



VA Underwriting Quick Reference

LOAN PURPOSE	CREDIT PROFILE	LOAN AMOUNT/ LTV/CLTV/GUARANTY	RATIO/RESIDUAL INCOME	MANUFACTURED HOMES	APPRAISALS
<p>Purchase</p>	<p>Minimum Credit Score 620</p> <p>Foreclosure Borrowers are eligible 2 years or more after foreclosure completion or evidence of extreme extenuating circumstances exists and borrowers have at least 12 months re-established credit and at least 12 months have elapsed since foreclosure</p> <p>Chapter 7 BR Borrowers are eligible 2 years or more after discharge or evidence of extreme extenuating circumstances exists and borrowers have at least 12 months re-established credit and at least 12 months have elapsed since bankruptcy discharge</p> <p>Chapter 13 BR Borrowers are eligible 12 months or more after chapter 13 filing, subject to all of the following documentation <ul style="list-style-type: none"> o Evidence borrower is at least 12 months into payment plan o Evidence of payment amount and that all payments have been made on time o Evidence of court permission to enter into mortgage </p> <p>Non-traditional Credit 3 to 4 non-traditional credit references should be provided for borrowers who have little or no usable credit and/or no credit scores: <ul style="list-style-type: none"> ▪ Must be reported on a non-traditional mortgage credit report <ul style="list-style-type: none"> o VOR o Utilities o Auto insurance o Other obligations, such as cell phones </p> <p>Short Sale Borrowers are eligible, subject to all of the following documentation <ul style="list-style-type: none"> o Borrowers are eligible 12 months or more after the short sale, provided all other VA requirements and Flagstar overlays are met </p>	<p>Maximum Loan Amount/LTV The maximum base loan amount before addition of the financed funding fee is the lesser of the following two calculations <ul style="list-style-type: none"> o 100% of the lesser of the purchase price or appraised value or o Flagstar's maximum loan amount of \$1,000,000 </p> <p>Maximum CLTV 100% of acquisition cost (purchase price + closing costs, pre-paid expenses & reasonable discount points)</p> <p>Guaranty Investors require a guaranty \geq 25% of the total base loan amount, before addition of the financed funding fee. One of the following must be used to fulfill the investor's requirement: <ul style="list-style-type: none"> • Veteran's available entitlement equal to 25% of the base loan amount, excluding the financed funding fee or • Veteran's available entitlement plus down payment <ul style="list-style-type: none"> • Sum of entitlement and down payment must be \geq 25% of the base loan amount, excluding the financed funding fee • If the co-borrower is a non-veteran other than the veteran's spouse, a down payment is required. Refer to the Joint Loan section of VA Pamphlet 26-7 – Lenders Handbook </p>	<p>Ratios</p> <p>AUS Approve or Accept</p> <ul style="list-style-type: none"> • Maximum total ratio - 60% • If the ratio is between 55.01% and 60%, two months reserves from the borrower's own funds are required <p>AUS Refer Maximum total ratio – 45%. When ratio is > 41%, residual income must be at least 20% higher than VA's requirement for the home's geographic location, loan amount and number of occupants</p> <p>Ratio includes the following debts and obligations:</p> <ul style="list-style-type: none"> • PITI for subject property • All other property related expenses, including taxes and insurance for properties owned free and clear • Revolving debt • Installment debt • Child support and/or alimony • Child care payments for children \leq 12 years of age unless one spouse does not work or works part-time • Union dues or other employment expenses • Significant commuter expenses <p>Residual Income* Residual income is the amount of remaining monthly income after the following items are deducted from the total gross income (non-taxable income may not be grossed up when calculating residual income) <ul style="list-style-type: none"> • All items included in the ratio (see above) • Monthly Federal income taxes • Monthly State income taxes • Monthly FICA deduction • Maintenance and utility expense – calculated at 14 cents per square foot of the property's living space <p><i>* To determine a loan's residual income requirement, refer to the tables in VA Pamphlet 26-7 – Lenders Handbook</i></p> </p>	<p>Not Permitted</p>	<p>All appraisals must be ordered through VA's WebLGY system</p> <ul style="list-style-type: none"> • Appraisers are VA-approved and randomly assigned through WebLGY • Appraisal must be reviewed by Staff Appraisal Reviewer (SAR) • SAR issues Notice of Value (NOV) that indicates value and required repairs <ul style="list-style-type: none"> • Issued within five days of appraisal receipt • Uploaded to paperless file • Lender must provide NOV to borrower within five days • SARs may not adjust value



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<p>Cash-Out Refinance</p> <p>(All refinance loans that are not IRRRLs are considered cash-out, regardless of whether the borrower receives cash at closing or consolidates debts)</p>	<p>Minimum Credit Score</p> <ul style="list-style-type: none"> Borrower does not receive cash back or consolidate non-mortgage debt - 620 Borrower receives cash back and/or consolidates non-mortgage debt: <ul style="list-style-type: none"> 1-2 Units – 620 3-4 Units - Ineligible <p>Foreclosure</p> <p>Borrowers are eligible 2 years or more after foreclosure completion or evidence of extreme extenuating circumstances exists and borrowers have at least 12 months re-established credit and at least 12 months have elapsed since foreclosure</p> <p>Chapter 7 BR</p> <p>Borrowers are eligible 2 years or more after discharge or evidence of extreme extenuating circumstances exists and borrowers have at least 12 months re-established credit and at least 12 months have elapsed since bankruptcy discharge</p> <p>Chapter 13 BR</p> <p>Borrowers are eligible 12 months or more after chapter 13 filing, subject to all of the following documentation</p> <ul style="list-style-type: none"> Evidence borrower is at least 12 months into payment plan Evidence of payment amount and that all payments have been made on time Evidence of court permission to enter into mortgage <p>Non-traditional Credit</p> <p>3 – 4 non-traditional credit references should be provided for borrowers who have little or no usable credit and/or no credit scores</p> <ul style="list-style-type: none"> Must be reported on a non-traditional mortgage credit report <ul style="list-style-type: none"> VOR Utilities Auto insurance Other obligations, such as cell phones <p>Short Sale</p> <p>See "Purchase" table above</p> <p>Short Refi</p> <ul style="list-style-type: none"> Eligible, subject to all other VA Requirements and Flagstar overlays 	<p>Maximum Loan Amount/LTV – Borrower does not receive cash back and/or consolidate non-mortgage debt*</p> <p>1- 4 unit properties are eligible. The maximum base loan amount before addition of the financed funding fee is the lesser of the following two calculations:</p> <ul style="list-style-type: none"> 100% of the appraised value or Flagstar's maximum loan amount of \$1,000,000 <p>Maximum Loan Amount/LTV – Borrower receives cash back and/or consolidates non-mortgage debt</p> <p>1-2 units are eligible but 3-4 Unit properties are ineligible. The maximum base loan amount before addition of the financed funding fee is the lesser of the following two calculations:</p> <ul style="list-style-type: none"> Max LTV: <ul style="list-style-type: none"> SFR – 100% of the appraised value 2-Unit – 90% of the appraised value or Flagstar's maximum loan amount: <ul style="list-style-type: none"> 1 to 2-Units - \$1,000,000 3 to 4-Units - Ineligible <p>Maximum CLTV</p> <ul style="list-style-type: none"> Existing subordinate financing – 125% New subordinate financing – Not permitted <p>Guaranty</p> <p>Investors require a guaranty \geq 25% of the base loan amount, before addition of the financed funding fee. One of the following must be used to fulfill the investor's requirement</p> <ul style="list-style-type: none"> Veteran's available entitlement equal to 25% of the base loan amount, excluding the financed funding fee Veteran's available entitlement plus property equity and/or down payment – Sum of entitlement, equity and/or additional down payment must be \geq 25% of the base loan amount, excluding the financed funding fee If the co-borrower is a non-veteran other than the veteran's spouse, equity and/or a down payment is required. Refer to the Joint Loan section of VA Pamphlet 26-7 – Lenders Handbook <p>Property may not be owned free and clear – VA requires an existing lien of at least \$1.00</p> <p>* Second mortgages paid off/consolidated via the refinance must be purchase money seconds or they must be seasoned at least 12 months. HELOCs may not have had draws totaling \$1000 or more in the most recent 12 months unless the draws were for documented home improvements. Second mortgages that do not meet these requirements are considered consolidation of non-mortgage debt and are subject to the LTV limits above.</p>	<p>Ratios</p> <p>AUS Approve or Accept</p> <ul style="list-style-type: none"> Maximum total ratio – 60% If the ratio is between 55.01% and 60%, two months reserves from the borrower's own funds are required <p>AUS Refer</p> <p>Maximum total ratio – 45%. When ratio is > 41%, residual income must be at least 20% higher than VA's requirement for the home's geographic location, loan amount and number of occupants</p> <p>Ratio includes the following debts and obligations</p> <ul style="list-style-type: none"> PITI for subject property All other property related expenses, including taxes and insurance for properties owned free and clear Revolving debt Installment debt Child support and alimony Child care payments for children \leq 12 years of age unless one spouse does not work or works part-time Union dues or other employment expenses Significant commuter expenses <p>Residual Income*</p> <p>Residual income is the amount of remaining monthly income after the following items are deducted from the total gross income (non-taxable income may not be grossed up when calculating residual income)</p> <ul style="list-style-type: none"> All items included in the ratio (see above) Monthly Federal income taxes Monthly State income taxes Monthly FICA deduction Maintenance and utility expense – calculated at 14 cents per square foot of the property's living space <p>*To determine a loan's residual income requirement, refer to the tables in VA Pamphlet 26-7 – Lenders Handbook</p>	<p>Not Permitted</p>	<p>All appraisals must be ordered through VA's WebLGY system</p> <ul style="list-style-type: none"> Appraisers are VA-approved and randomly assigned through WebLGY Appraisal must be reviewed by Staff Appraisal Reviewer (SAR) SAR issues Notice of Value (NOV) that indicates value and required repairs <ul style="list-style-type: none"> Issued within five days of appraisal receipt Uploaded to paperless file Lender must provide NOV to borrower within five days SARs may not adjust value



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Interest Rate Reduction Refinancing Loan (IRRRL)	<p>Minimum Credit Score</p> <ul style="list-style-type: none"> • 1 to 2-Units – 600 • 3 to 4-Units - 620 <ul style="list-style-type: none"> ○ Borrowers having credit scores between 600 and 619 may not have had a prior foreclosure ○ Borrowers having late mortgage payments in the most recent 12 months must provide a written explanation and substantiating documentation indicating the delinquencies were caused by circumstances beyond the borrower's control ○ Borrowers may not have more than 2 30-day or 1 60-day late mortgage payments in the most recent 12 months ○ IRRRL loans that refinance delinquent VA loans require VA prior approval – must be underwritten by VA prior to receiving “clear-to-close.” 	<p>Maximum Loan Amount/ LTV</p> <p>The maximum base loan amount before addition of the financed funding fee is the lesser of the following three calculations</p> <ul style="list-style-type: none"> • The loan calculation from the Interest Rate Reduction Refinancing Loan Worksheet, VA form 26-8923 (The sum of the existing loan balance plus allowable closing costs, up to two discount points, pre-paid expenses and funding fee) <i>OR</i> • 115% of the AVM value (applies only to credit scores 620-639 where the IRRRL pays off any servicer other than Flagstar) <i>OR</i> • Flagstar's maximum loan amount of \$1,000,000 <p>Maximum CLTV</p> <ul style="list-style-type: none"> • New Subordinate Financing - Not permitted • Existing Subordinate Financing - Unlimited CLTV <p>Available entitlement and county loan limits are not considered</p>	<p>Ratio and residual income must be calculated if one or more of the following applies. Standard credit, ratio and residual income guides apply</p> <ul style="list-style-type: none"> ○ Payment increases 20% or more ○ Loan being refinanced is less than six months old at the time the new loan closes ○ Fewer than six months' payments have been made on the loan being refinanced ○ Payment history for loan being refinanced indicates any 30 day late payment within six months of the new loan closing date ○ Number of months to recoup the allowable fees and charges exceeds 36 months** <p>Verbal verification of employment or verification of income source required. For requirements, refer to VA Underwriting Guidelines</p> <p>Flagstar requires a Tri-merge credit report to verify credit scores</p> <p>* To calculate payment reduction and months to recapture closing costs, use <i>Old vs. New Loan Comparison, Doc. #9723</i></p> <p>** Does not apply to borrowers refinancing an existing ARM to a fixed rate mortgage</p>	<p>Loan being refinanced must currently be serviced by Flagstar – If IRRRL pays off any lender other than Flagstar, manufactured home is not an eligible property type. The following requirements apply</p> <ul style="list-style-type: none"> • Double-Wide permitted • Must be ≤ 5 acres • Single-Wide not permitted • The following states are ineligible: <ul style="list-style-type: none"> ○ Colorado ○ Illinois ○ Kentucky ○ Louisiana ○ Missouri ○ New York ○ Pennsylvania ○ Texas ○ U.S. Virgin Islands 	<ul style="list-style-type: none"> ○ No appraisal or AVM is required for IRRRL transactions that payoff a Flagstar-serviced VA loan ○ Provided the credit score is ≥ 640, if the loan pays off any servicer other than Flagstar, no appraisal or AVM is required ○ If the credit score is 600 – 639 and the loan pays off any servicer other than Flagstar, an AVM is required – Refer to VA Underwriting Guidelines for details, including approved vendors

All guides subject to Change