

**STOCKTON  MORTGAGE
FUNDING**

VA

	VA FIXED RATE	VA 3/1 HYBRID ARM	VA 5/1 HYBRID ARM
1. PRODUCT DESCRIPTION	<ul style="list-style-type: none"> • VA Fixed Rate Mortgage • 10 to 30 years in 5 year increments • Fully amortizing • All transactions are considered Qualified Mortgage (QM) Safe Harbor loans 	<ul style="list-style-type: none"> • VA Three Year/One Year Adjustable Rate • 30-year term • Fully amortizing • Non-Convertible • ARM Plan VAARM • All transactions are considered Qualified Mortgage (QM) Safe Harbor loans 	<ul style="list-style-type: none"> • VA Five Year/One Year Adjustable Rate • 30-year term • Fully amortizing • Non-Convertible • ARM Plan ID: VAARM • All transactions are considered Qualified Mortgage (QM) Safe Harbor loans
2. MINIMUM FICO	580 trimerge: minimum 2 credit scores	580 trimerge: minimum 2 credit scores	580 trimerge: minimum 2 credit scores
	No score: follow agency guidelines, pricing based off 580 score	No score: follow agency guidelines, pricing based off 580 score	No score: follow agency guidelines, pricing based off 580 score
3. INDEX	N/A	Weekly average yield of U.S. Treasury Securities adjusted to a Constant Maturity of one year, Constant Maturity Treasury (CMT)	
4. MARGIN	N/A	2.25%	
5. ANNUAL ADJUSTMENT CAP	N/A	1.00%	<ul style="list-style-type: none"> • 2.00% • 1.00%
6. LIFE CAP	N/A	5.00%	<ul style="list-style-type: none"> • 6.00% • 5.00%
7. RATE AT ADJUSTMENT	N/A	<ul style="list-style-type: none"> • Initial note rate is in effect for 36 to 42 months • Thereafter, the annual adjustment cap begins with the first adjustment • Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps 	<ul style="list-style-type: none"> • Initial note rate is in effect for 60 to 66 months • Thereafter, the annual adjustment cap begins with the first adjustment • Rate is equal to the note margin plus index rounded to the nearest .125%.
8. TEMPORARY BUYDOWNS	Not permitted		
9. QUALIFYING RATE	Qualify at note rate	Qualify at the greater of the fully amortized/fully indexed or note rate	
10. QUALIFYING RATIOS	<ul style="list-style-type: none"> • Approve – follow AUS • AUS Refer and Manual Underwrite – 41% <ul style="list-style-type: none"> • DTI may exceed 41% up to a maximum 50% when residual income exceeds 120% and significant documented compensating factors exist such as: <ul style="list-style-type: none"> • Excellent credit history • Conservative use of consumer credit • Minimal consumer debt • Long-term employment • Significant liquid assets • Sizable down payment • The existence of equity in refinancing loans 		

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client.

**STOCKTON  MORTGAGE
FUNDING**

VA

10. QUALIFYING RATIOS (cont.)

- Little or no increase in shelter expense
- Military benefits
- Satisfactory homeownership experience
- High residual income
- Low debt-to-income ratio
- Tax credits for child care
- Tax benefits of home ownership

11. RESIDUAL INCOME

Residual Income Requirements				
Loan Amounts \$79,999 and Below				
Family	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Above 5	Add \$75 for each additional member up to a family of seven			
Loan Amounts \$80,000 and Above				
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Above 5	Add \$80 for each additional member up to a family of seven			

12. TYPES OF FINANCING

- Purchase Mortgage
- Permanent Financing for New Construction

13. GUARANTY/ENTITLEMENT

- Veteran must have sufficient entitlement and provide evidence of available entitlement.
- Maximum Guaranty may be expanded through County Loan Limits

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client.

**STOCKTON  MORTGAGE
FUNDING**

VA

14. FUNDING FEE

Type of Veteran/Military Status	Down Payment*	First Time Use Expires 9-30-2016	Subsequent Use* Expires 9-30-2016
Veteran/Active Duty	Less than 5%	2.15%	3.30%
	5% and up to 10%	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves/National Guard	Less than 5%	2.40%	3.30%
	5% and up to 10%	1.75%	1.75%
	10% or more	1.50%	1.50%
Disabled Veteran (Service-connected disability)	N/A	0.00%	0.00%

*Does not include down payment from gift of equity or equity earned from lease-to-purchase transaction

*The higher subsequent use fee does not apply if the veteran's only prior use of entitlement was for a manufactured home NOT classified as real estate

Joint Loans: Apply the appropriate funding fee percentage to any portion of the loan allocable to a veteran using his/her entitlement who is not exempt from the funding fee.

15. LOAN AMOUNT

- If the base loan amount is greater than \$417,000, a down payment may be required and the LTV reduced accordingly
- See the Required Equity and Percentage of Guaranty Calculation Worksheet attached for specific instruction on calculating the maximum loan amount

Maximum Loan Amount (including funding fee)			High Balance Minimum Loan Amount		High Balance Maximum Loan Amount (including funding fee)		
Units	Continental US	Alaska & Hawaii	Continental US	Alaska & Hawaii	Units	Continental US	Alaska & Hawaii
1	\$417,000	\$625,500	\$417,001	\$625,501	1-4	\$1,094,625	\$1,641,937
2	\$533,850	\$800,775	\$533,851	\$800,776			
3	\$645,300	\$967,950	\$645,301	\$967,951			
4	\$801,950	\$1,202,925	\$801,951	\$1,202,926			

16. LTV/CLTV LIMITATIONS

- Maximum 100% LTV, excluding VA funding fee
- No CLTV restriction

17. SECONDARY FINANCING

- Secondary financing can be used for closing costs or pre-paids
- Secondary financing cannot be used for down payment
- DPAs must be Stockton Mortgage approved
- Cash back is not permitted
- The second lien should not restrict the veteran's ability to sell the property (i.e. assumability feature)
- Secondary financing must meet requirements in VA Lender's Handbook, for Secondary Borrowing, Chapter 9, Section 4.

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client.

**STOCKTON  MORTGAGE
FUNDING**

VA

17. SECONDARY FINANCING (cont.)	<p>Homebuyer Assistance Programs (Down Payment Assistance Programs/DPA)</p> <ul style="list-style-type: none"> • Federal, state, local government agencies and VA approved non-profit agencies considered by VA to be an instrumentality of the government may provide funds for down payment, closing costs and prepaid expenses. Must be approved by Stockton Mortgage. • Homebuyer Assistance Programs (HAP) in the form of “soft second or silent mortgages” that are administered by non-profit entities requires VA approval. HAPs administered by state, county or municipal government entities have VA blanket approval.
18. PROPERTY TYPES	<p>Eligible Property Types</p> <ul style="list-style-type: none"> • 1-4 Units • Condos – must be VA approved • Leasehold Estate • Manufactured Homes <ul style="list-style-type: none"> • Permitted for multi-wide manufactured homes • Existing construction only • Must be classified and titled as real property at time of application • Must be properly affixed to a permanent foundation • ALTA 7 or state specific equivalent Title Endorsement required • Manufactured Housing condo units – detached only • Manufactured Housing PUD units – detached only • Modular, Pre-cut, Panelized Housing • PUDs <p>Ineligible Property Types</p> <ul style="list-style-type: none"> • 2-4 Unit PUDs • Condo Hotels • Co-ops • Single-wide manufactured homes
19. OCCUPANCY	Primary residences
20. GEOGRAPHIC LOCATIONS	Alabama, Florida, Georgia, Indiana, Kentucky, Mississippi, North Carolina, Ohio, Tennessee, and Texas
22. ASSUMPTIONS	<ul style="list-style-type: none"> • VA loans are assumable to credit worthy borrower only • Stockton Mortgage does not perform creditworthiness reviews of assumption requests for servicing lenders
23. ESCROW WAIVERS	Not permitted
24. PREPAYMENT PENALTY	Not permitted

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client.

VA

25. APPROVAL AUTHORITY	VA Automatic Lenders (with or without LAPP authority)	
26. UNDERWRITING/AUS DECISIONS	Automated Underwriting Requirements	
	All loans must be submitted to DU/LP	
	Acceptable Recommendations	Unacceptable Recommendations
	Approve/Eligible	Refer with Caution/Manual
	Refer/Eligible	LP Caution/Manual
	LP Accept	Approve/Ineligible
	<ul style="list-style-type: none"> • Must be underwritten by VA underwriter • May follow documentation requirements • See Credit section 	
27. PROCESING STYLES	Standard	
28. BORROWER ELIGIBILITY	<ul style="list-style-type: none"> • Must be a qualified veteran or spouse • Certificate of Eligibility must have sufficient entitlement to meet minimum 25% guarantee <p>Trust Agreements</p> <ul style="list-style-type: none"> • See the VA Lender’s Handbook 	
29. CO-BORROWERS	All borrowers must occupy the subject property per VA guidelines	
30. CREDIT	<p>Housing (Mortgage/Rental) Payment History (PITIA)</p> <ul style="list-style-type: none"> • Inclusive of all liens regardless of lien position • Applies to all mortgages on all financed properties • All loans must be current • AUS Approve (rental history not required) <ul style="list-style-type: none"> • Follow AUS • AUS Refer and Manual Underwrite <ul style="list-style-type: none"> • For Delegated Clients who underwrite and close loans in their own name <ul style="list-style-type: none"> • A written explanation is required for all mortgage lates more than 1 x 30 in the past 12 months • For loans underwritten by Stockton Mortgage <ul style="list-style-type: none"> • 1 x 30 in last 12 months • 1 x 30 if fewer than 12 payments made on mortgage • All loans must be current at the time of application <p>Credit Score Requirements</p> <ul style="list-style-type: none"> • Minimum 580 • Non-traditional credit is ineligible 	

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client.

30. CREDIT (cont.)

Significant Derogatory Credit

- See the VA Handbook
 - Bankruptcy
 - Foreclosure
 - Pre foreclosure
 - Deed-in-lieu
 - Restructured Loans
 - Short Payoff

31. ASSET/RESERVES

- AUS Approve/Eligible and Refer/Eligible may follow documentation requirements
- Must have sufficient liquid assets to close
- Non-liquid accounts (i.e. 401K retirement accounts) may be used as an asset for cash to close or reserves. If used for cash to close, funds must be liquidated per VA Lender Handbook. Follow AUS Findings & VA Lender Handbook for reserve requirements.

Minimum Borrower Investment

- No minimum borrower investment is required for loan amounts up to \$417,000 (or \$625,500 in AK & HI) with full entitlement
- For 2-4 unit properties, if the total loan amount is greater than the limit for a 1-unit dwelling, a down payment may be required. See Loan Amount section

Seller Contributions

- Seller can pay 100% of discount points and borrower's non-recurring closing costs
- Seller can provide an additional amount not to exceed 4% of the estimated reasonable value to assist the borrower's payment of prepaid expenses and funding fee

Gifts

- Acceptable
- Gift of equity is acceptable but cannot be applied as down payment purposes to reduce VA Funding Fee

Homebuyer Assistance Programs (Down Payment Assistance Programs/DPA)

- Federal, state, local government agencies and VA approved non-profit agencies considered by VA to be an instrumentality of the government may provide grants for closing costs and prepaid expenses
- HAPs must be approved by Stockton Mortgage

Cash Reserves

- 1 unit – none
- 2-4 units
 - Rental income not used to qualify – none
 - Rental income is being used to qualify – 6 months
 - 3 months additional reserves required if the borrower owns other real estate. The reserves are based on the subject property PITIA
 - Reserves not required if rental income not used to qualify

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client.

VA

32. EMPLOYMENT/INCOME	<ul style="list-style-type: none"> • See the VA Lender’s Handbook for employment and income documentation requirements • Verbal VOE required. <p>Form 4506-T</p> <ul style="list-style-type: none"> • Prior to Final Underwriting Decision(Non-delegated clients) or Prior to Funding (Delegated Clients) <ul style="list-style-type: none"> • 4506-T must be processed for each borrower. Obtain as appropriate: <ul style="list-style-type: none"> • tax return transcript(s) when the personal income tax return(s) are used for qualification (self-employment, rental income, >25% income earned from commission, etc.); or • W-2 or 1099 transcript(s) for salaried borrowers or for borrowers with other types of income not documented with tax returns (retirement, social security disability, etc.) • At Closing <ul style="list-style-type: none"> • 4506-T must be signed by each borrower at closing
33. LIMITATIONS ON OTHER R.E. OWNED	None
34. APPRAISER REQUIREMENTS	VA Approved/VA Fee panel appraisers
35. APPRAISAL REQUIREMENTS	<ul style="list-style-type: none"> • See VA Lender’s Handbook • A new appraisal completed by a VA approved or VA fee panel Appraiser is required • VA LAPP Underwriter will issue the Notice of Reasonable Value • Copy of the signed NOV must remain in the loan file <p>Natural Disasters – Loans secured by properties located in areas federally declared as major disaster areas must follow VA procedures</p> <p>VA REO</p> <ul style="list-style-type: none"> • Lenders who are selling their own REO properties while also underwriting the VA Home Loan for the purchase of these properties may not process as LAPP, but order and process VA appraisals as “IND” (reviewed by VA).
36. COMMUNITY PROPERTY STATES	N/A
37. SPECIAL REQUIREMENTS/ RESTRICTIONS	<ul style="list-style-type: none"> • ARM disclosure required for ARM products <p>Ineligible</p> <ul style="list-style-type: none"> • The Energy Efficient Mortgage Program • Mortgage Credit Certificate (MCC)/Section 8 Vouchers <p>CAIVRS</p> <ul style="list-style-type: none"> • CAIVR clearance must be obtained for all borrowers on the transaction.

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client.