

Origination Guide

Homeownership Lending
Origination Guide

601 South Belvidere Street
Richmond, Virginia 23220

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Introduction

Mission Statement

Our mission is Helping Virginians attain quality, affordable housing.

Note to Lenders

This guide is designed to provide our participating lenders with the information they need to carry out their responsibilities as Virginia Housing Originating Lenders.

Background

The Virginia General Assembly established the Virginia Housing Development Authority (Virginia Housing), a public mortgage finance company, in 1972. Virginia Housing is self-supporting. No federal or state tax dollars are received by Virginia Housing for the funding of its lending programs. Substantially all the funds for Virginia Housing programs are provided by the private sector through the purchase of Virginia Housing Development Authority bonds (both tax-exempt and taxable) and through the securitization of mortgage loans through Fannie Mae and Freddie Mac. Virginia Housing offers a variety of loan programs designed to meet the needs of homebuyers with low to moderate income. These loans are originated primarily through our network of private lenders serving as Virginia Housing Originating Lenders.

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1 Originating Lender Participation

1.1 Originating Lender Qualifications

To be approved as a Virginia Housing Originating Lender, the Lender must meet the following qualifications:

A. Authorization to do Business

Authorized to do business in the Commonwealth of Virginia and be licensed as a mortgage lender under the Virginia Mortgage Lender and Broker Act.

B. Net Worth Requirement

Have a net worth at least equal to the requirements mandated by the Federal Housing Administration (FHA), Fannie Mae and Freddie Mac.

C. Audited Financial Statements

Provide the most recent audited financial statements prepared in accordance with generally accepted accounting principles (GAAP), including supplemental information. Supplemental information must include the independent auditor's report in accordance with generally accepted auditing standards (GAAS) and generally accepted government auditing standards (GAGAS) on Internal Control, Compliance with the Department of Housing and Urban Development (HUD) Programs, Schedule of Findings, and any Corrective Action Plan, if applicable. Consolidated statements with other entities must break down consolidated information by each entity. Additionally, when presenting consolidated statements and the entity intended to do business with Virginia Housing. HUD's Net Worth calculation is required, and for first-time lenders, two years of audited financials are required.

D. Insurance Requirements

Fidelity bond and mortgage errors and omissions coverage with a minimum coverage amount of \$500,000.00. Acceptable documentation includes a certificate from the lender's insurance carrier naming the "Virginia Housing Development Authority" as a party in interest to the bonds, or as one of the parties insured.

E. Experienced Staff

Staff have experience in mortgage loan origination, processing, underwriting, closing, and post-closing. Lenders applying to re-enter the program or who have senior management with prior Virginia Housing experience should have a proven track record with Virginia Housing across all aspects of mortgage loan origination or provide a plan that clearly outlines how they will be successful with Virginia Housing Programs.

F. Required Purchase Agreements

Execute a Virginia Housing Development Authority Purchase Agreement for Single Family Loans ("Purchase Agreement").

G. Quality Control Plan

Provide a quality control plan that meets all Government Sponsored Enterprise (Fannie Mae and Freddie Mac), insurer or guarantor requirements as they apply to loans originated.

H. Insurer / Guarantor Approvals

Documented approval for the insurer or guarantor for loans to be originated (i.e., FHA, Department of Veterans Affairs (VA), USDA Rural Development (RD), or individual private mortgage insurers), including FHA Direct Endorsement and VA Automatic Approval (if applicable).

I. Origination Capacity

Eligible to originate loans under all applicable Virginia Housing loan programs (unless otherwise approved for lenders originating loans in underserved markets), with qualified staff to support the origination process. Originating Lenders are required to offer all Virginia Housing products, including down payment and closing cost assistance.

J. Performance History

Demonstrate a history of satisfactory performance with Virginia Housing (if applicable), other mortgage lenders, and insurers. Lender's history must also demonstrate the ability to meet Virginia Housing lender performance obligations, including those requirements outlined in 1.3 of this guide, Maintaining Originating Lender Approval Status. Any Originating Lender previously terminated must wait the applicable amount of time prior to reapplying.

K. Virginia Housing Fair Housing Policy

Must certify that lender has read Virginia Housing's Fair Housing Policy and acknowledges that, if approved as a Virginia Housing Originating Lender, such organization must comply with such policy in originating, processing, and closing Virginia Housing loans.

L. Branch Locations

Have a physical office in Virginia where the general public may make a loan application. Shared workspaces, such as coworking spaces, are acceptable as long as the lender has a designated office that can be physically secured and accessed during normal business hours.

Loan Officers located in other states who are licensed to originate mortgage loans in Virginia may originate Virginia Housing loans if their lending institution has a Virginia-based office meeting the guidelines stated above.

M. Neighborhood Watch

FHA Compare Ratio should not exceed 120% of the National, State, or Regional Field Office.

N. Appraisal Independence Standards

Provide a copy of the lender's Appraiser Independence Standards policy that complies with Appraiser Independence requirements.

O. Hiring Procedures

Provide documentation of the lender's hiring procedures, specifically for comparing all employees involved with the origination of mortgage loans, including management, against the General Services Administration (GSA) Exclusionary List and HUD Limited Denial of Participation (LDP) List.

P. Information Security Policy

Q. Provide an acceptable information security policy that is reviewed annually and revised as needed.

R. Other Qualifications

Meet such other qualifications as the Chief Executive Officer (CEO) shall deem to be related to the performance of its duties and responsibilities.

1.2 Originating Lender Approval Process

Interested lenders will complete the process outlined for approval:

A. Application

Virginia Housing uses the Comergence® system to process new lender applications. Lenders must contact Virginia Housing's Business Development and Training Manager to start the application process and pay the required application fee. No documents should be overnighted or emailed to Virginia Housing unless requested.

B. Approval Notification

Virginia Housing's Lender Review Committee will review the application. Virginia Housing will respond to the lender's senior management by letter, either approving or denying the request to participate as an Originating Lender.

C. Required Training

Approved Originating Lender's staff must complete the required Virginia Housing training prior to being authorized to originate loans. Training includes all aspects of the loan origination process.

1.3 Maintaining Originating Lender Approval Status

After initial approval, each Originating Lender is required to meet the following specified requirements to maintain their status as an approved Originating Lender:

A. Insurance and Net Worth Requirements

Maintain fidelity bond and mortgage errors and omissions coverage with a minimum coverage amount of \$500,000.00 and net worth requirements outlined in 1.1 B of this guide.

B. Annual Financial Statement

Provide Virginia Housing with financial re-certification documentation, as required by HUD, within 90 days of the Originating Lender's fiscal year end. Financial statement shall include a balance sheet, an income statement, a statement of retained earnings, all related notes, and the opinion of an independent Certified Public Accountant as to the correctness of those statements. Provide a copy of FHA's acceptance of financials through the Lender Electronic Assessment Portal (LEAP).

C. Information Security

Provide a current information security policy. Written notice must also be provided to document any information security incidents or breaches that have taken place in the past three years.

D. Certificate of Insurance

Provide a certificate from the lender's insurance provider confirming that the fidelity bond and mortgage errors and omissions insurance is still in effect. Certificates are to be provided when coverage is renewed or a new policy is issued.

E. Quality Control

Provide annual certification that the Originating Lender's Quality Control Plan meets applicable GSE, insurer and guarantor guidelines. Provide copies of any notification to an insurer and/or

guarantor for violations of law or regulations, as well as any false statements or program abuses by the Originating Lender, its employees, or any other party to the transaction, as required under the respective Quality Control plan.

- **Procedures:** Originating Lenders shall follow GSE, insurer, and/or guarantor quality control procedures as they apply. Fannie Mae or Freddie Mac procedures must be followed for Virginia Housing conventional loans unless otherwise permitted by Virginia Housing program guidelines.
- **Virginia Housing Quality Control Reviews:** Virginia Housing will typically perform a monthly Quality Control review of no less than 10% of loans purchased by Virginia Housing. The selection will include random, discretionary, and EPD loans. The Originating Lender will be notified of any significant or unacceptable loan ratings and will assist Virginia Housing as needed to mitigate loan-level defects. If the loan ratings are insignificant, the Originating Lender will submit any loan-level documentation requested by Virginia Housing to clear necessary defects.

F. Minimum Origination Volume

Originating Lenders must originate at least 5 first mortgage loans, which are purchased by Virginia Housing during the first twelve months and each full calendar year thereafter, unless otherwise approved by Virginia Housing.

G. Notification of Organizational Changes

Provide written notice to Virginia Housing of any major organizational changes contemplated, including but not limited to:

- Resignation or replacement of senior management personnel.
- Resignation or replacement of designated Virginia Housing delegated staff.
- Mergers, acquisitions or corporate name change.
- Change in savings and loan association charter to become a banking association.
- Change in financial position.
- Any reorganization, which centralizes or decentralizes a primary function (i.e., underwriting, closing or post-closing).
- Opening or closing of offices originating Virginia Housing loans (include address, phone number and branch manager's name).

H. Compliance with Virginia Housing Requirements

Maintain compliance with Virginia Housing policies, procedures, rules, and regulations as stated in this Origination Guide and subsequent notifications. Comply with the terms and conditions contained in the Purchase Agreement.

I. Acceptable Loan Performance

Maintain a delinquency rate determined to represent an acceptable risk to Virginia Housing.

J. Agency Reports

Provide a copy of any standard agency performance report to Virginia Housing within 60 days of receipt, or as may be requested by Virginia Housing.

K. Neighborhood Watch

FHA Compare Ratio should not exceed 150% of the National, State or Regional Field Office.

L. Lender Performance

If a lender's performance presents a significant risk to Virginia Housing, Virginia Housing reserves the right to impose any or all of the following restrictions:

- Place Originating Lender on probationary status.
- Suspend loan locking privileges.
- Remove delegated approval authority.
- Retain lender compensation.

M. Record Retention

Maintain records in accordance with the applicable GSE, insurer or guarantor guidelines, and in adherence with all regulatory requirements.

N. Early Loan Payoff

Virginia Housing will monitor early loan payoff reports and reserves the right to impose fees for excessive payoffs.

1.4 Delegated Originating Lender Qualifications

Subject to meeting specified criteria, Originating Lenders may be authorized to underwrite and close Virginia Housing loans under Virginia Housing's delegated procedures, without prior review by Virginia Housing. The delegated procedures enable Originating Lenders to reduce the time involved in underwriting and closing Virginia Housing loans.

All lenders are expected to obtain delegated authority to continue participating in Virginia Housing programs. To be approved to participate as a Delegated Originating Lender, the lender must meet the following qualifications.

A. Performance

The Originating Lender must have a proven performance record in all aspects of the origination process. This includes initial file submission, underwriting, closing, post-closing, and shipping.

B. Virginia Housing Origination Experience

Originate, underwrite, submit, close and deliver final documents for a minimum of 10 first mortgage loans within a six-month period.

C. Approved Designated Delegated Staff

In addition to the requirements stated below, the Originating Lender's staff acting in a delegated capacity must be designated by the Originating Lender. The Originating Lender will designate staff and certify that they meet the requirements stated below in Attachment A to the Purchase Agreement.

- **Delegated Underwriters**

Designated Originating Lender staff who will be underwriting loans must attend a Virginia Housing Underwriting training session. Underwriters must have three years of underwriting experience and possess FHA Direct Endorsement Authority unless otherwise approved by Virginia Housing.

- **Delegated Loan Closers**

Designated Originating Lender staff who will be performing pre-closing reviews should have sufficient experience in closing all loan types. Knowledge of Virginia Housing programs and policies is required.

D. Information to Staff / Key Contact

The Originating Lender is responsible for informing all staff of changes to Virginia Housing procedures and requirements. The Originating Lender will designate key contacts for receipt of correspondence and will notify Virginia Housing of changes in staff contacts.

1.5 Delegated Originating Lender Approval Process

Upon satisfactorily meeting the criteria outlined above and the following requirements, the Originating Lender will be approved to participate as a Delegated Originating Lender.

A. Staff Training

Originating Lender underwriting staff must attend the required Virginia Housing training sessions. Closing, shipping, and post-closing staff must also attend a Virginia Housing training session.

B. Review Period

A minimum of 10 first mortgage loans submitted and closed within a six-month period, will be reviewed before approval to participate as a Delegated Originating Lender is granted. The number may vary based on previous performance, volume, and the number of branches. The review will be based on the quality and completeness of the original loan submission for underwriting, the pre-closing review, the timeliness and completeness of the final loan submission after closing, and the timeliness of post-closing document submission.

C. Approval Notification

Virginia Housing will notify the Originating Lender in writing of approval to participate as a Delegated Originating Lender. The Originating Lender will then be required to execute Exhibit A of the Purchase Agreement, designating authorized staff to participate in underwriting and closing responsibilities.

D. Probationary Period

All newly approved Delegated Originating Lenders will participate in probationary status for the initial six-month period for evaluation of their overall performance.

E. Approved Status

Virginia Housing has complete discretion in approving or suspending any lender from participating as a Delegated Originating Lender based on performance. Unacceptable performance will result in the Delegated Originating Lender being placed on probation and/or removal from participation as a Delegated Originating Lender.

1.6 Origination Responsibilities

A. Origination

The Originating Lender is responsible for originating, processing, underwriting, closing, post-closing and insuring all Virginia Housing loans in accordance with the guidelines and procedures stated in this Origination Guide, the applicable GSE, insurer or guarantor requirements, and all regulatory requirements including: Real Estate Settlement Procedures Act (**RESPA**), **Regulation X**, Equal Credit Opportunity Act (**ECOA**), **Regulation B**, Fair Credit Reporting Act (**FCRA**), **Regulation V**, Truth in Lending Act (**TILA**), **Regulation Z**, **Fair Housing Act**, **Homeowners Protection Act of 1998**, **Flood Act**, the Consumer Financial Protection Bureau (**CFPB**) and any other applicable federal and state laws and regulations.

- **Higher Priced Mortgage Loans (HPML) – All Virginia Housing Loan Programs**

- A loan is an HPML if the Annual Percentage Rate (APR) exceeds the Average Prime Offer Rate (APOR) by 1.50% or more for first mortgages or 3.50% or more for second mortgages. All HPML loans must comply with the flipping requirements of the TILA HPML Appraisal Rule, or otherwise meet the definition of CFPB Qualified Mortgages (safe harbor / QM) or rebuttable presumption (Ability to Repay (ATR)) so as not to trigger the requirements of the TILA HPML Appraisal Rule.
- If a loan is an HPML, then per the CFPB, an additional appraisal is required if the property is being resold within 90 – 180 days of acquisition and there is a price increase of:
 - More than 10% if the property was acquired in the past 90 days.
 - More than 20% if the property was acquired in the past 91 – 180 days.

There are some exceptions governed by the CFPB that do not require an additional appraisal (property from a local, state or federal government; nonprofits; inheritance; employee relocation; service member deployment; some rural and underserved areas, etc.).

B. Application / Customer Information

The Originating Lender staff must be knowledgeable about Virginia Housing programs and guidelines before discussing qualifications with borrowers. The Originating Lender provides information to potential borrowers concerning Virginia Housing loan programs, procedures and requirements. Before locking a Virginia Housing loan, the Originating Lender must assess the borrowers' qualifications to determine compliance with program guidelines.

C. Loan Processing

The Originating Lender processes loans in accordance with Virginia Housing guidelines and procedures and submits the loan to Virginia Housing for approval (unless the Originating Lender is designated as a Delegated Originating Lender).

D. Underwriting

The Originating Lender obtains approval for the appropriate insurer or guarantor, underwrites the loan in accordance with Virginia Housing requirements and the appropriate GSE, insurer or guarantor requirements, and renders a loan decision. Originating Lenders without Virginia Housing delegated authority must submit an underwriting package to Virginia Housing for review after a decision is rendered. Originating Lenders with Virginia Housing delegated authority approve loans in accordance with Virginia Housing policies and procedures.

E. Closing

The Originating Lender provides closing instructions and documents to the closing agent. The Originating Lender performs a preliminary review of the closing documents to ensure they are executed, when required, and for compliance with Virginia Housing and the applicable GSE, insurer or guarantor's requirements. Originating Lenders without delegated authority may be required to submit loans to Virginia Housing for closing review for an introductory period based on each lender's performance. Delegated Originating Lenders will approve the closing documents.

F. Funding

Virginia Housing performs a full review of loans within 10 business days of receipt of an acceptable loan package. Correct and conforming collateral documents for both first and Plus Second Mortgage loans (if applicable) will be required for purchase approval. Virginia Housing will notify the Originating Lender when the loan has been approved for purchase or if the loan(s) has been pended for required corrections. Loans not purchased within 10 business days of the pend notification will incur a 0.125% penalty at 10-day increments.

G. 1098 Reporting

The Originating Lender is responsible for 1098 reporting on all fees paid at closing for loans that are funded by the Originating Lender.

H. Loan Submission for Purchase

The Originating Lender must provide one complete loan package, including required underwriting and closing documents, within 10 calendar days of loan closing. Loans with an interest credit will be due by either the 15th of the month preceding the first payment date or 10 calendar days after closing, whichever is first. Wiring instructions must be included in the loan package. First and second mortgage loan packages must be submitted separately for each loan.

I. Late Submission of Loans

Loans delivered more than 10 calendar days after the closing date will be subject to a late delivery penalty of 0.125%. An additional late delivery penalty of 0.125% will be assessed in 10 calendar-day increments, up to a maximum penalty assessment of 1.0%. The late-delivery penalty assessment will be deducted from the net price at the time of purchase.

J. FHA Mortgage Insurance Certificate (MIC), VA Loan Guaranty Certificate (LGC) and RD Loan Note Guarantee (LNG)

The Originating Lender submits all necessary documents directly to the insurer or guarantor in compliance with the insurer or guarantor's requirements. The Originating Lender must obtain

and submit documents that evidence MIC, LGC or LNC to Virginia Housing within 90 days of loan closing.

K. Post-closing Documents

The Originating Lender submits any outstanding post-closing documents, including the final title policy, recorded Deed of Trust, and applicable mortgage insurance or guaranty certificate to Virginia Housing within 90 days of loan closing.

L. Outsourcing Responsibilities and Third-Party Originations

Prior to outsourcing or subcontracting any duties stated above, including contract underwriting and post-closing, the Originating Lender must obtain prior written approval from Virginia Housing. The Originating Lender shall remain responsible to Virginia Housing for the performance of the third party as if the Originating Lender had performed such duties itself.

1.7 Originating Lender Compensation / Fees Responsibilities

A. Origination

Unless otherwise stated in specific program guidelines, the Originating Lender may not earn in excess of 2.5% compensation (including any points charged and the Service Release Premium (SRP)) on each loan. Any excess compensation must be applied as a lender credit to the borrower. In addition, the Originating Lender may collect fees to reimburse costs incurred, such as: credit reports, appraisals, tax service fees, or flood certification fees, as applicable.

B. Service Release Premium Fee

Unless otherwise noted, a 1.5% SRP will be paid to the Originating Lender by Virginia Housing at the time of purchase. The payment will include the premium for both first and second mortgages, if applicable. This premium will be included in the net price of the loan when purchased by Virginia Housing.

C. Ancillary Fees

For all programs, Originating Lenders may collect customary miscellaneous fees (e.g., underwriting and document review fees) that have been properly disclosed to the borrower at the time of loan application.

D. Principal Curtailment

Loans with a net price exceeding 2.5% must show a lender credit to the borrower on the Closing Disclosure (CD). If the appropriate lender credit is not issued to the borrower, Virginia Housing will calculate the amount for principal curtailment and net that amount from the Originating Lender's compensation at the time of loan purchase.

1.8 Originating Lender Non-Compliance and Remedies

A. Imposition of Late Delivery Fees

Virginia Housing may impose penalties for the Originating Lender's failure to submit required loan documents within the required period.

- Wiring instructions are to be included in the loan package. Failure to meet delivery timelines may result in a temporary suspension from the Virginia Housing Rate Lock System and imposition of additional fees or repricing of the loan.

- Loans delivered more than 10 days past the closing date will be subject to a late delivery penalty of 0.125%. Penalties will be assessed each 10 calendar day period up to a maximum of 1.0%. This amount will be deducted from the Originating Lender's net proceeds.
- Delivery of documents requested to resolve any deficiency identified in the submitted closed loan package, submitted more than 10 days from the Pend Date, will be assessed a pend penalty of 0.125%. Penalty will be assessed each 10 business day period up to a maximum of 1.0%. This amount will be deducted from the Originating Lender's net proceeds.

B. Repurchase of Non-compliant Loans

A purchase request for any loan will equal the unpaid principal balance of such mortgage loan, plus accrued interest and costs incurred by Virginia Housing, and any service release premium (SRP) paid to the Originating Lender for the subject loan. The Originating Lender may be required to return any grant funds provided by Virginia Housing. The grounds for, and terms of, repurchase are more fully set forth in the Purchase Agreement.

C. Non-compliance with Virginia Housing Requirements or Documentation

Virginia Housing reserves the right to require the Originating Lender to repurchase loans that have not been originated in compliance with Virginia Housing guidelines, rules and regulations, or for which required documentation has not been submitted to Virginia Housing within the required time frame. Repurchase of loans may be required based on non-compliance with federal tax-exempt bond requirements, non-compliance with critical underwriting or closing requirements, failure to provide critical documents (including those required for tax-exempt bond compliance), applicable mortgage insurance, guaranty certificate, and critical documents related to the security of the mortgage loan (i.e., note, deed of trust or title policy). Failure to obtain applicable mortgage insurance or to submit the certificate or guaranty evidencing such insurance, will result in the required purchase of the loan by the Originating Lender.

D. Failure to Comply with Federal or State Regulations

Virginia Housing will require the repurchase of any loan for which Virginia Housing suffers or is threatened with a material loss due to the Originating Lender's failure to comply with any state or federal regulations.

E. Misrepresentation or Misstatement

Virginia Housing will require the repurchase of any loan for which the borrower has made any misrepresentation or misstatement of a material fact in any document related to the mortgage loan, with the knowledge of the Originating Lender, or for any misrepresentation or misstatement of a material fact by the Originating Lender. Originating Lender may also be required to return any grant funds provided by Virginia Housing.

F. Incorrect Documents

Virginia Housing will require the repurchase of any loan for which the Originating Lender amends, modifies, or incorrectly reproduces Virginia Housing documents. Virginia Housing will require the repurchase of any loan for which the lender uses any document that does not comply with state or federal law or the requirements of the appropriate GSE, insurer and/or guarantor and Virginia Housing. The repurchase requirement is at the discretion of Virginia Housing if Virginia Housing determines that such incorrect form affects the loans' security,

compliance with mortgage bond regulations, or other applicable law or regulation. Originating Lenders may also be required to return any grant funds provided by Virginia Housing.

G. Early Default

Virginia Housing will require the repurchase of any loan if, within the first four payments of principal and interest due under the mortgage note, any mortgage loan becomes two months or more in arrears as to payment of principal and interest, or otherwise in default, which, after any required notice and any cure period, would give Virginia Housing the right to foreclose. Originating Lender may also be required to return any grant funds provided by Virginia Housing.

H. Failure to Deliver Good Title

Virginia Housing will require the repurchase of any loan that is not free and clear of liens, encumbrances or claims by third parties.

I. Unauthorized Sales

Virginia Housing will require the repurchase of any loan where Virginia Housing determines that the Originating Lender was not authorized to sell the Mortgage Loan or that the sale of the Mortgage Loan violated any law, regulation, or order or decision of any court or governmental agency, or is otherwise invalid, void or voidable. Originating Lender may also be required to return any grant funds provided by Virginia Housing.

J. Suspension from Origination Activity

Virginia Housing, at its sole discretion, may suspend the Originating Lender from participating in Virginia Housing origination activities based on the Originating Lender's failure to comply with Virginia Housing guidelines, procedures, requirements, or any change in staff, which would affect the Originating Lender's ability to perform these responsibilities on behalf of Virginia Housing. The Originating Lender will be notified in writing of any suspension of origination activity.

K. Termination as a Virginia Housing Originating Lender

Virginia Housing shall terminate immediately upon delivery of a written notice, the Originating Lenders' authority to participate as a Virginia Housing Originating Lender upon the occurrence of any of the following:

- The violation by the Originating Lender of any provision of the Purchase Agreement.
- If the Originating Lender is required to file a Capital Plan pursuant to the provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended from time to time, or any of the following occurs: (in) the appointment of a receiver or liquidation of or for the Originating Lender, (ii) the making of an assignment for the benefit of creditors, (iii) the composition with creditors by the Originating Lender, (iv) an adjudication of insolvency of the Originating Lender, or (v) the filing of an involuntary petition in bankruptcy against the Originating Lender. The Originating Lender agrees that if any of the events specified in this subsection shall occur, it will be given written notice thereof to Virginia Housing within two (2) days after the happening of such an event. Upon notice of termination pursuant to this section, the rights of the Originating Lender and its rights to compensation hereunder shall terminate.

- Virginia Housing receives notice of a planned sale or transfer of a majority ownership interest, merger, consolidation, or change in legal structure of the Originating Lender, unless Virginia Housing approves the change in writing.
- Virginia Housing may terminate the Originating Lender's authority to participate as a Virginia Housing Originating Lender, with or without cause, with thirty days' written notice to the Originating Lender. Refer to the Purchase Agreement for Single Family Mortgage Loans for more details concerning termination.

2 Eligibility Requirements

This chapter addresses requirements for eligibility for all loans funded by Virginia Housing tax-exempt bonds (referred to herein as Virginia Housing's "bond program") and other programs, as noted in specific program guidelines. Refer to specific program guidelines for more information. Some products offered with other funding (such as Fannie Mae or Freddie Mac) may have more flexible guidelines.

2.1 Borrower Eligibility Requirements

A. Borrower Age

Borrowers must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

B. Family / Household

One or more persons are eligible to be a borrower of a single-family loan if such person or all such persons satisfy the criteria and requirements in these rules and regulations. All references in these rules and regulations to an applicant or borrower shall, in the case of multiple applicants or borrowers, refer to each applicant or borrower individually unless the provision containing such reference expressly refers to the applicants or borrowers collectively.

C. Citizenship / Residency

Originating Lenders are required to certify and provide the required documentation that mortgages are provided to borrowers that meet the residency requirements of the applicable GSE, insurer, or guarantor provided the borrower occupies the property as a principal residence, has a valid Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) if acceptable by the applicable GSE, insurer, or guarantor. This eligibility applies to all Virginia Housing loan programs.

D. Co-signers / Non-Occupant Co-Borrowers

Co-signers are not allowed on Virginia Housing loans. All borrowers must occupy the property as their primary residence.

E. Prior Homeownership Three-year Requirement

When using a Virginia Housing bond program, eligible borrower(s) may not have had a present ownership interest in his/her principal residence within the three years preceding the date of execution of the mortgage loan documents (loan closing). The three-year requirement does *not* apply to residences being financed in targeted areas. See the targeted area section below for more information. The three-year requirement also does not apply when using a Virginia Housing non-bond program.

1. Present Ownership Interest includes:

- A fee simple interest.
- A joint tenancy, a tenancy in common, or a tenancy by the entirety.
- The interest of a tenant shareholder in a cooperative.
- A life estate.
- A land contract, under which possession and the benefits and burdens of ownership are transferred, although legal title is not transferred until some later time.

- An interest held in trust for the eligible borrower (whether or not created by the eligible borrower) that would constitute a present ownership interest if held directly by the borrower.
- Manufactured Home Ownership: An ownership interest in a manufactured home is considered a "present ownership interest" if the manufactured home is permanently attached to land and has had wheels and other components used for transportation removed.

2. Interests that do not constitute present ownership interest:

- An interest in a residence other than a principal residence during the previous three years.
- Remainder interest.
- An ordinary lease with or without an option to purchase.
- A mere expectancy to inherit an interest in a principal residence.
- The interest that a purchaser of a residence acquires on the execution of an accepted offer to purchase real estate.
- Manufactured Home Ownership: An ownership interest in a manufactured home, which is not permanently attached to the land, does not constitute a present ownership interest for purposes of meeting this requirement.

3. Required documentation to evidence First-time Homebuyer

To verify that the borrower(s) meet the three-year requirement, the Originating Lender must obtain:

- The fully executed Programs Disclosure and Borrower Affidavit (Exhibit E),
- A completed and fully executed Uniform Residential Loan Application (URLA), and
- The credit report for all borrowers.

If unable to confirm from Exhibit E, the URLA, or the credit report that the borrower(s) are first-time homebuyers, additional documentation may be required, such as:

- Three years' federal tax returns and/or tax transcripts
- Rent verification(s)
- Other reports, such as a Lender Data Integrity Report (Examples: Drive Report, FraudGuard, Loansafe)

Notes:

- If any of the above items are in the loan file (even if not required), the Originating Lender must review for prior homeownership.
- If the borrower(s) owns a dwelling that is not a primary residence, the value of the dwelling will be included in the net worth calculation (See Net Worth Restrictions).

F. Principal Residence / Occupancy Requirements / Use of Property

- Owner Occupancy: Borrower(s) must intend to occupy the financed dwelling as a principal residence within 60 days after the closing of the loan. Borrower(s) must certify owner occupancy on the Borrower Affidavit.
- Leasing Financed Properties: While federal law prohibits Virginia Housing from financing properties that will not be used as a primary residence, it is reasonable that a borrower's life circumstances may later change (i.e., a borrower who is relocated due to employment changes). Virginia Housing's loan servicing policies have been designed to allow a reasonable amount of flexibility where such changes occur, while at the same time adhering to the intent of federal law. Borrowers should contact Virginia Housing's loan servicing department if such circumstances arise to discuss the procedures for possible leasing of the property.

G. Principal Residence / Property Use / Business Use Restriction

The subject property may not be used for the following:

- As a recreational or second home.
- As an investment property.
- The residence being purchased may not have additional living space, which would be typically used for investment or rental purposes.
- Use in a trade or business.
- The financed dwelling may not be used in any manner that would permit more than 15% of the total living area to be used primarily in a trade or business.
- The borrower(s) 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, 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.

H. Use of Land

The borrower(s) must certify the following on the Borrower Affidavit:

- No portion of the land financed provides a source of income (other than incidental income).
- The borrower(s) does not intend to farm any portion (other than as a garden for personal use)
- The borrower(s) does not intend to subdivide the property.

I. New Mortgage Requirement / No Refinances

Virginia Housing loans may be made for purchases only; refinances are not allowed (except as stated below for temporary financing). Loan proceeds may not be used to acquire or replace an existing mortgage (whether or not paid off). Proceeds may be used to pay off temporary financing (i.e., construction or bridge loans), which have an initial (not remaining) term of 24 months or less.

- For the purpose of applying the above requirement, an existing mortgage includes deeds of trust, conditional land sales contracts (generally where regular monthly installments are paid and applied to the sales price), pledges, Purchase Agreements to hold title in escrow, a lease with an option to purchase which is treated as an installment sale for federal income tax purposes, and any other form of owner-financing.
- A Virginia Housing loan may be made to finance a residence (including the land) if the borrower(s) have previously had a mortgage loan on the land only (See section concerning unattached mobile homes).
- Virginia Housing provides refinances under specific refinance programs such as FHA Streamline Refinance, VA IRRRL, Fannie Mae and Freddie Mac products.

J. Maximum Borrower(s) Net Worth

- Eligible borrower(s) cannot have a net worth exceeding 50% of the sales price of the dwelling being financed.
- The value of life insurance policies, retirement plans, and furniture and household goods shall not be included in determining net worth.
- In addition, the portion of the borrower's liquid assets, which are used to make the down payment and to pay closing costs, up to a maximum of 25% of the sales price, will not be included in the net worth calculation.
- Any income-producing assets needed as a source of income to meet the minimum qualifying requirements will not be included in the borrower's net worth to determine if this net worth limitation has been violated.

K. Maximum Gross Annual Income (Maximum Household Income)

Virginia Housing publishes maximum Gross Income (also referred to as household income) limits that comply with U.S. Treasury limits. The Gross Income, as defined below, may not exceed the published Virginia Housing income limits. These limits are available at [VirginiaHousing.com/Income and Sales Price / Loan Limits](http://VirginiaHousing.com/IncomeandSalesPrice/LoanLimits).

- Gross Income or household income includes the combined annualized income of all household members from whatever source derived and before taxes or withholdings.

Note: Some programs, such as Virginia Housing's non-bond programs, may have different requirements that require only all borrower qualifying income to be included in the household income calculation, and Virginia Housing's non-bond income limit applies.

- Gross Income is calculated by projecting Gross Income forward for the 12-month period beginning on the date of the loan application. Typically, income such as bonuses, overtime, and commissions will be averaged over the most recent 12-

month period. If information is unavailable for this period, the Originating Lender may average the past year and year-to-date bonuses, overtime, and commissions. This average multiplied by 12 will be added to the current base salary to determine Gross Income. All such earnings must be included in Gross Income unless the employer documents that they will not continue.

Note: Income that may not be eligible for use in credit qualifying may be required to be included in determining Gross Income for maximum income eligibility purposes.

- The following are included in Gross Income:
- Base salary.
- Overtime.
- Bonuses.
- Commissions.
- Part-time and seasonal employment.
- Dividends.
- Interest.
- Royalties.
- Pensions.
- Net rental income,
- Alimony and child support.

Note: Alimony and child support must be included in determining maximum Gross Income if such income is specified in a divorce settlement or separation agreement or is voluntary. See below for when this income may be excluded.

- Veterans Administration compensation.
- All military pay and allowances, including periodic bonus payments (see below for any military pay that may be excluded).
- Public Assistance.
- Sick pay.
- Social Security Income / Benefits.
- Unemployment compensation.
- Car allowance.
- Income from trusts.
- Income from business activities or investments.

Note: Non-reimbursed employee expenses (aka unreimbursed employee expenses), or income losses (Schedule C or E), are not to be deducted from "Gross Income" calculations.

- The following may be excluded from Gross Income:
- Income received as a one-time lump sum (such as inheritance, settlement of an insurance claim, military re-enlistment bonus), which is nonrecurring, does not need to be included in gross annual income.
- Military hazard duty pay.
- Foster care income.
- Alimony or child support does not have to be included if the borrower certifies that the income is not being received and documents that they have made a reasonable effort to collect the amount due, including filing with courts or agencies responsible for enforcing payments.
- The grossed-up portion of non-taxable or tax-exempt income per the appropriate GSE, insurer, or guarantor guidelines for qualifying purposes is not required to be included in household income.

Note: If any of these income types listed above can be excluded from Gross Income, but are accepted to use to qualify per the GSE, insurer and/or guarantor, and the income is used to qualify using one of Virginia Housing's non-bond programs, this income is included in the household income calculation and Virginia Housing's expanded income limit applies.

L. Other Household Members

The income of other household members must also be included to determine whether the Virginia Housing maximum income limits have been exceeded. Under no circumstances can a non-borrowing occupant's income be considered for credit qualifying purposes.

The income of other household members must be disclosed on the Programs Disclosure and Borrower Affidavit (Exhibit E). Any other household member that does not have income must be identified, and either \$0.00 reflected in the annual income field or the annual income field may be left blank.

Note: As noted above, some programs may have different requirements that require only borrower qualifying income, and Virginia Housing's non-bond income limits apply.

M. Dependents (Maximum Household Income)

Examples of dependents are minors, students and elderly parents. If information is not disclosed or discrepancies are noted in the file, the dependent(s) can typically be confirmed on the most recent tax return.

- Income of all dependents liable on the loan must be included in the household income calculation.
- Income of dependents not liable on the loan will be excluded from the household income calculation.

N. Multiple Loans

Borrowers are limited to one outstanding Virginia Housing first and second loan.

2.2 Property Eligibility Requirements

A. General Requirements

To qualify as an eligible dwelling for a Virginia Housing loan, the residence must:

- Be located in the Commonwealth of Virginia.
- Be a single-family residence, a townhouse, a single unit of a multi-unit (such as a duplex), or a unit of an eligible single unit of a condominium.
- The residence may not have additional living space, which would be typically used for investment purposes, such as a living space with a separate kitchen, utilities, and access. Exceptions may be considered based on family needs and the borrower's intended use.
- Be owned or to be owned by the borrower in the form of fee simple interest.
- Satisfy the other requirements noted in this section.

B. Virginia Housing Sales Price and Loan Limits

Virginia Housing publishes maximum sales price and loan limits. They are based on limits established by the U.S. Department of the Treasury, in effect at the time of application. These limits equal or exceed Virginia Housing's sales price limits. Properties being financed by Virginia Housing cannot exceed the published limits. The limit is the highest of the gross loan amount for a Virginia Housing first mortgage and second mortgage, if applicable, sales price, and acquisition cost. These limits are available online. To view Virginia Housing limits, go to [VirginiaHousing.com Income and Sales Price / Loan Limits](http://VirginiaHousing.com/IncomeandSalesPrice/LoanLimits).

In the event the Virginia Housing mortgage(s) exceeds Virginia Housing's sales price limit, the Originating Lender must contact Virginia Housing for exception consideration to determine if the residence is eligible.

Note: Some programs may have different requirements that do not have a sales price limit.

C. New / Existing Construction

An existing dwelling is defined as any dwelling that has been previously occupied and/or is more than 12 months old from the date of completion. New construction is defined as any dwelling that has never been occupied and is less than 12 months old from the date of completion or issuance of the certificate of occupancy.

D. Acquisition Cost Requirements

Acquisition Cost is the cost of acquiring the eligible dwelling from the seller as a completed residence. The acquisition costs of a property to be financed may not exceed the applicable sales price limit. If the sales price does not exceed the sales price limit, but the acquisition costs exceed Virginia Housing's sales price limit as a result of the estimated cost to complete unfinished area (see below), the Originating Lender must contact Virginia Housing for exception consideration to determine if the residence is eligible.

Acquisition Cost includes the following:

- Amount paid, in cash or in kind, by the borrower to or for the benefit of the seller (or related party) for the land and the residence (excluding any personal property that is not a fixture).

- If the home is new construction and personal property items are conveyed (included in the sales price), then the value of those personal property items must be subtracted from the acquisition cost. See below for information about Personal Property (Example Sales Price of \$200,000 with \$5,000 included for washer, dryer and refrigerator, the amount entered would be \$195,000).
- Amount paid, in cash or kind, by any other person to or for the benefit of the seller (or related party) for the land and residence (excluding any personal property that is not a fixture).
- Amounts paid for fixtures (if not a part of the price of the land and residence included in the 2 bullets above). Example: Sales Price of \$200,000; flooring paid separately to the flooring supplier in the amount of \$10,000 and not included in the sales price paid to the seller – include \$10,000 on the line related to fixtures.
- Additional reasonable costs of completing or rehabilitating the residence (whether or not the cost of completing construction or rehabilitation is to be financed with the mortgage loan) if the eligible dwelling is incomplete or is to be rehabilitated. For example, a residence that has unfinished areas (i.e., an area designed or intended to be completed or refurbished and used as living space, such as the lower level of a tri-level, unfinished basement, or the upstairs of a Cape Cod) shall be deemed incomplete, and the costs of finishing such areas must be included in the acquisition cost. Lenders may obtain the cost to complete unfinished areas from the appraiser or by using \$75 per square foot for basements and above-grade areas. Also, the cost of any rehabilitation or improvements included in the loan for financing (e.g., energy-efficient items) must be included in the Acquisition Cost.
- Cost of land owned by the borrower(s) for less than two years prior to commencement of construction of the residence thereon.

The acquisition cost does not include the following:

- Usual and reasonable settlement or financing costs. Excluded costs include title insurance, survey fees and other similar costs. Excluded financing costs, credit report fees, legal fees, appraisal expenses, and points that are paid by the borrower(s). Such amounts must not exceed the usual and reasonable costs that would be paid. Where the borrower(s) pays more than the typical, pro rata share, the excess must be included as part of the Acquisition Cost.
- The value of services performed by the eligible borrower or members of their family, in constructing or completing the residence.
- The costs of land owned for two years or longer by the borrower.
- Personal property.

Calculation of Acquisition Costs

- The Originating Lender will assist in calculating the acquisition costs. The figures are to be included on the Borrower and Seller Affidavits. Information on the property and the unfinished area should be compared with the information in the sales contract, Closing Disclosure, and appraisal.

E. Personal Property Restrictions

Federal Regulations prohibit Virginia Housing from financing personal property transferred with the residence with the proceeds of tax-exempt bonds. To eliminate the need for an adjustment to the sales transaction, the value of the personal property being transferred can be offset by any of the following sources: (a) the borrower's down payment; (ii) non-Virginia Housing financing; and (iii) funds contributed (by the purchaser or by the seller on the purchaser's behalf) at closing for purchaser's closing costs. These funds are referred to as Good Funds.

To ensure that the fair market value of the personal property transferring with the residence does not exceed the Good Funds, the Seller Affidavit (Exhibit F) and Borrower Affidavit (Exhibit E) are structured to include this information:

- **Seller Affidavit:** In section 3, the seller states the value of the personal property. This statement applies only to new construction. It has been added because the value of the personal property in new construction may be substantial and can be easily quantified by the seller and/or builder.
- **Borrower Affidavit:** Section 14 – the borrower(s) certify that the fair market value of any personal property does not exceed the sum of (i) their down payment; (ii) any non-Virginia Housing financing; and (iii) closing costs which they reasonably expect to pay, or expect the seller to pay on their behalf, at loan closing.

The Originating Lender must review the Seller Affidavit (if new construction) and Borrower Affidavit to ensure that the fair market value of the personal property transferring with the residence does not exceed the Good Funds.

If the Good Funds exceed the value of the personal property, a separate bill of sale for the personal property or an addendum to the contract deleting the personal property is not required.

If the Originating Lender determines that the Good Funds are less than the fair market value of the personal property, the Originating Lender must contact Virginia Housing for additional instructions prior to processing the loan.

Failure by the Originating Lender to properly examine the Seller Affidavit (if new construction) and Borrower Affidavit for these personal property issues may result in Virginia Housing declining to purchase the loan, or requiring the Originating Lender to repurchase the loan if already purchased.

F. Maximum Lot Size

The maximum lot size is 2 acres. Exceptions may be made to permit lots larger than 2 acres; however, no exception will be granted for a lot size in excess of 5 acres when using Virginia Housing's bond programs. Exceptions to the 2-acre limit may be granted based on any one or more of the following:

- If the land is owned free and clear and is not to be financed by the loan, the lot may be as large as 5 acres.
- If locating a well or septic field is difficult, the lot may include the additional acreage needed.

- If local city or county ordinances (not just subdivision restrictions) require more acreage.
- If the lot size is usual and customary in the area for comparably priced homes.

If a loan is originated under a Virginia Housing bond program, the acreage is not permitted to exceed the basic livability of the residence. Additionally, the property may not provide the mortgagor with a source of income other than incidentally, and the lot cannot be subdivided.

This subsection is intended to allow for consideration of lots over 2 acres in rural areas where smaller parcels are not usual and customary and are not readily available. In determining if the subsection is applicable, the lot sizes of the comparable sites provided by the appraiser must demonstrate that size is usual for similarly priced homes in the area. The appraiser must also indicate that the lot size is typical for homes of similar price and size in the area.

- **Acreage Exceptions:** The Originating Lender's underwriter must review and render a decision for all acreage exceptions, not to exceed 5 acres for Virginia Housing's bond programs. They must acknowledge the acreage exception and include justification for the exception on a memo in the file sent to Virginia Housing for purchase (this can be done on the underwriting transmittal). A minimum of two comparable properties should support the acreage.

There is no acreage limitation on Virginia Housing's non-bond programs. Follow the applicable GSE, insurer, or guarantor requirements.

G. Appraisals

The Originating Lender is responsible for obtaining and submitting an appraisal report permitted by the GSE, insurer or guarantor, prepared by an appraiser licensed in the Commonwealth of Virginia.

Virginia Housing reserves the right to obtain an independent appraisal to establish the fair market value of the property and determine whether the property is eligible for the requested mortgage loan.

Appraisals for conventional loans must be provided in accordance with established Fannie Mae and/or Freddie Mac requirements.

Appraisal requirements in accordance with FHA, VA, or USDA RD must be followed for applicable loans.

Note: Value Acceptance using conventional financing is not permitted; however, an exception may be considered when Fannie Mae or Freddie Mac and the Automated Underwriting System (AUS) have issued Value Acceptance using Virginia Housing's Conventional program. The exception request must be submitted to Virginia Housing for consideration, and the loan cannot be a Virginia Housing bond program.

Property values and improvements must be well supported and noted as typical for the market area based on comparable sales with similar characteristics and improvements.

Properties with unique or non-typical improvements will require special consideration by Virginia Housing.

H. Manufactured Homes

Homes built to Federal Manufactured Home Construction Safety Standards, administered by HUD. Manufactured homes must be permanently attached to the land in accordance with the insurer or guarantor requirements, including a foundation inspection and certification.

Virginia Housing will allow the financing of manufactured homes through Fannie Mae, Freddie Mac, FHA, VA, and USDA RD loan programs meeting the following requirements, as well as those required by the applicable insurer or guarantor:

All Manufactured Home Units:

- Single-wide and double-wide units are eligible only if they meet the applicable requirements of the GSE, insurer, or guarantor.
- The foundation must be permanently attached and anchored per manufacturer specifications and/or state and local building codes, meeting any perimeter enclosure requirements set forth by the insurer or guarantor. Wheels, axles and trailer hitches must be removed.

Note: A structural engineer certification may be required based on the insurer or guarantor's requirements.

- The unit must have permanent steps and stoops on proper footings.
- The appraisal and/or final inspection must provide photographs of the HUD seal plates with the numbers.
- The appraisal must include manufactured home comparables per the GSE, insurer and/or guarantor's requirements.
- The property must be assessed and taxed as real estate, and evidence that title has been surrendered to the DMV and all liens released must be included in the loan file. See the section concerning closing and title requirements for manufactured homes for more information.

New Construction Manufactured Homes:

- A Certificate of Occupancy must be provided.
- Only Turnkey contracts are permitted – All construction and installation costs are to be included in the contract with the dealer.
- No furniture or personal property other than appliances may be included in the transaction.

Existing Construction Manufactured Homes:

- No changes to the original structure may have been made (i.e., removal of walls and/or additions, etc.) unless all requirements of the insurer or guarantor have been met. This may require additional documentation, such as a satisfactory structural engineer certification.
- Properties must have been constructed after 1976, have a remaining economic life of no less than 30 years and meet HUD manufactured housing standards.
- Properties constructed prior to July 1, 2014, require a report from the DMV confirming surrender of title or indicating that no title was found. If the title has not been surrendered, it must be surrendered in accordance with the statutory requirements.
- Properties constructed after July 1, 2014, must submit an Affidavit for Manufactured Home Conversion to Real Property Form VSA 35 to the DMV.

Once the DMV rescinds and cancels the title, a confirmation will be issued. The Affidavit with the attached DMV confirmation must be recorded in the jurisdiction where the property is located. Virginia Housing will require proof of recording prior to file completion.

Units must be located on the original site and not moved from a previous location.

I. Modular Homes

Homes built to state building codes and delivered to the site in modular sections. Modular homes are acceptable for all financing types, subject to the approval of the applicable GSE, insurer or guarantor.

J. Condominiums

Virginia Housing typically follows industry guidelines for financing condominium units. Virginia Housing does not approve condominium projects. Condominium guidelines and requirements vary based on the Virginia Housing product and the status of the condominium project.

In addition to the condominium project guidelines stated below, the appraisal must clearly establish market acceptance for the project through comparable sales within the subject market and the project. Virginia Housing reserves the right to limit the total number of units financed in any project or phase to no more than 25% of the units.

Virginia Housing Conventional Financing: The condominium must meet the project eligibility guidelines for the applicable GSE and private mortgage insurance company guidelines. The Originating Lender's underwriter must indicate the warranty classification on the Loan Transmittal or by separate statement and include all GSE documentation in accordance with the approval type.

Virginia Housing FHA, VA, and USDA RD Financing: The condominium must be approved in accordance with the applicable insurer or guarantor guidelines and include all documentation required for the approval type.

K. Affordable Dwelling Units/Re-Sale Restrictions

Virginia Housing requires resale restrictions related to Affordable Dwelling Units or other affordable housing programs to meet FHA guidelines. These guidelines require that all resale restrictions for affordable housing programs terminate upon foreclosure, deed-in-lieu of foreclosure, or assignment of the insured mortgage to HUD. Originating Lenders must discuss this requirement with local governments that have resale restrictions in their program to ensure they meet requirements (compliance with Single Family Housing Policy Handbook 4000.1). The Affordable Housing Programs and Secondary Financing Certification (Exhibit LL) form must be executed by the Originating Lender and the affordable housing provider and included in the submission package to Virginia Housing.

Note: If the resale restrictions do not comply with FHA guidelines and the requested loan program is conventional financing, contact Virginia Housing for review and consideration.

L. Cisterns

Virginia Housing does not consider cisterns to be an acceptable water source. However, if a cistern is the only available water source for the property, and it is common and customary for the market area, contact Virginia Housing for review and consideration.

M. Property Requirements for FHA, VA, and USDA RD Loans

Unless otherwise stated above, Virginia Housing will accept the property requirements of the appropriate insurer or guarantor for each individual loan. All properties must be structurally sound and in adequate condition to preserve the property's continued marketability and to protect the health and safety of the occupants.

N. Property Requirements for Conventional Loans

All properties must be structurally sound and in adequate condition to preserve the property's continued marketability and to protect the health and safety of the occupants. Eligible properties must possess features that are acceptable to typical purchasers in the subject market area and provide adequate amenities. Eligible properties must meet the applicable GSE's property guidelines unless stated below or otherwise approved by Virginia Housing. Properties located in declining markets must be supported with additional documentation to support value and may be subject to reduced loan to value. Follow the applicable GSE guidelines for conventional programs.

O. Post-closing Repairs

Escrows for post-closing repairs are considered on a case-by-case basis. Post-closing structural or major mechanical repairs are not permitted.

The Originating Lender's underwriter may review and render a decision on post-closing repairs that do not impact the mechanical systems or structural soundness of the property.

Acknowledgment of the exception must be documented in a memo in the file sent to Virginia Housing for purchase (this can be done on the underwriting transmittal).

A written quote from contractors for the work to be performed is required.

A final inspection or repair inspection is required if indicated in the appraisal report.

If the appraisal was performed without electric and/or water service, a separate inspection report documenting testing of the electrical and plumbing systems will be required, and must be reviewed prior to releasing the loan funds for closing.

An escrow holdback agreement is required for any post-closing repairs, with applicable GSE, Insurer or Guarantor timelines included in the agreement. The Originating Lender is responsible for ensuring that all post-closing repairs are completed in the allotted time. Once completed, the Originating Lender is responsible for reporting the completion of the post-closing repairs to Virginia Housing, including any inspection reports, to document that the repairs have been completed.

See section below for additional requirements regarding Energy Efficient Mortgages (EEMs) and HUD real estate owned (REO) properties with Repair Escrow programs.

P. Targeted Areas

A targeted area is an area that meets one of the definitions below:

Qualified Census Tract: A census tract in the Commonwealth of Virginia in which 70% or more of the families have an income of 80% or less of the statewide median family income based on the most recent "safe harbor" statistics published by the U.S. Treasury.

Chronic Economic Distress: An area designated as such by the Commonwealth of Virginia and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the tax code.

Eligibility / Waiver of Three-year prior homeownership requirement: Mortgage loans for dwellings located in targeted areas must comply in all respects with the requirements of the regulations and those stated in this guide, with the exception of the three-year requirement (prior homeownership).

Documenting Targeted Areas: Originating Lenders must indicate, on the Originating Lender's Loan Submission Cover Letter (Exhibit O), whether the target area is targeted (yes or no).

Locating Targeted Areas: Should an Originating Lender need assistance in determining targeted areas, they can visit [Areas of Economic Opportunity](#) on Virginia Housing's Website or they can call their local city/county planning office.

Federal Targeted Area Limits: Some, but not all, properties located in a targeted area have higher income and sales price limits. The higher targeted income limits may not apply to loans originated with a Virginia Housing Grant. Refer to the [Federal Targeted Income limits](#) on Virginia Housing's website and the applicable Loan Program Guidelines and Procedures for details.

Note: Targeted area limits do not apply to Virginia Housing's non-bond programs since there is no sales price limit.

2.3 Underwriting Requirements

A. General Underwriting Requirements

To be eligible for Virginia Housing financing, the borrower(s) must demonstrate the willingness and ability to repay the mortgage debt and adequately maintain the financed property. All borrowers must meet the requirements and guidelines of the applicable GSE, insurer, or guarantor. In addition, the borrower(s) must satisfy the requirements below. Originating Lenders must contact Virginia Housing directly to discuss any exceptions to these requirements.

Stable Employment: Borrower(s) must document the receipt of stable income, indicating that the borrower will receive future income sufficient to enable the timely repayment of the mortgage loan as well as other existing obligations and living expenses.

Credit History: Borrower(s) must possess a credit history that reflects the ability to successfully meet financial obligations and a willingness to repay obligations in accordance with established credit repayment terms. A minimum credit score of 620 is required unless otherwise noted in specific program requirements.

Housing Choice Voucher (HCV) Subsidy: HCVs are acceptable as long as the following are met:

All applicable GSE, insurer, or guarantor requirements are met, and

One check for the housing payment made payable to Virginia Housing from the borrower is preferred, or

If there are two checks (one from the borrower and the other from the HCV entity), the checks must be sent to Virginia Housing at the same time. The HCV entity check must be made payable to Virginia Housing. If the check is made payable to Virginia Housing and the borrower, the borrower must sign the check. The borrower must include the Virginia Housing servicing loan number on the check from the HCV entity.

B. Secondary Financing

Any secondary financing (including soft seconds – with or without deferred repayments) must meet the requirements stated in the Affordable Housing Programs and Secondary Financing Certification (Exhibit LL). This form must be executed by the Originating Lender and the secondary financing provider and included in the submission package to Virginia Housing.

Note: Exhibit LL is not required for loans on which Virginia Housing or Federal Home Loan Bank is providing down payment assistance. If the first mortgage is Conventional, the Originating Lender may use the applicable GSE's Community Seconds Checklist or Affordable Seconds Checklist in lieu of Exhibit LL.

Payments for the first and second mortgages are to be used in both qualifying ratios.

Funds may only be used for the down payment, closing costs or prepaid items

Maximum loan (including all liens) may not exceed the lesser of the sales price or appraised value plus standard closing costs and prepaid items (unless limited by the applicable GSE, insurer or guarantor).

Interest Rate

- Fixed rate only
- May not exceed the rate of the first mortgage

Terms

- No balloon payments
- No negative amortized loans
- No prepayment penalty

Eligible Sources

- Federal, State, Local Government or Non-Profit agencies administering funds of such entities or through an employment assistance program

Shared Appreciation

- Any shared appreciation provision must comply with the applicable GSE, Guarantor and/or Insurer and be approved in advance by Virginia Housing

C. Sweat Equity

Sweat equity (the value of services performed by the borrower or members of his family) in constructing or completing the residence, generally, is not an acceptable source of funds for down payment and closing costs. Any sweat equity allowance must be approved by Virginia Housing prior to loan approval.

2.4 Loan Terms and Requirements

A. Term

A 30-year term is the only term available for Virginia Housing loans.

B. Maximum Loan Amount / Total Loan Amount / Total Loan to Value

Refer to the applicable Loan Program Guidelines and Procedures.

C. Private Mortgage Insurance Coverage Requirements

Refer to specific conventional program guidelines for mortgage insurance coverage requirements.

Note: Lenders are reminded that all Virginia Housing loans that require mortgage insurance must comply with the individual mortgage insurer guidelines. Even though Virginia Housing may offer more flexible guidelines, loans must meet the stricter of Virginia Housing or the insurer guidelines. This includes adherence to criteria such as maximum loan to value (LTV) / combined loan to value (CLTV), minimum credit scores, cash reserves, maximum seller contributions, maximum ratios, minimum borrower contribution and property requirements.

2.5 Closing Requirements

In general, these closing requirements apply to all Virginia Housing programs unless otherwise specified in Virginia Housing loan program guidelines. Originating Lenders must contact Virginia Housing directly to discuss any exceptions to these guidelines. The accuracy of the borrower(s) name, property address, and legal description must be confirmed and consistent across all documents throughout the loan file. If there are inconsistencies in borrower names or property addresses, a name affidavit or address certification must be provided to Virginia Housing. All underwriting conditions required by the approval letter, conditions of the appraisal, and the appropriate GSE, insurer or guarantor requirements must be satisfied prior to closing and included with the loan submission.

The following documents must be contained and reviewed in the Closing Lender's preliminary review package.

For current forms and documents, go to VirginiaHousing.com. These forms and documents can be completed online.

A. Final Loan Application (URLA)

The final loan application reflecting verified information should be signed at closing. If changes in information on the final application are disclosed, the Originating Lender should not proceed with closing. The Originating Lender must immediately notify Virginia Housing of the changes and await further instruction from Virginia Housing.

B. Deed of Bargain and Sale

The grantor must be the same party reflected in the title binder, as the seller in the sales contract, appraisal and on the Seller Affidavit.

C. First Mortgage Note and Second Mortgage Note (if applicable)

- The Originating Lender will fund the first and second mortgage loan (if applicable).
- The First and Second Mortgages must be closed in the name of the Originating Lender and contain the required MERS language.
- A late fee of 5% is due 15 days after the due date on Virginia Housing Conventional, USDA RD loans and Plus Second Mortgage loans; and 4% is due 15 days after the due date on FHA and VA loans.
- No prepayment penalty may be imposed on any Virginia Housing loan.

D. First Deed of Trust and Attachments and Second Deed of Trust and Attachments (if applicable)

- Chattels are not permitted to be financed by any Virginia Housing mortgage loan; therefore, no chattels may be included in the property description of the Deed of Trust.
- "Trustee's fee"
 - i. When using a fillable instrument, the "Trustee's Fee" must show 5%
 - ii. When using the Virginia Standard Instrument, the standard language must indicate the trustee's ability to collect compensation and reasonable attorney's fees
- The appropriate box in the section entitled "Riders of this Security Instrument" must be checked and the appropriate riders must be affixed and recorded with the Deed of Trust. If the property is a planned unit development (PUD) or Condominium, standard PUD or Condo riders must be used. If the property is a manufactured home, a manufactured housing rider is required. If the loan is one of Virginia Housing's bond programs, the applicable tax-exempt financing rider is required.
- Any Virginia Housing Second Deed of Trust must have the following language on the first page in bold and capitalized letters:

"THIS DEED OF TRUST SHALL NOT, WITHOUT THE CONSENT OF THE SECURED PARTY HEREUNDER, BE SUBORDINATED UPON THE REFINANCING OF ANY PRIOR MORTGAGE."

E. Formal Title Insurance Binder / Title Policy

The "Name of Insured" must include "their successors or assigns as their interest may appear" or be endorsed to Virginia Housing Development Authority after closing.

- For VA loans, the "insured" must also include the Secretary of Veterans Affairs.

**Lender and/or The Secretary of
Veterans Affairs, ISAOA ATIMA**

- For FHA loans, the "insured" must also include the Secretary of Housing and Urban Development.

**Lender and/or The Secretary of
Housing and Urban Development, ISAOA/ATIMA**

The title binder must state that the Originating Lender is covered under the title company's insured closing service, and a Closing Protection Letter from the title company's headquarters (not the agency) insuring the Originating Lender must be received prior to releasing funds for closing.

A notation on the face of the binder stating that preprinted exceptions will not appear in the final policy. Additionally, a notation that they do not apply to the lender's policy will be acceptable.

All recorded liens, such as judgments and unreleased deeds of trust, must be paid and released prior to disbursement of the loan for closing, even if the title company provides affirmative coverage.

Affirmative insurance coverage must be provided that applicable restrictive covenants "have not been violated and that a future violation will not cause a forfeiture or reversion of title". Do not provide copies of applicable restrictive covenants unless specifically requested by Virginia Housing.

The title binder must include the appropriate ALTA Endorsements if the property is a PUD or Condominium. Do not provide copies of homeowners' association documents unless specifically requested by Virginia Housing.

Any easements that adversely affect the property's use, enjoyment, or marketability, such as high-tension power lines, are not acceptable.

An ALTA 8.1 is required on all loans.

Manufactured Homes: Title insurance should include an ALTA Form 7 endorsement to extend title coverage to the manufactured home. Generally, this requires confirmation that the manufactured home is permanently attached to the land, that all personal and real estate taxes have been paid, and that the Certificate of Title has been surrendered. Levels of proof will differ by Title Company.

The Closing Protection Letter and Title Binder cannot be more than 90 days old at the time of closing.

Plus Second Mortgage loans do not require title insurance.

Title Binder Exceptions:

- Each exception appearing in the title binder must be described and located. If not, the title binder must provide affirmative coverage prior to closing against any loss or damage resulting from the exception (Do not provide copies of customary easements unless specifically requested by Virginia Housing).
- Oil and mineral rights and/or leases may require explanatory documentation, specific affirmative coverage, and prior approval by Virginia Housing.
- The following exceptions are not acceptable to Virginia Housing and cannot appear in the Final Title Policy:
 - i. Property taxes (unless for current and supplemental taxes not yet due and payable).
 - ii. Survey (exceptions must specifically reference what is shown on the survey provided for review). If a survey is not provided, survey exceptions are not allowed.
 - iii. Rights of parties in possession.
 - iv. Mechanic's and material man's liens.
 - v. Judgments, including any against the borrower.
 - vi. Unreleased deeds of trust, even if affirmative coverage is provided to the Originating Lender.
 - vii. Rights of present or future spouse.
 - viii. Oil and mineral rights and/or leases (unless they have affirmative coverage and prior approval by Virginia Housing). ALTA 9 contains sufficient language for coverage.
 - ix. Defects, lien encumbrance, adverse claim, or other matter that appears for the first time in the Public Records or is created, attached, or disclosed between the Commitment Date and the date of the Final Title Policy.

F. Private Roads

Follow applicable GSE, insurer or guarantor guidelines. Provide all documentation required by the insurer or FHA, VA or USDA RD loans.

G. Well and Septic

Well and Septic inspection reports are not required by Virginia Housing unless required by the underwriter or the applicable GSE, insurer or guarantor.

H. Survey

A survey is not required unless the title insurance policy takes an exception to a survey. Originating Lenders must comply with the appropriate GSE, insurer or guarantor's requirements. ALTA 9 does not cover exceptions for general matters of the current survey.

I. Flood Certification

To comply with the National Flood Insurance Reform Act of 1994, a Flood Certification must be provided by a licensed vendor that guarantees the accuracy of the information provided.

The same or another licensed vendor must provide Life of Loan tracking.

If flood insurance is required on the property:

- A copy of the flood insurance application must be reviewed.
- The loan cannot close prior to the effective date of the policy.
- The policy must include the name and address of the mortgagor, the name and address of the mortgagee, and a description of the insured property.

The Flood Certification takes precedence over any other documentation provided.

J. Termite Inspection and Guarantees

Existing Structures

- Current infestation report is required only if it is a requirement of the applicable GSE, insurer or guarantor or a condition of appraisal or underwriting.
- A reputable termite company must provide the appropriate form as required by the applicable GSE, insurer or guarantor.
- Reports expire 90 days from the date of the inspection, unless otherwise stated on the report.
- If damage or moisture is reported, the termite company or a licensed contractor must state that the problem has been corrected. If a wood-destroying infestation is reported, the termite company must furnish evidence that the property was satisfactorily treated and provide an acceptable guarantee against future infestation.

New Construction

- Current soil treatment guarantees on the appropriate form as required by the applicable GSE, insurer or guarantor must be provided by a reputable termite company and countersigned by the builder.
- Guarantee must be valid for at least one (1) year from the date of treatment. Evidence of a termite shield or a bait system is acceptable.

K. Final or Repair Inspection and Escrows

Escrows for post-closing repairs are considered on a case-by-case basis. Post-closing structural or major mechanical repairs are not permitted.

The Originating Lender's underwriter may review and render a decision on post-closing repairs that do not impact the mechanical systems or structural soundness of the property.

Acknowledgment of the exception must be documented in a memo in the file sent to Virginia Housing for purchase (this can be done on the underwriting transmittal).

A final inspection or repair inspection is required if noted as a condition in the appraisal report.

A written quote from contractors for the work to be performed is required.

If the appraisal was performed without electric and/or water service, a separate inspection report documenting testing of the electrical and plumbing systems will be required, and must be reviewed prior to releasing the loan funds for closing.

An escrow holdback agreement is required for any post-closing repairs, with applicable GSE, Insurer or Guarantor timelines included in the agreement. The Originating Lender is responsible for ensuring that all post-closing repairs are completed in the allotted time. Once completed, the Originating Lender is responsible for reporting the completion of the post-closing repairs to Virginia Housing, including any inspection reports, to document that the repairs have been completed.

See the section below for additional requirements regarding EEMs and HUD REO with Repair Escrow programs.

L. Hazard Insurance Binder / Policy

The insurance company must be rated at least B+ in the Best's Key Rating Guide or Demotech.com. If the rating is below B+, a reinsurance certificate from a second company rated at least B+ must be provided. If the insurance company is not rated in the Best Key Rating Guide or Demotech.com, contact Virginia Housing's Servicing Department to determine if the company has been approved by Virginia Housing.

Policies, or temporary written contracts of insurance (binders), are acceptable. The master policy referencing unit and borrower is required for condominiums. Hazard Insurance coverage is not required on the Plus Second Mortgage loan. Applications for insurance are not acceptable. Policies / Binders must include the following information:

- The name and address of the mortgagor
- The name and address of the mortgagee
- A description of the insured collateral
- A provision that the binder may not be canceled within the stated term, except upon 10 days' written notice to the mortgagee
- A statement that the company will issue the policy within 45 days from issuance of the binder

The mortgagee clause should reflect the Originating Lender's information. After purchase, the mortgagee clause should be endorsed to read:

**Virginia Housing Development Authority
c/o Central Servicing
P.O. Box 4628
Richmond, VA 23220-8628**

The amount of coverage must be stated in numerals. The insurance policy must provide for claims to be settled on a replacement cost basis. The amount of coverage must be at least equal to the Replacement Cost Value (RCV). Documentation must be included to support the replacement cost. Documentation may include a replacement cost estimator provided by an insurer or the appraised value, less land value. Policies that provide for claims to be settled on an actual cash-value basis are not permitted. Additionally, all insurance coverages must comply with the Virginia Code, GSE, insurer or guarantor requirements. It is the Originating Lender's responsibility to ensure all insurance requirements are met.

The description of the insured property should include the legal description and the mailing address.

The loan cannot close before the effective date of the insurance policy and binder.

M. Closing Disclosure

All charges in connection with closing, including prepaid items and closing costs, must be included in the Closing Disclosure and must reflect to whom charges are payable. Changes at closing, such as charges for extras paid by the borrower, or changes to the sales price, will affect the acquisition costs and require updated executed Borrower Affidavit and Seller Affidavit.

The Closing Disclosure must be fully executed by all parties to the transaction. The Originating Lender should ensure it is completed correctly, including any addendums.

Borrower may not receive funds in excess of items paid outside of closing (POC) and earnest money deposit (EMD) back at closing. Costs must be shown as POC to be included in the borrower's allowable cash back. Excess funds to the borrower at closing require a reduction of the loan amount or the applicable second.

The Originating Lender is responsible for complying with requirements for allowable fees.

A separate Closing Disclosure(s) is required for all first and second loans. Second loans are subject to and must comply with disclosure time frames per RESPA, CFPB and TILA guidelines.

N. Income-producing/Ancillary Fees

Total Ancillary Fees may not exceed common and customary income-producing fees and must be reflected on the Closing Disclosure.

O. Per Diem Interest

Per diem interest should be collected from the date of closing through the last day of the month and calculated on 365 days for FHA / VA / USDA RD and 360 days for Conventional loans. For Plus Second Mortgages, per diem interest must be calculated on 360 days.

P. Escrow Reserves

Escrow reserves must be collected in accordance with RESPA requirements. The Originating Lender must collect a minimum of two months' cushion for the initial escrow account setup.

Note: If the property is a condominium, escrow reserves must be collected on the H06 Policy.

Q. Accurate Tax Escrow Estimation for New Construction

Originating Lenders are reminded that tax escrows for new construction are to be based on estimates of the property taxes, considering the value of land and improvements. When qualifying borrowers and conducting the settlement, realistic estimates of property taxes based on the assessed value should be used to qualify the borrower(s) and establish the escrow amounts at closing. Originating Lenders are responsible for reviewing the Closing Disclosure and instructing the closing agent to establish tax escrows based on the estimated value of the property with improvements.

R. Secondary Financing

A separate Loan Estimate and Closing Disclosure is required for all second mortgages, including the Plus Second Mortgage, to be in compliance with RESPA, CFPB and TILA.

S. Errors and Omissions Agreement

Must be completed and signed by all borrowers at closing.

2.6 Purchase Requirements

These purchase requirements apply to all Virginia Housing programs unless otherwise specified in specific loan program guidelines. Originating Lenders must contact Virginia Housing directly to discuss any exceptions to these guidelines.

A. Accuracy and Completion

The accuracy of the borrower(s)' name, property address, and legal description must be confirmed and consistent on all documents throughout the file.

A name affidavit is required on all loans.

An address certification must be provided to Virginia Housing if there are inconsistencies in the documents.

Loan documents must be completed and executed by all borrowers and in accordance with the loan terms reflected on the Virginia Housing Delegated Approval Confirmation or Virginia Housing Loan Review Notification.

All conditions that were not provided to Virginia Housing before closing must be provided to Virginia Housing in the closed loan package.

The critical documents listed below must be submitted to Virginia Housing and will be retained.

The Compliance Agreement (Exhibit CA) must be executed by the borrowers and included in the closed loan package.

B. First Mortgage Note and Second Mortgage Note (if applicable)

The Note(s), including the second mortgage if applicable, must be submitted to Virginia Housing via overnight mail. All notes must reflect the Originating Lender's name. Notes must be delivered to:

**Virginia Housing
601 S. Belvidere St.
Richmond, VA 23220
Attn: Homeownership Document Control**

C. Endorsement of Note(s)

An original signature is required for the endorsement of the Note(s) – a signature stamp is not acceptable. The endorsement may be on the Note(s) or in a separate Allonge. The following language must be used to endorse the Note:

- "Pay to the order of Virginia Housing Development Authority without recourse."
- Originating Lender's Name
- Authorized Signature
- Name of Authorized Signer
- Title of Authorized Signer

D. Deeds of Trust:

All deeds of trust must be drawn with the required MERS language.

The Originating Lender must provide a copy of the fully executed document in the closed loan package, along with evidence of recording receipt.

The original must be provided to Virginia Housing within 90 days of closing. The document must be submitted overnight with the Virginia Housing Document Transmittal form to:

**Virginia Housing
601 S. Belvidere St.
Richmond, VA 23220
Attn: Homeownership Document Control**

The Plus Second Mortgage Deed of Trust must have the following language on the first page in bold and capital letters:

"THIS DEED OF TRUST SHALL NOT, WITHOUT THE CONSENT OF THE SECURED PARTY HEREUNDER, BE SUBORDINATED UPON THE REFINANCING OF ANY PRIOR MORTGAGE."

Plus loans will not be purchased without an Awards Letter signed by the borrower.

3 Origination Procedures

3.1 Lock Policies and Procedures

Virginia Housing loans may be locked in by Originating Lenders for specific borrowers and properties. The interest rate is locked in after the loan application and after the lender has determined that the borrower meets the eligibility requirements and guidelines for the loan program. No substitutions of borrower, property, or Originating Lender are permitted. A change in the loan program may require the loan to be relocked at different terms.

A. Rate Lock Period

Loans may be locked in at an interest rate for a period of 30, 45 or 60 days. The loan must close by the lock-in expiration date. Special programs may require different lock periods.

Questions regarding special programs should be sent via email to

lockdesk@virginiahousing.com.

B. Extension of Rate Lock

The Originating Lender may request extensions to the rate lock period in 15-day increments, up to a maximum of 60 days. Lock extension requests must be submitted on or before the lock expiration date. The cost of each extension is 0.25% of the loan amount. This cost will be deducted from the net price of the loan. Extensions will not be processed on expired locks. If a full 15-day extension is not needed, a courtesy 5-day lock extension may be granted before the lock expiration.

C. Expired Rate Lock – Lock Cancellation on Same Property

If a property has an expired rate lock (less than 30 days from expiration), pricing for a new rate lock on the same property will be subject to worst-case pricing. The lock period remains the same as the original lock.

D. Rate Lock – Lock Cancellation Due to Property Change

A change in property is considered a new transaction and will require a new loan application and rate lock at current market pricing. The original loan must be canceled prior to locking in a new property.

E. Lock Transfers – Change in Lender

Locks cannot be transferred between lenders. If a borrower chooses to transfer their loan to a new lender after the loan has been locked, the original lender must cancel the original lock and provide a reason for cancellation. If the reason for the lock cancellation was loan denial, the lender must provide the denial reason to Virginia Housing. The new lender must have the loan reviewed by their underwriting department, determine that the new application is eligible for approval, and submit the loan to Virginia Housing for review prior to allowing the new rate lock. The new lock is subject to worst-case pricing between the date of the original rate lock and the current market. If a comparable rate is not available, decisions will be made on a loan-by-loan basis. Virginia Housing will allow the transfer of an existing rate lock between lending institutions when two Virginia Housing Originating Lenders are merging.

F. Relocks

A lock must be expired or cancelled before it can be relocked. The relock period will mirror the original lock for loans that expired less than 30 days prior to the relock. Worst-case pricing applies between the pricing for the original lock and the current market pricing. Locks that have been expired for 30 days or more will be relocked at current market pricing. The lock period can be 30, 45, or 60 days. Special programs may require the relock period to match the original lock period. Questions and lock requests regarding special programs (i.e., SPARC, etc.) should be sent via email to lockdesk@virginiahousing.com.

G. Reinstatement of Lock

If a lock is cancelled in error, the lender must request a lock reinstatement by 9 am the next business day after the lock was canceled. Failure to submit the request by the above-referenced timeline will require the lender to relock at worst-case pricing.

H. Loan Product Change

A change to the loan product will require the lock to be updated with the original lock date pricing and lock period. A product or a lock change request must be made through Virginia Housing's Loan Origination System.

If a Plus Second Mortgage is added when the program allows, the interest rate for the first and second mortgages will be adjusted by adding 0.125% if the first mortgage is a conventional program, or adjusted by adding 0.25% if the first mortgage is a government program. The lock period for the second mortgage is the same as the first mortgage. If the loan has a DPA Grant reserved, the grant must be canceled prior to registering and locking the Plus Second Mortgage as a piggyback loan.

Note: Originating Lenders cannot benefit from better pricing or an increased lock period due to multiple product changes.

I. Rate – Pricing Distribution

Rates are distributed to Originating Lenders via email Monday through Friday. Approval from the Originating Lender's secondary department is required to add any recipients to the distribution list.

J. Lock System Availability

Loans must be registered and locked in Virginia Housing's Loan Origination System. Refer to virginiahousing.com for information and guides related to the online system. The Lock Desk will accept new loan locks, Monday through Friday, from 11:00 am to 6:00 pm Eastern Standard Time (EST). The Lock Desk system is unavailable on Saturday and Sunday, and between 6:01 p.m. and 10:59 a.m. Eastern Standard Time (EST) Monday through Friday. The Lock Desk system is unavailable on all federal holidays except Columbus Day.

K. Exceptions

Exceptions to Virginia Housing's lock policy are made at the discretion of Virginia Housing.

L. Lock Department Hours and Contact Information

The Virginia Housing Lock Desk hours are 8:30 am – 5:00 pm Monday through Friday. Questions regarding Virginia Housing's Lock Policy should be sent via email to LockDesk@VirginiaHousing.com.

3.2 Non-Delegated Origination Procedures

Non-Delegated Origination Procedures are to be used by Originating Lenders that have not obtained Virginia Housing delegated authority or for Delegated Originating Lenders submitting loans for programs that are not eligible for the Delegated Origination Process. All Virginia Housing required documents are available on [Virginia Housing's website](#).

A. Originating Lender Underwriting Process

Originating Lender underwriters must underwrite and approve Virginia Housing loans for the applicable GSE, insurer or guarantor prior to submission to Virginia Housing.

Note: Contract underwriters cannot underwrite Virginia Housing loans unless specific written approval is obtained from Virginia Housing. See the section above concerning outsourcing responsibilities and third-party originations.

For loans requiring mortgage insurance, mortgage insurance approval and an insurance certificate are required.

Originating Lender underwriters must review the loan for compliance with Virginia Housing requirements before submitting loans to Virginia Housing for approval. See the eligibility section under the Program Guidelines for the applicable loan program.

Originating Lender underwriters must complete and sign the Loan Submission Cover Letter (Exhibit O) when required, which indicates special eligibility requirements. See individual Program Guidelines for specific requirements.

Loan Submission to Virginia Housing

Refer to the [Mortgage Cadence User Guide](#) for Virginia Housing's online Loan Origination System.

- Loans must be locked prior to submission.
- Documents are to be uploaded in accordance with the [Virginia Housing Underwriting Submission Checklist](#), then submitted with the loan to Virginia Housing.

Virginia Housing Loan Review

After the Originating Lender's underwriter has approved the loan and submitted it successfully to Virginia Housing for review, the Virginia Housing Underwriter reviews the documentation and sends an email acceptance notification to the Originating Lender's underwriter. If applicable, the Virginia Housing Underwriter will also provide the Recapture Notice for the borrower to execute at loan closing and return to Virginia Housing.

If the loan is suspended, the Virginia Housing underwriter issues a suspense notification to the Originating Lender's underwriter. The Originating Lender must upload the required documentation to receive approval after uploading suspense documents and submitting the conditions for review. After all suspense items are reviewed and confirmed to satisfy any conditions, the Virginia Housing underwriter sends an email acceptance notification to the Originating Lender's underwriter.

If the loan is denied, notification is emailed to the Originating Lender's underwriter.

3.3 Delegated Origination Procedures

Virginia Housing Originating Lenders must receive approval to act in a delegated capacity (Delegated Originating Lender). Once approved, all loans (unless otherwise noted in the Program Guidelines) may be approved and closed through the delegated process. The Delegated Originating Lender will review loans, issue loan approval, approve loans for closing, and fund loans at closing.

A. Delegated Originating Lender Underwriting Process

The Delegated Originating Lender underwriters must underwrite and approve Virginia Housing loan files. The loan must be reviewed before the lock expires. Rates must be locked on Virginia Housing's System.

Delegated Originating Lender underwriters must underwrite and approve Virginia Housing loans for the applicable GSE, insurer, or guarantor prior to submission to Virginia Housing for loan purchase.

Delegated Originating Lender underwriters must underwrite Virginia Housing loans for FHA, VA and USDA RD.

Note: Contract underwriters cannot underwrite Virginia Housing loans unless specific written approval is obtained from Virginia Housing. See the section above concerning outsourcing responsibilities and third-party originations.

Mortgage Insurance Approval: For loans requiring mortgage insurance, MI approval and an insurance certificate are required. For conventional loans, the Delegated Originating Lender must submit the loan to a private mortgage insurer and obtain approval. Delegated Originating Lender underwriters who are delegated by an approved mortgage insurance company may underwrite loans for mortgage insurance and issue the mortgage insurance certificate.

Delegated Originating Lender underwriters review loans for compliance with Virginia Housing requirements. See the eligible section on the individual Program Guidelines. The Delegated Originating Lender underwriter must complete and sign the Originating Lender's Loan Submission Cover Letter (Exhibit O) when required, which indicates special eligibility requirements. See individual Program Guidelines for specific requirements.

Delegated Submission: Refer to the [Mortgage Cadence User Guide](#) for use of Virginia Housing's Loan Origination System.

- Loans must be locked prior to delegated submission.
- After review and determination that the loan complies with all Virginia Housing and the applicable GSE, insurer or guarantor requirements, the Delegated Originating Lender's underwriter will access Virginia Housing's Loan Origination System and verify all data for accuracy.
- The Delegated Originating Lender's underwriter will complete the Delegated Submission screen in Virginia Housing's Loan Origination System and submit for Delegated Approval Confirmation.
- The Delegated Originating Lender's underwriter will receive an email notification with the Delegated Approval Confirmation and, if applicable, the Notice of Federal Recapture to send to loan closing.

3.4 Loan Closing Process

Loans must be closed in accordance with Virginia Housing loan approval, applicable GSE, insurer or guarantor guidelines, and any Virginia Housing requirements.

Closing Instructions

The Originating Lender must provide the closing agent with the Approval, Instructions, and closing documents.

Recapture Notice

For bond loans, the Originating Lender will send the Recapture Notice issued by Virginia Housing to the closing agent. The Recapture Notice must be executed by the borrower(s) at closing and included in the Closed Loan Package submitted to Virginia Housing.

Servicing Transfer Letter (aka Hello / Goodbye Letter) / First Payment Letter

The Originating Lender will provide a Servicing Transfer letter (aka Hello / Goodbye Letter) and First Payment letter to the borrower at closing.

Award Letter

If the loan is originated with a Virginia Housing Grant or Plus Second Mortgage, the Award Letter must be executed by the borrower(s) at closing and included in the Closed Loan Package submitted to Virginia Housing.

Compliance Agreement

The Compliance Agreement (Exhibit CA) must be executed by the borrower at closing and included in the Closed Loan Package submitted to Virginia Housing.

Loan Closing Disbursement

The Originating Lender will fund the first mortgage and, if applicable, the Plus Second Mortgage. Loans must close before the lock expires.

Closed Loan Package Submission

The loan file must be submitted in the order identified on the [Loan Stacking Form](#) available on Virginia Housing's website.

The Originating Lender must provide one complete loan package, including required underwriting and closing documents, within 10 calendar days of loan closing. Loans with an interest credit will be due by either the 15th of the month preceding the first payment date or 10 calendar days after closing, whichever is first. Wiring instructions must be included in the loan package.

If the loan package is delivered more than 10 calendar days after the closing date, a penalty of 0.125% will be assessed for every 10 calendar days between closing and package delivery to Virginia Housing.

After uploading the full and complete file to Virginia Housing's Loan Origination System and submitting the loan to Virginia Housing, the Originating Lender must send the original Note and Allonge / Endorsement via overnight mail to:

**Virginia Housing Development Authority
601 South Belvidere Street
Richmond, Virginia 23220
Attention: Homeownership Document Control**

These same procedures must be performed for the Virginia Housing first mortgage and Virginia Housing second mortgage (if applicable).

Virginia Housing will perform a full review prior to purchasing loans.

Virginia Housing will notify the lender of approval for purchase or if the loan(s) has been pended for required corrections.

- Virginia Housing will provide a suspense letter on pended loans and a monthly report listing all loans closed with outstanding documents.
- If a loan is pended, the Originating Lender must upload the required documents and click to submit the conditions to Virginia Housing in Virginia Housing's Loan Origination System.
- A penalty of 0.125% will be assessed every 10 business days for loans that remain pended.

Loan Funding

Originating Lenders will receive a Purchase Advice on each loan showing the net funding breakdown.

Funds will be wired in bulk to the Originating Lender's account in accordance with the wiring instructions and/or Bailee letter provided in the Closed Loan Package.

A **Daily Purchasing Program Disbursements by Lender** report will be sent each day, indicating the amount of the bulk wire. The report will reflect individual loans and their wire amounts.

The following fees will be used to calculate the net funding amount:

- Principal Loan Amount
- Net Price
- Escrow Balance Transfer
- Virginia Housing Grant (if applicable)
- Tax Service Fee
- Interest due
- Principal Curtailment
- Late delivery and/or pend penalties, if applicable

Obtaining FHA's Mortgage Insurance Certificate (MIC), VA's Loan Guaranty Certificate (LGC), and USDA RD's Loan Note Guarantee (LNG)

- The Originating Lender must submit required loan documents to the insurer or guarantor to obtain the MIC, LGC or LNG in a timely manner.
- MIC, LGC or LNGs must be provided to Virginia Housing within the window outlined under the Final Documents section of this guide.

Final Documents

The Originating Lender must submit all final documents (title policy with all endorsements, recorded Deed of Trust, recorded assignment and MIC / LGC / LNG) to Virginia Housing within 90 days after loan closing.

Documents must be submitted using the Virginia Housing Document Transmittal form.

The Originating Lender must send the original Deed of Trust via overnight mail to:

**Virginia Housing Development Authority
601 South Belvidere Street
Richmond, Virginia 23220
Attention: Homeownership Document Control**

Follow-Up Loan Documentation

Additional documentation associated with the loan file must be uploaded and submitted through Virginia Housing's Loan Origination System.

Non-compliance with required procedures or Virginia Housing requirements may result in revocation of delegated approval, suspension from participation as an Originating Lender or required repurchase of the loan.

3.5 Quality Control

Virginia Housing completes Quality Control reviews on a sample of loans in accordance with established Quality Control policies required by the GSEs, insurers, and guarantors. Originating Lenders must provide responses to Quality Control findings and inquiries within 10 business days of notification from Virginia Housing. Failure to provide a response within 10 business days may result in the issuance of a repurchase demand issued for the loan.

4 Virginia Housing Loan Programs

Detailed information and program guidelines for the loan programs noted below are available on Virginia Housing's Website.

First Mortgage Programs	
Conventional	Virginia Housing offers special financing through the GSEs' HFA (Housing Finance Agency) initiative. See Program Guidelines for more information.
Conventional Bond	See Program Guidelines for more information.
FHA	See Program Guidelines for more information.
FHA Bond	See Program Guidelines for more information.
VA	See Program Guidelines for more information.
VA Bond	See Program Guidelines for more information.
Rural Housing	See Program Guidelines for more information.
Rural Housing Bond	See Program Guidelines for more information.
FHA Streamline Refinance	Available to refinance Virginia Housing FHA loans only. See Program Guidelines for more information.
VA Interest Rate Reduction Refinance (IRRRL)	Available to refinance Virginia Housing VA loans only. See Program Guidelines for more information.
Specialty Programs	
Plus Second Mortgage	Virginia Housing offers a second mortgage designed to help qualified borrowers who need down payment and closing cost assistance. See Program Guidelines for more information.
Down Payment Assistance (DPA) Grant	Virginia Housing offers down payment assistance grants to eligible borrowers. Special eligibility requirements apply, including lower income limits. Funds may be used with specific Virginia Housing first mortgage loans. See Program Guidelines for more information.
Closing Cost Assistance (CCA) Grant	Virginia Housing offers closing cost assistance grants to eligible borrowers. Special eligibility requirements apply, including lower income limits. Funds may be used with specific Virginia Housing first mortgage loans. See Program Guidelines for more information.

Sponsoring Partnerships and Revitalizing Communities (SPARC)	Virginia Housing offers special financing initiatives to local communities and non-profits with lower rates. See Program Guidelines for more information.
FirstHome Dream **Closed for Reservations on 06/30/2026	Virginia Housing offers special financing initiatives to local communities and non-profits with lower rates for first-generation homebuyers. See Program Guidelines for more information.
Community Land Trust (CLT) Property	Virginia Housing offers special guidelines for financing properties under the Shared Equity model for Community Land Trusts through Virginia Housing's Conventional first mortgage programs. See Program Guidelines for more information.
Other Programs	
Energy Efficient Mortgages (EEMs)	Virginia Housing will allow the origination of VA-guaranteed and FHA-insured loans through their respective Energy Efficient Mortgage programs with standard Virginia Housing FHA and VA loans. The Plus Second Mortgage is not eligible for these EEM programs. Originating Lenders are responsible for meeting all applicable FHA or VA requirements. <u>Note:</u> The costs of the energy-efficient improvement are to be included in the Virginia Housing acquisition cost, and the total acquisition costs and loan amount may not exceed Virginia Housing's sales price limit. If the energy package items will not be complete at closing, the Originating Lender must ensure that all FHA and VA requirements are met and submit a request to Virginia Housing for consideration prior to loan approval. The Home Energy Package and any other documentation related to the Energy Efficient Mortgage must be included in the submission.
HUD REOs with a Repair Escrow	Virginia Housing will allow the origination of FHA-insured loans with a Repair Escrow on HUD REO properties on a case-by-case basis. The Originating Lender's underwriter may review and render a decision and must acknowledge the exception in a memo to Virginia Housing. Financing repairs through FHA's HUD REO with Repair Escrow is not acceptable when originating an FHA loan with the Plus Second Mortgage. Originating Lenders are responsible for meeting all applicable FHA requirements.

	<u>Note:</u> The costs of repair escrow are to be included in the Virginia Housing acquisition cost, and the total acquisition costs and loan amount may not exceed Virginia Housing's sales price limit. A written quote from contractors for the work to be performed is required. If the appraisal was performed without electric and/or water service, a separate inspection report providing testing of the electrical and plumbing systems will be required. No structural or major mechanical repairs.
Assumptions	See Section 8 for more information about Loan Assumptions.

5 Automated Underwriting

Virginia Housing accepts Loan Product Advisor (LPA), Desktop Underwriter (DU), FHA TOTAL ScoreCard and Guaranteed Underwriting System (GUS). See the applicable Program Guidelines to determine which automated underwriting system, if applicable, is required.

5.1 Programs Eligible for Automated Underwriting

A. FHA and VA

DU or LPA Total ScoreCard only; bond and non-bond programs

B. USDA RD

GUS only; bond and non-bond programs

C. Conventional

DU or LPA only; bond and non-bond programs

5.2 Mortgage Revenue Bond Requirements

The AUS system approval applies only to the credit qualifying requirements (i.e., credit, ratios, and employment). In addition, the Originating Lender must ensure that all applicable Virginia Housing mortgage revenue bond requirements are met. These special requirements are referenced in the sections of this guide above, in the individual Program Guidelines and on the Originating Lender's Loan Submission Cover Letter (Exhibit O).

5.3 Maximum Debt to Income Ratio

The maximum debt-to-income (DTI) ratio is 50.00% with AUS approval.

5.4 Manual Approvals

Manual approvals on AUS referrals are eligible unless noted in the specific program guidelines. The loan must be underwritten by a DE Underwriter based on their assessment that the loan meets all guidelines, along with supporting justification for the loan decision.

6 Recapture Tax

All Virginia Housing bond loans, which are financed using tax-exempt bond funds, or any loan that received a Mortgage Credit Certificate (MCC) from Virginia Housing before the MCC program was suspended, may be subject to the Recapture Tax. The information provided below is for informational purposes only. The borrower should consult a tax advisor or the IRS for more specific information. A Recapture Calculator is available on VirginiaHousing.com.

6.1 Purpose

Congress enacted legislation in 1988, which was subsequently amended in 1990, to recapture some or the entire subsidy (savings realized from the lower interest rate) from first-time homebuyers who receive assistance from financing through tax-exempt bonds. The purpose of recapture is to retrieve the subsidy received from owners who received rapid income increases after they purchased their home, and as a result, do not need the subsidy to remain homeowners. Recapture became effective for loans closed after December 31, 1990.

6.2 Recapture Concept

The recapture of subsidy (interest) on a mortgage is triggered when the residence is sold or transferred within nine years of the purchase date. The recapture is paid as additional federal tax liability for the tax year in which the home is sold. The amount of recapture that owners might have to pay depends on:

- The owner's income during the tax year in which the home is sold.
- The household size during the tax year in which the home is sold.
- The year the home is sold (1-9).
- The amount of net gain realized from the sale of the residence.

Note: Refinancing a Virginia Housing loan does not trigger recapture.

6.3 Disclosure of Recapture

At loan closing, the purchaser will receive a Notice of Recapture along with a Federal Income Limits chart. These documents should be maintained with other critical closing documents, as these will be necessary for the owner to calculate any potential recapture tax that may be required upon the sale of the property. An example of these documents may be provided to the borrower prior to closing; however, it is important that the documents provided at closing are the ones retained by the borrower for future tax calculations.

6.4 Explanation of Recapture Tax Calculations

A. Maximum Recapture Tax:

Once determined that a tax will be due, the tax will be limited to the lesser of:

- 1.25% - 6.25% (determined by the year in which the property is sold) of the amount of the loan funded by the mortgage revenue bond (see Note below) or
- 50% of the gain (net) on the sale of the property (gain minus improvements, commissions, fees, etc.)

6.5 Guidelines for Recapture Requirement

It is suggested that homeowners who have financed properties with mortgage revenue bonds consult a tax advisor for assistance in Recapture Tax calculations.

Recapture tax will not be owed if:

- The owner's modified adjusted Gross Income in the year in which the residence is sold does not exceed the allowable limit (refer to chart) or
- There is no gain on the sale of the property (adjusted for allowable costs)

6.6 Allowable Adjusted Qualifying Income

Refer to the Adjusted Qualifying Income Chart provided to the borrower at closing.

Determine the applicable Maximum Adjusted Qualifying Income on the chart. This is based on the area of the property, the number of people in the household, if the property is in a targeted or non-targeted area, and the year the home was sold. Then, determine the owner's Modified Adjusted Gross Income. Modified Adjusted Gross Income is the adjusted Gross Income reflected on the federal income tax for the tax year the property is sold, in addition to any interest received from tax-exempt bonds, and minus any of the gain included as a result of the sale of the subject property. If the Modified Adjusted Gross Income is less than the Maximum Adjusted Qualifying Income from the chart, no further calculations are needed, and no Recapture Tax will be due.

6.7 Calculation of Recapture

Several steps are required to calculate the actual recapture amount owed. Once it has been determined that the owner's income is such that a recapture tax is to be paid, several adjustments may be made which may reduce the amount of tax to be paid.

A. Adjustment to Income

If the owner's Modified Adjusted Gross Income exceeds that in the federal income chart, an adjustment to the amount of tax owed could be possible. If the Modified Adjusted Gross Income exceeds the allowed federal limit by \$5,000.00 or more, then 100% of the required tax will be due. If it exceeds the allowed federal limit by less than \$5,000.00, only a percentage of the tax will be due. Subtract the federal Adjusted Gross Income limit from the owner's Modified Adjusted Gross Income, then divide this figure by 5,000.00. This resulting percentage will be used in the calculation in C below.

B. Adjustment for Holding Period

The percentage of tax will be no greater than 6.25% but may be as low as 1.25% of the loan amount. The applicable percentage is based on the year in which the property is sold. The percentage begins at 1.25% if sold in the first year and increases by 20% per year-to-year five when 100% of the tax or 6.35% of the loan amount may be due. The percentage then decreases by 20% per year to the ninth year. The Holding Period percentage can be found on the Federal Income Limits chart attached to the Recapture Requirement Notice provided at closing. The appropriate percentage will be used in the final calculation below.

C. Final Calculation

The recapture tax due will be the lesser of:

- 50% of the net gain on the sale of the property or

Recapture Tax
Calculation of Recapture

- The final Recapture Calculation – Mortgage Revenue Bond Loan Amount
- X 6.25%
- X any adjustment for Income (A above)
- X any adjustment for Holding (B above)

A [Recapture Tax Calculator](#) is available on Virginia Housing's website.

7 Homeownership Education

7.1 Virginia Housing's Homeownership Education Program

Virginia Housing's Homeownership Education Program is available either online or in a classroom setting. A Virginia Housing homeownership program must be completed prior to loan approval to be eligible for any type of Virginia Housing financing (unless otherwise approved for non-first-time homebuyers).

A. Program Content

Virginia Housing's Homeownership Education Program teaches future homeowners about budgeting, credit, qualifying and applying for the right loan, choosing the right home, what happens at a loan closing, and more. Participants must complete 6 hours of class time to receive a certificate of completion.

B. Program Benefits

Courses meet the educational requirements for FHA, Fannie Mae, Freddie Mac, and Virginia Housing special financing programs. This education course does not meet the requirements for a counseling session that may be required for other financing not offered by Virginia Housing; it is homebuyer education.

C. Program Availability

The Homeownership Education courses are offered each month throughout the state, available online, and are taught by trained industry professionals, including mortgage bankers, real estate agents and other housing experts. A training program has been developed to certify staff of non-profit organizations to provide one-on-one counseling using the Virginia Housing materials. Additional information about Virginia Housing's free Homeownership Education Program and its availability may be obtained by calling 1-888-643-2696 or by visiting VirginiaHousing.com.

8 Loan Assumption

8.1 General Loan Assumption Requirements

Assumptions may be permitted on the following Virginia Housing mortgage loans, provided that certain requirements are met:

- FHA
- VA
- Conventional (only for certain exempt transactions as outlined in Fannie Mae's and/or Freddie Mac's Servicing Guide)

For more information, contact Virginia Housing's Strategic Lending Department.

A. Mortgage Credit Certificate (MCC)

Virginia Housing's MCC program is suspended; however, loans with MCCs issued prior to the suspension remain eligible. If the loan to be assumed has an MCC (with a Virginia Housing loan or non-Virginia Housing loan), the MCC cannot be transferred.

B. Recapture Notice

Loans funded with tax-exempt bonds may be subject to a federal recapture tax. When one of these loans is assumed, a new nine-year recapture period begins for the new owner. Therefore, a "Recapture Requirement Notice" accompanied by a current table of Federal Income Limits must be executed by the assumers at closing. Refer to the Recapture Tax section of this guide for more information.

9 Explanation of Virginia Housing Forms, Exhibits, and Documents

Virginia Housing forms, exhibits, and documents are located on [Virginia Housing's website](#). Originating Lenders are responsible for duplicating, purchasing from a form provider, or accessing all necessary documents for Virginia Housing loans at [virginiahousing.com](#). The Originating Lender is responsible for the accuracy of all documents and for using the most current version.

9.1 Electronic Signatures

Virginia Housing will accept electronic signatures for the contract and all initial origination documents and disclosures executed in compliance with the ESIGN Act and state laws. Electronic signatures for loan closing documents may also be executed electronically in compliance with the ESIGN Act and state laws, except the Deed of Trust and Note, which must be executed with original signatures.

9.2 Virginia Housing Origination Forms, Exhibits and Documents

In addition to standard industry loan documents and disclosures, Virginia Housing has several documents that must be executed, which attest to compliance with specific Virginia Housing program requirements, federal regulations related to tax-exempt bond requirements and Mortgage Credit Certificate regulations. The information below addresses these forms and any unique requirements for their execution or completion.

A. Tax Form 4506 or 4506-C

The Originating Lender must have borrowers sign a completed Tax Form 4506 / 4506-C, or an alternate form acceptable to both the GSE, insurer or guarantor and the IRS that authorizes the release of comparable tax information to a third party (Example: IRS Form 8821).

The Originating Lenders must also provide a 4506-C with Virginia Housing's auditor information. The 4506-C must be completed using the information below to complete section 5a: IVES participant name, ID number, SOR mailbox ID, and address.

5a.i: Credit Interlink America

5a.iii: CIA4506C

5a.iv: PO Box 329

5a.v: Pebble Beach

5a.vi: CA

5a.VII: 93953

Section 5b: Customer file number (if applicable) and section 5c: Unique identifier (if applicable) may contain lender information.

The remainder of the form, including Section 6: Transcript requested, must be completed in compliance with GSE, insurer, or guarantor requirements.

Failure to provide a 4506-C with the information listed in this section of the Origination Guide will result in the loan being pended for purchase until a properly completed 4506-C is delivered to Virginia Housing.

Other references in this guide requiring tax transcripts still apply.

B. Programs Disclosure and Borrower Affidavit (Exhibit E)

This document, when required, includes special disclosures and program information unique to Virginia Housing programs. See the applicable program guidelines to determine if this document is required.

Borrower Affidavit

The Affidavit (pages 3 – 4) attests to the borrower's compliance with federal regulations. It must be signed by all borrower(s). The Originating Lender should assist in completing this document. On Page 4, other household member(s) (required for Virginia Housing bond programs) are required to disclose income. Pages 3 – 4 are not required for non-bond loans.

The acquisition costs portion of this form attests to the actual cost of the residence as a completed dwelling, ensuring that the value complies with Federal Safe Harbor Sales Price limits. If the final Acquisition Costs figure exceeds Virginia Housing's sales price limit due to the estimated cost to complete the unfinished area, contact Virginia Housing for approval before proceeding.

Power of Attorney (POA)

A representative of the borrower may execute the Programs Disclosure and Borrower Affidavit (Exhibit E), as long as at least one borrower signs in person. Documentation demonstrating the validity of the power of attorney is required.

C. Seller Affidavit - (Exhibit F)

The Seller Affidavit, when required, is the document on which the seller(s) attest to compliance with certain federal requirements related to the property and the terms of the sales transaction. The Seller Affidavit also includes the Acquisition Costs figures noted on the Borrower Affidavit. The Seller Affidavit must be signed by all sellers appearing in the vested clause of Schedule A of the title binder. See applicable Program Guidelines to determine if this document is required.

Power of Attorney (POA)

A representative of the seller may execute the Seller Affidavit (Exhibit F) using a power of attorney. Documentation demonstrating the validity of the power of attorney is required.

Estates

In circumstances where the property is being sold by an Estate or Executor, ensure the individual signing on behalf of the Estate is authorized.

The signature of only one heir may be acceptable if this same heir signed the sales contract and deed. This individual must have knowledge concerning the terms of the sales contract and be familiar with the property.

Bank Owned Properties

A representative of the seller (bank) must execute the Seller Affidavit. If the bank has contracted with a third-party management company to sell the property, Virginia Housing will allow the signature of the management company as power of attorney for the bank. The same management company representative must execute the Sales Contract, Deed, and Seller Affidavit.

Exceptions for properties sold by FHA, VA, Rural Development, Fannie Mae, and Freddie Mac must be submitted to Virginia Housing for consideration.

D. Originating Lender's Loan Submissions Cover Letter (Exhibit O)

Originating Lenders attest to reviewing all loan documents for compliance with Federal requirements, including the calculation of household income when required. The Originating Lender is responsible for determining the estimated value of any personal property items cited in the sales contract and the costs to complete any unfinished area. These figures are included in this document for the calculation of the Acquisition Costs on the Borrower and Seller Affidavits. The Originating Lender underwriter must sign this document. See applicable Program Guidelines to determine if this document is required.

E. Virginia Housing Closing Documents, Forms and Exhibits

In addition to standard industry loan documents and disclosures, Virginia Housing requires several documents that must be executed to attest to compliance with federal tax-exempt bond requirements and special Virginia Housing regulations. The information below addresses these forms and any unique requirements for their execution or completion.

Originating Lender's Post-Closing Cover Letter (Exhibit P)

Must be executed by the Originating Lender certifying the loan is in compliance with Virginia Housing requirements.

Notice of Servicing Transfer (Hello / Goodbye)

Summary of Recapture Tax Requirements (Exhibit Z)

Applicable to bond loan programs only. The Originating Lender will send the Recapture Notice provided by Virginia Housing to the Closing Agent. The original should be provided to the borrower to retain for future tax filing if the property is sold within the first nine years of the loan.

Award Letter

If the loan is originated with a Virginia Housing Grant or a Plus Second Mortgage, Virginia Housing will provide the letter. The Originating Lender will send the letter to the Closing Agent for delivery to the borrower at closing.

Compliance Agreement (Exhibit CA)

The Originating Lender will send the agreement to the Closing Agent for delivery to the borrower at closing.

10 Virginia Housing Fair Housing Policy



10.1 VIRGINIA HOUSING FAIR HOUSING POLICY

Virginia Housing does business in accordance with federal and state fair housing law.

UNDER THE FEDERAL FAIR HOUSING ACT, IT IS ILLEGAL TO DISCRIMINATE AGAINST ANY PERSON BECAUSE OF RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS (HAVING ONE OR MORE CHILDREN), OR NATIONAL ORIGIN IN THE FOLLOWING ACTIVITIES:

Sale or rental of housing or residential lots.
Advertising the sale or rental of housing.
Financing of housing (including mortgage loans).
Provision of real estate brokerage services.
Appraisal of housing.
Blockbusting is also illegal.

IF YOU BELIEVE YOU HAVE BEEN DISCRIMINATED AGAINST IN VIOLATION OF THE FEDERAL FAIR HOUSING ACT, YOU SHOULD SEND A COMPLAINT TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") AT:

1-800-669-9777 (Toll Free)
1-800-927-9275 (TTY)
www.hud.gov
U.S. Department of Housing and
Urban Development
Assistant Secretary for Fair Housing and
Equal Opportunity
Washington, D.C. 20410

UNDER THE FEDERAL EQUAL CREDIT OPPORTUNITY ACT ("ECOA"), IT IS ILLEGAL TO DISCRIMINATE IN ANY CREDIT TRANSACTION, INCLUDING A MORTGAGE LOAN:

On the basis of race, color, national origin, religion, sex, marital status, or age.
Because all or part of borrower's income is from public assistance; or
Because borrower has exercised a right under the Consumer Credit Protection Act.

IF YOU BELIEVE YOU HAVE BEEN DISCRIMINATED AGAINST IN VIOLATION OF ECOA, YOU SHOULD SEND A COMPLAINT TO THE FEDERAL TRADE COMMISSION ("FTC") AT:

Online: www.ftc.gov

Phone: 1-877-FTC-HELP (1-877-382-4357);
TTY: 1-866-653-4261

Mail: Write to:
Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580

UNDER THE VIRGINIA FAIR HOUSING LAW, IT IS ILLEGAL FOR ANY MORTGAGE LENDER TO DISCRIMINATE AGAINST ANY PERSON IN MAKING AVAILABLE SUCH A LOAN, OR IN THE TERMS OR CONDITIONS OF SUCH LOAN, OR IN THE MANNER OF PROVIDING SUCH A LOAN, BECAUSE OF RACE, COLOR, RELIGION, NATIONAL ORIGIN, SEX, ELDERLINESS (DEFINED AS AGE 55 OR OLDER), FAMILIAL STATUS, OR HANDICAP.

IF YOU BELIEVE YOU HAVE BEEN DISCRIMINATED AGAINST IN VIOLATION OF VIRGINIA FAIR HOUSING LAW, YOU SHOULD SEND A COMPLAINT TO THE VIRGINIA FAIR HOUSING OFFICE AT:

Virginia Fair Housing Office
9960 Mayland Drive, Suite 400
Richmond, VA 23233

Phone: (804) 367-8530.

Toll free call (888) 551-3247.

For TDD users, please call the Virginia Relay by dialing 7-1-1

Email: fairhousing@dpor.virginia.gov