

VA Guidelines (01/09/2023)

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Introduction

This document is to be used in conjunction with VA's standard credit policies. The more restrictive of these requirements or those found in the VA Lender's Handbook are to be followed.

Links

VA Lender's Handbook

Veterans Information Portal (password required)

VA Forms

Staff Appraisal Reviewer (SAR) Information

VA Resources

Assets

Cryptocurrency

Cryptocurrency is not allowed as an eligible asset for down payment, reserves, or funds to close; however, proceeds from the liquidation of cryptocurrency may be accepted when the following requirements are met:

- Verify that the cryptocurrency purchases were made using legal assets (such as funds from a bank, brokerage, or retirement account, proceeds from a sale of home or other tangible asset, etc.) and otherwise comply to existing policy on large deposits. Underwriter to acknowledge verification within RICACO on file.
- Documentation provided by borrower to be included in file:
 - Statement showing original purchase of the cryptocurrency (dollar value and when purchased)
 - Bank or investment fund statements, bill of sale receipts or other proof to identify source of funds used to purchase the cryptocurrency.
 - Statements showing the sale, liquidation or transfer of the cryptocurrency converted into U.S. dollars and transferred to the customer's bank or brokerage account.

Marijuana Related Business (MRB) and Hemp

Caliber considers any income or assets that are derived from an illegal source in accordance with all applicable federal, state, and local laws, rules, and regulations as ineligible for all financing types and programs. Federal law restricts marijuana related activities and therefore the income or assets from these sources are not allowed for qualifying. Related activities include:

Any business or activity related to marijuana use, growing, selling, or supplying marijuana. A marijuana-related business is defined as including any of the following:

- Possession of cannabis or cannabis seeds
- Processing
- Growing
- Harvesting/Cultivation
- Testing
- Packaging/Delivery
- Wholesale or Retail sales

Hemp income and/or assets are eligible in all states except the following:

- DC
- Idaho
- Mississippi

Mortgage Credit Certificates

Only allowed in Hawaii utilizing the Hawaii Housing Finance and Development Corporation program.

Mortgage Credit Certificate is allowed for VA financing. Mortgage Credit Certificates (MCCs) issued by state and local governments may qualify a borrower for a Federal tax credit. The Federal tax credit is based on a certain percentage of the borrower's mortgage interest payment.

Lenders must provide a copy of the MCC to VA with the loan package which indicates:

- the percentage to be used to calculate the tax credit, and
- the amount of the certified indebtedness. The certified indebtedness can be comprised of a loan incurred by the Veteran to acquire a principal residence or a qualified home improvement or rehabilitation loan.

If the percentage on the MCC is more than 20 percent, there is an annual limit on the tax credit equal to the lesser of \$2,000 or the borrower's maximum tax liability. Calculate the tax credit by applying the specified percentage to the interest paid on the certified indebtedness. Then, apply the annual limit.

Source of funds from outside the United States and its territories

- When the source of funds needed for closing is, or otherwise originates from, asset(s) located outside the United States and its territories:
 - Funds must be transferred into a United States or State regulated financial institution prior to the closing of the Mortgage transaction and the funds must be currently available to the borrower.
- All documents of foreign origin must be filled out in English, or the originator must provide a translation, attached to each document, and warrant that the translation is complete and accurate.
- Translations are to be completed by a disinterested 3rd party; artificial intelligence translations are not acceptable. If the state requires the document to be notarized, the translation will need to be completed in a live environment to complete the notarization.
- All foreign currency amounts must be converted to U.S. dollars.

Borrower Eligibility

Veteran Eligibility

Eligibility for a benefit under the Veteran Administration Loan Guaranty Program (VA) can only be determined by VA and must be evidenced by a VA Certificate of Eligibility (COE). Eligibility is the Veteran's entitlement to VA home loan benefits under the law, based on military service. An eligible Veteran must still meet credit and income standards to qualify for a VA-guaranteed loan. Only eligible borrowers who sign the Note may take title to the property at settlement. If a spouse or other owner does not want to sign a mortgage note and be obligated for a VA-Guaranteed home loan that individual must sign a mortgage deed of trust.

The Veteran's eligibility for a VA loan is based on the following criteria:

- Service members who have served on active duty after September 15, 1940, and were discharged under conditions other than dishonorable after either:
 - 90 days or more, any part of which occurred during wartime, or
 - 181 continuous days or more (peacetime).
- A greater length of service is required for Veterans who:
 - Enlisted (and service began) after Sept 7, 1980, or
 - entered service as an officer after October 16, 1981
- These Veterans must have completed either:
 - 24-continuous months of active duty, or
 - the full period for which called or ordered to active duty, but not less than 90 days (any part during wartime) or 181 continuous days (peacetime).
- Veterans who served less than the minimum required period may be eligible if the Veteran was discharged because of service-connected disabilities.
- Service members of the Reserves or National Guard are eligible upon completion of six (6) years of service in the Selected Reserve, or upon discharge from the Reserves or National Guard because of a service-connected disability before completing six (6) years.
- Members of Army National Guard or Air National Guard of the United States are eligible if the members have performed not less than 90 cumulative days of full-time National Guard duty, of which, at least 30 of those days must have been consecutive.
 - Full time National Guard duty includes training or other duty in the member's status as a member of the National Guard of a state or territory, the Commonwealth of Puerto Rico, or the District of Columbia, for which the member is entitled to pay from the United States or for which the member has waived pay from the United States.
 - Full time National Guard does not include inactive duty, such as monthly drills. It also does not include basic or initial training.
 - Retroactive applicability - current and National Guard members, regardless of service date, who meet the requirement stated above are eligible.
- Some spouses of Veterans may have home loan eligibility. They are:
 - the unmarried surviving spouse of a Veteran who died because of service or service-connected causes,
 - the surviving spouse of a Veteran who dies on active duty or from service-connected causes, who remarries on or after age 57 and on or after December 16, 2003, and
 - the spouse of an active-duty member who is listed as MIA or a POW for at least 90 days. Eligibility under this MIA/POW provision is limited to one-time use only.
 - surviving spouses of Veterans who died from non-service connected causes may also be eligible if the following conditions are met: (1) the Veteran was rated totally disabled for 10 years or more immediately preceding death; or (2) was rated totally disabled for not less than five years from date of discharge or release from active duty to date of death, or (3) the Veteran was a former prisoner of war who died after

September 30, 1999, and was rated totally disabled for not less than one year immediately preceding death.

- If applying for the first time, surviving spouses must complete VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility-Unmarried Surviving Spouses, instead of VA Form 26-1880.
- Revocable Family/Inter vivos trust is allowed. A beneficial interest in a revocable Family Living Trust that ensures that the Veteran, or Veteran and spouse, have an equitable life estate, provided the lien attaches to any remainder interest and the trust arrangement is valid under State law.
- Borrowers residing in U.S. under Deferred Action for Childhood Arrivals program (DACA) are ineligible.

Eligible Veteran/Borrower Combinations

The following are eligible Veteran and Borrower combinations which do not require additional approval from the VA.

- Veteran
- Veteran and non-Veteran spouse
 - For purposes of all laws administered by VA, a Veteran's marriage is to be recognized "according to the law of the place where the parties resided at the time of the marriage or the law of the place where the parties resided when the right to benefits accrued."
 - If the borrower asserts a spousal relationship on VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application, lenders may process the loan per normal practices without submitting a loan package to VA for approval of spousal status.
 - If a borrower informs the lender that they are uncertain as to whether the marriage may be recognized for VA purposes, the lender may submit the loan file to VA for a determination regarding whether the marriage will be recognized. Neither VA nor lenders will treat assertions regarding same-sex marriages as inherently suspect for this purpose.
 - The following information should be provided to the appropriate VA Regional Loan Center for further review. VA staff will then notify the applicant if both spouses' incomes may be applied.
 1. date and state of marriage.
 2. state(s) of residence of the parties at the time of marriage.
 3. state where the subject property is located.
 4. current state(s) of residence of the parties.
 5. estimated date of loan closing; and
 6. whether VA has previously recognized the marriage for the purpose of a different VA benefit or service.
- Two Veterans who are married to each other where only one Veteran will be using the entitlement.
- Two Veterans who are married to each other where each Veteran will be using the entitlement.

The following are eligible Veteran and Borrower combinations which require additional approval from the VA.

- Any joint loan for which the Veteran will hold title to the property and any person other than the Veteran's spouse.

Certificate of Eligibility (COE) Requirements

- A copy of the COE is required for all VA loans.
- All Veterans must pay the VA funding fee except the following:
 - A Veteran who is receiving disability compensation (or who, but for the receipt of retirement or active service pay, would be entitled to receive compensation).
 - A Surviving Spouse of any Veteran (including a person who died during active military, naval, or air service) who died from a service-connected disability. The Surviving Spouse must be in receipt of Dependency and Indemnity Compensation (DIC).
 - Veteran who is rated eligible to receive compensation resulting from a pre-discharge disability examination or rating or based on a pre-discharge review of existing medical evidence that results in the issuance of a memorandum rating before the loan closing takes place.
 - A member of the Armed Forces who is servicing on active duty and who provide, on or before the date of loan closing, evidence of having been awarded the Purple Heart.
- Surviving Spouse COEs are not issued via an automated COE. To obtain a Surviving Spouse COE, upload the completed VA Form 26-1817 and supporting documentation into WebLGY, and complete the electronic application.
- Funding Fee Exemption Determination:
 - Ensuring that the funding fee exemption information is up to date, before loan closing, is essential to avoid incorrect charges to exempt Veterans. Lenders must not advise Veterans who believe they are exempt from paying the funding fee to close on a loan without first establishing their funding fee exemption status and request a funding fee refund later. The Veterans funding fee exemption status must be established before closing.
 - Veterans who are members of the Armed Forces servicing on active duty who are the recipient of the Purple Heart award are eligible for the VA funding fee, even if the Purple Heart award was awarded during a prior period of military service. Evidence of the Purple Heart award must be provided prior to closing. Evidence of receipt of the Purple Heart award must be in the form of a Purple Heart certificate, DD214 clearly showing the Purple Heart award, or military orders. The following conditions must be on the COE to determine eligibility:
 - Active Duty Servicemember, and
 - Purple Heart recipient, and
 - Funding Fee.

If the COE does not include the referenced COE conditions and the active-duty service member is eligible for the Purple Heart funding fee waiver then evidence of the Purple Heart award must be uploaded into the COE record in the VA portal for review prior to closing.

- If the borrower is exempt from the VA Funding Fee, the exemption status must be reflected on the COE.
- If the COE does not reflect the Veteran is exempt, a determination (verbal or written) as to any pending claim for compensation, or pre-discharge claim, is required.
 - If "yes," an updated COE (using the COE "Correct" in WebLGY), or memorandum rating (active duty), no later than three (3) days prior to Note is required.

- For IRRRLs, a COE is not required. Note: The spouse of a Veteran who is now deceased who was a co-obligor under an existing VA-guaranteed loan is eligible for IRRRL to refinance the VA-guaranteed loan.

Credit Requirements

Authorized User Accounts

AUS Approved loans

- Follow AUS

Manually Underwritten Loans

- Credit reports containing authorized user accounts require additional evaluation and documentation.
- If the primary account holder is another borrower on the transaction no further action is required.
- If the primary account holder, including non-borrowing spouses, is not another borrower on the transaction and the credit report shows any of the following characteristics, it may indicate the report is not an accurate reflection of the borrower's credit profile:
 - There is a significant difference in credit utilization between the authorized user accounts and primary credit lines.
 - There is a significant difference when comparing the late payments of the authorized user accounts to the primary credit lines.
 - The credit limits on authorized user accounts are significantly higher when compared to the primary credit lines.
 - The following documentation must be obtained when any of the above applies:
 - A letter of explanation from the borrower identifying the relationship of the primary account holder to be that of a relative (the borrower's spouse, parent, or an individual related to the borrower by blood, marriage, adoption, or legal guardianship).
 - Evidence of three months of recently cancelled checks or account statements to document that the borrower(s) has been making payments on the account(s).
 - If either of these two requirements cannot be met, the loan must be manually underwritten following nontraditional credit requirements and cannot include the authorized user accounts.

Credit Alert Interactive Voice Response System (CAIVRS)

- All borrowers on the loan (including IRRRLs) must be screened using HUD's Credit Alert Interactive Voice Response System (CAIVRS).
- CAIVRS can be found on FHA Connection at <https://entp.hud.gov/clas/index.cfm>. A password is required.
- The one exception to the policy is that CAIVRS is not required for non-purchasing spouses in community property states.
- The CAIVRS authorization code must be entered on VA Form 26-6393.
- IRRRLs – The CAIVRS authorization code must be entered on VA Form 26-8923.
- Regardless of the automated underwriting recommendation, if the borrower is currently delinquent on any federal debt (e.g., VA guaranteed mortgage, Title I Loan, federal student loan, etc.), or has a lien secured by their property for any federal debt owed, as revealed by public records, credit information or HUD's CAIVRS, one of the following must be met:
 - Evidence of payment in full prior to closing; or
 - Evidence of a current repayment plan acceptable to VA and evidence that the Veteran executed a promissory note for the entire debt balance; or
 - Paid at closing may be approved with an SLE.
- If the Veteran has a judgement lien against his or her property for a debt owed to the Government, the judgement must be paid or otherwise satisfied prior to closing. In other instances, a repayment plan is acceptable if:
 - The Veteran has made a minimum of 6 consecutive satisfactory payment in a documented repayment plan prior to application.
 - The Veteran's overall credit history and financial capacity indicate a reasonable likelihood that the repayment plan will be honored, and the outstanding amount of the indebtedness is not so large that it would prevent payment in full within a reasonable period (approximately one year); AND
 - The case involves unusually meritorious circumstances.

Geographic Restrictions

- Hawaii Properties Refer to Geographical Restrictions
- Texas Properties Not eligible for refinance if: existing lien is subject to Texas Section 50(a)(6); existing 2nd lien is subject to Texas Section 50(a)(6); borrower receives any cash back at closing (even as little as \$1).

Income

Foreign Income

Foreign Income Earned by U.S. Citizen

Income from a foreign source is acceptable only if:

- The income is reported on the borrower most recent two years U.S. tax returns.
- Income paid in foreign currency may be considered on a case-by-case basis if it's converted into U.S. currency, and deposited into a United States or State regulated financial.
- Standard income documentation requirements also apply based on the source and type of income.

Future Income

Projected income is allowed. The employment start date must be within 90 days of the Note date.

Marijuana Related Business (MRB) and Hemp

Refer to Marijuana Related Business (MRB) and Hemp.

Rental Income

Rental Income from a Property Other than the Subject Property

- Each property must have a 2-year rental history itemized on the borrower's tax returns.
- 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, a determination should be 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.
- Obtain the following:
 - documentation of cash reserves totaling at least 3 months mortgage payments (PITI), and If there is not a lien on property, 3 months reserves can be used to cover taxes and insurance and any other recurring fees.
 - individual income tax returns signed and dated, plus all applicable schedules for the previous 2 years, which show rental income generated by the property.

Boarder Rental Income

- Boarder rental income requires two year tax returns signed and dated, plus all applicable schedules for the previous two years, which show boarder income generated by the property, and
- The rental cannot impair the residential character of the property and cannot exceed 25 percent of the total floor area.
- Income may be considered effective income only if the borrower has a reasonable likelihood of continued success due to the strength of the local market.
- Justification required on VA Form 26-6393, Loan Analysis

Rental Income from Multi-Unit Subject Property

- Rental income may be considered as effective income only if:
 - the borrower occupies one unit as residence, and
 - the borrower has a reasonable likelihood of success as a landlord based on prior experience of managing rental units or other background involving both property maintenance and rental, and
 - cash reserves totaling at least 6 months mortgage payments (PITI). If each unit is separate and not under one mortgage, 6 months PITI must be verified for each unit.
- 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).

Note: A percentage greater than 75 percent may be used if the basis for such percentage is adequately documented.

Liabilities/Debts

Conversion of Principal Residence

Conversion of Principal Residence to a Second Home

- If the Veteran is converting a current principal residence to a second home upon purchase of a new principal residence, then both the current and proposed principal, interest, taxes, and insurance (PITI) must be used to qualify the borrower for the new loan.

Conversion of Principal Residence into Investment Property

- If the Veteran is converting a current principal residence to an investment property upon purchase of a new principal residence, the following requirements apply:
 - both the current and proposed monthly housing expenses must be used to qualify
 - rental income may only be used to offset the mortgage payment. Rental income may not be used as effective income.
 - Documentation of cash reserves totaling 3 months PITI for both properties must be provided if using rental income to qualify.
 - obtain a copy of the rental agreement on the property, if any.
 - obtain a working knowledge of the local rental market. If there is no lease on the property, but the local rental market is strong, the prospective rental income may still be considered for offset purposes.

Pending Sale of Real Estate

In instances where the Veteran intends to sell the property, but it will not close before the purchase of a new principal residence occurs, then the principal, interest, taxes and insurance (PITI) on both the pending sale and the subject new property must be included in qualifying the borrower.

VA Prior Approval

- Pre-closing reviews of loan applications when borrowers have been rated inability to manage financial affairs and has VA-appointed Fiduciary or Joint Loans between Veterans are not required. Instead, Post-Audit reviews may be conducted.
- A Pre-close review is still required for any cases listed below:
 - Loans to Veterans in receipt of VA non-service-connected pension;
 - Joint loans to a Veteran and one or more non-spouse, non-Veterans;
 - Joint loans to a Veteran and one or more non-spouse Veterans who will not be using entitlement;
 - Interest Rate Reduction Refinancing Loans (IRRRLs) made to refinance delinquent VA guaranteed loans

Property Types

Condominiums

State of Michigan-Only

- Site Condos in the state of Michigan will be processed as a single family detached residence. VA will no longer require legal documentation for site condos.
- All other states are unaffected and should follow Condominium and PUD project review requirements for VA.

Properties with Solar Panels

Allowed.

Note: The appraiser must not include the value of any leased equipment in the estimated market value, including power purchase agreements.

Unique Properties

- Non-Standard house style refers to unique properties in the market area, including log homes, earth sheltered housing, dome houses, houses with lower-than-normal ceiling heights, and other houses that in the appraiser's opinion are unique.
- The appraiser must provide a comment that the non-standard house style appears structurally sound and readily marketable and must apply appropriate techniques for analysis and evaluation. For such a property to be fully marketable, the appraiser must demonstrate that it is in an area of similar types of construction and blend in with the landscape.

Water Supply and Sanitary Facilities

- The Property must have:
 - A continuous supply of safe and potable water for drinking, bathing, showering and sanitary uses.
 - hot water
 - sanitary facilities, and
 - a safe method of sewage disposal
- Appraisers must ensure that accurate water supply information is reported in the appraisal and the Staff Appraisal Reviewer (SAR) must condition the Notice of Value (NOV) appropriately. If the appraiser is aware of any issues regarding the water supply, the appraiser must comment in the appraisal.
- Appraisers must comment and adjust for any market reaction discovered because of water contamination, as well as any environmental stigma.
- Proper mitigation of lead contaminated water must include a central filtering system which filters all water that could serve the property's occupants.
- If the property has a water filtration system, the Veteran must acknowledge in writing that the water must be continuously treated as required by the local health authority to be considered safe for human consumption. For this to be effective the system must be inspected and maintained to include filter replacements per the manufacturers' recommendations.
- If public water or sewer is available and the local authority mandates connection, the appraiser must prepare the appraisal "subject to" connection.

Ineligible Property Types

Container homes and 3D printed homes are not allowed.

Secondary Financing

General

- Secondary financing is acceptable if the Veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA.
- Refer to the Program Summary for CLTV limits.
- Proceeds of a second mortgage may not be used to cover any portion of the down payment.
- The rate on the second mortgage may exceed the rate on the VA guaranteed first; however, it may not exceed industry standards for second mortgages.
- Must be obtained simultaneously with the VA guaranteed first mortgage, both secured by the same property.
- Documentation disclosing the source, amount, and repayment terms of the second mortgage and agreement to such terms by the Veteran and any co-obligors must be included in the loan file.
- The second mortgage must be subordinated to the VA-guaranteed loan.

- There can be no cash back to the Veteran from the VA first or second mortgage obtained simultaneously.
- The Veteran must qualify for the second mortgage which is underwritten as an additional recurring monthly obligation.
- The second mortgage must be assumable by creditworthy purchasers.
- There should be a reasonable grace period before a late charge comes due or before commencement of foreclosure proceedings in the event of default.
- Second mortgages bearing unusual terms, interest rates, etc. are sometimes offered. Consult the VA if it is unclear whether the terms of the second mortgage meet VA standards.
- Down payment Assistance is allowed if it does not require lender participation.

Subordinating Second Liens

The IRRRL must replace the existing VA loan as the first lien on the same property. Any second lien holder would have to agree to subordinate to the first lien holder.

- The borrower cannot pay off liens other than the existing VA loan from the IRRRL proceeds.
- The Veteran (or surviving co-obligor spouse) must still own the property.
- Refer to the Program Summary for CLTV limits.

Transaction Types

Purchase Transactions

- If the seller is a corporation, partnership, or any other business entity, the file must include documentation showing the owners. If the borrower holds any ownership interest in the business entity, the transaction is not eligible for financing.
- The seller must be the owner of record.
- The loan to value is the base loan amount (excluding the funding fee) divided by the lesser of the appraised value or purchase price.

Purchasing a Short Sale

- A borrower purchasing a property from a seller who is selling their home for less than the amount owed to the lender is considered a short sale. Borrowers purchasing a home that is being sold under a short sale are generally eligible provided:
 - The transaction is arm's length involving a realtor and formal sales contract.
 - There is no relationship or identity of interest between buyer and seller.
 - Short sale approval letter from all existing mortgage lien holders accepting the discounted sales price on the subject property must be provided and retained in the loan file.
 - All liens are extinguished with the sales proceeds.
 - The borrower is not involved in negotiations with the lien holder(s) to facilitate the short sale.
- Borrowers may pay additional fees, assessments, or payments in connection with acquiring a short sale property that are typically the responsibility of the seller or another party. Examples of additional fees, assessments, or payments include, but are not limited to, the following:
 - short sale processing fees (also referred to as short sale negotiation fees, buyer discount fees, short sale buyer fees); However, this fee does not represent a common and customary charge and therefore must be treated as a sales concession if any portion is reimbursed by an interested party to the transaction.
 - payment to a subordinate lienholder; and
 - payment of delinquent taxes or delinquent HOA assessments.
- When the borrower has elected to pay additional fees or payments, the following requirements apply:
 - The borrower (buyer) must be provided with written details of the additional fees, assessments, or payments and the additional necessary funds to complete the transaction must be documented.
 - The servicer that is agreeing to the short sale must be provided with written details of the fees, assessments, or payments and has the option of renegotiating the payoff amount to release its lien.
 - All parties (buyer, seller, and servicer) must provide their written agreement of the final details of the transaction which must include the additional fees, assessments, or payments. This can be accomplished by using the "Request for Approval of Short Sale" or "Alternative Request for the Approval of Short Sale" forms published by the U.S. Treasury Supplemental Directive 09-09 or any alternative form or addendum.
 - The HUD-1/Closing Disclosure must include all fees, assessments, and payments included in the transaction.

Refinance Transactions

- Type I Cash Out: The current mortgage cannot be greater than 1 x 30 days late within the last 12 months.
- Type II Cash Out: The current mortgage cannot be greater than 0 x 30 days late within the last 12 months.
- If the loan is seasoned less than 12 months, evidence the existing loan has no 30-day lates since the inception of the loan and no 30-day lates or greater mortgage lates for any first mortgage loans are associated with the property and borrower(s) in the most recent 12 months. Lender certification that the prior loan was current at the time of application and at the time of closing.
- The modified loan that is being refinanced is considered a new loan based on the modified terms, the modified loan must be seasoned before it can be refinanced and pooled into Ginnie Mae MBS. The underwriter must apply due diligence to determine whether the loan has been modified by reviewing file documentation for any inconsistencies in the monthly payment or total unpaid principal balance. Example of documentation include:
 - Original Note (preferred)
 - Monthly Statement (preferred)
 - Verification of Mortgage

- Credit Report
- Payoff Statement
- Title
- Home Loan View (for current Caliber serviced loans)
- In any inconsistencies exist, then the borrower must provide the loan modification agreement to determine that the below seasoning has been met.
 - When refinancing a government modified loan to a new VA loan, the Note Date of the new loan must be later of:
 - At least 210 days after the first payment due date on the modified loan; and
 - The date on which the 6th monthly payment is made on the modified loan (6 consecutive payments must be made).
- When refinancing any loan to a new VA loan, the Note Date of the new loan must be the later of:
 - At least 210 days after the first payment due date on the original loan; and
 - The date on which the 6th monthly payment is made on the original loan (6 consecutive payments must be made).

Cash Out Refinance

- Type I Cash Out – A refinancing loan in which the loan amount (including VA funding fee) does not exceed the payoff amount of the loan being refinanced.
 - VA loan to VA loan only.
 - Must have a rate reduction of .5%.
 - Must recoup in 36 months or less.
 - Loan must be seasoned.
 - Loan cannot increase the PB at all, including the VAFF.
- Type II Cash Out – A refinancing loan in which the loan amount (including VA funding fee) exceeds the payoff amount of the loan being refinanced. Interest rate requirements and fee recoupment are not required for Type II. Note: Underwriters must complete the VA Refinance Seasoning Worksheet on all VA refinance transactions.

The following requirements apply to ALL Cash Out Refinances.

- VA Cash Out Refinances must meet Net Tangible Benefits (NTB) requirements. The loan must satisfy at least one of the following eight NTB:
 - The new loan eliminates monthly mortgage insurance,
 - Decrease the loan term.
 - Decrease monthly (P&I) Note: If loan being refinanced is ARM or was modified, the current interest rate must be used.
 - Reduce the interest rate.
 - Increase in the borrower's monthly residual income Note: If TI amounts are changing between the application date and the closing date, the new TI amounts should be used to determine residual income for both the current and refinanced loan.
 - Refinances an interim loan to construction loan.
 - Maintain LTV ≤ 90%
 - Refinances from ARM to a Fixed Rate
- A Comparison Disclosure must be provided to the borrower(s) no later than the third business day after receiving the loan application and again at loan closing. The borrower must certify receipt of disclosure (i.e., signature, e-signature, email from borrower certifying receipt, email read receipts, system time/date stamp where a borrower certified receipt, etc.). The comparison of loan characteristics from the existing and refinance loan must include:
 - Loan amount vs the payoff amount
 - Loan type (Fixed or ARM)
 - Interest rate
 - Loan term
 - The total the borrower will have paid after making all payment (P&I), as scheduled
 - LTV
 - Home equity being removed from property. The Home Equity Disclosure must provide an estimate of the home equity being removed from the home because of the refinance and explain how the removal of the home equity may affect the Veteran.
- LTV Calculation:
 - Maximum 100% LTV. The loan to value is the base loan amount (including the funding fee) divided by the appraised value.
 - Refer to the Program Summary for specific guidelines on LTVs >90%.

The following applies to Type I Cash Out Refinances only.

- Recoupment Calculation Requirements on a VA-to-VA refinance
 - The recoupment period for all fees and charges (see 38 CFR 36.4313) financed as part of the loan or paid at closing may not exceed thirty-six (36) months.
 - All fees, expenses, and closing costs included in the loan and paid outside of closing (excluding the VA Funding Fee) must be included in the recoupment calculation. The following fees are excluded from the calculation:
 - Per diem interest
 - Impound of taxes and insurance.
- Interest Rate Requirements apply to VA-to-VA refinance transactions.
 - Fixed Rate to Fixed Rate - The interest rate of the refinancing loan may not be less than 0.5%
 - Fixed Rate to Adjustable Rate - The interest rate of the refinancing loan may not be less than 2%
 - If Discount points > 1% are included in the refinance loan amount, then the loan amount may not be greater than a 90% LTV.
 - If Discount points ≤ 1% are included in the refinance loan amount, then the loan amount may not be greater than a 100% LTV.

Texas Property – Regular Refinance

- Rate Term refinances of existing Texas Section 50(a)(6) liens may be closed as a Standard rate term refinance - Texas Section 50(a)(4) transaction,

subject to the following requirements:

- The refinanced extension of credit can only include funds advanced to refinance the existing Texas Section 50(a)(6) lien; plus, actual costs required to refinance the debt.
- Borrower may not receive any cash back (no additional funds other than the actual costs and reserves required to refinance the debt).
- The refinance is closed at least one year after the note date of the original Section 50(a)(6) loan.
- Maximum 80% LTV/CLTV.
- The Notice Concerning Extensions of Credit (defined by Section 50(f)(2) of the Texas Constitution) must be received by the borrower no later than the third business day after the date of application. If disclosures are mailed, this Notice must be sent to the borrower on the same day of application to ensure it is received within 3 business days. The borrower must receive the notice at least 12 days before the date the loan closes.
- The borrower(s) must sign the Owner's Affidavit Acknowledging Lender's Compliance with Constitutional Requirements for Rate Term Refinance (Section 50(f)(2), Article XVI, Texas Constitution) and Acknowledgment As To Fair Market Value Of Homestead Property – Rate/Term Refinance Of Equity Loan (Pursuant to Section 50(f)(2), Article XVI, Texas Constitution) at closing.
- Interest Rate Reduction Refinance Loan/IRRRL
 - Loan made to refinance an existing VA-guaranteed loan at a lower interest rate than the existing VA loan, and with lower principal and interest payments than the existing VA loan.
 - VA IRRRLs must pass the following Net Tangible Benefits (NTB) test as follows:
 - Bear a lower interest rate than the loan it is refinancing unless the loan it is refinancing is an ARM.
 - Fixed to Fixed: If the previous VA loan had a fixed interest rate and the new refinanced loan will have a fixed interest rate; the new refinanced loan must have a 50 basis points (.50%) or more interest rate decreases from the existing loan interest rate; or
 - Fixed to ARM: If the previous VA loan had a fixed interest rate and the new refinanced loan will have an adjustable interest rate, the new refinanced loan must have a 200 basis points (2.00%) or more interest rate decreases from the existing loan interest rate; and
 - The lower interest rate is not produced solely from discount points unless such points are paid at closing; and
 - Discount point amounts are ≤ 1%, the resulting loan balance (including any fees and expenses) must not result in an LTV greater than 100%; and
 - Discount point amounts are >1%, the resulting loan balance (including any fees and expenses) must not result in an LTV greater than 90%.
 - When discount points are charged on a Fixed to ARM, a LTV calculation is required. An Exterior-Only Inspection Residential Appraisal Report (Form 2055) or Uniform Residential Appraisal Report (Form 1004, 1075, and 1073) is required to determine the value. Appraisal report is required using Caliber Home Loans approved appraisers.
 - Appraisal fee may be paid by the borrower and must be included as part of the recoupment cost. Borrower can only be charged for one appraisal.
 - Recoupment Calculation Requirements
 - The following must be certified to VA:
 - For a transaction that results in a lower monthly principal and interest payment, the recoupment period of fees, closing costs, and expenses (other than taxes, amounts held in escrow, and VA funding fee) incurred by the Veteran may not exceed 36 months from the date of the loan closing.
 - For a transaction that results in the same or higher monthly principal and interest payment, the Veteran must not have incurred fees, closing costs, or expenses (other than taxes, amounts held in escrow, and VA funding fee).
 - Note: Calculate the monthly P&I for an ARM using the current interest rate for the ARM.
 - All fees, expenses, and closing costs included in the loan and paid outside of closing must be included in the recoupment calculation.
 - The following fees are excluded from the calculation:
 - Per diem interest
 - Escrows
 - Prepaid expenses (such as insurance, taxes, special assessments and HOA fees)
 - VA Funding Fee
 - LTV Calculation
 - The loan to value is the base loan amount (excluding the funding fee) divided by the appraised value.
 - Additional IRRRL Requirements
 - The maximum loan term is the original term of the VA loan being refinanced plus 10 years, but not to exceed 30 years.
 - A Comparison Disclosure must be provided to the borrower(s) within 3 business days from the initial date of the loan application and again at loan closing. The borrower must certify receipt of disclosure (i.e., signature, e-signature, email from borrower certifying receipt, email read receipts, system time/date stamp where a borrower certified receipt, etc.).
 - The Comparison Disclosure must include the following information relating to the loan being refinanced and the refinance loan:
 - VA Loan Identification Number (LIN)
 - Loan amount
 - Monthly payment
 - Interest rate
 - Borrower name(s)
 - The Comparison Disclosure must also show the recoupment period (in months) for all fees, expenses, and closing costs (including taxes, escrows, and VA funding fee) whether included in the loan or paid outside of closing.
 - The recoupment calculation on the Comparison Disclosure statement differs from the recoupment calculation for purposes of qualification.
 - For Caliber-to-Caliber IRRRLs, a credit report and credit score is not required; however, all other VA IRRRL requirements in this section apply including the mortgage payment history and seasoning requirements
 - For Caliber-to-Caliber IRRRLs: Borrower must be current.
 - For non-Caliber to Caliber IRRRLs, a tri-merge credit report must be obtained to verify a 12-month mortgage history and a credit score for each borrower. Derogatory credit requirements do not apply to IRRRLs.
 - For non-Caliber to Caliber IRRRLs: the current mortgage cannot be greater than 1 x 30 days late within the last 12 months.

- For Safe Harbor, IRRRLs must be 0x30 in the last 6 months
- Texas properties not eligible if the existing lien is subject to Texas Section 50(a)(6), the existing 2nd lien is subject to Texas Section 50(a)(6), or the borrower receives any cash back at closing.
- An IRRRL cannot be used to take equity out of the property or pay off debts, other than the VA loan being refinanced. Loan proceeds may only be applied to paying off the existing VA loan and to the costs of obtaining or closing the IRRRL. Therefore, the general rule is that the borrower cannot receive cash proceeds from the loan. If necessary, the refinancing loan amount must be rounded down to avoid payments of cash to the Veteran.
- Some examples of situations in which VA does not object to the borrower receiving cash are:
 - 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.
 - In this instance, the borrower cannot receive more than \$500 back from the loan.
- The borrower cannot pay off liens other than the existing VA loan from the proceeds. Any second lien holder would have to agree to subordinate to the new mortgage.
- VA Form 26-8923 (Interest Rate Reduction Refinancing Loan Worksheet) is required.
- Maximum loan amount is the existing VA loan balance, plus allowable fees, and charges, plus up to two discount points, plus the VA funding fee.
- The Veteran re-uses the entitlement used on the existing VA loan – the VA IRRRL does not impact the amount of entitlement the Veteran has in use.
- AVM requirements:
 - Other than manufactured homes, an AVM is not required. When an AVM is not required, the original loan amount should be entered into H20 as the appraised value.
 - On manufactured homes, an AVM must support the value.
 - CoreLogic (FSD ≤15)
 - Collateral Analytics Black Knight (FSD ≤15)
 - Freddie HVE (confidence level High)
 - MBS Highway (≥3 stars)
 - Clear Capital (≥80)
 - AVM must support the calculated total loan amount, including cost/fees and funding fee.
 - If the AVM does not come back with a value, then a 2055 is required. If using a 2055/1075, it must be changed to an interior and exterior report if any of the following conditions exist:
 - The property does not conform to the neighborhood; or
 - Adverse physical deficiencies or environmental conditions are observed; or
 - Data sources do not provide sufficient information about the property.
 - Appraiser noted repairs impacting safety, health, and hazard must be completed.
 - Property condition rating must be “average” or better.
 - Appraised value must be “equal to” or “better than” the total loan amount including VA Funding Fee.
- If the Veteran is deceased and the surviving spouse was a co-obligor, the spouse is considered a Veteran for the IRRRL. The surviving spouse must solely own the subject property.
- The parties obligated on the original VA loan must be the same parties on the new loan and the Veteran must still own the property. However, some ownership changes may be acceptable in the following instances:

	Parties Obligated on Old VA Loan	Parties to be Obligated on new IRRRL	Is IRRRL Possible?
1	Unmarried Veteran	Veteran and new spouse	Yes
2	Veteran and spouse	Divorced Veteran alone	Yes
3	Veteran and spouse	Veteran and different spouse	Yes
4	Veteran alone	Different Veteran who has substituted entitlement	Yes
5	Veteran and spouse	Spouse alone (Veteran died)	Yes
6	Veteran and nonVeteran joint loan obligors	Veteran alone	Yes
7	Veteran and spouse	Divorced spouse alone	No
8	Unmarried Veteran	Spouse alone (Veteran died)	No
9	Veteran and spouse	Different spouse alone (Veteran died)	No
10	Veteran and nonVeteran joint loan obligors	NonVeteran alone	No

“Restructured” Loans or “Short” Payoff Refinances

- This transaction may not result in a modified loan, restructured loan or short payoff.
- The subsequent refinance of a modified/reconstructed loan is allowed as long as the loan meets standard refinance requirements.

VA AUS

General

- All Full Doc VA loans must be run through DU/LP.

- If the loan receives a “refer” recommendation, a VA Approved Automatic Underwriter must then underwrite it.
 - If the loan amount is greater than conforming limits, then a manual underwrite is not allowed

System Overrides and Manual Downgrades

Downgrade to manual underwrite if any of the following situations occur and they have not been considered by the AUS:

- Delinquent federal debt or CAIVRS claim, refer to the CAIVRS.
- Disputed accounts, significant inaccuracy, or undisclosed debt.
- Previous mortgage foreclosure/Deed in lieu of Foreclosure (within 2 years of application) and bankruptcy (within 2 years of application) make loan ineligible for financing. Date considered for foreclosure, is actual date property transferred from borrower’s name regardless of previous judicial proceedings including Bankruptcy. If the foreclosure was on a VA loan, the applicant may not have full entitlement available for the new loan. Ensure that the applicant’s Certificate of Eligibility reflects sufficient entitlement.
- Previous Short Sale (within 2 years of application). Credit guidelines for short sales must be manually applied as AUS may not detect the presence of these items.
- Collection accounts greater than \$3,500
- Tax lien (must be paid off)
- Charge-off greater than \$2,500
- Judgment (must be paid off)
- Delinquent items and any mortgage trade line, including mortgage line-of-credit payments, during the most recent 12 months consisting of any of the following:
 - Two or more late payments greater than 30 days
 - One or more late payments of 60 days plus one or more 30-day late payments.
 - One payment greater than 90 days late
- Bank statements that indicate multiple non-sufficient funds (NSF) charges. Example: more than 1 or 2 isolated incidents over a 60-day period. An explanation for such NSFs will be required and additional asset statements may be required to decision the loan.
- Failure to meet the specific conditions of an AUS approval.