

Plus Second Mortgage Program Guidelines



What is Virginia Housing's Plus Second Mortgage program?	Virginia Housing's Plus Second Mortgage is a fully amortizing second mortgage offered to first-time and repeat homebuyers to assist with the entire down payment, and may cover some of the closing costs with a higher credit score. Requirements of this second mortgage program are listed below.																						
Loan Term	30 year fixed rate only.																						
Maximum Lender Compensation	2.50% including SRP on the Plus Second Mortgage. <u>Note:</u> The first mortgage used with the Plus Second Mortgage also allows a Maximum Lender Compensation of 2.50% including SRP, plus common and customary ancillary fees.																						
Loan-to-Value (LTV)	<table border="1" data-bbox="483 611 1511 972"> <thead> <tr> <th>Maximum Second Mortgage LTV:</th> <th>First Mortgage:</th> <th>Required Credit Score:</th> <th>CLTV: With Plus Second Only</th> <th>Max Total CLTV: Plus Second + Other Sub Financing*</th> </tr> </thead> <tbody> <tr> <td>3.5%</td> <td>FHA / FHA Bond</td> <td>620</td> <td rowspan="2">100.0%</td> <td>Per FHA</td> </tr> <tr> <td>3%</td> <td>Conventional / Conventional Bond</td> <td>640</td> <td>105.0%</td> </tr> <tr> <td>5%</td> <td>FHA / FHA Bond</td> <td rowspan="2">680</td> <td rowspan="2">101.5%</td> <td>Per FHA</td> </tr> <tr> <td>4.5%</td> <td>Conventional / Conventional Bond</td> <td>105.0%</td> </tr> </tbody> </table> <p>In addition to the applicable requirements above, the following applies to all Plus Second Mortgages:</p> <ul style="list-style-type: none"> If the borrower is using the higher LTV second (5% / 4.5%), the additional 1.5% is intended to assist the borrower with closing costs. If the second loan calculation yields cents then must round down to the nearest dollar. LTV / CLTV based on the lower of the sales price / appraised value. The maximum loan amount (including all liens) may not exceed the lesser of the sales price or appraised value plus standard closing costs and pre-paid items (unless limited by GSE / insurer). <p>*If the Plus Second Mortgage is used with other acceptable subordinate financing:</p> <ul style="list-style-type: none"> If using DU for Conventional or Conventional Bond first mortgage then must be an eligible Community Second. If using LPA for Conventional or Conventional Bond first mortgage then must be an eligible Affordable Second. Plus Second Mortgage must be in second lien position. Any other acceptable subordinate financing must be in third lien position. Exhibit LL is not required for the Plus Second Mortgage, but is required for any other acceptable subordinate financing except FHLB when originated with FHA / FHA Bond. If the first mortgage is Conventional the applicable GSE's Community Seconds Checklist or Affordable Seconds Checklist may be used in lieu of Exhibit LL. 	Maximum Second Mortgage LTV:	First Mortgage:	Required Credit Score:	CLTV: With Plus Second Only	Max Total CLTV: Plus Second + Other Sub Financing*	3.5%	FHA / FHA Bond	620	100.0%	Per FHA	3%	Conventional / Conventional Bond	640	105.0%	5%	FHA / FHA Bond	680	101.5%	Per FHA	4.5%	Conventional / Conventional Bond	105.0%
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Eligible First Mortgages	<ul style="list-style-type: none"> Virginia Housing Conventional Virginia Housing Conventional Bond Virginia Housing FHA Virginia Housing FHA Bond 																						
Ineligible First Mortgages	<ul style="list-style-type: none"> Virginia Housing VA Virginia Housing VA Bond Virginia Housing RHS Virginia Housing RHS Bond Any Non-Virginia Housing loan Any refinance <p><u>Note:</u> The Plus Second Mortgage 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.</p>																						



SPARC Eligible	Yes if the first mortgage is eligible and using SPARC, then Plus Second Mortgage is also SPARC eligible.												
FirstHome Dream Eligible	Yes if the first mortgage is eligible and using FirstHome Dream, then Plus Second Mortgage is also FirstHome Dream eligible.												
DPA Grant Eligible	No.												
CCA Grant Eligible	No.												
First-time Homebuyer	Follow first mortgage requirements.												
Income Limits	<p>Follow first mortgage requirements:</p> <table border="1"> <thead> <tr> <th></th> <th>Conventional Bond or FHA Bond first mortgage:</th> <th>Conventional or FHA first mortgage:</th> </tr> </thead> <tbody> <tr> <td>Income Limit Type:</td> <td>Standard / bond limits</td> <td>Expanded limits</td> </tr> <tr> <td>Who to include:</td> <td>All household members</td> <td>All borrowers</td> </tr> <tr> <td>What Income to include:</td> <td>All household member income</td> <td>Eligible qualifying income</td> </tr> </tbody> </table> <p>Click here to see Virginia Housing's income limits.</p> <p>Conventional Bond or FHA Bond first mortgage: Include all income of all household members. See Origination Guide for more information on how to calculate household income, what income types must be included, and what may be excluded. Higher income limits may apply if the property is located in a targeted area.</p> <p>Conventional first mortgage: An LLPA applies to the first mortgage if the first mortgage is Conventional and the borrowers' qualifying income is greater than Fannie Mae / Freddie Mac 80% AMI limits if Charter (reduced) MI is used. Must also be within Virginia Housing's standard limit. This LLPA does not apply to any other programs (including Conventional Bond).</p>		Conventional Bond or FHA Bond first mortgage:	Conventional or FHA first mortgage:	Income Limit Type:	Standard / bond limits	Expanded limits	Who to include:	All household members	All borrowers	What Income to include:	All household member income	Eligible qualifying income
	Conventional Bond or FHA Bond first mortgage:	Conventional or FHA first mortgage:											
Income Limit Type:	Standard / bond limits	Expanded limits											
Who to include:	All household members	All borrowers											
What Income to include:	All household member income	Eligible qualifying income											
Sales Price / Acquisition Cost Limits	Follow first mortgage requirements.												
Maximum Loan Amount	No maximum dollar loan amount for Plus Second Mortgage; however must follow the LTV / CLTV requirements and all borrowers have a 680 credit score to allow for more than 3% / 3.5% for the Plus Second Mortgage, and follow first mortgage requirements for maximum loan amount on the first mortgage.												
Eligible Purpose	Follow first mortgage requirements.												
Programs Disclosure and Borrower Affidavit (Exhibit E)	Follow first mortgage requirements.												
Seller Affidavit (Exhibit F)	Follow first mortgage requirements.												
Originating Lender's Loan Submission Cover Letter (Exhibit O)	Follow first mortgage requirements.												
Homebuyer Education	Follow first mortgage requirements.												
Tax Transcripts	Follow first mortgage requirements.												
Business Use of Home	Follow first mortgage requirements.												
Maximum Net Worth	Follow first mortgage requirements.												



<p>Automated Underwriting System (AUS) / Manual Underwrites</p>	<p>FHA and FHA Bond first mortgage:</p> <ul style="list-style-type: none"> Follow first mortgage requirements, and Plus Second Mortgage must be entered in AUS for the first mortgage as a lien in “Subordinate Financing” – It cannot be entered as “Gift,” “Grant,” or “Other Credit” in Minimum Required Funds section. <p>Conventional and Conventional Bond first mortgage using Fannie Mae’s DU:</p> <ul style="list-style-type: none"> Follow first mortgage requirements, and Plus Second Mortgage must be entered in AUS for the first mortgage as a lien in “Subordinate Financing” – It cannot be entered as “Gift,” “Grant,” or “Other Credit” in Minimum Required Funds section. Community Seconds Repayment Structure is non-deferred. <p>Conventional and Conventional Bond first mortgage using Freddie Mac’s LPA:</p> <ul style="list-style-type: none"> Follow first mortgage requirements, and Plus Second Mortgage must be entered in AUS for the first mortgage as a lien in “Subordinate Financing” – It cannot be entered as “Gift,” “Grant,” or “Other Credit” in Minimum Required Funds section. Plus Second Mortgage must be entered in LPA as a subordinate loan and marked as an Affordable Second with payments that are not deferred. 														
<p>Minimum Credit Score</p>	<table border="1" data-bbox="539 676 1464 905"> <thead> <tr> <th>Maximum Second Mortgage LTV:</th> <th>First Mortgage:</th> <th>Required Credit Score:</th> </tr> </thead> <tbody> <tr> <td>3.5%</td> <td>FHA / FHA Bond</td> <td>620</td> </tr> <tr> <td>3%</td> <td>Conventional / Conventional Bond</td> <td>640</td> </tr> <tr> <td>5%</td> <td>FHA / FHA Bond</td> <td rowspan="2">680</td> </tr> <tr> <td>4.5%</td> <td>Conventional / Conventional Bond</td> </tr> </tbody> </table> <p>FHA and FHA Bond first mortgage:</p> <ul style="list-style-type: none"> All borrowers must have a minimum 680 credit score to obtain greater than 3.5% up to 5% LTV on the Plus Second Mortgage. If any or all borrowers do not have a credit score then the maximum LTV for the Plus Second Mortgage is 3.5%. <p>Conventional and Conventional Bond first mortgage:</p> <ul style="list-style-type: none"> All borrowers must have a minimum 680 credit score to obtain greater than 3% up to 4.5% LTV on the Plus Second Mortgage. 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. Maximum LTV for the Plus Second Mortgage is 3%. If no borrower(s) has a credit score the Plus Second Mortgage is not allowed. 	Maximum Second Mortgage LTV:	First Mortgage:	Required Credit Score:	3.5%	FHA / FHA Bond	620	3%	Conventional / Conventional Bond	640	5%	FHA / FHA Bond	680	4.5%	Conventional / Conventional Bond
Maximum Second Mortgage LTV:	First Mortgage:	Required Credit Score:													
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<p>Maximum DTI</p>	<p>Follow first mortgage requirements.</p>														
<p>Foreclosures / Deed in Lieu / Short Sales</p>	<p>Follow first mortgage requirements.</p>														
<p>Minimum Borrower Contribution</p>	<p>Follow first mortgage requirements.</p>														
<p>Other Down Payment Assistance</p>	<p>The Plus Second Mortgage may be used with other acceptable non-Virginia Housing down payment assistance in accordance with the first mortgage requirements. It cannot be used with the DPA Grant or the CCA Grant.</p> <p>Exhibit LL is not required for the Plus Second Mortgage however it is required for any other subordinate lien except FHLB when originated with FHA / FHA Bond. If the first mortgage is Conventional / Conventional Bond the applicable GSE’s Community Seconds Checklist or Affordable Seconds Checklist may be used in lieu of Exhibit LL.</p>														

Reserves / Acceptable Funds to Close	<ul style="list-style-type: none"> • Follow first mortgage requirements for funds to close and reserves. • No cash back at closing except verified funds (EMD or POC items) – if the Closing Disclosure indicates the borrower will receive funds back at closing in excess of their EMD and POC then the second mortgage must be reduced. <ul style="list-style-type: none"> • This will require a revised Plus Second Awards letter as well as revision to loan disbursement.
Property	Follow first mortgage requirements.
Unfinished Area	Follow first mortgage requirements.
Post-Closing Repairs	<p>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.</p> <p>If the first mortgage is FHA / FHA Bond: Financing repairs through FHA's EEM (Energy Efficient Mortgage) or HUD REO with Repair Escrow is not acceptable.</p>

Plus Second Mortgage Procedures



<p>Lock-In</p>	<p>Loans locked on Virginia Housing’s LOS – Mortgage Cadence. First and second mortgage must be locked separately.</p> <p>Select appropriate Conventional, Conventional Bond, FHA or FHA Bond program for the first mortgage, then select PLUS_2nd_MTG for the second mortgage.</p> <p>When locking the first mortgage loan in Mortgage Cadence, user will indicate YES for “Will there be a Plus 2nd Mortgage?” and input the dollar amount for the Plus Second Mortgage under the Subordinate Financing tab in the Products and Pricing Wizard. The price will adjust automatically. The Plus Second Mortgage will need to be created and locked after the first mortgage by creating a Piggyback loan. Follow the detailed steps outlined in the Mortgage Cadence User Guide for registering and locking.</p>
<p>Rate Adjustments</p>	<p>Rate adjustments will occur automatically.</p> <ul style="list-style-type: none"> • FHA and FHA Bond first mortgage: 0.25% will be added to the available interest rates. The Plus Second Mortgage rates will mirror the first mortgage rates including the adjustment. • Conventional and Conventional Bond first mortgage: 0.125% will be added to the available interest rates. The Plus Second Mortgage rates will mirror the first mortgage rates including the adjustment.
<p>Origination</p>	<p>Loan originated in accordance with program guidelines and first mortgage guidelines. A separate Loan Estimate is required for the Plus Second Mortgage.</p>
<p>Underwriting</p>	<p>Loans underwritten in accordance with program guidelines and first mortgage guidelines. Underwriters must confirm Plus Second Mortgage is locked in Mortgage Cadence. Non-Delegated lenders must use the Underwriting Submission Checklist.</p> <p>Follow steps outlined in the Mortgage Cadence User Guide for submitting a Non-Delegated loan to Virginia Housing Underwriting or submitting for Delegated Approval.</p> <p>*The Delegated Underwriting Submission process must be completed on the first mortgage and second mortgage with the exception of the reimporting feature on the Plus Second Mortgage. The Award Letter and Obligation Letter (if applicable) are housed in the Plus Second Mortgage after the delegated confirmation utility is run.</p>
<p>Special Documentation</p>	<ul style="list-style-type: none"> • Plus Second Award Letter. • Plus Second Obligation Letter (FHA and FHA Bond first mortgage only). <p>These documents are sent to the lender when the Plus Second Mortgage is cleared to close. The Plus Second Award Letter must be signed by the borrower(s) at closing.</p>
<p>Closing</p>	<p>Loans closed in accordance with first mortgage guidelines.</p> <p>Like the first mortgage, the Plus Second Mortgage must be closed in the name of the lender, registered in MERS with MERS compliant documents.</p> <p>A separate Loan Closing Disclosure is required for the Plus Second Mortgage.</p> <p>Virginia Conventional Second Note and Deed of Trust documents compliant with Virginia Code Section 55-58.3 (D) are acceptable.</p>
<p>Documents</p>	<p>Follow first mortgage requirements and include an URLA, Loan Estimate, and Closing Disclosure for the Plus Second Mortgage.</p> <p>Use Virginia Conventional Second Note and Deed of Trust documents compliant with Virginia Code Section 55-58.3 (D). The Deed of Trust must contain the following language at the top of the first page in bold or capitalized letters and be MERS compliant: “THIS DEED OF TRUST SHALL NOT, WITHOUT THE CONSENT OF THE SECURED PARTY HEREUNDER, BE SUBORDINATED UPON THE REFINANCING OF ANY PRIOR MORTGAGE.”</p> <p>*FHA requires an Employee Identification Number (EIN) for the Plus Second Mortgage on the Transmittal (92900-LT). Virginia Housing’s EIN is 0540921892.</p>



Funding	Like the first mortgage, the Originating lender will fund the Plus Second Mortgage at closing.
Delivery	Loans submitted to Virginia Housing within 10 calendar days of closing. Follow steps outlined in the Mortgage Cadence User Guide for submitting a closed loan package. Documents must be uploaded separately to the first and second mortgages. Use the Loan Stacking Form for the first mortgage and Plus Loan Stacking Form for the second mortgage.
Post-Closing	Standard post-closing documents for the Plus Second Mortgage 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.

