

VA PURCHASE

<p>1. ASSET/RESERVES</p>	<ul style="list-style-type: none"> • AUS Approve/Eligible and Refer/Eligible may follow documentation requirements <ul style="list-style-type: none"> • 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. <p>Minimum Borrower Investment</p> <ul style="list-style-type: none"> • For a Veteran with full entitlement, no minimum borrower investment is required for any loan amount. • Veterans with partial entitlement may be required to make a down payment to assure 25% guaranty. Please see the VA Max Worksheet for calculations. • For 2-4 unit properties, if the total loan amount is greater than the County limit for a 1-unit dwelling, a down payment may be required. <p>Seller Contributions</p> <ul style="list-style-type: none"> • 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, down payment, funding fee and other expenses. <p>Gifts</p> <ul style="list-style-type: none"> • Acceptable • Gift of equity is not allowed. <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 grants for closing costs and prepaid expenses • HAPs must be approved by Stockton Mortgage <p>Cash Reserves</p> <ul style="list-style-type: none"> • 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
<p>2. ASSUMPTIONS</p>	<p>VA loans are assumable to credit worthy borrower only</p>
<p>3. BORROWER ELIGIBILITY</p>	<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
<p>4. CO-BORROWERS</p>	<p>Non occupant co-borrowers not allowed</p>

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<p>5. CREDIT</p>	<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"> • 0 x 30 in last 12 months • All loans must be current at the time of application <p>CAIVRS</p> <ul style="list-style-type: none"> • CAIVR clearance must be obtained for all borrowers on the transaction. <p>Credit Score Requirements</p> <ul style="list-style-type: none"> • Minimum 580 for loan amounts up to the County Limit <p>Significant Derogatory Credit</p> <ul style="list-style-type: none"> • See the VA Handbook <ul style="list-style-type: none"> • Bankruptcy – Chapter 7 - 2 years from discharge date. Chapter 13 – at least 12 months on time payments and the Trustee or the Bankruptcy Judge approves of the new credit. • Foreclosure – 2 years from when the foreclosure was finalized. • Deed-in-lieu or Short Sale– if payments were on time before the DIL, no wait period. If they were delinquent, the veteran must wait 2 years from the DIL. <p>NOTE: if the foreclosure, DIL or Short Sale were on a VA loan, the veteran may not have full entitlement available for a VA loan.</p>
<p>6. EMPLOYMENT/INCOME</p>	<ul style="list-style-type: none"> • See the VA Lender’s Handbook for employment and income documentation requirements • Verbal VOE required. <p>Form 4506-C</p> <ul style="list-style-type: none"> • 4506-C must be obtained for each borrower. Transcripts are required when: <ul style="list-style-type: none"> • tax return transcript(s) when the personal income tax return(s) are used for qualification (self-employment or rental income) • 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-C must be signed by each borrower at closing • Active Duty Veterans will require an alive and well certification
<p>7. ESCROW WAIVERS</p>	<p>Not permitted</p>

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8. FUNDING FEE	<table border="1"> <thead> <tr> <th>Type of Veteran/Military Status</th> <th>Down Payment*</th> <th>First Time Use</th> <th>Subsequent Use*</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Veteran/Active Duty/Reserves & National Guard</td> <td>Less than 5%</td> <td>2.30%</td> <td>3.60%</td> </tr> <tr> <td>5% and up to 10%</td> <td>1.65%</td> <td>1.65%</td> </tr> <tr> <td>10% or more</td> <td>1.40%</td> <td>1.40%</td> </tr> <tr> <td>Disabled Veteran (Service-connected disability)</td> <td>N/A</td> <td>0.00%</td> <td>0.00%</td> </tr> </tbody> </table>	Type of Veteran/Military Status	Down Payment*	First Time Use	Subsequent Use*	Veteran/Active Duty/Reserves & National Guard	Less than 5%	2.30%	3.60%	5% and up to 10%	1.65%	1.65%	10% or more	1.40%	1.40%	Disabled Veteran (Service-connected disability)	N/A	0.00%	0.00%
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<p>* Does not include down payment from gift of equity or equity earned from lease-to-purchase transaction</p> <p>* 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</p>																			
<p>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.</p>																			
9. GUARANTY/ENTITLEMENT	Veteran must have sufficient entitlement and provide evidence of available entitlement.																		
10. LIMITATIONS ON OTHER R.E. OWNED	None																		
11. LOAN AMOUNT	<ul style="list-style-type: none"> If the base loan amount is greater than the County Limit and the veteran does not have full entitlement, split entitlement or reduced entitlement, a down payment may be required and the LTV reduced accordingly. Stockton Mortgage will require that the entitlement, down payment or a combination of both covers at least 25% of your total loan amount. 																		
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<p>Loans with an appraised value between \$1,000,001 and \$1,500,000 may require a desk review or field review. Loan amounts between \$1,500,001 and \$2,000,000 require an exception. Please contact the Lock Desk.</p>																			
12. LTV/CLTV LIMITATIONS	<ul style="list-style-type: none"> Maximum 100% LTV, excluding VA funding fee No CLTV restriction 																		
13. MINIMUM FICO	580 Tri-Merge to County Limit loan amount: minimum 2 credit scores																		
	No score: follow agency guidelines, pricing based off 580 score.																		

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14. OCCUPANCY	Primary residences
15. POWER OF ATTORNEY	<p>The veteran must wet sign the initial 1003 and Purchase Contract to utilize a General Power of Attorney. If not wet signed, a Specific POA is required that must have the following information:</p> <ul style="list-style-type: none"> • Entitlement – a clear intention to use all or a specified amount of entitlement. • Purpose: A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinance. • Property Identification: Identification of the specific property. • Price and Terms: The sales price, if applicable, and other relevant terms of the transaction. • Occupancy: The Veteran’s intention to use the property as a home to be occupied by the Veteran (or other applicable VA occupancy requirement or spouse and/or guardian for dependent child(ren)).
16. 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
17. PREPAYMENT PENALTY	Not permitted

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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 PUD units – detached only • Modular, Pre-cut, Panelized Housing • PUDs • Double wide manufactured home that have been moved from the original location <p>Ineligible Property Types</p> <ul style="list-style-type: none"> • 2-4 Unit PUDs • Condo Hotels • Co-ops • Single-wide manufactured homes
19. 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 • Little or no increase in housing expense • Paid as agreed housing expense • Housing ratio of no more than 40%

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20. 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			

21. 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.

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 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.

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22. SPECIAL REQUIREMENTS/ RESTRICTIONS	Ineligible <ul style="list-style-type: none"> • The Energy Efficient Mortgage Program • Mortgage Credit Certificate (MCC)/Section 8 Vouchers 							
23. TEMPORARY BUYDOWNS	Not permitted							
24. TYPES OF FINANCING	<ul style="list-style-type: none"> • Purchase Mortgage • Permanent Financing for New Construction 							
25. UNDERWRITING/AUS DECISIONS	<table border="1"> <tr> <td style="text-align: center;">Automated Underwriting Requirements</td> </tr> <tr> <td style="text-align: center;">All loans must be submitted to DU/LPA</td> </tr> <tr> <td style="text-align: center;">Acceptable Recommendations</td> </tr> <tr> <td style="text-align: center;">Approve/Eligible</td> </tr> <tr> <td style="text-align: center;">Refer/Eligible</td> </tr> <tr> <td style="text-align: center;">LPA Accept</td> </tr> </table>	Automated Underwriting Requirements	All loans must be submitted to DU/LPA	Acceptable Recommendations	Approve/Eligible	Refer/Eligible	LPA Accept	
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