

## Product Guidelines

### VA STANDARD and HIGH BALANCE PROGRAM

PROGRAM CODES: V30F, V25F, V20F, V15F, H30FVA, H25FVA, H20FVA, H15FVA

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PURCHASE			
Maximum LTV/CLTV*	Min FICO	Max Ratios	Mortgage/Rental History
100% Excluding VA Funding Fee	500	Per AUS**	AUS Accept: Per AUS Manual Underwrite: 24-month VOR/VOM with 0x30 last 12 months

\* Regardless of the LTV, the Veteran must have sufficient entitlement to guaranty the loan. Refer to the [Required Guaranty](#) section below.

\*\* Refer to Debt Ratio topic below for information/requirements on DTI > 50% and compensating factors.

CASH OUT REFINANCE			
Maximum LTV/CLTV*	Min FICO	Max Ratios	Mortgage/Rental History
90% Including VA Funding Fee	500	Per AUS**	AUS Accept: Per AUS Manual Underwrite: 24-month VOR/VOM with 0x30 last 12 months
100%*** Including VA Funding Fee	641	Per AUS**	AUS Accept: Per AUS Manual Underwrite: 24-month VOR/VOM with 0x30 last 12 months

\* Regardless of the LTV, the Veteran must have sufficient entitlement to guaranty the loan. Refer to the [Required Guaranty](#) section below.

\*\* Refer to Debt Ratio topic below for additional information/requirements on DTI > 50% and compensating factors.

\*\*\* High LTV Option 90.01-100%: Conforming loan amounts only (high balance not permitted), 30 year term only

### Underwriting Guidelines Requirements

#### MAXIMUM LOAN AMOUNTS

Number of Units	Conforming Loan Amounts		High Balance Loan Amounts	
	Continental U.S.	Alaska and Hawaii	Continental U.S.	Alaska and Hawaii
1	\$726,200	\$1,089,300	\$1,089,300	Not Applicable – Alaska and Hawaii do not have any high cost areas in 2023
2	\$929,850	\$1,394,775	\$1,394,775	
3	\$1,123,900	\$1,685,850	\$1,685,850	
4	\$1,396,800	\$2,095,200	\$2,095,200	
Maximum Loan Amt (Base)	Maximum base loan amount does not include the financed funding fee. If the veteran does not have full entitlement a down payment may be required and the LTV reduced accordingly. Refer to the <a href="#">Required Guaranty</a> section below. Cash Out Refinance LTVs exceeding 90% are limited to conforming loan amounts only (high balance not permitted).			

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#### VA FUNDING FEE TABLE

Applies unless Veteran is Exempt

##### Purchase Transactions

The VA funding fee is calculated on the veteran's portion of the loan. Reduced funding fee rates apply to loans made to purchase a dwelling with a down payment of five percent or more of the purchase price. If a reduced funding fee percentage is required as a result of a down payment, the veteran benefits from this reduction as the funding fee will be calculated on his/her portion of the loan. Down payment must be made in liquid funds. Borrowed funds are not an acceptable down payment to reduce the funding fee.

Type of Veteran	Down Payment <sup>1</sup>	Percentage For First Time Use	Percentage For Subsequent Use <sup>2</sup>
Active Duty Veteran	Less than 5%	2.30%	3.60%
	5% or more (up to 10%)	1.65%	1.65%
	10% or more	1.40%	1.40%
Reservist	Less than 5%	2.30%	3.60%
	5% or more (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%

1. Does not include down payment from gift of equity or equity earned from lease-to-purchase transaction

2. 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

##### Cash-Out Refinance Transactions

Reduced funding fee rates do not apply to refinance loans.

Type of Veteran/Military Status	Percentage for First-Time Use	Percentage for Subsequent Use
Active Duty Veteran	2.30%	3.60%*
Reservist	2.30%	3.60%*
Disabled Veteran (Service-connected disability)	0.00%	0.00%

\* 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

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#### COLLATERAL

Eligible Collateral	Owner Occupied Only. 1-4 Units. PUD's, Condos, Manufactured Homes (minimum double-wide) permanently affixed to the foundation, built on or after June 15, 1976, and meet VA requirements, Modular Homes
Ineligible Collateral	Mobile homes, single-wide manufactured homes, State-approved medical marijuana producing properties, co-ops, Condo Hotels, energy efficient mortgages, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, properties with sink holes, properties serviced by hauled water, properties with cisterns, properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water), properties in Hawaii with water catchment systems, Hawaiian properties in Lava Zones 1 and 2, and Department of Hawaiian Home Lands (DHHL), loans are ineligible.
Condos	Must be VA-approved condominium complex and meet all requirements.
Recent MLS Activity/ Properties Listed For Sale	Property cannot be listed for sale at time of application. Underwriter to validate MLS cancellation prior to loan application date. Borrower to provide letter of explanation for all MLS activity within 6 months of application date and provide letter confirming intent to retain property as primary residence.
Appraisal Requirements	VA Approved/VA Fee panel appraisers. Appraisal expiration is established on Notice of Value (NOV).
Assisted Appraisal Processing Program	Permitted. A VA appraiser may rely on information provided by an assisting appraiser who is licensed and knowledgeable of all VA requirements and minimum property standards. The VA appraiser must sign the report as the Supervisory Appraiser and are ultimately responsible for the appraisal. AAPP may not be utilized for the following: new construction, sales price > \$1,000,000, complex assignments, or Tidewater (value is less than the sales price). See guidelines.
Limitations on other R.E. Owned	None
Multiple Tax Parcels / Tracts / Lots with One Legal Description	On a case by case basis, CMS can allow for adjacent tax parcels/tracts/lots under one legal description. Parcels/tracts/lots that have a significant divide (like a river or road) or structures on each parcel/tract/lot would not be eligible.

#### TYPES OF FINANCING

Purchase Transactions	Permitted. Refer to LTV matrix above
Down Payment Assistance	Down Payment Assistance is permitted. Requests to review Down Payment Assistance Programs for use with CMS agency first mortgage programs may be submitted to <a href="mailto:DPAPrograms@Carringtonms.com">DPAPrograms@Carringtonms.com</a> .  All requests must include a completed <a href="#">Down Payment Assistance New Program Request Submission Form</a> along with the required exhibits.

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#### TYPES OF FINANCING, continued

<p>Cash-Out Refinance / Seasoning</p>	<p>Free and clear properties are not permitted. There must be an existing lien on the subject property to pay off. GNMA requires 6 months payment seasoning on the loan being refinanced and 210 Days must have elapsed between the first payment due date of the original loan being refinanced and the note date of the new loan. Must be secured by an existing first lien. For Texas refinance requirements refer to the General Section below. No maximum cash out up to 90% LTV. LOE required stating purpose of cash out.</p> <p>If a loan has been modified: seasoning is based on the loan as modified, and not the original loan. For example: if the original loan closed 02/17/2018 and a modification was completed 11/05/2019, the loan cannot be refinanced as an IRRRL until the 11/05/2019 modification has been seasoned.</p>
<p>Cash Out Refinance Transactions Effective for loan applications taken 2/15/19 and after</p>	<p>VA defines two types of cash out refinancing transactions:</p> <ul style="list-style-type: none"> <li>• Type I Cash Out Refinance: A refinance in which the loan amount (including the Funding Fee) does not exceed the payoff amount of the loan being refinanced</li> <li>• Type II Cash Out Refinance: A refinance in which the loan amount (including the Funding Fee) exceeds the payoff amount of the loan being refinanced</li> </ul>
<p>LTV Limitation</p>	<p>For Type I and Type II Cash Out Refinance Transactions, VA will not guaranty refinance loan transactions when the LTV exceeds 100 percent including the Funding Fee. LTVs exceeding 90% are limited to conforming loan amounts (high balance not permitted), 30 year term, minimum FICO 641.</p>
<p>Loan Comparison Statement</p>	<p>For Type I and Type II Cash Out Refinance Transactions, the Veteran must be provided with a Comparison of Loan Characteristics and Net Tangible Benefit disclosure. The Veteran must sign and acknowledge receipt of the form.</p> <ul style="list-style-type: none"> <li>• no later than the third business day after receiving the Veteran's loan application, and</li> <li>• again at loan closing</li> </ul>
<p>Net Tangible Benefit</p>	<p>For Type I and Type II Cash Out Refinance Transactions, the loan must meet one of the following Net Tangible Benefits:</p> <ul style="list-style-type: none"> <li>• The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance</li> <li>• The term of the new loan is shorter than the remaining term of the loan being refinanced</li> <li>• The interest rate on the new loan is lower than the interest rate on the loan being refinanced</li> <li>• The payment (P&amp;I) on the new loan is lower than the payment (P&amp;I) on the loan being refinanced</li> <li>• The new loan results in an increase in the borrower's monthly residual income</li> <li>• The new loan refinances an interim loan to construct, alter, or repair the home</li> <li>• The new loan amount is equal to or less than 90 percent of the reasonable value of the home</li> <li>• The new loan refinances an adjustable rate loan to a fixed rate loan</li> </ul> <p>Refer to the CMS VA Underwriting Guidelines for additional NTB requirements.</p>

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#### TYPES OF FINANCING, continued

<p>Cash Out Refinance Transactions Effective for loan applications taken 2/15/19 and after (continued) Additional Restrictions for VA-to-VA Type I Refinances</p>	<p><b>Fee Recoupment:</b> For Type I Cash Out Refinance Transactions made to refinance an existing VA loan, all fees, expenses, and closing costs included in the loan amount and paid outside of closing must be recouped through lower principal and interest (P&amp;I) payments within 36 months from the date of closing.</p> <p><b>Interest Rate Reduction Requirements:</b> For Type I Cash Out Refinance Transactions made to refinance a current fixed-rate VA-guaranteed home loan, the new interest rate must be at least 0.5 percent (50 basis points) lower than interest rate on the loan being refinanced.</p>
<h4>CREDIT</h4>	
<p>Non-Traditional Credit</p>	<p>Borrowers who have no established credit references may be eligible using non-traditional credit references. A minimum of 3 credit references each rated for 12 months is required. There can be no housing lates and maximum 1x30 day late payment with the other credit references in the previous 12 months. There can be no major adverse or public records filed in the last 12 months. All loans with non-traditional credit require a manual underwrite, maximum financing is allowed. Follow standard VA guidelines as outlined in the VA Lender's Handbook.</p>
<p>CAIVRS</p>	<p>CAIVR clearance must be obtained for all borrowers on the transaction.</p>
<p>Social Security Numbers</p>	<p>Required for ALL borrowers</p>
<p>Collections/Charge Offs</p>	<p>Collection accounts must be considered part of the borrower's overall credit history and unpaid collection accounts are considered open, recent credit. Borrowers with a history of collection accounts should have re-established satisfactory credit in order to be considered a satisfactory credit risk.</p> <p>If the collection account is listed on the credit report with a minimum payment, qualify at the minimum payment amount or provide verification that the collection is not in repayment (e.g., credit supplement to show "Not in repayment" or \$0/mth payment)</p> <p>Manually underwritten loans:</p> <ul style="list-style-type: none"> <li>• Medical collections &gt; \$10,000 may be required to be paid prior to or at closing.</li> <li>• Non-medical collections &gt; \$7500 may be required to be paid prior to or at closing.</li> <li>• Manually underwritten loans with non-medical collections &gt; \$7500 and DTI &gt; 41% require a minimum of 2 compensating factors.</li> </ul>
<p>Re-established Credit</p>	<p>In circumstances not involving bankruptcy, satisfactory credit is generally considered to be reestablished after the veteran, or veteran and spouse, have made satisfactory payments for 12 months after the date the last derogatory credit item was satisfied. For example, assume a credit report reveals several unpaid collections, including some which have been outstanding for many years. Once the borrower has satisfied the obligations, and then makes timely payments on subsequent obligations for at least 12 months, satisfactory credit is reestablished.</p>

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#### CREDIT, continued

Bankruptcy	Ch. 7 discharged for 24 mos. Discharged Ch. 13 requires 12 months satisfactory pay history and court permission to enter into transaction.
Judgments / Liens	All outstanding judgments and liens must be paid prior to or at closing. Includes judgments and tax liens of non-purchasing spouse.
Foreclosure	Must be > 2 years from date of trustee's deed. Documentation is required, credit report is unacceptable. (CAIVRS-if applicable). If property was surrendered in bankruptcy, use the earlier of the BK discharge or trustee's deed date to start the seasoning.
Deed-in-Lieu / Short Sales	If the borrower's payment history on the property was not affected before the short sale or deed in lieu and was voluntarily communicating with the servicer or holder, then a waiting period from the date transfer of the property may not be necessary.
Consumer Credit Counseling Services (CCCS)	Accounts included in a Consumer Credit Counseling Services (CCCS) plan that will remain open after closing require 12 months satisfactory payments under the plan and counseling agency to approve the new mortgage loan. Accounts that are no longer included in CCCS because they are paid in full prior to or at closing are not subject to these requirements.
Late Payments	VA Credit Standards apply
FICO	Minimum FICO 500.
Minimum Payment	5% of outstanding balance for revolving accounts if no payment is indicated
Minimum Tradelines	AUS - no specific requirement. However, must meet the minimum FICO requirement and receive AUS approval. Manual Underwrite - refer to non-traditional credit and insufficient credit sections for requirements. Authorized tradelines are not acceptable for establishing a credit history and may invalidate the FICO score.
Mortgage / Rental History	AUS - Mortgages must be rated for 24 months. Rental history rating is not required. Mortgage/Rental Delinquencies: Downgrade required if housing delinquency exceeds 1x30 in the previous 12 months. Manual underwriting - Mortgage and rental payments must be rated for 24 months. Max 0x30 last 12 months; housing lates in months 13-24 require thorough explanation by the borrower(s) to address why the lates occurred and what has changed to prevent recurrence. Explanations must be consistent with documentation in the loan file.
Non-Purchasing Spouse	Credit report required in community property states. Debts must be added to DTI Ratio and the Veteran's capacity to address unpaid collections and judgments considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property.
Community Property States	The following states are known community property states: AZ, CA, ID, LA, NV, NM, TX, WA, and WI

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### INCOME/ASSETS

#### 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	\$1004
Above 5	Add \$75 for each additional member up to a family of seven			

#### Loan Amounts \$80,000 and above

Family Size	Northeast	Midwest	South	West
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			

**\*States are broken down by Region. Check with Underwriting for breakdown**

**Residual Income Requirements**

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INCOME/ASSETS, continued	
Debt Ratio	<p>Loans with AUS Approve/Eligible - follow AUS Findings for DTI &lt;= 50%. DTI &gt; 50% requires a minimum of 2 compensating factors regardless of AUS findings.</p> <p>Manually underwritten loans - max DTI is 41%. The DTI may exceed 41% with compensating factors. Manually underwritten loans with DTI &gt; 50% require a minimum of 3 compensating factors and UW Manager second sign.</p> <p>All loans must meet the residual income requirements regardless of DTI or AUS approval. Debt Ratios exceeding 41% must meet 120% of the residual income guideline.</p> <p>Refer to CMS Lending Guide for a list of VA acceptable compensating factors.</p>
Non-Taxable Income	<p>Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement income may be grossed up 125%. Allowances for BAS/BAH and VA Disability income verified through a Certificate of Eligibility (COE) may be grossed up without tax returns. Any other income, which could be subject to taxation, should be validated with tax returns from the borrower prior to grossing up.</p>
Income	<p>Residual income requirements apply and vary by region/loan amount/property type. See above matrix.</p>
Assets	<p>Must have sufficient assets to close. Non-liquid accounts may not be used as an asset for cash to close or reserves. Liquidated funds from non-liquid accounts can be used if liquidation and deposit into a demand deposit account are documented. Large deposits and/or deposits that are excessive for borrower's history need to be sourced and seasoned.</p>
Debt Payoff / Paydown to Qualify	<p>Accounts are not required to be closed. Payoff of revolving debt is allowed if paid in full prior to or at closing. Payoff &amp; zero balance must be documented directly from credit or be paid on the Closing Disclosure (CD).</p>
Documentation/4506-C	<p>Full income documentation loans only. A final IRS Form 4506-C will be signed with the closing documents.</p>
Minimum Reserves	<p>Reserves are generally not required unless the veteran is qualifying with rental income. Rental income from a 2-4 unit subject property = 6 months PITI reserves required. Rental income from other REO = 3 months PITI reserves required of each REO property. If the veteran qualifies with the full PITI payments, no reserves are required.</p>
Gifts	<p>Acceptable. Gift of Equity is not permitted. Gift funds may not be used as reserves.</p>



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INCOME/ASSETS, continued	
Non-Occupant Co-Borrower	Not permitted
Buyer Contribution	No minimum investment required for veterans with full entitlement. For veterans with partial entitlement, refer to Required Guaranty.
Seller Contribution	<p>Seller can pay 100% of discount points and borrowers 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 and funding fee. Maximum seller concession is 4%. Seller concessions include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• payment of the buyer's VA funding fee</li> <li>• prepayment of the buyer's property taxes and insurance</li> <li>• gifts such as a television set or microwave oven</li> <li>• payment of extra points to provide permanent interest rate buy-downs</li> <li>• provision of escrowed funds to provide temporary interest rate buy-downs, and</li> <li>• payoff of credit balances or judgments on behalf of the buyer.</li> </ul> <p>Seller concessions do not include payment of the buyer's closing costs, or payment of points as appropriate to the market.</p>
GENERAL	
Required Guaranty	<p>A 25% guaranty is required. For purchase transactions, combined entitlement and down payment must total 25% of the lesser of the purchase price or appraised value. For refinance transactions, combined entitlement and equity must total 25% of the appraised value.</p> <ul style="list-style-type: none"> <li>• For loan amounts up to \$144,000, only the first \$36,000 of basic entitlement may be used to guaranty the loan. If the veteran has no basic entitlement available, a VA loan is not possible. If the veteran has partial basic entitlement available, down payment or equity may be required to obtain a 25% guaranty.</li> <li>• For loan amounts in excess of \$144,000: <ul style="list-style-type: none"> <li>○ Veterans with full entitlement: VA will guaranty 25% of the purchase or cash out refinance loan regardless of the Conforming Loan Limit for the subject's county. Down payment or equity is not required, however CMS maximum loan amount and LTV limits must be met.</li> <li>○ Veterans with partial entitlement: VA will guaranty 25% of the lesser of the loan amount or <b>1-unit</b> Conforming Loan Limit for the subject's county less used entitlement. Down payment or equity may be required to obtain a 25% guaranty.</li> </ul> </li> </ul>

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#### GENERAL, continued

Superior VA Lien	VA regulations require that every VA loan be secured by a first lien on the property except under circumstances. (38 CFR 36.4351 and 38 CFR 36.4352)
Underwriting	Underwritten by a VA Automatic & LAPP approved underwriter. AUS approval may follow documentation requirements. Manually underwritten loans follow standard VA documentation requirements. If loan requires VA prior approval, additional underwriting turnaround time is required.
VA Prior Approval Required	The following require VA Prior Approval: <ul style="list-style-type: none"> <li>• Veterans in receipt of VA non-service related pension.</li> <li>• Joint loans to two or more unmarried co-borrowers where at least one borrower will not be using entitlement (by exception only – management to review for required equity).</li> </ul>
Borrower Eligibility	Eligibility is determined by VA and documented on the Certificate of Eligibility. The Certificate of Eligibility must be dated within 90 days of closing. An un-remarried surviving spouse of a veteran should use VA form 26-1817 <i>“Request for Determination of Loan Guaranty Eligibility – Unmarried Surviving Spouses”</i> to apply for their Certificate of Eligibility with VA. The Certificate of Eligibility must reflect sufficient available entitlement to meet the minimum 25% guaranty, or equity may be required. Any veteran using entitlement must occupy the subject property.
Manual Underwrite	Loans receiving an AUS Refer and borrowers with no established traditional credit or insufficient credit may be eligible for a manual underwrite.
Loan Terms Available	Purchase up to 100% LTV and Cash Out Refinance up to 90% LTV: 30, 25, 20, and 15 Year Fixed Cash Out Refinance exceeding 90% LTV: 30 Year Fixed
Qualifying Fixed Products	Qualify at Note Rate
Co-Borrowers	Must be the veteran's spouse or a second veteran with a certificate of eligibility. Any co-borrower must occupy the subject property.
Assumptions	Permitted
Escrow waivers	All States excluding DC: Not permitted DC loans: Property tax and/or insurance escrows may be waived if the LTV is 80% or lower.
Prepayment Penalty	Not permitted
Buydowns	Not permitted

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#### GENERAL, continued

<p>VA Exemption – County Property Taxes</p>	<p>Disabled veterans may be exempt from county property taxes. CMS requires the following to document the disabled veteran borrower's exemption:</p> <ul style="list-style-type: none"> <li>• Proof of 100% Disability from VA</li> <li>• Copy of the completed <i>County Application for Property Tax Exemption</i> <ul style="list-style-type: none"> <li>○ If the Application is required to be notarized, an unsigned copy must be obtained and conditioned to be signed at closing</li> </ul> </li> <li>• A signed <i>Letter of Explanation</i> from the veteran borrower advising they are solely responsible for the payment of property taxes owed for the prior owner</li> </ul>
<p>Michigan Water Contamination</p>	<p>Genesee County - When an appraisal is ordered, the following will apply: Proper mitigation of lead contaminated water must include a central filtering system which filters all water that could come in contact with the property's occupants. The central filtration system must be acceptable to the local health authority and when properly maintained, provide safe, potable water. Veterans and their families are encouraged to follow the manufacturer's guidelines for the maintenance, inspection, and repair of the filtering system.</p> <ol style="list-style-type: none"> <li>a. Appraisers must comment and adjust for any market reaction discovered as a result of the water contamination, as well as any environmental stigma that may be attached to these properties, as appropriate. Appraisers must note if the subject property is connected to the Flint, Michigan water district and whether a filtration system is present. If an appraiser indicates that a property does not meet the MPRs, it must be repaired.</li> <li>b. Lenders will condition the Notice of Value (NOV) on all properties that are connected to the Flint, Michigan water district for Water System Acceptability (item 5a), and if the filtration system is called out for repair (item 10). Certification of the filter system must be completed by a licensed plumber or local government building/utility inspector. Evidence that the water is safe and potable must be provided prior to loan guaranty.</li> <li>c. The lender will also require an acknowledgement stating that the Veteran is aware the municipal water system is contaminated with lead and that the home contains a central water filtration system. In order for this to be effective, the system must be inspected and maintained to include filter replacements per the manufacturers' recommendations.</li> <li>d. VA liquidation appraisals will still be conditioned ""As Is"" and any MPR items should be noted in the report.</li> </ol>
<p>Texas Refinance Transactions</p>	<p>Refinance transactions are permitted in Texas as long as there is no prior TX A6 transaction (no cash out ever) to the borrower. No cash back to borrower, no payoff of consumer debt, limited to existing indebtedness on first lien and purchase money second, may receive \$0 funds, any excess funds must be applied as a principal reduction.</p>