal and select WebLGY from applications, then select Eligibility and follow the prompts. In many cases, a COE can be generated in seconds. If not, select a link to submit an electronic application. This method allows you to upload supporting documentation, if necessary, and submit an application electronically to the Eligibility Center.

Veterans may also apply for a COE online. For more information, visit the VA website at www.homeloans.va.gov/eligibility.htm. Obtain a Prior Loan Validation through WebLGY by selecting Eligibility from the toolbar and then Prior Loan Validation. If the Prior Loan Validation is unsuccessful, submit an electronic application to require a Certificate of Eligibility.

Entitlement Codes

<table>
<thead>
<tr>
<th>Entitlement Codes:</th>
<th>Era</th>
<th>Era Date</th>
<th>Time Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>World War II</td>
<td>09/16/40 - 07/25/47</td>
<td>90 days</td>
</tr>
<tr>
<td>08</td>
<td>Post-World War II</td>
<td>07/26/47 - 06/26/50</td>
<td>181 days</td>
</tr>
<tr>
<td>02</td>
<td>Korean War</td>
<td>06/27/50 - 01/31/55</td>
<td>90 days</td>
</tr>
<tr>
<td>03</td>
<td>Post-Korean</td>
<td>02/01/55 - 08/04/64</td>
<td>181 days</td>
</tr>
<tr>
<td>04</td>
<td>Vietnam War</td>
<td>08/05/64 - 05/07/75</td>
<td>90 days</td>
</tr>
<tr>
<td></td>
<td>Note: The Vietnam Era began 02/28/61 for those individuals who served in the Republic of Vietnam.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>09</td>
<td>Post-Vietnam</td>
<td>05/08/75 - 09/07/80</td>
<td>Enlisted - 181 days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>05/08/75 - 10/16/81</td>
<td>Officers - 181 days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>09/08/80 - 08/01/90</td>
<td>Enlisted - 2 years*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10/17/81 - 08/01/90</td>
<td>Officers - 2 years*</td>
</tr>
<tr>
<td></td>
<td>*Note: The Veteran must have served two (2) years or the full period for which called or ordered to active duty (at least 90 days during wartime and 181 days during peacetime).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Persian Gulf War</td>
<td>08/02/90 - present</td>
<td>2 years</td>
</tr>
<tr>
<td></td>
<td>*Note: The Veteran must have served two (2) years or the full period for which called or ordered to active duty (at least 90 days during wartime and 181 days during peacetime).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Entitlement Codes for Other People

<table>
<thead>
<tr>
<th>Entitlement Code</th>
<th>Other Eligible Persons</th>
<th>Time Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Active Duty Member</td>
<td>90 continuous days (181) during peacetime.</td>
</tr>
<tr>
<td></td>
<td><strong>Note:</strong> Certificate only valid while Veteran remains on active duty</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Reserves/National Guard</td>
<td>6 years in Selected Reserves (unless active duty under Title 10 or 90 continuous days)</td>
</tr>
<tr>
<td>06</td>
<td>Un-remarried Surviving Spouse</td>
<td>There is no time requirement. Veteran must have died on active duty or from a service-connected disability.</td>
</tr>
<tr>
<td>07</td>
<td>Spouse of POW/MIA</td>
<td>Veteran must have been POW or MIA 90 days.</td>
</tr>
<tr>
<td>05</td>
<td>Entitlement Restored</td>
<td>Time required remains as per tables.</td>
</tr>
</tbody>
</table>

Calculating Veterans Entitlement
Complete the VA Entitlement Worksheet to assist in determining the maximum mortgage loan amount and the amount of down payment or equity required for Veterans with full or partial entitlement. **The guaranty percentage can never be less than 25%, in compliance with GNMA requirements.**

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Maximum Potential Guaranty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $45,000</td>
<td>50% of the loan amount</td>
</tr>
<tr>
<td>$45,001 to $56,250</td>
<td>$22,500</td>
</tr>
<tr>
<td>$56,251 to $144,000</td>
<td>40% of the loan amount with a maximum of $36,000</td>
</tr>
<tr>
<td>$144,001 to $417,000*</td>
<td>25% of the loan amount with a maximum of $104,250*</td>
</tr>
<tr>
<td>*$424,100 for closings on/after January 1, 2017</td>
<td>*Maximum $106,025 for closings on/after January 1, 2017</td>
</tr>
</tbody>
</table>

**NOTE:** The Veteran must provide a written statement regarding membership in the Reserve or National Guard.
**Funding Fee**

The Veteran must pay a funding fee on all VA loans. The funding fee is a one-time, up-front charge applied as a percentage to the Base Loan Amount. The funding fee may be financed in whole (rounded to the nearest $1.00) or paid in cash, unless VA has exempted the Veteran.

The funding fee is a one-time fee that is charged at closing. The funding fee is not refundable, even if the Veteran refinances to another VA loan at a later date. There are no monthly premiums on the funding fee.

The loan amount may exceed the applicable LTV by the amount of the funding fee; however, it cannot exceed the VA County Loan Limits. If the purchase price and base loan amount exceeds the VA County Loan Limits and the borrower is making a cash down payment, the VA Funding Fee can be financed in.

The Certificate of Eligibility must be reviewed closely to verify if the borrower has previously used his/her eligibility as noted by the appropriate Entitlement Code (see [Entitlement Codes](#)). The following persons are exempt from paying the funding fee:

- Veterans receiving VA compensation for service-connected disabilities,
- Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay, and
- Veterans who are **rated by VA as eligible** to receive compensation as a result of pre-discharge disability examination and rating or on the basis of a pre-discharge review of existing medical evidence (including service medical and treatment records) that results in issuance of a memorandum rating.
- Veterans entitled to receive compensation, but who are not presently in receipt because they are on active duty
- Surviving spouses of veterans who died in service or from service-connected disabilities (whether or not such surviving spouses are veterans with their own entitlement and whether or not they are using their own entitlement on the loan)

**NOTE:** Exemption is verified by the VA Benefit-Related Indebtedness Letter (VA Form 26-8937). The funding fee **cannot be waived under any circumstances without VA’s executed statement of the Veteran’s exempt status on the VA Benefit-Related Indebtedness Letter**

On November 21, 2011, the President signed H.R. 674. Section 265 of the law raises funding fees to the pre-November 18, 2011 levels. The fees specified in Section 265 are valid through September 30, 2016.
**Requirements**
The following table shows the required funding fee percentages according to type of Veteran, down payment, and use of prior entitlement.

<table>
<thead>
<tr>
<th>Purchase Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Veteran</strong></td>
</tr>
<tr>
<td>Regular Military (Active Duty or Veteran)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Reserves/National Guard</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

¹ The higher subsequent use fee does not apply if the Veteran’s only prior use of entitlement was for a manufactured home loan not titled as real estate (real property).

<table>
<thead>
<tr>
<th>Cash-Out Refinance Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Veteran</strong></td>
</tr>
<tr>
<td>Regular Military (Active Duty or Veteran)</td>
</tr>
<tr>
<td>Reserves/National Guard</td>
</tr>
</tbody>
</table>

¹ The higher subsequent use fee does not apply if the Veteran’s only prior use of entitlement was for a manufactured home loan not titled as real estate (real property).

<table>
<thead>
<tr>
<th>IRRRLs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Veteran</strong></td>
</tr>
<tr>
<td>Either type (Regular Military or Reserves/National Guard)</td>
</tr>
</tbody>
</table>
Veteran/Borrower (Eligible/Ineligible)

**General Information**
Eligibility for the VA home loan benefit can only be determined by VA and must be evidenced by a VA Certificate of Eligibility (COE). Once it is determined the Veteran is eligible for the benefit, the loan must be underwritten to determine whether the Veteran is eligible for the loan. VA loans are generally made only to a Veteran and their spouse (if married). See below for other Veteran/Borrower combinations.

More than four (4) borrowers to a transaction not allowed.

**Eligible Veteran/Borrower Combinations**
- Veteran
- Veteran and non-Veteran spouse (must be married – common law spouses not eligible)
- Two Veterans who are married to each other where only one Veteran will be using entitlement
- Two Veterans who are married to each other where each Veteran will be using entitlement
- Un-remarried surviving spouse of an eligible Veteran who died due to service-connected injuries (if determined to be eligible by a VA-issued COE)
- Spouse of an active-duty service person who has been listed as MIA or POW for more than 90 days (if determined to be eligible by a VA-issued COE)

**VA Prior Approval (Joint Loans)**
The following borrower combinations require prior approval by VA, and are therefore not eligible transactions through MiMutual:
- Two Veterans who are not married to each other where each Veteran will be using entitlement
- A Veteran and an unmarried co-borrower (which includes a common law spouse)
- Same-sex married couples

**Ineligible Veteran/Borrower Combinations**
Any type of borrower not listed as eligible, including but not limited to:
- Veteran and non-Veteran who is not the Veteran’s spouse (because VA will only issue guaranty on the Veteran’s portion of the loan)
- Any individual without a valid U.S. Social Security Number
- Individuals with a U.S. Individual Taxpayer Identification Number (ITIN). An ITIN is formatted like a SSN but begins with “9”. No valid SSN begins with a 9
- Non-occupying Veteran
- Foreign Nationals and borrowers with diplomatic immunity (see Citizenship)

**NOTE:** Personal occupancy is required for single Veterans, whether or not the Veteran is on active duty. No family member or person other than the Veteran’s spouse can satisfy the occupancy requirement for the Veteran. The property must be occupied within 60 days of loan closing.
**Occupancy**

Owner occupied, primary residence only. Below are acceptable scenarios for meeting owner occupancy status:

- The spouse or dependent child may certify occupancy for a veteran who is on active duty and cannot personally occupy the dwelling within a reasonable time. In the case of a dependent child, the veteran’s attorney-in-fact or legal guardian of the dependent child must make the certification and sign VA Form 26-1820, Report and Certification of Loan Disbursement.

- Single or married service members deployed from their permanent duty station are considered to be in a temporary duty status and are able to certify intent to occupy. There is no need to have a spouse certify occupancy.

(remainder of page intentionally left blank)
Fees and Charges

VA policy has evolved around the objective of helping the Veteran to use his or her home loan benefit; therefore, VA regulation limits the fees that the Veteran can pay to obtain a loan. There is no leeway on Veteran-paid fees and charges as shown below when making VA loans.

The table on the following page details the allowable fees that a veteran may pay, providing those fees are reasonable and customary.

<table>
<thead>
<tr>
<th>Allowable Charge</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal and Compliance Inspections</td>
<td>VA Appraisal fee and a Compliance Inspection fee. A 2nd appraisal fee is allowed if the Veteran is requesting a reconsideration of value.</td>
</tr>
<tr>
<td>Recording Fee</td>
<td>Recording fees, recording taxes, or other charges related to recording</td>
</tr>
<tr>
<td>Credit Report/AUS</td>
<td>The policy for both credit report charges and AUS charges require substantiated evidence with corresponding invoices. The combined total for all credit reports cannot exceed $100. The combined total for AUS submissions cannot exceed $100. The only time where both a credit report and an AUS can be charged to the Veteran is on AUS “Refer” cases. A maximum total of $100 still applies for the combined total of the credit report and AUS charges.</td>
</tr>
<tr>
<td>Prepaid Items</td>
<td>The veteran can pay that portion of taxes, assessments and similar items for the current year chargeable to the borrower, and the initial deposit for taxes and insurance.</td>
</tr>
<tr>
<td>Hazard Insurance</td>
<td>Hazard and Flood insurance premiums, if required</td>
</tr>
<tr>
<td>Flood Zone Determination</td>
<td>The Veteran may only pay the actual amount charged for a flood zone determination, if made by a 3rd party who guarantees the determination. The Veteran may also pay a charge for a Life-of-Loan Determination service purchased at loan origination.</td>
</tr>
<tr>
<td>Survey</td>
<td>The veteran can pay a survey charge if desired by the veteran or required by the lender, except for a condominium loan, which must have the prior approval of the VA before charging the survey fee.</td>
</tr>
<tr>
<td>Title Examination and Title Insurance</td>
<td>The veteran may pay a fee for title examination and title insurance. If the lender decides that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran. A fee for a Closing Protection Letter is also permitted.</td>
</tr>
<tr>
<td>Special Mailing fees for Refinancing Loans</td>
<td>On refinances only, the veteran can pay charges for Federal Express, Express Mail, or a similar service</td>
</tr>
<tr>
<td>VA Funding fees</td>
<td>Unless exempt, each veteran must pay the VA funding fee</td>
</tr>
<tr>
<td>Mortgage Electronic Registration System (MERS)</td>
<td>Veterans may pay a one-time MERS fee</td>
</tr>
<tr>
<td>Other Fees Authorized by VA</td>
<td>Additional fees may be charged to veterans only if specifically authorized by the VA. The lender may submit a written request to the Regional Loan Center for approval</td>
</tr>
<tr>
<td>Pest Inspection Fee</td>
<td>On refinances only, a pest inspection fee may be charged to the veteran</td>
</tr>
<tr>
<td>Well &amp; Septic Inspection</td>
<td>This may be charged to the veteran, regardless of whether it is on the NOV</td>
</tr>
<tr>
<td>Origination Fee</td>
<td>A 1% origination fee may be charged to pay for unallowables as noted below</td>
</tr>
<tr>
<td>Discount Points</td>
<td>Bona fide discount points are permitted</td>
</tr>
</tbody>
</table>

**NOTE:** Whenever a charge relates to services performed by a third party, the amount paid by the borrower must be limited to the actual charge of that third party.
Unallowable Fees

The one percent (1%) flat fee charged by the broker is intended to cover all of the costs and services which are not reimbursable as itemized fees and charges. The following list provides examples of items that cannot be charged to the veteran as itemized fees and charges; instead, the broker must cover these costs from the 1% flat fee.

- Document preparation fees;
- Tax service fees;
- Settlement or closing fees;
- Postage, mailing, or overnight fees;
- Loan application, processing, and underwriting fees;
- Notary fees;
- Trustee fees or charges;
- Conveyance fees, or a charge for preparing loan papers;
- Attorney fees (other than for titlework for the mortgage commitment);
- Pest Inspection fees (on a purchase transaction);
- Photographs;
- Fees charged by Realtors, Loan Brokers or other third parties whether affiliated with the vendor or not;
- Consulting and referral fees charged by loan brokers, finders or other third parties;
- Lender-requested appraisal for reconsideration of value;
- Lender inspections (except in construction loans);
- Commitment or marketing fees of a secondary purchaser, and preparation and recording of assignment of mortgage fees for the purchaser;
- Escrow fees or charges;
- Amortization schedules, pass books, and membership entrance fees; and
- Interest rate lock-in fees.

If one of the above fees is accidently charged to a borrower obtaining a loan guaranteed by the Veterans Administration, MiMutual will have to reimburse the borrower at closing.

NOTE: The 1% origination fee is calculated on the principal amount after adding the funding fee to the loan, if the funding fee is paid from loan proceeds, except on IRRRLs. On an IRRRL, the 1% origination fee is based on the existing VA loan balance, minus any cash payment from the veteran (line 3 of VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet).
Qualifying Ratios
The VA qualifies the Veteran borrower on a single ratio (no housing ratio), as well as residual income. Residual income is the balance available for family living expenses after deducting income and social security taxes, debts, job related expenses, obligations, and monthly shelter expenses (maintenance and utility costs) from the borrower’s income. Loans not approved through DU must have a maximum 41% debt-to-income (DTI) ratio, unless significant compensating factors are present. If the DTI exceeds 41%, residual income must exceed the guideline by at least 20% (regardless of AUS approval) or a second level signature is required for approval (the balance available for family support must exceed the guideline by 120%).

Residual income equals gross income less the following items listed below:
- PITI
- HOA
- Maintenance and utilities
- Federal, state, local and Social Security/Medicare taxes
- Revolving and installment debts
- Alimony/child support
- Job related expenses (child care expenses, travel, meals, etc.), and
- Negative rental income.

Grossing Up Non-Taxable Income
Tax-Free income may be “grossed up” for purposes of calculating the DTI ratio only (not residual income). This is a tool that may be used to lower the debt ratio for Veterans who clearly qualify for the loan. “Grossing up” involves adjusting the income upward to a pre-tax or gross income amount which, after deducting state and Federal income taxes, equals the tax-exempt income. Use current income tax withholding tables to determine an amount which can be prudently employed to adjust the borrower’s actual income. Do not add non-taxable income to taxable income before “grossing up.” If “grossing up” is used, indicate such and provide the “grossed up” ratio in item 47, of the “Remarks” section of the VA Loan Analysis Worksheet (VA Form 26-6393).

To determine the tax rate from the previous year (using 2012 tax returns), take line 61 from page 2 of the 1040 (total tax) and divide by line 43 (taxable income). In the example below, the borrower’s total tax from line 61 was $186. When that figure is divided by the borrower’s taxable income per line 43 ($1866), you get 0.10, or 10%. Therefore, the non-taxable income on this loan is only permitted to be grossed up by 110%.

Maintenance and Utility Costs for All Regions
VA has established a nationwide figure of 14 cents per square foot. For example: 1500 square foot home x .14 = $210.00 /mo maintenance utilities. This is to be entered in box 19 (Maintenance & Utilities) of the VA Loan Analysis Worksheet (VA Form 26-6393).

The Monthly Maintenance & Utility figure is used to calculate residual income only and is not calculated in the DTI.
Residual Income Tables

Special instructions for using Residual Income Tables:
Count all members of the household (without regard to the nature of the relationship) when determining “family size”, including:

- An applicant’s spouse who is not joining in title or on the note, and
- Any other individuals who depend on the applicant for support. For example, children from a spouse’s prior marriage who are not the applicant’s legal dependents.

**Exception**
The lender 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 effective income in the loan analysis. As examples:

- 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 who sufficient foster care payments or child support is received regularly.

A key to the geographic regions is listed in the tables below:

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Northeast</th>
<th>Midwest</th>
<th>South</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$390</td>
<td>$382</td>
<td>$382</td>
<td>$425</td>
</tr>
<tr>
<td>2</td>
<td>$654</td>
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<tr>
<td>3</td>
<td>$788</td>
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<td>4</td>
<td>$888</td>
<td>$868</td>
<td>$868</td>
<td>$967</td>
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<tr>
<td>5</td>
<td>$921</td>
<td>$902</td>
<td>$902</td>
<td>$1,004</td>
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<tr>
<td>over 5</td>
<td>Add $75 for each additional member up to a family of seven.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Northeast</th>
<th>Midwest</th>
<th>South</th>
<th>West</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>$450</td>
<td>$441</td>
<td>$441</td>
<td>$491</td>
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<tr>
<td>2</td>
<td>$755</td>
<td>$738</td>
<td>$738</td>
<td>$823</td>
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<tr>
<td>3</td>
<td>$909</td>
<td>$889</td>
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<td>$990</td>
</tr>
<tr>
<td>4</td>
<td>$1,025</td>
<td>$1,003</td>
<td>$1,003</td>
<td>$1,117</td>
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<tr>
<td>5</td>
<td>$1,062</td>
<td>$1,039</td>
<td>$1,039</td>
<td>$1,158</td>
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<tr>
<td>over 5</td>
<td>Add $80 for each additional member up to a family of seven.</td>
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<tr>
<td>Region</td>
<td>Connecticut</td>
<td>New Hampshire</td>
<td>Pennsylvania</td>
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<tr>
<td></td>
<td>Maine</td>
<td>New Jersey</td>
<td>Rhode Island</td>
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<tr>
<td></td>
<td>Massachusetts</td>
<td>New York</td>
<td>Vermont</td>
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<tr>
<td>Midwest</td>
<td>Illinois</td>
<td>Michigan</td>
<td>North Dakota</td>
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<td>Indiana</td>
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<td>Iowa</td>
<td>Missouri</td>
<td>South Dakota</td>
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<td>Kansas</td>
<td>Nebraska</td>
<td>Wisconsin</td>
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<td>South</td>
<td>Alabama</td>
<td>Kentucky</td>
<td>Puerto Rico</td>
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<td></td>
<td>Arkansas</td>
<td>Louisiana</td>
<td>South Carolina</td>
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<td></td>
<td>Delaware</td>
<td>Maryland</td>
<td>Tennessee</td>
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<td></td>
<td>District of Columbia</td>
<td>Mississippi</td>
<td>Texas</td>
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<tr>
<td></td>
<td>Florida</td>
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<td></td>
<td>Georgia</td>
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<td>West Virginia</td>
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<td>West</td>
<td>Alaska</td>
<td>Hawaii</td>
<td>New Mexico</td>
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<td></td>
<td>Arizona</td>
<td>Idaho</td>
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<td>California</td>
<td>Montana</td>
<td>Utah</td>
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<td></td>
<td>Colorado</td>
<td>Nevada</td>
<td>Washington</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Wyoming</td>
<td></td>
</tr>
</tbody>
</table>
IRRRLs

Minimum Credit Score
640 for loan amounts up to $417,000. See High Balance chapter for additional score requirements for loan amounts above $417,000.
- For loans closed on/after January 1, 2017, the maximum mortgage amount is $424,100

Maximum Loan Amount
Use VA Form 26-8923 to determine maximum loan amount. An LTV is not calculated. The maximum loan amount is the existing VA loan balance plus the following:
- any late charges, plus
- allowable fees and charges (includes up to two discount points), plus
- the cost of any energy efficient improvements, and
- the VA funding fee.

NOTE: There is no maximum dollar amount for VA loans. Since an IRRRL rolls the above items into the new loan, and VA guarantees at least 25% of the loan amount (without regard to the veteran’s entitlement), the new loan amount may be more than the limits established by the secondary market. It is MiMutual’s responsibility to ensure it has a marketable loan.

Available Terms
- Fixed rate: 15, 20, 25, and 30 year fixed rate terms are available
- ARM: 5/1 available

Maximum Loan Term
The maximum loan term is the original term of the VA loan being refinanced plus 10 years, but not to exceed 30 years and 32 days. For example, if the old loan was made with a 15 year term, the term of the new loan cannot exceed 25 years.

Funding Fee
The Funding Fee for all IRRRLs is 0.5%. The Funding Fee Exemption Status on IRRRLs is displayed in webLGY at the time the case number is ordered.

AUS
Loans will be manually underwritten. AUS findings are not run.
Requirements

- A copy of the veteran’s current note is required to document who is currently obligated
- A Certificate of Eligibility (CoE) is not required. Because VA systems will not generate a VA case number for an IRRRL if there is no record of an active loan, if a lender successfully obtains a case number for an IRRRL, no further documentation of eligibility is required.
- New loan must accomplish both a decrease in P&I payment and a decrease in the interest rate
  - If the IRRRL shortens the loan term, only the interest rate must decrease
  - If the IRRRL refinances an existing ARM into a fixed rate, neither the P&I payment nor the interest rate reduction are required

NOTE: A significant increase in the veteran’s monthly payment may occur with either of these two exceptions, especially if combined with one or more of the following: financing of closing costs, financing of up to two discount points, financing of the funding fee, and/or higher interest rate when an ARM is being refinanced. If the monthly payment (PITI) increases 20% or greater, MiMutual must:
  - Determine that the veteran qualifies for the new payment from an underwriting standpoint; such as, determine whether the borrower can support the proposed shelter expense and other recurring monthly obligations in light of income established as stable and reliable, and
  - Include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20% or more

- The IRRRL must not increase the principal balance outstanding on the existing loan, except to the extent of fees and charges allowed by VA
- The loan being refinanced must have been originated at least 6 months before the closing date of the refinancing, and evidence must be provided that the last 6 consecutive monthly payments have been made (at a minimum)
- The recoupment period for fees and charges does not exceed 36 months (unless IRRRL is a Qualified Mortgage with Rebuttable Presumption). Use the IRRRL Safe Harbor Worksheet to determine whether loan meets Safe Harbor requirements or must qualify for Rebuttable Presumption.

VA Rate Reduction Certification

For all IRRRLs, the veteran must sign a statement acknowledging the effect of the refinancing loan on the veteran’s loan payments and interest rate. The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. The statement must also indicate how long it would take to recoup ALL closing costs (both those included in the loan and those paid outside of closing). Any lender credit on the transaction is not considered as a reduction to the costs when calculating recoupment.

If the monthly payment (PITI) increases by 20 percent or more, the underwriter must certify that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.

Example

Vet’s monthly payment decreases by $50.00.
Vet pays $5,000 in closing costs (includes all costs – closing costs, funding fee, discounts, etc).
Recoup closing costs in 100 months - $5,000 divided by $50.

NOTE: This would not be required in those limited cases where the payment is not decreasing (reduced term of loan, etc).
**Cash Back to Borrower at Closing**

Generally no cash back to the borrower is permitted at closing. However, in a limited number of situations, the borrower may receive up to $500 cash at closing due to any of the following situations:

- Computational errors,
- Changes in final pay-off figures,
- Up-front fees paid for the appraisal and/or credit report that are later added into the loan, and
- Refund of the escrow balance on the old loan. (This often occurs when a party other than the present holder originates the loan)

If any of the above circumstances result in the borrower receiving more than $500 cash back, the loan amount must be recalculated by the underwriter.

**Documentation Requirements**

Limited credit information and underwriting is permitted unless the monthly payment (PITI) will increase 20% or more.

---

**NOTE:** A borrower with a recent Chapter 13 bankruptcy may need approval of the trustee for the new loan

**Credit**

All borrowers must have a minimum credit score of 640 as documented by a mortgage-only credit report from all 3 repositories. No mortgage delinquency is permitted in the last 12 months.

**Income**

No income documentation required, unless the new P&I payment is increasing by 20% or greater. However, in all cases, a Verbal VOE is to be completed within 10 days of the Note.

**Ratios**

Ratios are not determined

**Occupancy**

Owner occupied properties only

**Appraisal**

No appraisal is required
**CAIVRS**
MiMutual must perform a CAIVRS screening on all obligors on the loan.

**Title/Lien Requirements**
The IRRRL must replace the existing VA loan as the first lien on the same property. Any second lienholder would have to agree to subordinate to the first lien holder.
- The borrower cannot pay off liens other than the existing VA loan from IRRRL proceeds
- The veteran (or surviving co-obligor spouse) must still own the property

**Underwriting of IRRRLs When Obligors Have Changed**
Although VA does not require any credit/income documentation or re-underwriting of IRRRLs when there has been a change in obligors, MiMutual will:
- Check mortgage payment record in lieu of obtaining a full credit report
- For death or divorce cases, obtain a statement from the obligor(s) on the ability to make payments on the new loan without the co-obligor’s income
- Obtain a statement about the addition of a different spouse, change in number of dependents, as applicable

MiMutual must be satisfied that the lower payment and interest rate, and the minimum 25% guaranty compensate for no re-underwriting on the new loan when there has been a change in obligors.
High Balance

Maximum Guaranty
While VA does not have a maximum loan amount, there are effective “loan limits” for high-cost counties. The limits are derived by considering both the median home price for a county and the Freddie Mac conforming loan limit. To aid in determining the maximum guaranty, VA has created a Loan Limit chart:

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Maximum Guaranty</th>
<th>Special Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than $417,000 (or $424,100, for loans closed on/after 1/1/2017)</td>
<td>The lesser of:</td>
<td>Minimum guaranty of 25 percent on IRRRLs</td>
</tr>
<tr>
<td></td>
<td>• 25 percent of the loan amount, or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 25 percent of the VA county loan limit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>*required 25% downpayment on any amount over the county loan limit</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The percentage and amount of guaranty is based on the loan amount including the funding fee portion when the fee is paid from loan proceeds.

Available Terms
30 year fixed

Maximum DTI
- 50%, regardless of AUS findings, for loans up to $999,999
- 43%, regardless of AUS findings, for loans from $1,000,000 to $1,500,000

AUS Requirements
Must receive an Approve/Eligible recommendation

At-a-Glance

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Base Loan Amount</th>
<th>Minimum Loan Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase and Rate/Term, VA Other Refinance, including IRRRLs</td>
<td>$417,000* - $700,000 (*424,100 for closings on/after 1/1/2017)</td>
<td>640</td>
</tr>
<tr>
<td></td>
<td>$700,001 - $1,000,000</td>
<td>640</td>
</tr>
<tr>
<td></td>
<td>$1,000,001 - $1,500,000¹</td>
<td>700</td>
</tr>
<tr>
<td>Cash Out Refinance</td>
<td>$417,000* - $700,000 (*424,100 for closings on/after 1/1/2017)</td>
<td>640</td>
</tr>
<tr>
<td></td>
<td>$700,001 - $1,000,000</td>
<td>660</td>
</tr>
<tr>
<td></td>
<td>$1,000,001 - $1,500,000¹</td>
<td>700</td>
</tr>
</tbody>
</table>

¹Appraisal must be completed by a certified appraiser
Approve/Eligible Risk Classification
If the AUS using DU rates the mortgage loan application as an Accept or Approve, based on the analysis of the credit and capacity to repay and certain other loan characteristics, the loan is eligible for VA guarantee provided:

- The data entered into the AUS is true, complete, properly documented, and accurate; and
- The entire loan package meets all other VA requirements (except for those specifically not required because the loan was evaluated by an AUS). VA requires adherence to all eligibility rules and the documentation requirements described elsewhere in the Fannie Mae Guide to Underwriting with DU and the VA Lenders Handbook.

Approve/Ineligible Recommendation
The AUS may also provide Approve/Ineligible recommendations. Loans receiving this recommendation have been determined to have met VA's threshold but do not meet certain VA eligibility requirements. The AUS findings will provide detailed information advising why the loan did not meet VA's eligibility requirements, such as: loan amount exceeds the VA maximum, insufficient funds for closing, etc.

Loans that receive a recommendation of Approve/Ineligible may still be eligible for VA guarantee. To achieve eligibility status, we must analyze the findings report and determine that the reason for the ineligibility is one that can be resolved in a manner complying with VA underwriting requirements. Loans that receive a recommendation of Approve/Ineligible will receive the benefit of all other Accept or Approve documentation and credit policy revisions.

The broker may also need to correct the issue(s) that caused the loan to be ineligible and resubmit the loan to attempt to obtain an Accept/Approve recommendation, such as when a mortgage amount exceeds statutory limits.

Refer/Eligible Classification
MiMutual must conduct a manual underwriting review according to VA requirements for all loan applications that generate a Refer rating. The MiMutual underwriter must determine if the borrower is creditworthy in accordance with VA standard credit policies and requirements. It is VA policy that no borrower will be denied a VA-guaranteed mortgage loan solely on the basis of a risk assessment generated by the AUS.
System Overrides and Manual Downgrades

A system override and/or manual downgrade of an Accept/Approve to a Refer classification may be required if a particular loan application variable is revealed during loan processing.

A system override occurs when a loan application variable triggers a requirement (a "review rule") that an underwriter review the loan file. A manual downgrade becomes necessary if additional information, not considered in the AUS decision, affects the overall insurability or eligibility of a mortgage otherwise rated as an Accept or Approve. Both system overrides and manual downgrades may be triggered by inaccuracies in credit reporting, by eligibility issues, when a case file cannot be documented according to the AUS Findings, and for other reasons including the unlikely failure of the AUS to recognize a derogatory credit variable. Unless specifically permitted to continue to use the Accept/Approve documentation class, such as following a favorable resolution of a credit issue due to an error in reporting, MiMutual must document as a Refer risk class and is accountable for the credit and ratio warranties on these loans. MiMutual is required to manually downgrade the loan to a Refer under any of the following conditions:

**Federal Eligibility**

Certain individuals may not be eligible for Federal benefits due to delinquent Federally-related obligations or actions taken by a Federal government agency. If a borrower is discovered to be ineligible due to any of the conditions described below, the lender must downgrade the loan to a Refer status (if the AUS does not do so) and determine what actions—if any—may be taken to allow the borrower to qualify for the mortgage. If it is determined that the information originally relied on to determine a borrower to be ineligible was erroneous, the lender may document the file accordingly and if the loan application is rated as an Accept/Approve, use the credit waivers and reduced documentation accordingly.

**Delinquent Federal Debt**

If the borrower, as revealed by public records, credit information, or HUD's Credit Alert Interactive Voice Response System (CAIVRS), is presently delinquent on any Federal debt, the borrower is not eligible for a VA loan.

**CAIVRS**

If CAIVRS indicates a Federal delinquency, default, claim payment, or lien, the borrower is not eligible for additional Federally-related credit.

**Suspended and Debarred Individuals**

An individual suspended, debarred, or otherwise excluded from participation in the Department's programs is not eligible for a VA-guaranteed mortgage. Both the General Services Administration Office of Governmentwide Policy's System for Award Management (SAM) and HUD's Limited Denial of Participation (LDP) list are available online.
Credit Issues

Previous Mortgage Foreclosure
A borrower whose previous residence or other real property was foreclosed on or has given a deed-in-lieu of foreclosure within the previous two years is generally not eligible for an insured mortgage. We may, with documented exceptions, continue processing and manually underwrite the loan application. Providing the foreclosure was completed at least two years previously and the risk-classification from the AUS is an Accept/Approve, no further documentation regarding the foreclosure is required.

Mortgage History
Late mortgage payments during the most recent 12 months consisting of greater than 1x30 days late on a purchase, or greater than 0x30 on a refinance.

Bankruptcy
See Bankruptcy heading in the Credit chapter for detailed direction regarding both Chapter 7 and Chapter 13 bankruptcies. Providing the bankruptcy was discharged at least two years previously and the risk-classification from DU is an Accept/Approve, no further documentation regarding the bankruptcy is required.

Disputed Accounts
If the credit report reveals that the borrower is disputing any credit accounts or public records, the mortgage application must be referred to a VA underwriter for review.

Upfront Disclosure Policy
At the time of loan submission, MiMutual requires evidence that initial disclosures were delivered to the borrower within compliance. The date indicated on the disclosures must reflect they were prepared / delivered in compliant timeframes. The broker must submit copies of all VA, Federal, state, and local disclosures which will be monitored on every transaction. MiMutual complies with Federal, state, and local policies and procedures such as Fair Housing, ECOA, SAFE Act, RESPA, MDIA, etc.
Underwriting Status / Decision

Pre-Qualification
1003 has been uploaded or loan has been locked (no underwriting package has been submitted).

Incomplete
Insufficient documentation was submitted for the loan file to be submitted to underwriting

Submitted
Loan package has been received, 1003 has been uploaded, and loan has been submitted to an underwriter.

Suspended
Crucial documentation was missing from the submission for the underwriter to render a sound decision.

Approved with Conditions
Underwriter has approved the loan with conditions which need to be met before the loan is cleared to close.

Withdrawn
Loan file was withdrawn by the borrower or the broker.

Declined
A loan is declined only after all alternatives are explored. MiMutual may make recommendations or offer a counter proposal regarding the terms and conditions required for loan approval.

Clear to Close
All prior to closing conditions have been met and cleared by the underwriter, and loan is ready to close. All “At Closing” or “Prior to Funding” conditions must be forwarded to MiMutual prior to funding for underwriter approval or with the closed loan package as noted on the MiMutual Underwriting Report “Conditions to be Cleared at Closing”.

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