Conventional

Program Guidelines

	Fannie Mae	Freddie Mac
What is Virginia Housing's Conventional program?	Virginia Housing's Conventional program is a conventional first mortgage offered both to first-time and repeat homebuyers with reduced mortgage insurance (MI), and allows use of the expanded income limits. The loan is securitized by the applicable Government Sponsored Enterprise (GSE) via a mortgage-backed security (MBS). The interest rate for the Conventional program may vary compared to the Conventional Bond program. Requirements of this securitized non-bond program are listed below.	
Loan Term	30 year fixed rate only.	
Maximum Lender Compensation	2.50% including SRP plus common and customary ancillary fees.	
Loan-to-Value (LTV)	Maximum 97% LTV based on the lower of the sales price / appraised value, unless property type is Standard manufactured housing, which is limited to maximum 95% LTV/CLTV. No minimum LTV. Maximum 105% CLTV (Fannie Mae eligible Community Seconds* only allowed). *The Originating Lender is responsible for ensuring the Community Second is acceptable to Fannie Mae. Refer to Fannie Mae's Community Seconds Checklist to assist in evaluating the Community Second program, which can be used in lieu of Virginia Housing's Exhibit LL.	Maximum 97% LTV based on the lower of the sales price / appraised value, unless property type is Standard manufactured housing, which is limited to maximum 95% LTV/CLTV. No minimum LTV. Maximum 105% TLTV (Freddie Mac eligible Affordable Seconds* only allowed). *The Originating Lender is responsible for ensuring the Affordable Second is acceptable to Freddie Mac. Refer to Freddie Mac's Affordable Seconds Checklist to assist in evaluating the Affordable Second program, which can be used in lieu of Virginia Housing's Exhibit LL.
Mortgage Insurance	Below is the required coverage.	

LTV	**Charter MI Coverage %** Applies to borrowers with qualifying income ≤ 80% AMI If qualifying income > 80% AMI, reduced MI LLPA applies when using Charter MI instead of standard MI	**Standard MI Coverage %** Applies to borrowers with qualifying income > 80% AMI; MI LLPA does not apply
95.01 – 97.00	18	35
90.01 – 95.00	16	30
85.01 – 90.00	12	25
80.01 – 85.00	6	12
≤ 80.00	0	0

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	Fannie Mae	Freddie Mac
Mortgage Insurance	*Continued* • MI Approval and Certificate required. Delegated MI is allowed. • Confirm procedures, requirements, and pricing with the approved MI company. • Participating companies: Arch MI, Enact, Essent, MGIC, National MI and Radian. • Borrower paid Monthly / Split / Single Premium (paid or financed) allowed per Government Sponsored Enterprise (GSE) requirements (Lender credits can be used to offset the premium). Lender Paid MI (Monthly and Single Premium) not allowed. • The LLPA for Charter MI coverage does not apply to the Conventional Bond program when the qualifying income is greater than Fannie Mae / Freddie Mac 80% AMI.	
SPARC Eligible	No.	
FirstHome Dream Eligible	No.	
CLT Property Eligible	Yes in accordance with CLT Property program guidelines.	
Plus Second Mortgage Eligible	Yes in accordance with Plus Second Mortgage guidelines.	
DPA Grant Eligible	No.	
CCA Grant Eligible	No.	
First-time Homebuyer	No requirement. Borrowers can own a maximum of 2 financed properties per GSE requirements.	
Income Limits	(see table and text below)	
Sales Price / Acquisition Cost Limits	No maximum sales price / acquisition cost with or without the Plus Second Mortgage, but standard conforming loan limit must be followed as indicated below.	

Income Limits:

	Conventional with or without Plus Second Mortgage
Income Limit Type:	Expanded limits
Who to include:	All borrowers
What Income to include:	Eligible qualifying income

Click here to see Virginia Housing's income limits.

When all borrower qualifying income (not household income) exceeds Fannie Mae / Freddie Mac 80% AMI limits and Charter (reduced) MI coverage is used instead of standard MI, an LLPA for the Charter MI applies. Must still be within Virginia Housing's applicable income limit even when borrower qualifying income exceeds the GSE's 80% AMI. For a full list of LLPAs visit the webpages of Fannie Mae / Freddie Mac).

	Fannie Mae	Freddie Mac
Maximum Loan Amount	Maximum loan amount is the standard conforming loan limit. High-cost area limits do not apply.	
Eligible Purpose	Primary residence purchase / Limited cash out refinance. Note: The Plus Second Mortgage is not eligible for refinance and is not eligible for Virginia Automatic Subordination if the first mortgage is refinanced. The Request for Plus Second Mortgage Subordination form must be submitted to Virginia Housing Servicing for subordination consideration.	Primary residence purchase / No cash-out refinance. Note: The Plus Second Mortgage is not eligible for refinance and is not eligible for Virginia Automatic Subordination if the first mortgage is refinanced. The Request for Plus Second Mortgage Subordination form must be submitted to Virginia Housing Servicing for subordination consideration.
Residency	Must meet the applicable GSE residency requirements.	
Programs Disclosure and Borrower Affidavit (Exhibit E)	Pages 1 – 2 must be completed and signed for all purchase transactions.	
Seller Affidavit (Exhibit F)	Not required.	
Originating Lender's Loan Submission Cover Letter (Exhibit O)	Not required.	
Recapture	Loan is not subject to recapture.	
Homebuyer Education	Required for all first-time homebuyers. Complete Virginia Housing course, HUD Approved Counseling Agency course, Fannie Mae Framework, or Freddie Mac CreditSmart course prior to approval. Fannie Mae's Homeview course is not acceptable. Homebuyer Education Certificate is valid for 2 years.	
Tax Transcripts	Follow the applicable GSE requirements.	
Business Use of Home	No more than 15% of the financed dwelling may be used primarily in a trade or business. The borrowers must fully execute the Business Use of Home Certification if the borrower has disclosed that a part of the current residence is being used primarily for a trade or business or if there is any other evidence in the file, such as: • The employment business address is the same as the borrower's current residence address and/or the borrower has marked yes for mixed-use property on the URLA, or • Federal tax returns are provided and show the "business in home" deduction was taken (Typically this shows on Schedule C, line 30). The Business Use of Home Certification certifies that not more than 15% of the total living area of the subject property will be used primarily in a trade or business. If greater than 15% will be used in the subject dwelling then the borrower is not eligible.	

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Maximum Net Worth	Cannot exceed 50% of sales price (See Origination Guide for more information).	
Automated Underwriting System (AUS) / Manual Underwrites	Desktop Underwriter Approve Eligible only (Manual Underwrite not allowed). Community Lending Program in DU must be “HFA Preferred” (Not “HFA Preferred Risk Sharing” or “Home Ready”). See below under Reserves / Acceptable Funds to Close for how subordinate financing is captured in DU. When all borrower qualifying income exceeds Fannie Mae 80% AMI limits, an LLPA applies if Charter MI (or reduced MI) coverage is used. The Charter or reduced MI LLPA amount varies depending on credit score and LTV. Refer to Fannie Mae webpage. Note: Fannie Mae’s AMI limit is based on initial AUS run date and changes annually. Must still be within Virginia Housing’s applicable income limit even when borrower qualifying income exceeds Fannie Mae’s 80% AMI.	Loan Product Advisor Accept Eligible only (Manual Underwrite not allowed). The Offering Identifier in LPA must be “HFA Advantage” (Not “Home Possible” or “Home Possible Advantage”). See below under Reserves / Acceptable Funds to Close for how subordinate financing is captured in LPA. When all borrower qualifying income exceeds Freddie Mac 80% AMI limits, an LLPA applies if Charter MI (or reduced MI) coverage is used. The Charter or reduced MI LLPA amount varies depending on credit score and LTV. Refer to Freddie Mac webpage. Note: Freddie Mac’s AMI limit is based on last AUS run date and changes annually. Must still be within Virginia Housing’s applicable income limit even when borrower qualifying income exceeds Freddie Mac’s 80% AMI.
Minimum Credit Score	640 (no exceptions) for all borrowers. • If at least one borrower has no credit score and the other borrower has a credit score (minimum 640), this is acceptable as long as all GSE requirements are met and AUS decision is Approve / Accept Eligible. If no borrower(s) has a credit score then this is not allowed.	
Maximum DTI	50%	
Non-Occupant Co-Borrowers	Not allowed.	
Ineligible Qualifying Income	• Boarder Income • Non-Borrower Household Income • Accessory Unit Income	
Collections / Judgments	Follow applicable GSE requirements for collections and judgments.	
Minimum Borrower Contribution	None.	

	Fannie Mae	Freddie Mac
Reserves / Acceptable Funds to Close	Follow Fannie Mae / DU requirements for reserves. Follow Fannie Mae requirements for flexible funds to close (including a gift) / no cash on hand. Note: When using other acceptable non-Virginia Housing down payment assistance in the form of a Community Second, the Originating Lender must enter the amount of the Community Second in the Subordinate Financing field of DU per Fannie Mae requirements (not input as a gift). When using a Plus Second Mortgage it must also be entered as a Community Second with a monthly payment included to qualify (not input as a gift).	Follow Freddie Mac / LPA requirements for reserves. Follow Freddie Mac requirements for flexible funds to close (including a gift) / no cash on hand. Note: When using other acceptable non-Virginia Housing down payment assistance in the form of an Affordable Second, the Originating Lender must enter the amount of the Affordable Second in the Subordinate Financing field of LPA per Freddie Mac requirements (not input as a gift). When using a Plus Second Mortgage it must also be entered as an Affordable Second with a monthly payment included to qualify (not input as a gift).
Interested Party Contributions	Follow applicable GSE requirements for interested party contributions.	
Property	• Single family (1 unit) detached, attached, applicable GSE approved condominium (Originating Lender to certify condo approval and provide documentation). • Fannie Mae's MH Advantage and Standard manufactured housing is allowed. All Fannie Mae requirements must be met, including maximum LTV / CLTV based on manufactured housing designation type. • Appraisal waivers are not permitted. • Property must be located in Virginia. • Include UCDP SSR (See below for additional requirements).	• Single family (1 unit) detached, attached, applicable GSE approved condominium (Originating Lender to certify condo approval and provide documentation). • Freddie Mac's CHOICEHome and Standard manufactured housing is allowed. All Freddie Mac requirements must be met, including a maximum LTV / CLTV based on manufactured housing designation type. • Appraisal waivers are not permitted. • Property must be located in Virginia. • Include UCDP SSR (See below for additional requirements).
Acreage	Follow applicable GSE acreage requirements, if applicable, including when originated with the Plus Second Mortgage.	
UCDP / Collateral Underwriter	UCDP Submission Summary Report (SSR) required. A higher UCDP Risk Score may require additional documentation and/or explanation. The Originating Lender is responsible for ensuring this is addressed when applicable.	UCDP Submission Summary Report (SSR) required. A higher UCDP Risk Score may require additional documentation and/or explanation. The Originating Lender is responsible for ensuring this is addressed when applicable.
Unfinished Area	Not applicable since there is no sales price limit to which an acquisition cost must be under.	
Post-Closing Repairs	Escrows for post-closing repairs considered case by case as an exception. The Originating Lender's underwriter must review and render a decision on the exception. See the Origination Guide for additional requirements and criteria. No structural or major mechanical repairs allowed.	
General Guidelines	Unless otherwise noted follow Fannie Mae HFA Preferred requirements, and if not available, follow Home Ready requirements.	Unless otherwise noted follow Freddie Mac HFA Advantage requirements, and if not available, follow Home Possible requirements.

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Lock-In	Loans locked on Virgina Housing's LOS – Mortgage Cadence – Select **C30F_CONV.** Different pricing available for this product than Virginia Housing's Conventional Bond program. Follow steps outlined in the Mortgage Cadence User Guide for registering and locking.	
LLPAs	When all borrower qualifying income exceeds Fannie Mae / Freddie Mac 80% AMI limits, a Loan Level Price Adjustment (LLPA) applies if Charter MI (or reduced MI) coverage is used. The Charter or reduced MI LLPA amount varies depending on credit score and LTV. Refer to Fannie Mae / Freddie Mac webpages. Note: Fannie Mae's AMI limit is based on initial AUS run date, whereas Freddie Mac's AMI limit is based on last AUS run date, and the AMI limit changes annually.	
Origination	Loan originated in accordance with program guidelines, GSE guidelines, and AUS findings (Recommend running AUS as soon as possible).	
Lender Delegated Underwriting Availability	Delegated underwriting is available to all approved Virginia Housing delegated lenders. Lender's underwriter assumes full responsibility for compliance with GSE underwriting requirements. Lenders can contact their Business Development Officer for questions / concerns about delegation.	
Underwriting	Loans underwritten in accordance with program guidelines, Fannie Mae guidelines, and DU findings. Non-Delegated Lenders must submit to Virginia Housing prior to closing – must use the Underwriting Submission Checklist. Community Lending Program in DU must be "HFA Preferred." (Not "HFA Preferred Risk Sharing" or "Home Ready"). • Go to "Additional Data" screen within DU to select Community Lending Program. Follow steps outlined in the Mortgage Cadence User Guide for submitting a Non-Delegated loan to Virginia Housing Underwriting or submitting for Delegated Approval. Data accuracy is critical.	Loans underwritten in accordance with program guidelines, Freddie Mac guidelines, and LPA findings. Non-Delegated Lenders must submit to Virginia Housing prior to closing – must use the Underwriting Submission Checklist. The Offering Identifier in LPA must be "HFA Advantage" (Not HomePossible or "HomePossible Advantage"). Follow steps outlined in the Mortgage Cadence User Guide for submitting a Non-Delegated loan to Virginia Housing Underwriting or submitting for Delegated Approval. Data accuracy is critical.
Closing	Loans close in accordance with standard GSE guidelines. Loan must be closed in the name of the lender, registered in MERS with MERS compliant documents.	
UCD	Originating lender must upload the UCD file directly to the applicable GSE and provide the casefile ID and Findings Report.	
Documents	Final AUS, URLA, and Transmittal must match (standard GSE tolerances allowed).	

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Funding	Originating lender will fund the first mortgage at closing.	
Points and Fees	Virginia Housing is exempt from ATR (Ability to Repay) so a maximum of 3% points and fees does not apply, however the maximum points and fees for all Virginia Housing Conventional loans is 5%.	
Delivery	Loans must be submitted to Virginia Housing within 10 calendar days of closing (disbursement for refinances). Follow steps outlined in the Mortgage Cadence User Guide available on Virginia Housing's website for submitting a closed loan package. Documents must be uploaded using the Loan Stacking Form.	
4506-C	Lenders are required to deliver a complete 4506-C with Virginia Housing's auditor information following the instructions in the Origination Guide. Failure to provide will result in loan being pended for purchase.	
Pre-Purchase Review	Loans reviewed by Virginia Housing prior to purchase. If errors noted, Virginia Housing will contact lender – this may require rerun of AUS.	
Post-Closing	Standard post-closing documents must be submitted to Virginia Housing.	
Important: Refer to the Origination Guide for more information about Virginia Housing eligibility requirements.		

The information contained herein (including but not limited to any description of Virginia Housing and its lending programs and products, eligibility criteria, interest rates, fees and all other loan terms) is subject to change without notice.