

**VA IRRL**

	<b>INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)</b>	<b>CASH-OUT REFINANCE</b>
<b>1. PRODUCT DESCRIPTION</b>	<ul style="list-style-type: none"> <li>• VA Fixed Rate and ARM Mortgages for Refinance Transactions</li> <li>• Fixed Rate Mortgage                             <ul style="list-style-type: none"> <li>• 10 to 30 years in 5 year increments</li> <li>• Fully amortizing</li> </ul> </li> <li>• Qualified Mortgage (QM) Safe Harbor loans are permitted – refer to Qualified Mortgage Section for requirements                             <ul style="list-style-type: none"> <li>• Qualified Mortgage (QM) Rebuttable Presumption loans are permitted – refer to Qualified Mortgage Section for requirements</li> </ul> </li> <li>• ARM                             <ul style="list-style-type: none"> <li>• 3/1 &amp; 5//1 ARM</li> <li>• 30-year term</li> <li>• Fully amortizing</li> <li>• Non-Convertible</li> <li>• ARM Plan VAARM</li> </ul> </li> <li>• Qualified Mortgage (QM) Safe Harbor loans are permitted – refer to Qualified Mortgage Section for requirements                             <ul style="list-style-type: none"> <li>• Qualified Mortgage (QM) Rebuttable Presumption loans are not permitted</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA Fixed Rate and ARM Mortgages for Refinance Transactions</li> <li>• All transactions are considered Qualified Mortgage (QM) Safe Harbor loans</li> <li>• Fixed Rate Mortgage                             <ul style="list-style-type: none"> <li>• 10 to 30 years in 5 year increments</li> <li>• Fully amortizing</li> </ul> </li> <li>• ARM                             <ul style="list-style-type: none"> <li>• 3/1 &amp; 5//1 ARM</li> <li>• 30-year term</li> <li>• Fully amortizing</li> <li>• Non-Convertible</li> <li>• ARM Plan VAARM</li> </ul> </li> </ul>
<b>2. CURRENT FIRST MORTGAGE ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>• Existing VA Mortgage</li> <li>• The loan to be paid off with the refinance must be the loan indicated on the IRRRL Case Number. A copy of the Note may be required to verify the LIN number</li> </ul>	<ul style="list-style-type: none"> <li>• There must be an existing lien on the property from any source such as tax or judgment liens and/or FHA, VA or Conventional mortgage</li> </ul>

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<b>3. ARM INFORMATION</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #D9E1F2;"> <th style="width: 25%;"></th> <th style="width: 35%; text-align: center;">VA 3/1 HYBRID ARM</th> <th style="width: 40%; text-align: center;">VA 5/1 HYBRID ARM</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><b>INDEX</b></td> <td colspan="2">Weekly average yield of US Treasury Securities adjusted to a Constant Maturity of one year, Constant Maturity Treasury (CMT)</td> </tr> <tr> <td style="text-align: center;"><b>MARGIN</b></td> <td colspan="2">2.25%</td> </tr> <tr> <td style="text-align: center;"><b>ANNUAL CAP</b></td> <td style="text-align: center;">1%</td> <td> <ul style="list-style-type: none"> <li>2.00% (H64) and (V56)</li> <li>1.00% (W66) and (W67)</li> </ul> </td> </tr> <tr> <td style="text-align: center;"><b>LIFE CAP</b></td> <td style="text-align: center;">5%</td> <td> <ul style="list-style-type: none"> <li>6.00% (H64) and (V56)</li> <li>5.00% (W66) and (W67)</li> </ul> </td> </tr> <tr> <td style="text-align: center;"><b>RATE AT ADJUSTMENT</b></td> <td> <ul style="list-style-type: none"> <li>Initial note rate is in effect for 36 to 42 months</li> <li>Thereafter, the annual adjustment cap begins with the first adjustment</li> <li>Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Initial note rate is in effect for 60 to 66 months</li> <li>Thereafter, the annual adjustment cap begins with the first adjustment</li> <li>Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps</li> </ul> </td> </tr> </tbody> </table>			VA 3/1 HYBRID ARM	VA 5/1 HYBRID ARM	<b>INDEX</b>	Weekly average yield of US Treasury Securities adjusted to a Constant Maturity of one year, Constant Maturity Treasury (CMT)		<b>MARGIN</b>	2.25%		<b>ANNUAL CAP</b>	1%	<ul style="list-style-type: none"> <li>2.00% (H64) and (V56)</li> <li>1.00% (W66) and (W67)</li> </ul>	<b>LIFE CAP</b>	5%	<ul style="list-style-type: none"> <li>6.00% (H64) and (V56)</li> <li>5.00% (W66) and (W67)</li> </ul>	<b>RATE AT ADJUSTMENT</b>	<ul style="list-style-type: none"> <li>Initial note rate is in effect for 36 to 42 months</li> <li>Thereafter, the annual adjustment cap begins with the first adjustment</li> <li>Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps</li> </ul>	<ul style="list-style-type: none"> <li>Initial note rate is in effect for 60 to 66 months</li> <li>Thereafter, the annual adjustment cap begins with the first adjustment</li> <li>Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps</li> </ul>
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<b>4. TEMPORARY BUYDOWNS</b>	Not permitted																			
<b>5. QUALIFYING RATE</b>	Qualify at the note rate	Qualify at the greater of the fully amortized/fully indexed or note rate																		
<b>6. QUALIFYING RATIOS</b>	<ul style="list-style-type: none"> <li>Non-credit qualifying: None</li> <li>Credit qualifying:– 41%                             <ul style="list-style-type: none"> <li>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"> <li>Excellent credit history</li> <li>Conservative use of consumer credit</li> <li>Minimal consumer debt</li> <li>Long-term employment</li> <li>Significant liquid assets</li> <li>Sizable down payment</li> <li>The existence of equity in refinancing loans</li> <li>Military benefits</li> <li>Satisfactory homeownership experience</li> <li>High residual income</li> <li>Low debt to income ratio</li> <li>Tax credits for child care</li> <li>Tax benefits of home ownership</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Approve – follow AUS</li> <li>AUS Refer – 41%</li> <li>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"> <li>Excellent credit history</li> <li>Conservative use of consumer credit</li> <li>Minimal consumer debt</li> <li>Long-term employment</li> <li>Significant liquid assets</li> <li>Sizable down payment</li> <li>The existence of equity in refinancing loans</li> <li>Little or no increase in shelter expense</li> <li>Military benefits</li> <li>Satisfactory homeownership experience</li> <li>High residual income</li> <li>Low debt to income ratio</li> <li>Tax credits for child care</li> <li>Tax benefits of home ownership</li> </ul> </li> </ul>																		

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<b>7. RESIDUAL INCOME</b>	<ul style="list-style-type: none"> <li>Residual income requirements not required for non-credit qualifying IRRRL</li> </ul> <table border="1"> <thead> <tr> <th colspan="5">Residual Income Requirements</th> </tr> <tr> <th colspan="5">Loan Amounts \$79,999 and Below</th> </tr> <tr> <th>Family Size</th> <th>Northeast</th> <th>Midwest</th> <th>South</th> <th>West</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>\$390</td> <td>\$382</td> <td>\$382</td> <td>\$425</td> </tr> <tr> <td>2</td> <td>\$654</td> <td>\$641</td> <td>\$641</td> <td>\$713</td> </tr> <tr> <td>3</td> <td>\$788</td> <td>\$772</td> <td>\$772</td> <td>\$859</td> </tr> <tr> <td>4</td> <td>\$888</td> <td>\$868</td> <td>\$868</td> <td>\$967</td> </tr> <tr> <td>5</td> <td>\$921</td> <td>\$902</td> <td>\$902</td> <td>\$1,004</td> </tr> <tr> <td>Above 5</td> <td colspan="4">Add \$75 for each additional member up to a family of 7</td> </tr> <tr> <th colspan="5">Loan Amounts \$80,000 and Above</th> </tr> <tr> <td>1</td> <td>\$450</td> <td>\$441</td> <td>\$441</td> <td>\$491</td> </tr> <tr> <td>2</td> <td>\$755</td> <td>\$738</td> <td>\$738</td> <td>\$823</td> </tr> <tr> <td>3</td> <td>\$909</td> <td>\$889</td> <td>\$889</td> <td>\$990</td> </tr> <tr> <td>4</td> <td>\$1,025</td> <td>\$1,003</td> <td>\$1,003</td> <td>\$1,117</td> </tr> <tr> <td>5</td> <td>\$1,062</td> <td>\$1,039</td> <td>\$1,039</td> <td>\$1,158</td> </tr> <tr> <td>Above 5</td> <td colspan="4">Add \$80 for each additional member up to a family of 7</td> </tr> </tbody> </table>	Residual Income Requirements					Loan Amounts \$79,999 and Below					Family Size	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 7				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 7				
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<b>9. GUARANTY/ENTITLEMENT</b>	Guaranty automatic	<ul style="list-style-type: none"> <li>Veteran must have sufficient entitlement and provide evidence of available entitlement.</li> <li>Maximum guaranty may be expanded through County Loan Limits</li> </ul>																																																																																

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<b>10. FUNDING FEE</b>	VA Funding Fee of .50% applies unless veteran is exempt	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e1f5fe;"> <th style="width: 33%;">Type of Veteran</th> <th style="width: 33%;">For First Time Use Expires 9/30/2016</th> <th style="width: 33%;">Subsequent Use, Expires 9/30/2016</th> </tr> </thead> <tbody> <tr> <td>Veteran/Active Duty</td> <td style="text-align: center;">2.15%</td> <td style="text-align: center;">3.30%</td> </tr> <tr> <td>Reserves/National Guard</td> <td style="text-align: center;">2.40%</td> <td style="text-align: center;">3.30%</td> </tr> </tbody> </table> <p>Apply the appropriate VA funding fee percentage to the loan amount, unless the veteran is exempt. The higher subsequent use fee does not apply if the veteran's only prior use of entitlement was for a manufactured home <u>NOT classified</u> as real estate Joint Loans: Apply the appropriate VA funding fee percentage to any portion of the loan allocable to a veteran using his/her entitlement who is not exempt from the VA funding fee.</p>	Type of Veteran	For First Time Use Expires 9/30/2016	Subsequent Use, Expires 9/30/2016	Veteran/Active Duty	2.15%	3.30%	Reserves/National Guard	2.40%	3.30%																														
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<b>11. LOAN AMOUNT</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e1f5fe;"> <th colspan="3">Maximum Loan Amount (including funding)</th> <th colspan="2">High Balance Minimum Loan</th> <th colspan="3">High Balance Maximum Loan Amount (including</th> </tr> <tr style="background-color: #e1f5fe;"> <th>Units</th> <th>Continental US</th> <th>Alaska &amp; Hawaii</th> <th>Continental US</th> <th>Alaska &amp; Hawaii</th> <th>Units</th> <th>Continental US</th> <th>Alaska &amp; Hawaii</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: right;">\$417,000</td> <td style="text-align: right;">\$625,500</td> <td style="text-align: right;">\$417,001</td> <td style="text-align: right;">\$625,501</td> <td rowspan="4" style="text-align: center; vertical-align: middle;">1-4</td> <td rowspan="4" style="text-align: right; vertical-align: middle;">\$1,094,625</td> <td rowspan="4" style="text-align: right; vertical-align: middle;">\$1,641,937</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: right;">\$533,850</td> <td style="text-align: right;">\$800,775</td> <td style="text-align: right;">\$533,851</td> <td style="text-align: right;">\$800,776</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: right;">\$645,300</td> <td style="text-align: right;">\$967,950</td> <td style="text-align: right;">\$645,301</td> <td style="text-align: right;">\$967,951</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: right;">801,950</td> <td style="text-align: right;">\$1,202,925</td> <td style="text-align: right;">\$801,951</td> <td style="text-align: right;">\$1,202,926</td> </tr> </tbody> </table>		Maximum Loan Amount (including funding)			High Balance Minimum Loan		High Balance Maximum Loan Amount (including			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
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<b>12. LOAN AMOUNT REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• The new loan may not increase the principal balance outstanding on the existing loan except to the extent of fees and charges allowed by VA</li> <li>• Loan amount may include                             <ul style="list-style-type: none"> <li>• Unpaid principal balance (including accrued interest and late fees, if applicable)</li> <li>• Allowable fees and charges</li> <li>• Maximum 2 discount points</li> <li>• Prepaid expenses</li> <li>• VA funding fee</li> <li>• No cash back to borrower (incidental cash back not to exceed \$500)</li> <li>• No satisfaction of junior liens</li> <li>• Premium pricing permitted</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Loan amount may include                             <ul style="list-style-type: none"> <li>• Unpaid principal balance (including accrued interest and late fees, if applicable)</li> <li>• Allowable fees and charges</li> <li>• Prepaid expenses</li> <li>• Cash back to the borrower</li> <li>• Satisfaction of junior liens</li> <li>• Premium pricing permitted</li> </ul> </li> </ul>																																							

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FUNDING**

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<b>13. LTV/CLTV LIMITATIONS</b>	<ul style="list-style-type: none"> <li>• Same Servicer – no LTV restriction</li> <li>• Non-same servicer – maximum 105% LTV, including funding fee</li> <li>• No CLTV restriction</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum 100% LTV, excluding funding fee</li> <li>• No CLTV restriction</li> </ul>
<b>14. SECONDARY FINANCING</b>	<ul style="list-style-type: none"> <li>• Existing secondary financing may be subordinated</li> <li>• New secondary financing is not permitted</li> </ul>	
<b>15. PROPERTY TYPES</b>	<p><b>Eligible Property Types</b></p> <ul style="list-style-type: none"> <li>• 1-4 Units</li> <li>• Condos – must be VA approved</li> <li>• Leasehold Estate</li> <li>• Manufactured Homes                             <ul style="list-style-type: none"> <li>• Permitted for Delegated Clients who underwrite and close loans in their own name only</li> <li>• Existing construction only</li> <li>• Must be classified and titled as real property at time of application</li> <li>• Must be properly affixed to a permanent foundation</li> <li>• ALTA 7 or state specific equivalent Title Endorsement required</li> <li>• Manufactured Housing condo units</li> <li>• Manufactured Housing PUD units</li> </ul> </li> <li>• Modular, Pre-cut, Panelized Housing</li> <li>• PUDs</li> </ul> <p><b>Ineligible Property Types</b></p> <ul style="list-style-type: none"> <li>• 2-4 Unit PUDs</li> <li>• Condo Hotels</li> <li>• Co-ops</li> <li>• Manufactured Homes – not permitted for loans underwritten by Stockton Mortgage</li> </ul> <p>See the VA Handbook for eligibility guidelines and complete ineligible property types</p>	
<b>16. OCCUPANCY</b>	<p>Primary residences</p> <ul style="list-style-type: none"> <li>• Second Homes</li> <li>• Investment Properties</li> <li>• For second homes and investment properties, the veteran must certify that the property was previously occupied as their home (VA Form 26-1820)</li> </ul>	<ul style="list-style-type: none"> <li>• Primary residences</li> </ul>
<b>17. GEOGRAPHIC LOCATIONS/ RESTRICTIONS</b>	<ul style="list-style-type: none"> <li>• Alabama, Florida, Georgia, Indiana, Kentucky, Mississippi, North Carolina, Ohio, Tennessee, and Texas</li> </ul>	<p><b>Eligible States</b></p> <ul style="list-style-type: none"> <li>• Kentucky, Ohio, Indiana</li> </ul>

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<b>19. ASSUMPTIONS</b>	<ul style="list-style-type: none"> <li>VA loans are assumable to credit worthy borrower only</li> <li>Stockton Mortgage does not perform creditworthiness reviews of assumption requests for servicing lenders</li> </ul>													
<b>20. ESCROW WAIVERS</b>	Not permitted													
<b>21. PREPAYMENT PENALTY</b>	Not permitted													
<b>22. APPROVAL AUTHORITY</b>	VA Automatic Lenders (with or without LAPP authority)													
<b>23. UNDERWRITING/AUS DECISIONS</b>	<ul style="list-style-type: none"> <li>Underwritten by a VA Automatic underwriter</li> <li>Not eligible for submission to AUS</li> </ul> <p><b>Term Increase</b></p> <ul style="list-style-type: none"> <li>The term of the new loan may not exceed the original term by more than 10 years, subject to the maximum term of 30 years and 32 days</li> </ul> <p><b>Interest Rate Decrease</b></p> <ul style="list-style-type: none"> <li>The interest rate of the new loan must be less than the interest rate of the existing VA loan unless refinancing an ARM to a fixed rate</li> </ul> <p><b>Payment Increase</b></p> <ul style="list-style-type: none"> <li>Increase in P&amp;I not permitted unless one of the following applies: The new loan is refinancing an ARM to a fixed rate or The term of the new loan is shorter than the term of the existing loan</li> </ul>	<ul style="list-style-type: none"> <li>Underwritten by a VA Automatic underwriter</li> <li>May follow documentation requirements</li> <li>See Credit Section</li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;"><b>Automated Underwriting Requirements</b></th> </tr> <tr> <th colspan="2" style="text-align: center;"><b>All loans must be submitted to DU/LP</b></th> </tr> <tr> <th style="text-align: center;"><b>Acceptable Recommendations</b></th> <th style="text-align: center;"><b>Unacceptable Recommendations</b></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Approve/Eligible</td> <td style="text-align: center;">Refer with Caution/Manual</td> </tr> <tr> <td style="text-align: center;">Refer/Eligible</td> <td style="text-align: center;">LP Caution/Manual</td> </tr> <tr> <td style="text-align: center;">LP Accept</td> <td style="text-align: center;">Approve/Ineligible</td> </tr> </tbody> </table>	<b>Automated Underwriting Requirements</b>		<b>All loans must be submitted to DU/LP</b>		<b>Acceptable Recommendations</b>	<b>Unacceptable Recommendations</b>	Approve/Eligible	Refer with Caution/Manual	Refer/Eligible	LP Caution/Manual	LP Accept	Approve/Ineligible
<b>Automated Underwriting Requirements</b>														
<b>All loans must be submitted to DU/LP</b>														
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Approve/Eligible	Refer with Caution/Manual													
Refer/Eligible	LP Caution/Manual													
LP Accept	Approve/Ineligible													
<b>24. PROCESSING STYLES</b>	Streamline	Standard												

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**VA IRRL**

	<b>INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)</b>	<b>CASH-OUT REFINANCE</b>																																	
<b>25. BORROWER ELIGIBILITY</b>	<p>The borrowers obligated on the original VA loan must be the same borrowers on the new loan and the veteran must still own the property. A change of mortgagors is permitted in the following cases:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e1f5fe;">Existing VA Loan</th> <th style="background-color: #e1f5fe;">New Loan</th> <th style="background-color: #e1f5fe;">Yes/No</th> </tr> </thead> <tbody> <tr> <td>Unmarried Vet</td> <td>Veteran &amp; new spouse</td> <td>Yes</td> </tr> <tr> <td>Unmarried Vet</td> <td>Spouse only (deceased veteran)</td> <td>No</td> </tr> <tr> <td>Vet</td> <td>Different veteran who has substituted his/her entitlement</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Divorced veteran only</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Veteran &amp; different spouse</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Spouse only (deceased veteran)</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Divorced spouse only</td> <td>No</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Different spouse only (deceased veteran)</td> <td>No</td> </tr> <tr> <td>Vet &amp; Non-Vet (joint obligors)</td> <td>Veteran only</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Non-Vet (joint obligors)</td> <td>Non-Veteran only</td> <td>No</td> </tr> </tbody> </table> <p><b>Trust Agreement</b></p> <ul style="list-style-type: none"> <li>• See the VA Lender's Handbook</li> </ul>	Existing VA Loan	New Loan	Yes/No	Unmarried Vet	Veteran & new spouse	Yes	Unmarried Vet	Spouse only (deceased veteran)	No	Vet	Different veteran who has substituted his/her entitlement	Yes	Vet & Spouse	Divorced veteran only	Yes	Vet & Spouse	Veteran & different spouse	Yes	Vet & Spouse	Spouse only (deceased veteran)	Yes	Vet & Spouse	Divorced spouse only	No	Vet & Spouse	Different spouse only (deceased veteran)	No	Vet & Non-Vet (joint obligors)	Veteran only	Yes	Vet & Non-Vet (joint obligors)	Non-Veteran only	No	<ul style="list-style-type: none"> <li>• Must be a qualified veteran or spouse</li> <li>• Certificate of Eligibility must have sufficient entitlement to meet minimum 25% guaranty</li> </ul> <p><b>Trust Agreements</b></p> <ul style="list-style-type: none"> <li>• See the VA Lender's Handbook</li> </ul>
Existing VA Loan	New Loan	Yes/No																																	
Unmarried Vet	Veteran & new spouse	Yes																																	
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<b>26. CO-BORROWERS</b>	Primary residence: all borrowers must occupy the subject property per VA guidelines	All borrowers must occupy the subject property per VA guidelines																																	

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VA IRRL

	INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)	CASH-OUT REFINANCE
<b>27. CREDIT</b>	<p><b>Housing Payment History</b></p> <ul style="list-style-type: none"> <li>• Inclusive of all liens regardless of lien position</li> <li>• Applies to all mortgages on all financed properties</li> <li>• All loans must be current at the time of application                             <ul style="list-style-type: none"> <li>• 0x30 in preceding months 1-6</li> <li>• 1x30 in preceding months 7-12</li> <li>• 0x30 if fewer than 12 payments made on mortgage</li> </ul> </li> </ul> <p><b>Credit Score Requirements</b></p> <ul style="list-style-type: none"> <li>• <b>Full Credit Report Required.</b></li> <li>• Minimum 580</li> <li>• Non-traditional credit is ineligible</li> </ul> <p><b>Significant Derogatory Credit</b></p> <ul style="list-style-type: none"> <li>• See the VA Handbook for:                             <ul style="list-style-type: none"> <li>• Bankruptcy</li> <li>• Foreclosure</li> <li>• Pre foreclosure</li> <li>• Deed-in-lieu</li> <li>• Restructured Loans</li> <li>• Short Payoff</li> </ul> </li> </ul>	<p><b>Housing Payment History</b></p> <ul style="list-style-type: none"> <li>• Inclusive of all liens regardless of lien position</li> <li>• Applies to all mortgages on all financed properties</li> <li>• All loans must be current at time of application</li> <li>• For Delegated Clients who underwrite and close loans in their own name                             <ul style="list-style-type: none"> <li>• A written explanation is required for all mortgage lates more than 1 x 30 in the past 12 months</li> </ul> </li> <li>• For loans underwritten by Stockton Mortgage                             <ul style="list-style-type: none"> <li>• 0x30 in last 12 months</li> <li>• 0x30 if fewer than 12 payments made on mortgage</li> </ul> </li> </ul> <p><b>Credit Score Requirements</b></p> <ul style="list-style-type: none"> <li>• <b>Full Credit Report Required.</b></li> <li>• Minimum 580</li> <li>• Non-traditional credit is ineligible</li> </ul> <p><b>Significant Derogatory Credit</b></p> <ul style="list-style-type: none"> <li>• See the VA Handbook for:                             <ul style="list-style-type: none"> <li>• Bankruptcy</li> <li>• Foreclosure</li> <li>• Preforeclosure</li> <li>• Deed-in-lieu</li> <li>• Restructured Loans</li> <li>• Short Payoff</li> </ul> </li> </ul>
<b>28. ASSET/RESERVES</b>	<ul style="list-style-type: none"> <li>• Non-credit qualifying: No asset verification required</li> <li>• Credit qualifying                             <ul style="list-style-type: none"> <li>• Must have sufficient liquid assets to close.</li> <li>• Non-liquid accounts (i.e. 401K retirement accounts) may not be used as an asset for cash to close or reserves.</li> <li>• Liquidated funds from non-liquid accounts can be used if liquidation and deposit into a demand deposit account are documented</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• AUS Approve/Eligible and Refer/Eligible may follow documentation requirements</li> <li>• Must have sufficient liquid assets to close</li> <li>• Non-liquid accounts (i.e. 401K retirement accounts) may not be used as an asset for cash to close or reserves.</li> <li>• Liquidated funds from non-liquid accounts can be used if liquidation and deposit into a demand deposit account are documented</li> </ul> <p><b>Cash Reserves</b></p> <ul style="list-style-type: none"> <li>• 1 unit – none</li> <li>• 2 - 4 units                             <ul style="list-style-type: none"> <li>• Rental income not used to qualify – none</li> <li>• Rental income is being used to qualify – 6 months</li> </ul> </li> <li>• 3 months reserves required if the borrower owns other real estate. The reserves are based on the subject property PITIA                             <ul style="list-style-type: none"> <li>• Reserves not required if rental income not used to qualify</li> </ul> </li> </ul>

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**VA IRRRL**

	<b>INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)</b>	<b>CASH-OUT REFINANCE</b>
<b>29. EMPLOYMENT/INCOME</b>	<ul style="list-style-type: none"> <li>• <b>Non-credit qualifying</b> <ul style="list-style-type: none"> <li>• Income documentation is not required</li> <li>• Colorado: See the Geographic Restrictions Requirements section</li> <li>• Form 4506-T is not required</li> </ul> </li> <li>• <b>Credit qualifying</b> <ul style="list-style-type: none"> <li>• Paystubs covering at least the most recent 30 day-period</li> <li>• 2 years W2s</li> <li>• 2 years personal tax returns for self-employed borrowers</li> <li>• Verbal VOE</li> </ul> </li> <li>• <b>Form 4506-T</b> <ul style="list-style-type: none"> <li>• Prior to Final Underwriting Decision(Non-delegated clients) or Prior to Funding (Delegated Clients) <ul style="list-style-type: none"> <li>• 4506-T must be processed for each borrower. Obtain as appropriate: <ul style="list-style-type: none"> <li>• tax return transcript(s) when the personal income tax return(s) are used for qualification (self-employment, rental income, &gt;25% income earned from commission, etc.); or</li> <li>• 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.)</li> </ul> </li> <li>• At Closing <ul style="list-style-type: none"> <li>• 4506-T must be signed by each borrower at closing</li> </ul> </li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• See the VA Lender's Handbook for employment and income documentation requirements</li> <li>• Verbal VOE required.</li> </ul> <p><b>Form 4506-T</b></p> <ul style="list-style-type: none"> <li>• 4506-T must be processed for each borrower. Obtain as appropriate: <ul style="list-style-type: none"> <li>• tax return transcript(s) when the personal income tax return(s) are used for qualification (self-employment, rental income, &gt;25% income earned from commission, etc.); or</li> <li>• 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.)</li> </ul> </li> <li>• 4506-T must be signed by each borrower at closing</li> </ul>
<b>30. LIMITATIONS ON OTHER R.E. OWNED</b>	None	
<b>31. APPRAISER REQUIREMENTS</b>	VA Approved/VA Fee panel appraiser must not be used	VA Approved/VA Fee panel appraisers
<b>32. APPRAISAL REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• Same servicer transactions – no appraisal required</li> <li>• Non same servicer transactions require an AVM <ul style="list-style-type: none"> <li>• If AVM is not available, obtain an Exterior Appraisal Report (Form 2055, 1075) <ul style="list-style-type: none"> <li>• AVM must be compliant with the Interagency Appraisal and Evaluation Guidelines, Appendix B</li> <li>• Properties in Kansas with an LTV &gt;100% require an Interior and Exterior Appraisal Report (Form 1004) <ul style="list-style-type: none"> <li>• Repair items do not have to be completed prior to closing</li> </ul> </li> </ul> </li> </ul> </li> <li>• See the Geographic Location/Restrictions section for additional state specific restrictions or requirements</li> <li>• Natural disaster certifications are not required</li> </ul>	<ul style="list-style-type: none"> <li>• See VA Lender's Handbook</li> <li>• A new appraisal completed by a VA approved or VA fee panel Appraiser is required.</li> <li>• VA LAPP Underwriter will issue the Notice of Reasonable Value</li> <li>• Copy of the signed NOV must remain in the loan file</li> </ul> <p>Natural Disasters – Loans secured by properties located in areas federally declared as major disaster areas must follow VA procedures</p>
<b>33. QUALIFIED MORTGAGE (QM)</b>	<p><b>The VA IRRRL Qualified Mortgage Certification or similar form must be completed and included in the submission package to confirm whether the loan is a Safe Harbor or a Rebuttable Presumption transaction</b></p> <p><b>Safe Harbor</b></p> <ul style="list-style-type: none"> <li>• Loans are considered Qualified Mortgage (QM) Safe Harbor loans if they meet the following requirements: <ul style="list-style-type: none"> <li>• The loan being refinanced was originated at least 6 months before the new loan's closing date (note date to note date)</li> <li>• Veteran has 0x30 mortgage payment history during 6 months preceding the new loan's closing date</li> <li>• The recoupment period for all allowable fees and costs must not exceed 36 months <ul style="list-style-type: none"> <li>• Note: There must be a monthly PITI savings in order to complete the recoupment period calculation</li> </ul> </li> <li>• The veteran is not 30 days or more past due on the loan being refinanced</li> <li>• The new loan does not increase the principal balance outstanding on the prior loan except to the extent of fees and charges allowed by VA</li> <li>• Total points and fees payable in connection with the new loan are in accordance with 12 CFR 1026.32, will not exceed 3 percent of the total new loan amount, and are in compliance with VA's allowable fees and charges found at 38 CFR 36.4313 <ul style="list-style-type: none"> <li>• The interest rate on the new loan is lower than the interest rate on the existing loan, unless the borrower is refinancing an ARM to a fixed rate loan, under guidelines that VA has established</li> <li>• The new loan is subject to a payment schedule that will fully amortize the loan in accordance with VA regulations</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• All transactions are considered Qualified Mortgage (QM) Safe Harbor loans</li> </ul>

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<b>33. QUALIFIED MORTGAGE (QM)</b>	<ul style="list-style-type: none"> <li>• Both the existing loan and the new loan satisfy all other VA requirements</li> </ul> <p><b>Rebuttable Presumption</b></p> <ul style="list-style-type: none"> <li>• If the loan does not meet any one of the above requirements, it is considered a Qualified Mortgage (QM) Rebuttable Presumption loan</li> <li>• All loans must be credit qualified</li> <li>• 3/1 and 5/1 ARM products are not permitted</li> </ul>	
<b>34. SPECIAL REQUIREMENTS/ RESTRICTIONS</b>	<ul style="list-style-type: none"> <li>• ARM disclosure required for ARM products</li> </ul> <p><b>Ineligible</b></p> <ul style="list-style-type: none"> <li>• The Energy Efficient Mortgage Program</li> <li>• Mortgage Credit Certificate (MCC)/Section 8 Vouchers</li> </ul> <p><b>CAIVRS</b></p> <ul style="list-style-type: none"> <li>• CAIVR clearance must be obtained for all borrowers on the transaction.</li> </ul>	<ul style="list-style-type: none"> <li>• ARM disclosure required for ARM products</li> </ul> <p>Ineligible</p> <ul style="list-style-type: none"> <li>• The Energy Efficient Mortgage Program</li> <li>• Mortgage Credit Certificate (MCC)/Section 8 Vouchers</li> </ul> <p>CAIVRS</p> <ul style="list-style-type: none"> <li>• CAIVR clearance must be obtained for all borrowers on the transaction.</li> </ul>

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