

# VHDA Plus Second Mortgage

## Program Guidelines

<b>Loan Term</b>	30 year fixed rate only.																												
<b>Maximum Lender Compensation</b>	2.50% including SRP on the Plus Second Mortgage. <u>Note:</u> The first mortgage used with the Plus Second Mortgage also allows a Maximum Lender Compensation of 2.50% including SRP, plus common and customary ancillary fees.																												
<b>Loan-to-Value (LTV)</b>	<table border="1" data-bbox="496 642 1495 1041"> <thead> <tr> <th>Maximum Second Mortgage LTV:</th> <th>First Mortgage:</th> <th>Required Credit Score:</th> <th>CLTV: With Plus Second Only</th> <th>Max Total CLTV*: Plus Second + Other Sub Financing</th> </tr> </thead> <tbody> <tr> <td>3.5%</td> <td>FHA</td> <td>620</td> <td rowspan="2">100.0%</td> <td>Per FHA</td> </tr> <tr> <td rowspan="2">3%</td> <td>Fannie Mae Reduced MI</td> <td>640</td> <td>105.0%</td> </tr> <tr> <td>Fannie Mae No MI</td> <td>660</td> <td></td> </tr> <tr> <td>5%</td> <td>FHA</td> <td rowspan="2">680</td> <td rowspan="2">101.5%</td> <td>Per FHA</td> </tr> <tr> <td rowspan="2">4.5%</td> <td>Fannie Mae Reduced MI</td> <td>105.0%</td> </tr> <tr> <td>Fannie Mae No MI</td> <td></td> <td></td> </tr> </tbody> </table> <p>In addition to the applicable requirements above, the following applies to all Plus Second Mortgages:</p> <ul style="list-style-type: none"> <li>• <b>Minimum first mortgage LTV is 90.00%.</b> If the borrower is using the higher LTV second (5%/4.5%), the additional 1.5% is intended to assist the borrower with closing costs.</li> <li>• If the second loan calculation yields cents then must round down to the nearest dollar.</li> <li>• LTV/CLTV based on the lower of the sales price / appraised value. The maximum loan amount (including all liens) may not exceed the lesser of the sales price or appraised value plus standard closing costs and pre-paid items (unless limited by insurer).</li> </ul> <p>*If the Plus Second Mortgage is used with other acceptable subordinate financing:</p> <ul style="list-style-type: none"> <li>• <b>Fannie Mae Reduced MI or No MI first mortgage:</b> Fannie Mae eligible Community Seconds only.</li> <li>• Plus Second Mortgage must be in second lien position. Any other acceptable subordinate financing must be in third lien position.</li> <li>• <a href="#">Exhibit LL</a> is <b>not</b> required for the Plus Second Mortgage, but is required for any other acceptable subordinate financing except FHLB.</li> </ul>	Maximum Second Mortgage LTV:	First Mortgage:	Required Credit Score:	CLTV: With Plus Second Only	Max Total CLTV*: Plus Second + Other Sub Financing	3.5%	FHA	620	100.0%	Per FHA	3%	Fannie Mae Reduced MI	640	105.0%	Fannie Mae No MI	660		5%	FHA	680	101.5%	Per FHA	4.5%	Fannie Mae Reduced MI	105.0%	Fannie Mae No MI		
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<b>Eligible First Mortgages</b>	<ul style="list-style-type: none"> <li>• VHDA FHA</li> <li>• VHDA Fannie Mae No MI purchase program</li> <li>• VHDA Fannie Mae Reduced MI purchase program</li> </ul>																												



# VHDA Plus Second Mortgage

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## Program Guidelines

<b>Ineligible First Mortgages</b>	<ul style="list-style-type: none"> <li>• VHDA VA</li> <li>• VHDA RHS</li> <li>• Any first mortgage used with the VHDA DPA Grant or VHDA CCA Grant</li> <li>• Any refinance</li> <li>• Any Non-VHDA loan</li> </ul>
<b>CHR Eligible</b>	<p><a href="#">Yes</a> (First-Time Homebuyer Purchase only), if the first mortgage is using Community Housing Revitalization (CHR) then VHDA Plus Second Mortgage is also CHR eligible.</p>
<b>MCC Eligible</b>	<p><a href="#">Yes</a> (First-Time Homebuyer Purchase only), in accordance with the Mortgage Credit Certificate (MCC) Guidelines. MCC issued on first mortgage only.</p>
<b>VHDA CCA Eligible</b>	<p><b>No.</b> (VHDA Closing Cost Assistance Grant)</p>
<b>VHDA DPA Eligible</b>	<p><b>No.</b> (VHDA Down Payment Assistance Grant)</p>
<b>First-Time Homebuyer</b>	<p>Required unless purchasing in a Targeted Area (applies to all borrowers and non-borrowers taking title).</p> <p>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.</p> <p><b>Acceptable documentation to evidence First-Time Homebuyer:</b></p> <ul style="list-style-type: none"> <li>• The fully executed Single Family Loan and MCC Programs Disclosure and Borrower Affidavit (Exhibit E2) signed by all borrowers and non-borrowers taking title;</li> <li>• A completed Uniform Residential Loan Application (Form 1003); <b>and</b></li> <li>• The credit report.</li> </ul> <p><u>Note:</u> 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:</p> <ul style="list-style-type: none"> <li>• Three years federal tax returns / tax transcripts</li> <li>• Rent verification(s)</li> <li>• Other reports such as a Lender Data Integrity Report (Examples: Drive Report, FraudGuard, Loansafe)</li> </ul>
<b>Income Limits</b>	<p>Apply <a href="#">VHDA Standard Household Income Limits</a>.</p> <p>Include all income of all borrowers and non-borrowers taking title.</p> <p>See <a href="#">Origination Guide</a> for more information on how to calculate household income, what income types must be included, and what may be excluded.</p>
<b>Sales Price / Acquisition Cost Limits</b>	<p>Apply <a href="#">VHDA Sales Price / Loan Limits</a>. The limit is the highest of the gross loan amount (first and second combined), sales price, and acquisition cost. See <a href="#">Origination Guide</a> for more information on how to determine acquisition cost.</p>



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## Program Guidelines

<b>Maximum Loan Amount</b>	<p>No maximum dollar loan amount for Plus Second Mortgage; however must follow the LTV/CLTV requirements, <b>and</b></p> <ul style="list-style-type: none"> <li>• The gross loan amount of the first mortgage (including any financed mortgage insurance premium, funding fee, or guaranty fee, <u>when applicable</u>) <b>and</b> Plus Second Mortgage combined cannot exceed the <a href="#">VHDA Sales Price / Loan Limits</a>.</li> <li>• Follow first mortgage requirements for Maximum Loan Amount on the first mortgage (if more restrictive than the VHDA Sales Price / Loan Limits).</li> </ul>
<b>Eligible Purpose</b>	<p>Primary Residence Purchase (no refinances).</p>
<b>VHDA Single Family Loan and Mortgage Credit Certificate Program Disclosure and Borrower Affidavit (Exhibit E2)</b>	<p>Required.</p> <p>Must be executed by all borrowers and non-borrowers taking title.</p> <p>Income from all borrowers and non-borrowers taking title must be included on page 4 of the Exhibit E2.</p>
<b>VHDA Seller Affidavit and Acknowledgment (Exhibit F)</b>	<p>Required.</p>
<b>VHDA Originating Lenders Submission Cover Letter (Exhibit O)</b>	<p>Required.</p>
<b>Homebuyer Education</b>	<p>Required for all First-Time Homebuyers.</p> <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>
<b>Tax Transcripts</b>	<p><b>FHA first mortgage:</b></p> <ul style="list-style-type: none"> <li>• Not required.</li> </ul> <p><b>Fannie Mae Reduced MI and No MI first mortgage:</b></p> <ul style="list-style-type: none"> <li>• Tax transcripts are required for all borrowers and is dependent on qualifying income types and number of years required per DU (i.e. W2 transcripts, 1099 transcripts, etc.) in addition to an executed 4506-T.</li> </ul>
<b>Tax Returns</b>	<p>Federal tax returns are <u>no longer required</u> 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>



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## Program Guidelines

<p><b>Business Use of Home</b></p>	<p>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>Cannot exceed 50% of sales price (See <a href="#">Origination Guide</a> for more information).</p>
<p><b>Automated Underwriting System (AUS) / Manual Underwrites</b></p>	<p>Plus Second Mortgage must be entered in AUS for the first mortgage as a lien in “Subordinate Financing” – It cannot be entered as “Gift” or “Other” in Details of Transaction.</p> <p><b>FHA first mortgage:</b></p> <ul style="list-style-type: none"> <li>• Desktop Underwriter Approve Eligible or Loan Prospector Accept Eligible used for the FHA first mortgage.</li> <li>• DU or LP decisions of Ineligible and Expanded Approval are not acceptable.</li> <li>• DU or LP decision of Refer may be manually underwritten as long as the loan meets the more restrictive of VHDA requirements and FHA manual underwrite requirements in conjunction with the Plus Second Mortgage.</li> <li>• Manual Underwrite as a result of no credit score is acceptable.             <ul style="list-style-type: none"> <li>• Must meet FHA Non-Traditional credit requirements and all other FHA manual underwrite requirements.</li> </ul> </li> <li>• For manually underwritten loans, lender assumes full responsibility for compliance with FHA requirements.</li> </ul> <p><b>Fannie Mae Reduced MI and No MI first mortgage:</b></p> <ul style="list-style-type: none"> <li>• Desktop Underwriter Approve Eligible only used for the Fannie Mae first mortgage / <u>No Manual Underwrites</u>.</li> <li>• Community Lending Program for first mortgage in DU must be “HFA Preferred” for Fannie Mae Reduced MI / “HFA Preferred Risk Sharing” for Fannie Mae No MI.             <ul style="list-style-type: none"> <li>• Community Seconds Repayment Structure is any payment required within the first 5 years.</li> </ul> </li> </ul>



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## Program Guidelines

<p><b>Minimum Credit Score</b></p>	<table border="1" data-bbox="610 415 1393 724"> <thead> <tr> <th>Maximum Second Mortgage LTV:</th> <th>First Mortgage:</th> <th>Required Credit Score:</th> </tr> </thead> <tbody> <tr> <td>3.5%</td> <td>FHA</td> <td>620</td> </tr> <tr> <td rowspan="2">3%</td> <td>Fannie Mae Reduced MI</td> <td>640</td> </tr> <tr> <td>Fannie Mae No MI</td> <td>660</td> </tr> <tr> <td>5%</td> <td>FHA</td> <td rowspan="3">680</td> </tr> <tr> <td rowspan="2">4.5%</td> <td>Fannie Mae Reduced MI</td> </tr> <tr> <td>Fannie Mae No MI</td> </tr> </tbody> </table> <p>Lowest of 2 / Middle of 3 scores of all borrowers.</p> <p><b>FHA first mortgage:</b></p> <ul style="list-style-type: none"> <li>All borrowers must have a minimum 680 credit score to obtain 5% LTV on the Plus Second Mortgage. If any or all borrowers do not have a credit score then the maximum LTV for the Plus Second Mortgage is 3.5%.</li> </ul> <p><b>Fannie Mae Reduced MI and No MI first mortgage:</b></p> <ul style="list-style-type: none"> <li>If at least one borrower has no credit score and the other borrower has a credit score (minimum 640 Reduced MI / 660 No MI), this is acceptable as long as all Fannie Mae requirements are met and DU decision is Approve/Eligible. Maximum LTV for the Plus Second Mortgage is 3%.</li> <li>All borrowers must have a minimum 680 credit score to obtain 4.5% LTV on the Plus Second Mortgage.</li> <li>If no borrower(s) has a credit score the Plus Second Mortgage is not allowed.</li> </ul>	Maximum Second Mortgage LTV:	First Mortgage:	Required Credit Score:	3.5%	FHA	620	3%	Fannie Mae Reduced MI	640	Fannie Mae No MI	660	5%	FHA	680	4.5%	Fannie Mae Reduced MI	Fannie Mae No MI
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<p><b>Maximum DTI</b></p>	<p>Follow first mortgage requirements.</p>																	
<p><b>Foreclosures / Deed in Lieu / Short Sales</b></p>	<ul style="list-style-type: none"> <li><b>No less than 5 years from date of title transfer to application date.</b></li> <li>No significant derogatory credit since the event (bankruptcy/judgments).</li> <li>No lates/collections last 3 years.</li> <li>Follow first mortgage waiting period requirements if more restrictive than 5 years.</li> </ul>																	
<p><b>Minimum Borrower Contribution</b></p>	<p>Follow first mortgage requirements <b>and</b> see below – “Acceptable Funds to Close”.</p>																	
<p><b>Other Down Payment Assistance</b></p>	<p>The VHDA Plus Second Mortgage may be used with other acceptable <b>non-VHDA</b> down payment assistance in accordance with the first mortgage requirements. It cannot be used with the DPA Grant <b>or</b> the CCA Grant. The minimum LTV on the first mortgage is <b>90%</b>.</p> <p><a href="#">Exhibit LL</a> is <b>not</b> required for the Plus Second Mortgage however it is required for any other subordinate lien except FHLB.</p>																	



# VHDA Plus Second Mortgage

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## Program Guidelines

<p><b>Reserves / Acceptable Funds to Close</b></p> <p><i>*Minimum 1%*</i></p>	<ul style="list-style-type: none"> <li>• The borrower must have a minimum of 1% of the Sales Price documented and available to be used towards closing costs / pre-paid items or to be held as reserves (or combination of the two). Acceptable sources and documentation to meet the 1% requirement must meet the applicable Agency/Insurer requirements. Acceptable sources include, but are not limited to:             <ul style="list-style-type: none"> <li>• Depository assets (checking/savings)</li> <li>• Earnest Money Deposit (EMD) and any fees paid outside of closing (POCs) – fully sourced and documented.</li> <li>• Gifts</li> <li>• The amount vested in a retirement account or 401k loan</li> </ul> </li> <li>• Follow first mortgage requirements for funds to close.</li> <li>• No cash back at closing except verified funds (EMD or POC items) – if the Closing Disclosure indicates the borrower will receive funds back at closing in excess of their EMD and POC then the second mortgage must be reduced.             <ul style="list-style-type: none"> <li>• This will require a revised Plus Second Awards letter as well as revision to loan disbursement.</li> </ul> </li> </ul>
<p><b>Property</b></p>	<ul style="list-style-type: none"> <li>• Property must be located in Virginia, must meet first mortgage requirements, <b>and</b></li> <li>• 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.</li> </ul>
<p><b>Unfinished Area</b></p>	<p>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> and <a href="#">Exhibit F</a> (Examples: Unfinished basement, lower level of a tri-level, etc.). 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>If the first mortgage is FHA: Financing repairs through FHA's EEM (Energy Efficient Mortgage) or HUD REO with Repair Escrow is not acceptable.</p>



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## Procedures

<p><b>Lock-In</b></p>	<p>Loans locked on VHDA's LOS – <a href="#">Mortgage Cadence</a>. First and Second mortgage <b>must</b> be locked separately.</p> <p>Select appropriate FHA or Fannie Mae program (there is not a separate first mortgage program code when used in conjunction with the Plus Second Mortgage); then select <b>PLUS_2nd_MTG</b> for the second mortgage.</p> <p>When locking the first mortgage loan in Mortgage Cadence, user will indicate <b>YES</b> for "Will there be a VHDA Plus 2nd Mortgage?" <b>and</b> input the dollar amount for the Plus Second Mortgage under the Subordinate Financing tab in the Products and Pricing Wizard. The price will adjust automatically. The Plus Second Mortgage will need to be created and locked after the first mortgage by creating a Piggyback loan. Follow the detailed steps outlined in the <a href="#">Mortgage Cadence User Guides</a> available on VHDA's website for registering and locking loans.</p>
<p><b>Rate Adjustments</b></p>	<p><b>Automatic Rate Adjustments:</b></p> <ul style="list-style-type: none"> <li>• <b>FHA first mortgage:</b> 0.25% will be added to the available interest rates. The Plus Second Mortgage rates will mirror the first mortgage rates including the adjustment.</li> <li>• <b>Fannie Mae first mortgage:</b> 0.125% will be added to the available interest rates. The Plus Second Mortgage rates will mirror the first mortgage rates including the adjustment.</li> </ul>
<p><b>Origination</b></p>	<p>Loan originated in accordance with program guidelines and first mortgage guidelines. A separate Loan Estimate is required for the Plus Second Mortgage.</p>
<p><b>Underwriting</b></p>	<p>Loans underwritten in accordance with program guidelines and first mortgage guidelines.</p> <p>Underwriters must confirm Plus Second Mortgage is locked in Mortgage Cadence.</p> <p>Non-Delegated lenders must use the <a href="#">Underwriting Submission Checklist</a>.</p> <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> <p>*The Delegated Underwriting Submission process must be completed on the first mortgage and second mortgage with the <b>exception</b> of the reimporting feature on the Plus Second Mortgage. The Awards Letter and Letter of Obligation are housed in the Plus Second Mortgage after the delegated confirmation utility is run.</p>
<p><b>Special Documentation</b></p>	<ul style="list-style-type: none"> <li>• Plus Second Awards Letter.</li> <li>• Plus Second Letter of Obligation.</li> </ul> <p>These documents are sent to the lender with the Plus Second Mortgage Approval (Non-Delegated) or with the Plus Second Mortgage Delegated Approval Confirmation. The Plus Second Awards Letter must be signed by the borrower(s) at closing.</p>



# VHDA Plus Second Mortgage

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## Procedures

<p><b>Closing</b></p>	<p>Loans closed in accordance with first mortgage guidelines.</p> <p>Like the first mortgage, the Plus Second Mortgage must be closed in the name of the lender, registered in MERS with MERS compliant documents.</p> <p>A separate Loan Closing Disclosure is required for the Plus Second Mortgage.</p> <p>Virginia Conventional Second Note and Deed of Trust documents compliant with Virginia Code Section 55-58.3 (D) are acceptable.</p>
<p><b>Documents</b></p>	<p>Follow first mortgage requirements and include a 1003, Loan Estimate, and Closing Disclosure for the Plus Second Mortgage.</p> <p>Use Virginia Conventional Second Note and Deed of Trust documents compliant with Virginia Code Section 55-58.3 (D). The Deed of Trust must contain the following language at the top of the first page in bold or capitalized letters and be MERS compliant: <b>“THIS DEED OF TRUST SHALL NOT, WITHOUT THE CONSENT OF THE SECURED PARTY HEREUNDER, BE SUBORDINATED UPON THE REFINANCING OF ANY PRIOR MORTGAGE.”</b></p> <p>*FHA requires an Employee Identification Number (EIN) for the Plus Second Mortgage on the Transmittal (92900-LT). VHDA’s EIN is 0540921892.</p>
<p><b>Funding</b></p>	<p>Like the first mortgage, the Originating lender will fund the Plus Second Mortgage at closing.</p>
<p><b>Delivery</b></p>	<p>Loans submitted to VHDA within 10 calendar days of closing.</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 separately to the first and second mortgages. Use the <a href="#">VHDA Loan Stacking Form</a> for the first mortgage and <a href="#">VHDA Plus Loan Stacking Form</a> for the second mortgage.</p>
<p><b>Post-Closing</b></p>	<p>Standard post-closing documents for the Plus Second Mortgage must be submitted to VHDA.</p>
<p><b>Important:</b> Refer to the <a href="#">Origination Guide</a> for more information about VHDA eligibility requirements.</p>	

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.

