

# VHDA Fannie Mae HFA Preferred Reduced MI

## Program Guidelines

<b>Loan Term</b>	30 year fixed rate only.												
<b>Maximum Lender Compensation</b>	2.50% including SRP plus common and customary ancillary fees.												
<b>Loan-to-Value (LTV)</b>	<p>Maximum 97% LTV based on the lower of the sales price / appraised value.</p> <p>No minimum LTV, except:</p> <ul style="list-style-type: none"> <li>• If originated with a DPA Grant <b>or</b> Plus Second Mortgage the Minimum LTV is 90%.</li> </ul> <p>Maximum 105% CLTV (Fannie Mae eligible Community Seconds* only allowed)</p> <p>*The Lender is responsible for ensuring the Community Second is acceptable to Fannie Mae. Refer to Fannie Mae's Community Seconds Checklist to assist in evaluating the Community Seconds program.</p>												
<b>Mortgage Insurance</b>	<p><b>Must submit file directly to MI company for MI approval (no delegated MI).</b></p> <p><b>Required Coverage:</b></p> <table border="1"> <thead> <tr> <th>LTV</th> <th>MI Coverage</th> </tr> </thead> <tbody> <tr> <td>95.01 – 97.00</td> <td>18%</td> </tr> <tr> <td>90.01 – 95.00</td> <td>16%</td> </tr> <tr> <td>85.01 – 90.00</td> <td>12%</td> </tr> <tr> <td>80.01 – 85.00</td> <td>6%</td> </tr> <tr> <td>&lt; = 80.00</td> <td>0%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• Borrower paid Monthly / Split / Single Premium (Paid or Financed) allowed per Fannie Mae requirements (Lender credits can be used to offset the premium).</li> <li>• Lender Paid Monthly and Single Premium <b>not</b> allowed.</li> <li>• MI Approval and Certificate required.</li> <li>• Confirm procedures, requirements, and pricing with the approved MI company.</li> <li>• Participating Companies: Arch MI, Essent, Genworth, MGIC, National MI, and Radian.</li> </ul>	LTV	MI Coverage	95.01 – 97.00	18%	90.01 – 95.00	16%	85.01 – 90.00	12%	80.01 – 85.00	6%	< = 80.00	0%
LTV	MI Coverage												
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<b>MCC Eligible</b>	<u>Yes</u> (First-Time Homebuyer Purchase only), in accordance with the Mortgage Credit Certificate (MCC) Guidelines.												
<b>CHR Eligible</b>	<u>Yes</u> (First-Time Homebuyer Purchase only), in accordance with the Community Housing Revitalization (CHR) Guidelines.												
<b>VHDA CCA Eligible</b>	<b>No.</b> (VHDA Closing Cost Assistance Grant)												
<b>VHDA DPA Eligible</b>	<u>Yes</u> (First-Time Homebuyer Purchase only), in accordance with the VHDA Down Payment Assistance (DPA) Grant Guidelines.												
<b>VHDA Plus Second Mortgage Eligible</b>	<u>Yes</u> (First-Time Homebuyer Purchase only), in accordance with the VHDA Plus Second Mortgage Guidelines.												



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## Program Guidelines

### First-Time Homebuyer

**No Requirement.** Borrowers can own other properties per Fannie Mae requirements.

**If used with VHDA MCC, DPA Grant, or Plus Second Mortgage:** All borrowers and non-borrowers on title must be a First-Time Homebuyer (unless in a Targeted Area).

- A borrower and non-borrower on title are considered a First-time Homebuyer if they have not owned and occupied a primary residence in the last 3 years.

**Acceptable documentation to evidence First-Time Homebuyer:**

- The fully executed Single Family Loan and MCC Programs Disclosure and Borrower Affidavit (Exhibit E2) signed by all borrowers and non-borrowers taking title;
- A completed Uniform Residential Loan Application (Form 1003); **and**
- The credit report.

**Note:** If unable to confirm from the Exhibit E2, Form 1003, or the credit report the borrowers and/or non-borrowers taking title are a First-Time Homebuyer, additional documentation may be required, such as:

- Three years' federal tax returns / tax transcripts
- Rent verification(s)
- Other reports such as a Lender Data Integrity Report (Examples: Drive Report, FraudGuard, Loansafe)

### Income Limits

Income Limit Type:	Fannie Mae only	With MCC and/or Plus Second Mortgage	With DPA Grant
		Standard Limits	Standard Limits
Who to include:	Borrowers only	Borrowers and non-borrowing occupants on title	All household members
What Income to include:	Eligible qualifying income	Income of all borrowers and non-borrowing occupants on title*	Income of all household members*

[Click here](#) to see VHDA's Income Limits.

\*See [Origination Guide](#) for more information on how to calculate household income, what income types must be included, and what may be excluded.

\*See below for details on where income must be stated on the Program Disclosure and Borrower Affidavit.



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## Program Guidelines

<p><b>Sales Price / Acquisition Cost Limits</b></p>	<p>No maximum Sales Price / Acquisition Cost unless originated with VHDA MCC, DPA Grant, or Plus Second Mortgage. If originated with VHDA MCC, DPA Grant, or Plus Second Mortgage the following applies:</p> <ul style="list-style-type: none"> <li>• <a href="#">VHDA Sales Price / Loan Limits</a> apply (even when the standard conforming Fannie Mae loan limit is higher).</li> <li>• The limit applies to the highest of the gross loan amount, sales price, and acquisition cost.</li> </ul> <p>The gross loan amount of the first mortgage (including any financed mortgage insurance premium, when applicable) <b>and</b> second mortgage combined cannot exceed the <a href="#">VHDA Sales Price / Loan Limits</a> if originated with the Plus Second Mortgage.</p>
<p><b>Maximum Loan Amount</b></p>	<p>Maximum Loan Amount is the standard conforming Fannie Mae loan limit.</p> <ul style="list-style-type: none"> <li>• High-cost area limits do not apply.</li> </ul> <p><u>Notes:</u></p> <ul style="list-style-type: none"> <li>• The standard conforming Fannie Mae loan limit applies even when <a href="#">VHDA Sales Price / Loan Limits</a> are higher.</li> </ul>
<p><b>Eligible Purpose</b></p>	<p>Primary Residence Purchase / Limited Cash Out Refinance. VHDA MCC, DPA Grant, and Plus Second Mortgage are not eligible for refinance.</p>
<p><b>Residency</b></p>	<p>U.S. Citizen, Permanent Resident Alien, or Non-Permanent Resident Alien that meets Fannie Mae guidelines (follow FHA guidelines for additional guidance).</p>
<p><b>VHDA Single Family Loan and Mortgage Credit Certificate Program Disclosure and Borrower Affidavit (<a href="#">Exhibit E2</a>)</b></p>	<p>Pages 1 – 2 must be completed and signed (even if no VHDA MCC, DPA Grant, or Plus Second Mortgage) for purchase transactions.</p> <p>Pages 3 – 4 must also be completed if used with VHDA MCC, DPA Grant, or Plus Second Mortgage.</p> <ul style="list-style-type: none"> <li>• Must be executed by all borrowers and non-borrowers taking title.</li> <li>• Income from all borrowers and non-borrowers taking title must be included on page 4 of the Exhibit E2 if used with MCC and/or Plus Second Mortgage.</li> <li>• Income from all household members must be included on page 4 if used with VHDA DPA Grant.</li> </ul>
<p><b>VHDA Seller Affidavit and Acknowledgment (<a href="#">Exhibit F</a>)</b></p>	<p>Required if originated with VHDA MCC, DPA Grant, or Plus Second Mortgage.</p>
<p><b>VHDA Originating Lenders Submission Cover Letter (<a href="#">Exhibit O</a>)</b></p>	<p>Required if originated with VHDA MCC, DPA Grant, or Plus Second Mortgage.</p>
<p><b>Recapture</b></p>	<p>Loan is subject to recapture only if originated with an MCC.</p>



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## Program Guidelines

<p><b>Homebuyer Education</b></p>	<p>Required for one of all borrowers that are First-Time Homebuyers.</p> <p>If originated with VHDA MCC, DPA Grant, or Plus Second Mortgage:</p> <ul style="list-style-type: none"> <li>• Required for all First-Time Homebuyers.</li> </ul> <p>Complete VHDA course, <a href="#">HUD Approved Counseling Agency</a> course, or Fannie Mae Framework course prior to approval.</p> <p>Homebuyer Education Certificate is valid for 2 years.</p>
<p><b>Tax Transcripts</b></p>	<p>Tax transcripts are required for all borrowers and is dependent on qualifying income type(s) and number of years required per DU (i.e. W2 transcripts, 1099 transcripts, etc.) in addition to an executed 4506-T.</p>
<p><b>Tax Returns</b></p>	<p>Federal tax returns are no longer required to evidence all borrowers and non-borrowers taking title are a First-Time Homebuyer*.</p> <p>*See above for acceptable documentation evidencing First-Time Homebuyer.</p>
<p><b>Business Use of Home</b></p>	<p>Not applicable unless originated with VHDA MCC, DPA Grant, or Plus Second Mortgage.</p> <p>If originated with VHDA MCC, DPA Grant, or Plus Second Mortgage, no more than 15% of the financed dwelling may be used primarily in a trade or business. The borrowers and non-borrowers taking title must fully execute the <a href="#">Business Use of Home Certification</a> if the borrower has disclosed that a part of the current residence is being used primarily for a trade or business or if there is any other evidence in the file, such as:</p> <ul style="list-style-type: none"> <li>• The employment business address is the same as the borrower’s current residence address on the 1003, <b>or</b></li> <li>• Federal tax returns are provided and show the “business in home” deduction was taken (Typically this shows on Schedule C, line 30).</li> </ul> <p>The <a href="#">Business Use of Home Certification</a> certifies that not more than 15% of the total living area of the subject property will be used primarily in a trade or business. If greater than 15% will be used in the subject dwelling then the borrower is not eligible.</p>
<p><b>Maximum Net Worth</b></p>	<p>Not applicable.</p> <p>If originated with VHDA MCC, DPA Grant, or Plus Second Mortgage then cannot exceed 50% of sales price See <a href="#">Origination Guide</a> for details).</p>
<p><b>Automated Underwriting System (AUS) / Manual Underwrites</b></p>	<p>Desktop Underwriter Approve Eligible <u>only</u> (Manual Underwrite not allowed).</p> <p>Community Lending Program in DU must be “<b>HFA Preferred</b>” (<b>Not</b> “HFA Preferred Risk Sharing” or “HomeReady”).</p>



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## Program Guidelines

<p><b>Minimum Credit Score</b></p>	<p>640 (no exceptions) Lowest of 2 / Middle of 3 scores of all borrowers*.</p> <p>*If at least one borrower has no credit score and the other borrower has a credit score (minimum 640), this is acceptable as long as all Fannie Mae requirements are met and DU decision is Approve Eligible. If no borrower(s) has a credit score then this is not allowed.</p> <p>If originated with the Plus Second Mortgage:</p> <ul style="list-style-type: none"> <li>• 640-679 required for 3% LTV on second,</li> <li>• 680 required for 4.5% LTV on second for all borrowers.</li> </ul> <p>If at least one borrower has no credit score (and the other has a 640 or higher credit score) then the maximum LTV for the Plus Second Mortgage is 3%.</p>
<p><b>Maximum DTI</b></p>	<p>45%</p>
<p><b>Non-Occupant Co-Borrowers</b></p>	<p>Not allowed.</p>
<p><b>Ineligible Qualifying Income</b></p>	<ul style="list-style-type: none"> <li>• Boarder Income</li> <li>• Non-Borrower Household Income</li> <li>• Accessory Unit Income</li> </ul>
<p><b>Foreclosures / Deed in Lieu / Short Sales</b></p>	<p>Follow Fannie Mae waiting period requirements and:</p> <ul style="list-style-type: none"> <li>• No less than 3 years from date of title transfer to application date (or Fannie Mae requirements if more restrictive or DPA and/or Plus Second Mortgage requirements if more restrictive – see below).</li> <li>• No significant derogatory credit since the event (bankruptcy/judgments).</li> <li>• No lates/collections last 3 years.</li> <li>• <b>No less than 5 years from date of title transfer to application date (or Fannie Mae requirements if more restrictive) if originated with VHDA DPA Grant and/or Plus Second Mortgage.</b></li> </ul>
<p><b>Collections / Judgments</b></p>	<p>Follow Fannie Mae requirements for collections and judgments.</p>
<p><b>Minimum Borrower Contribution</b></p>	<p>None.</p>
<p><b>Reserves / Acceptable Funds to Close</b></p>	<p>Follow Fannie Mae/ DU requirements for reserves.</p> <p>Follow Fannie Mae requirements for flexible funds to close (including a gift) / no cash on hand.</p>
<p><b>Interested Party Contributions</b></p>	<p>Follow Fannie Mae requirements for interested party contributions.</p>



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## Program Guidelines

<p><b>Property</b></p>	<p>Single family (1 unit) detached, attached, Fannie Mae approved condominium (lender to certify condo approval and provide documentation).</p> <p>Property must be located in Virginia.</p> <p>Acreage limitation if originated with VHDA MCC, DPA Grant, or Plus Second Mortgage (Maximum 2 acres; exceptions considered &gt; 2 up to 5 acres). The Lender's underwriter may review and render a decision on the acreage exception. See the <a href="#">Origination Guide</a> for additional requirements and criteria.</p> <p>Manufactured Homes <b>not</b> allowed.</p> <p>Include UCDP SSR (See below for additional Risk Score requirements).</p>
<p><b>UCDP / Collateral Underwriter</b></p>	<p>UCDP Risk Score of 4.00 and higher requires documentation to support identified risk. Upon request, VHDA may require UCDP/CU Appraisal Sharing for a specific appraisal. VHDA's Aggregator # for this function is CRW157.</p>
<p><b>Unfinished Area</b></p>	<p>Not applicable unless originated with VHDA MCC, DPA Grant, or Plus Second Mortgage: In this case the cost to complete unfinished areas that are suitable to finish in the property must be included in the acquisition cost on the <a href="#">Exhibit E2</a> / <a href="#">Exhibit F</a> (Examples: Unfinished basement, lower level of a tri-level, etc.).</p> <p>See the <a href="#">Origination Guide</a> for more information.</p>
<p><b>Post-Closing Repairs</b></p>	<p>Escrows for post-closing repairs considered case by case as an exception and must be submitted to VHDA for consideration. No structural or major mechanical repairs allowed.</p>
<p><b>General Guidelines</b></p>	<p>Unless otherwise noted follow Fannie Mae Home Ready (with program overlays).</p>

## Procedures

<p><b>Lock-In</b></p>	<p>Loans locked on VHDA's LOS – <a href="#">Mortgage Cadence</a> – Select <b>F30F__HFA_PREF</b>.</p> <p>Different pricing available for this product than the FNMA HFA Preferred No MI.</p> <p>Follow steps outlined in the <a href="#">Mortgage Cadence User Guides</a> available on VHDA's website for registering and locking loans.</p>
<p><b>LLPAs</b></p>	<p>No additional Loan Level Pricing Adjustments.</p>
<p><b>Origination</b></p>	<p>Loan originated in accordance with program guidelines, Fannie Mae guidelines, and DU findings (Recommend running DU as soon as possible).</p>



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Procedures	
<b>Lender Delegated Underwriting Availability</b>	<p>Delegated underwriting is available to all approved VHDA delegated lenders.</p> <p><u>Note:</u> Some lenders may be delegated on all programs, to include this Fannie Mae HFA Preferred Reduced MI program, but may not be delegated on the other Fannie Mae No MI program. Lenders can contact their Business Development Officer for questions / concerns about delegation.</p>
<b>Underwriting</b>	<p>Loans underwritten in accordance with program guidelines, Fannie Mae guidelines, and DU findings.</p> <p>Must submit file directly to MI Company for MI approval (no MI delegated).</p> <p>Non-Delegated Lenders must submit to VHDA prior to closing – must use the <a href="#">Underwriting Submission Checklist</a> .</p> <p>Community Lending Program in DU must be “<b>HFA Preferred</b>” (<b>Not</b> “HFA Preferred Risk Sharing” or “HomeReady”).</p> <ul style="list-style-type: none"> <li>• Go to “Additional Data” screen within DU to select Community Lending Program.</li> </ul> <p>Follow steps outlined in the <a href="#">Mortgage Cadence User Guides</a> available on VHDA’s website for submitting a Non-Delegated loan to VHDA Underwriting or submitting for Delegated Approval.</p>
<b>Closing</b>	<p>Loans closed in accordance with standard Fannie Mae guidelines.</p> <p>Loan must be closed in the name of the lender, registered in MERS with MERS compliant documents.</p>
<b>UCD</b>	<p>Originating lender must upload the UCD file directly to Fannie Mae and provide the casefile ID and Findings Report.</p>
<b>Documents</b>	<p>Final DU, 1003, and 1008 must match (standard Fannie Mae tolerances allowed).</p>
<b>Funding</b>	<p>Originating lender will fund the first mortgage at closing.</p>
<b>Points and Fees</b>	<p>VHDA is exempt from ATR (Ability to Repay) so a maximum of 3% points and fees does not apply, however <b>the maximum points and fees for all VHDA Fannie Mae loans is 5%.</b></p>
<b>Tax Service Fee</b>	<p>VHDA’s tax service fee will be deducted from the Lender’s net proceeds.</p>
<b>Delivery</b>	<p>Loans must be submitted to VHDA within 10 calendar days of closing (disbursement for refinances).</p> <p>Follow steps outlined in the <a href="#">Mortgage Cadence User Guides</a> available on VHDA’s website for submitting a closed loan package.</p> <p>Documents must be uploaded using the <a href="#">VHDA Loan Stacking Form</a>.</p>



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## Procedures

<b>VHDA Pre-Purchase Review</b>	Loans reviewed by VHDA prior to purchase. If errors noted, VHDA will contact lender – this may require rerun of DU.
<b>Post-Closing</b>	Standard post-closing documents must be submitted to VHDA.

**Important:** Refer to the [Origination Guide](#) for more information about VHDA eligibility requirements.

The information contained herein (including but not limited to any description of VHDA and its lending programs and products, eligibility criteria, interest rates, fees and all other loan terms) is subject to change without notice

