

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY VA LOAN PROGRAM

Effective Date: 09-2011

Replaces Issue of: 072009

Product Name: VA

SUMMARY:

This is a 30-year fixed rate VA loan available to low-to-moderate income borrowers who meet the MSHDA sales price and income limit eligibility guidelines. If the borrower has had ownership interest in a primary residence in the last three (3) years, they are not eligible for the program unless they are purchasing in a targeted area (where there are no prior home ownership restrictions). All adult members of the household must apply jointly for the loan. Non-occupant co-borrowers and co-signers are not permitted.

PRODUCTS:

MSHDA VA (standard)
MSHDA VA with Buydown Option

LOAN PURPOSE:

Purchase of Single family, owner-occupied primary residence ONLY

INCOME LIMITS:

Income limits apply and are available online at: www.michigan.gov/mshda

**SALES PRICE
LIMITS:**

Sales price limits apply and are available online at: www.michigan.gov/mshda

**OCCUPANCY
REQUIREMENTS:**

The borrower must occupy the property as his/her primary residence within 60 days of loan closing.

**ELIGIBLE
PROPERTIES:**

- New, not previously occupied, single family homes or builders' models that have not been occupied.
- New or existing multiple-section manufactured (mobile) homes on foundations permanently affixed to real estate. NOTE: Existing multiple-section manufactured homes must have been constructed after 6/14/76.
- Existing single-family homes that have been previously occupied.
- New or existing condominiums approved by VA

ASSUMABILITY:

The mortgage may be formally assumed; however, certain restrictions will apply with respect to income, credit and sales price limits.

LOAN TERM:

30-year term

**MINIMUM
LOAN AMOUNT:**

There is no minimum loan amount

**MAXIMUM
LOAN AMOUNT:**

The maximum mortgage amount for the applicable jurisdiction may not exceed the lesser of: a) the maximum guaranteed mortgage amount permitted by VA, subject to the veteran's entitlement on Certificate of Eligibility; or b) the maximum sales price established by MSHDA in accordance with federal and state law.

**MAXIMUM
LOAN TO VALUE:**

The maximum permitted by VA Guidelines

**TEMPORARY
INTEREST RATE
BUYDOWN:**

A 2-1 temporary interest rate buydown option is permitted for VA loans. All other VA Guidelines relative to buydowns are applicable.

**SUBORDINATE
FINANCING:**

MSHDA Division of Homeownership Down Payment Assistance (DPA) loan is not available.

Any other subordinate financing may be allowed on a case-by-case basis. The terms and conditions of the subordinate financing must have prior written approval of MSHDA and be in compliance with VA Guidelines.

**QUALIFYING
RATIOS:**

Generally, the debt ratio should not exceed 41%. If a borrower's qualifying ratios exceed the above guideline, the lender must list and document compensating factors that would justify MSHDA to override the ratio requirement. At no time will MSHDA approve a loan with ratios exceeding 45.00% DTI.

**THIRD PARTY
CONTRIBUTIONS:**

All VA Guidelines with respect to third party contributions must be met.

UNDERWRITING:

MSHDA will not automatically approve loans based solely on decisions obtained by Agency systems. Nor will MSHDA automatically approve loans that are submitted with a Lender's underwriter approval. Instead MSHDA will assess each borrower's willingness and ability to repay the loan as documented by the borrower's credit and income history, assets and total debt liabilities.

Loans that receive a DU Expanded Approval (EA) recommendation or a Refer with Caution are not eligible for MSHDA financing.

MSHDA reserves the right to require further information to ensure compliance of the underwriting package.

MSHDA does not require a minimum FICO credit score, although a minimum credit score of 620 is recommended. MSHDA will entertain credit scores below 620 if the Lender is able to submit adequate documentation to indicate a borrower has overcome previous credit difficulties and may be viewed as a reasonable credit risk.

Credit reports that have a FICO credit score of “000” due to a lack of a credit history may still be acceptable providing evidence of at least two satisfactory alternative credit reference letters are submitted.

All collections, judgments, civil liens and charge-offs must be paid in full. Verification that collections are paid should accompany a statement from the borrower stating the reasons for derogatory information.

Gift is permissible from donors as allowed by VA Guidelines.

Mortgage Credit Certificates (MCC) may not be used in conjunction with the MSHDA mortgage loan programs.

**HOME BUYER
EDUCATION:**

Borrowers are not required to receive homebuyer education counseling.

**MORTGAGE
INSURANCE:**

The Lender must obtain a VA Loan Guarantee Certificate.

**ALLOWABLE
FEES:**

The lender can collect an Origination Fee of up to 1% of the loan amount. The lender may also be reimbursed for expenses incurred in processing, such as credit reports, appraisals, surveys, etc., not to exceed the actual cost of these expenses.

**PREPAYMENT
PENALTY:**

No prepayment penalty.

**FEDERAL
RECAPTURE
TAX:**

If the property is sold within nine (9) years from the date of loan closing, the borrower may owe recapture tax. This tax is based on the household income and family size during the year of resale, and the length of time the borrower occupied the property.

**RECAPTURE
TAX
REIMBURSEMENT
PROGRAM:**

In the even a borrower is required to pay a recapture tax. MSHDA will reimburse borrowers for any recapture tax paid by the borrower to the IRS. To request reimbursement, homeowners simply provide MSHDA with an IRS form 8828 and a signed copy of their IRS 1040 form.

LOAN DOCUMENTATION REQUIREMENTS (the most current version of all forms must be used):

**APPLICATION
DOCUMENTS:**

Refer to “Loan Submission Checklist”, DOH 009, for required documents. This form is located in the Miscellaneous Documents Section of the Lender on Line web site.) The application documents are:

1. Mortgage Loan Data Summary Sheet, SFH 117
2. VA Loan Analysis (VA 26-6393) approved and signed by lender’s underwriter
3. Loan Application(FNMA 1003)
4. FHA/VA Addendum-two pages (HUDA-92900/VA-26-1866a)
5. Notice to Buyers, SFH 123-b

6. Evidence of Social Security Number
7. Copy of Drivers License
8. Credit Report
9. Verification of Income
10. Income Tax Affidavit (SFH 108), if applicable
11. Verification of Assets
12. Purchase Agreement/Contract to Build
13. Appraisal
14. Initial Application Affidavit, SFH 106
15. Signed Federal Tax Returns for the last 3 years, as applicable
16. Builder information, as applicable.

**CLOSING
DOCUMENTS:**

1. VA Mortgage
2. VA Mortgage Note
3. Universal Tax-Exempt Financing Rider SFH 122U
4. Assignment of Mortgage, SFH 102

Note: Refer to VA Mortgage Document Control Sheet, SFH 144, for other required documents.