



# VA Renovation Program Guidelines

## Correspondent

Revised 8/13/2019 rev. 106

<b>Summary</b>	The VA Renovation Program allows borrowers to finance the purchase or refinance of a home and the cost of its rehabilitation through a single mortgage.																																																																																
<b>Products</b>	<table border="1" data-bbox="553 443 1386 646"> <thead> <tr> <th data-bbox="553 443 1125 470">Product Name</th> <th data-bbox="1125 443 1386 470">Product Code</th> </tr> </thead> <tbody> <tr> <td data-bbox="553 470 1125 497">VA Renovation 15 Year Fixed</td> <td data-bbox="1125 470 1386 497">VA150A</td> </tr> <tr> <td data-bbox="553 497 1125 525">VA Renovation 20 Year Fixed</td> <td data-bbox="1125 497 1386 525">VA200A</td> </tr> <tr> <td data-bbox="553 525 1125 552">VA Renovation 25 Year Fixed</td> <td data-bbox="1125 525 1386 552">VA250A</td> </tr> <tr> <td data-bbox="553 552 1125 579">VA Renovation 30 Year Fixed</td> <td data-bbox="1125 552 1386 579">VA300A</td> </tr> <tr> <td data-bbox="553 579 1125 606">VA Renovation 5/1 Treasury ARM</td> <td data-bbox="1125 579 1386 606">VA51TA</td> </tr> <tr> <td data-bbox="553 606 1125 646">VA Renovation Jumbo 30 Year Fixed</td> <td data-bbox="1125 606 1386 646">VAJUMBO30A</td> </tr> </tbody> </table>							Product Name	Product Code	VA Renovation 15 Year Fixed	VA150A	VA Renovation 20 Year Fixed	VA200A	VA Renovation 25 Year Fixed	VA250A	VA Renovation 30 Year Fixed	VA300A	VA Renovation 5/1 Treasury ARM	VA51TA	VA Renovation Jumbo 30 Year Fixed	VAJUMBO30A																																																												
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<b>4506-T / Tax Transcripts</b>	<ul style="list-style-type: none"> <li data-bbox="435 1362 1520 1419">• A signed 4506-T for all years in which income was used in the underwriting decision are required</li> <li data-bbox="435 1419 1520 1478">• Refer to Plaza's <a href="#">Delegated Correspondent Credit Overlay Matrix</a> for tax transcript requirements</li> </ul>																																																																																
<b>Appraisal</b>	<p data-bbox="435 1478 1520 1535">All full VA Appraisal and Notice of Value (NOV) is required on all loans. The appraisal should be completed considering the as-completed value.</p> <p data-bbox="435 1556 662 1583"><b>Bid / Cost Estimate:</b></p> <p data-bbox="435 1583 1520 1669">A finalized copy of the bid/cost estimate must be included with the appraisal. Specifications for materials to be used in projects must be provided to the appraiser for consideration in the preparation of the appraisal report. If renovations require permits and local authority inspection and/or require</p>																																																																																

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	<p>building plans, these exhibits along with any materials specifications must be provided to the appraiser at the time of appraisal order to be utilized in the preparation of the appraisal report for valuation purposes. Appraisers will “hold” appraisal assignments until the appropriate exhibits are received. The appraiser should contact the point of contact (POC) if not received within one day of appraisal order and must put notes in the case in WebLGY.</p> <p><b>Transferred Appraisals:</b> Transferred appraisals are not allowed.</p>																																																						
<b>ARM Adjustments</b>	<table border="1"> <thead> <tr> <th>Characteristic</th> <th colspan="4">ARM</th> </tr> </thead> <tbody> <tr> <td><b>Amortization Term</b></td> <td colspan="4">30 years</td> </tr> <tr> <td><b>Index</b></td> <td colspan="4"><b>Treasury</b> Weekly average on U.S Treasury securities adjusted to a constant maturity of 1 year.</td> </tr> <tr> <td><b>Margin</b></td> <td colspan="4">2.00%</td> </tr> <tr> <td><b>Life Floor</b></td> <td colspan="4">5% below the start rate, but never lower than the margin.</td> </tr> <tr> <td rowspan="2"><b>Interest Rate Caps</b></td> <td><b>Product</b></td> <td><b>First Adjustment</b></td> <td><b>Subsequent Adjustments</b></td> <td><b>Lifetime</b></td> </tr> <tr> <td>5/1</td> <td>1%</td> <td>1%</td> <td>5%</td> </tr> <tr> <td><b>Interest Rate Adjustment Date</b></td> <td colspan="4">5/1 The first adjustment is 60-66 months after the first payment date. After the initial fixed period, the interest rate may adjust annually.</td> </tr> <tr> <td><b>Payment Adjustment Date</b></td> <td colspan="4">The payment adjustment date is the first of the month following the interest rate adjustment and every 12 months thereafter.</td> </tr> <tr> <td><b>Conversion Option</b></td> <td colspan="4">Not allowed.</td> </tr> <tr> <td><b>Temporary Buydowns</b></td> <td colspan="4">Not allowed.</td> </tr> </tbody> </table>	Characteristic	ARM				<b>Amortization Term</b>	30 years				<b>Index</b>	<b>Treasury</b> Weekly average on U.S Treasury securities adjusted to a constant maturity of 1 year.				<b>Margin</b>	2.00%				<b>Life Floor</b>	5% below the start rate, but never lower than the margin.				<b>Interest Rate Caps</b>	<b>Product</b>	<b>First Adjustment</b>	<b>Subsequent Adjustments</b>	<b>Lifetime</b>	5/1	1%	1%	5%	<b>Interest Rate Adjustment Date</b>	5/1 The first adjustment is 60-66 months after the first payment date. After the initial fixed period, the interest rate may adjust annually.				<b>Payment Adjustment Date</b>	The payment adjustment date is the first of the month following the interest rate adjustment and every 12 months thereafter.				<b>Conversion Option</b>	Not allowed.				<b>Temporary Buydowns</b>	Not allowed.			
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<b>Borrower Eligibility</b>	The borrower must be an eligible Veteran.																																																						
<b>Borrower Loan Fees and Costs</b>	<p><b>Fees and Charges:</b> VA policy has evolved around the objective of helping the veteran to use his/her home loan benefit; therefore, VA regulations limit the fees that the veteran can pay to obtain a loan. For a list of eligible fees and charges refer to Plaza’s <b>Veteran Borrower Paid Fees &amp; Charges Policy</b>.</p> <p><b>Discount Points:</b> Regardless of the amount of discount points the LTV/CLTV is capped at 90% for refinances.</p> <p><b>Note:</b> If the veteran was charged an ineligible fee(s), the fee must be refunded and the loan file must contain adequate documentation that the fee was refunded to the veteran.</p> <p><b>Renovation Related Fees:</b> Refer to <b>Maximum Renovation Related Fees</b>.</p>																																																						
<b>Calculating the Mortgage Amount</b>	<p>The lesser of the as-completed value or the acquisition cost is used when determining the maximum loan amount. On either a purchase or refinance, if the acquisition cost exceeds the as-completed value, the difference must be accounted for in documented borrower funds at closing. The loan amount is limited to eligible costs and cash back to the borrower is not allowed.</p> <p><b>Purchase:</b> To determine the acquisition costs for a purchase, add the following: Contract sales price, total cost of alterations and repairs, contingency reserve, inspection fees, title update fees, and permits.</p> <p><b>Refinance:</b> To determine the acquisition costs for a refinance, add the following: Existing loan payoff, total cost of alterations and repairs, contingency reserve, inspection fees, title update fees, and permits.</p> <ul style="list-style-type: none"> <li>• Cash-out to the borrower at closing is not allowed; however, incidental cash-out at closing not to exceed the lesser of 1% of the loan amount or \$2,000 is allowed.</li> <li>• At the completion of renovation any unused contingency reserve may be returned to the borrower or applied to the principal balance at the borrower’s discretion.</li> </ul> <p><b>Maximum Renovation Related Fees Allowed:</b></p> <ul style="list-style-type: none"> <li>• Contingency Reserve not to exceed 15%</li> <li>• Inspection fees – 3 inspections total: <ul style="list-style-type: none"> <li>○ \$150.00 per interim inspection (maximum 2 inspections)</li> <li>○ Final inspection fee per <b>VA Appraisal Fee Schedule</b> based on property location</li> </ul> </li> </ul>																																																						

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	<ul style="list-style-type: none"> <li>Title update fee: \$200 flat fee</li> <li>Permit fees: as required for permits</li> <li>Fees not listed above are ineligible to be included in the acquisition cost or to be financed</li> </ul> <p><b>Plaza's VA Renovation Maximum Mortgage Worksheet must be complete on every loan.</b></p> <p><b>Borrower Provided Materials:</b> Materials provided by the borrower may be allowed but cannot be financed in the loan amount.</p> <ul style="list-style-type: none"> <li>All materials provided by the borrower must be new from the manufacturer and be documented with paid invoices, and</li> <li>Source of funds to acquire the materials must be documented</li> <li>Borrower provided materials must be documented on the contractor's bid as "borrower provided materials" (zero cost) labor must be provided by the contractor.</li> </ul>
<b>Change Orders and Contingency Items</b>	<p>Borrowers are permitted to pay for change orders and upgrade out of pocket. Change orders/upgrades made after the appraisal cannot be financed into the new loan. Change orders must be approved, in advance, by the appraiser, to ensure there is no loss in value. The Veteran is allowed to pay an additional appraisal charge if change orders are requested. This additional appraisal charge may come out of available contingency reserve funds.</p> <ul style="list-style-type: none"> <li>Change order requests are not accepted until 50% of total repairs have been completed.</li> <li>A change order is required if there is a scope of work change, timing change or change to the contractor.</li> <li>Change Order Request (<b>Request for Acceptance of Changes in Approved Drawings and Specifications</b>) is prepared by the borrower, or builder, and submitted to Plaza, for acceptance.</li> <li>Work must be 100% completed on each change order item before release of any monies to the borrower, builder, or contractor.</li> <li>The contingency reserve cannot be used to pay for repairs that change the scope of the project.</li> </ul>
<b>Closing Documents</b>	<p>The closing documentation for VA Renovation loans is basically the same as for a standard VA, except for the following:</p> <ul style="list-style-type: none"> <li>VA Renovation Rehabilitation Loan Agreement</li> <li>Rehabilitation Loan Rider</li> </ul>
<b>Contingency Reserve</b>	<ul style="list-style-type: none"> <li>Plaza requires a minimum of 10% and a maximum of 15% in contingency reserves for repair costs.</li> <li>If the utilities were not turned on at time of inspection, a minimum 15% contingency reserve is required.</li> <li>Contingency Funds may only be used to pay for the proposed repairs and improvements and any unforeseen items that may arise related to the repair.</li> <li>In a purchase any unused portion of the financed contingency reserve fund (that are not borrower's direct funds) remaining when the Final Release Notice is issued must be applied to the mortgage principal.</li> <li>In a refinance, any unused contingency reserve funds may be returned to the borrower or applied to the principal balance at the discretion of the borrower.</li> </ul>
<b>Contractor Requirements</b>	<p>All contractors must have a valid VA builder identification number prior to a VA NOV being issued. For information on obtaining a builder identification number see the VA Lender's Handbook, 26-7, Chapter 10. The builder or contractor must be registered with VA. A list may be found at <a href="https://vip.vba.va.gov/portal/VBAH/Home">https://vip.vba.va.gov/portal/VBAH/Home</a>. Instructions to become a registered builder with VA can be found at <a href="https://www.benefits.va.gov/HOMELoans/appraiser_cv_builder_info.asp">https://www.benefits.va.gov/HOMELoans/appraiser_cv_builder_info.asp</a>. Borrowers are free to choose their builder or contractor, subject to Plaza verification that the builder or contractor is licensed, bonded, and insured according to all state and local requirements</p> <p>Documentation must verify that a qualified general or specialized contractor has been hired and, by contract, has agreed to complete the work described in repair bid for the amount of the Cost Estimate and within the allotted time frame (up to 4 months). To determine whether the contractor is qualified, the Underwriter must review the contractor's credentials, work experience and client references, and ensure that the contractor meets all jurisdictional licensing and bonding requirements.</p> <ul style="list-style-type: none"> <li>All contractors must sign the VA Renovation Homeowner/Contractor Agreement prior to closing.</li> <li>The contractor must complete and return to Plaza the VA Renovation Contractor Profile Report.</li> <li>All contractors must be licensed as required by the state, county or locality of the subject</li> </ul>

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	<p>property.</p> <ul style="list-style-type: none"> <li>o Licensing requirements and license in good standing should be confirmed through the licensing entity.</li> <li>o Printouts from the licensing entity website showing requirements and current licenses may be provided to satisfy this requirement.</li> </ul> <ul style="list-style-type: none"> <li>• The contractor's license must be active at the time of loan closing and for at least 4 months past the closing date.</li> <li>• The contractor must provide proof of Liability Insurance. Documentation must include a certificate of liability insurance with minimum insurance of \$1 million.</li> <li>• Any jurisdictional contractor bond requirements must be met.</li> <li>• The borrower is limited to a total of three (3) contractors or a General Contractor will be required.</li> <li>• The borrower may not act as the General Contractor. "Self-Help" loans are not permitted.</li> </ul> <p>Specific federal requirements exist for contractors working on housing or child-occupied facilities built before 1978. Under these requirements, contractors need to complete training and obtain a Lead Based Paint Renovation license before they can bid on renovation projects involving pre-1978 housing and child-occupied facilities.</p> <p>The appraiser and contractor cannot be the same individual.</p>
<b>Cost of Improvements</b>	<b>Maximum Costs of Improvements:</b> Maximum amount of improvements is \$50,000 including fees, contingency and all allowable construction related costs
<b>Credit</b>	<p><b>Qualifying Credit Score:</b></p> <ul style="list-style-type: none"> <li>• A tri-merge credit report is required.</li> <li>• The qualifying score is the lower of two or the middle of three scores.</li> <li>• The lowest qualifying score of all applicants is used to qualify.</li> <li>• Each borrower must have at least one credit score.</li> </ul> <p><b>Housing Payment History:</b></p> <ul style="list-style-type: none"> <li>• The mortgage payment history may be deemed satisfactory when the mortgage credit rating is disclosed on the credit report and is evaluated by DU or LPA, and the loan receives an "Approve/Eligible" or "Accept/Eligible" finding.</li> <li>• The rental payment history will be deemed acceptable, with no additional verification required, for loans that receive an "Approve/Eligible" or "Accept/Eligible" recommendation.</li> <li>• When the housing payment history is not evaluated by an AUS, or for Refer/manually underwritten loans: <ul style="list-style-type: none"> <li>o There may be no history of any 30-day late mortgage or rental payments within the last 24 months.</li> <li>o Housing Payment history must be documented by: <ul style="list-style-type: none"> <li>▪ VOM received directly from an institutional mortgage servicer; or,</li> <li>▪ A 24 month rental history directly from the landlord (for landlords with no Identity of Interest with the borrower); or</li> <li>▪ Through information shown on the credit report; or</li> <li>▪ Cancelled checks that cover the most recent 24-month period.</li> </ul> </li> </ul> </li> </ul> <p><b>CAIVRS Requirement:</b> Perform and document a CAIVRS screening on each veteran and any co-obligor. An applicant cannot be considered a satisfactory credit risk if he or she is presently delinquent or in default on any debt to the Federal Government until the delinquent account has been brought current or satisfactory arrangements have been made between the veteran and the Federal Agency.</p>
<b>Disaster Policy</b>	Refer to Plaza's <b>Natural Disaster Policy</b> for requirements.
<b>Down Payment / Cash to Close</b>	<p><b>Down payment is required when:</b></p> <ul style="list-style-type: none"> <li>• The VA Guaranty does not equal 25% of the lesser of the sales price or Notice of Value (NOV), or</li> <li>• If the acquisition cost exceeds the as-completed value.</li> <li>• The <b>VA Calculator</b> worksheet and the Max Mortgage Worksheet must be completed on every loan.</li> <li>• Any funds required that exceed 100% of the reasonable value of the property.</li> </ul>

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	The calculator assists in calculating any required down payment from the borrower on purchase or refinance transactions. Regardless of the loan amount, the VA guaranty plus the Veteran's down payment and/or equity must always be at least 25% of the lesser of the sales price or (NOV).
<b>Draw Contingency Holdback</b>	A 10% percent holdback is required on each release from the Rehabilitation Escrow Account.  The total of all holdbacks may be released only after the final inspection and issuance of the Final Release Notice is received from borrower, contractor and VA appraiser as applicable.
<b>Draw Process</b>	The full loan amount is funded at closing. All draws are handled through loan servicing.  <b>Draw Process:</b> <ul style="list-style-type: none"> <li>• No more than three draws are allowed.</li> <li>• Funds will be made available via a two-party check payable to the borrower and contractor.</li> <li>• Plaza should release monies within 5 business days of receipt of a properly executed VA RENO DRAW REQUEST.</li> <li>• Upon completion of a stage of work, the contractor will complete and submit a Draw Request to Plaza.</li> <li>• Plaza will order project inspections for all draw requests.</li> <li>• In addition to Plaza ordered inspections, any inspections required by local authorities or to obtain sign off on permits will be ordered by the contractor and copies of such inspections must accompany draw requests.</li> <li>• A holdback of 10% will be applied to all intermediate draws.</li> <li>• Title must be cleared before the final draw.</li> <li>• After the loan is set up in the servicing system the borrower will receive a "Welcome" package that will explain how the disbursement works and will provide them with contact information.</li> </ul> <p><b>Plaza may require a property inspection if there have been no draw requests for 30 days or more.</b></p> <p><b>Common Missing Items That Will Cause Draw Delays:</b></p> <ul style="list-style-type: none"> <li>• Missing W-9s. These must be completed and signed by every contractor working on the project.</li> <li>• Missing or incomplete draw request</li> <li>• Missing and or incomplete lien waiver</li> </ul> <p><b>Borrower Questions:</b> Borrowers with questions on their funded VA RENO loan may contact Plaza Customer Service as follows: Phone: 1-888-807-2620, Option 2 Fax: 1-858-332-1861 Email: <a href="mailto:renoservicing@plazahomemortgage.com">renoservicing@plazahomemortgage.com</a></p>
<b>Eligible/Ineligible Improvements</b>	All alterations and repairs must be permanently affixed to the property (dwelling or land) and be ordinarily found on similar properties of comparable value in the community. <ul style="list-style-type: none"> <li>• Project must be complete with the final inspection on appraisal form 1004D no later than 120 days from the note date.</li> <li>• The maximum renovation amount, including fees and contingency, must not exceed \$50,000. There is no minimum dollar amount for the repairs.</li> <li>• Generally repairs should be non-structural although minor structural repairs are allowed. <ul style="list-style-type: none"> <li>○ Any work that requires structural engineering reports or architectural specs is not allowed.</li> <li>○ If any structural work is included, building/construction jurisdictional evidence that the project does not require engineer reports or architectural specs must be provided. e.g. local code pertaining to the type of structural repair, permits and/or other written verification from the jurisdiction. (state, city, municipality or county).</li> <li>○ Minor structural repairs must be those that can reasonably be expected to be completed within the 120 day time frame.</li> <li>○ If structural repairs are included, the contractor's bid must include a statement addressing the fact that all structural repairs do not require engineering or architecture reports to obtain permits or meet local building codes and that such work will be completed within 120 days.</li> </ul> </li> </ul> <p><b>Eligible Improvements to Manufactured Housing:</b></p> <ul style="list-style-type: none"> <li>• VA Renovation improvements to manufactured housing cannot involve structural changes</li> </ul>

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	<ul style="list-style-type: none"> <li>Renovation funds are limited to the lesser of 50% of the “as completed” appraised value or \$50,000</li> <li>Eligible improvements include but are not limited to: <ul style="list-style-type: none"> <li>Improvements to kitchens and baths, or</li> <li>Installation of energy efficient heating and cooling, or</li> <li>Changes to address mobility and aging in place are allowed, or</li> <li>Installation of new windows, doors, siding, or roofing provided these changes do not alter the structure of the unit</li> </ul> </li> </ul> <p><b>The following improvements are not eligible:</b></p> <ul style="list-style-type: none"> <li>Any work that cannot be completed within 120 days of the note date.</li> <li>Major structural repairs, rehabilitation or improvements such as load bearing walls, foundation repair or support joists.</li> <li>Structural changes to manufactured housing.</li> <li>Improvements or changes that were not approved prior to the start of the work.</li> <li>Materials or work performed prior to the first draw disbursement.</li> <li>Any improvement that does not become a permanent part of the subject property.</li> <li>Completion of in-progress or incomplete construction.</li> </ul>
<b>Escrow Accounts</b>	An Escrow/impound account is required for property taxes and insurance on all VA loans.
<b>Final Release Notice and Lien Waivers</b>	<p><b>Final Release Notice:</b></p> <ul style="list-style-type: none"> <li>Final Release Notice is issued by Plaza after reviewing the case file to ensure that all work has been satisfactorily completed.</li> <li>If an occupancy permit is required by the local jurisdiction, it must be provided prior to the issuance of the Final Release Notice.</li> <li>Acceptance of the final inspection report will authorize the release of all monies remaining in the Rehabilitation Escrow Account, including all holdbacks from previous draws.</li> <li>If required to protect the priority of the security instrument, Plaza may retain the holdback, for a period not to exceed 35 days (or the time period required by law to file a lien, whichever is longer), to ensure compliance with state lien waiver laws or other state requirements.</li> <li>A copy of the final inspection report and Final Release Notice will be provided to the borrower.</li> </ul> <p><b>Mechanic's and Material Men's Lien Waivers:</b> Plaza obtains lien waivers at the time of any disbursement of funds from the Rehabilitation Escrow Account and is responsible to ensure the validity of the first lien on the property.</p>
<b>Forms and Rehabilitation Documentation</b>	<p><b>Documents required at time of submission:</b></p> <ul style="list-style-type: none"> <li>Sales Contract.</li> <li>VA Renovation <b>Maximum Mortgage Worksheet</b>. This form is prepared at the time of application and sets forth all the components or fees associated with the Rehabilitation portion of the loan.</li> <li>Contractor's Fully Executed Bid(s)</li> <li>VA Renovation Homeowner/Contractor Agreement</li> <li>VA Renovation Contractor Profile Report</li> <li>VA Renovation Borrower's Acknowledgement</li> </ul> <p><b>Documents required at time of closing:</b></p> <ul style="list-style-type: none"> <li>VA Renovation Rehabilitation Agreement</li> <li>VA Renovation Rider</li> </ul>
<b>Geographic Restrictions</b>	<p><b>Alaska:</b> Owner occupied and second home refinances, in the prior loan is within 12 months of the refinance, borrower must meet the net benefit requirements.</p> <p><b>Hawaii:</b></p> <ul style="list-style-type: none"> <li>Properties in Lava Zone 1 are ineligible.</li> <li>Properties in Lava Zone 2 are eligible with additional requirements. VA requires hazard insurance to provide lava coverage for the entire loan amount. The actual dollar amount of coverage must be displayed and it can be no less than the loan amount.</li> <li>Manufactured Housing is not eligible.</li> </ul> <p><b>Iowa:</b> An attorney's opinion of title is acceptable in lieu of a title policy, or a title policy may be</p>

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	<p>ordered through the Title Guaranty Division (TGD) of the Iowa Financial Authority.</p> <p><b>Massachusetts:</b> Properties with a septic system require an inspection whenever a property is transferred to a different owner. A system must be inspected within 2 years prior to the transfer of title to the property served by the system. An inspection conducted up to 3 years before the time of the transfer may be used in the inspection report is accompanied by records demonstrating that the system has been pumped at least once a year during that time.</p> <p><b>Montana:</b> Lot size of the property may not exceed 40 acres.</p> <p><b>Nevada:</b> Purchase transaction loans secured by properties located in Fallon, Nevada and serviced by the City of Fallon Municipal Water System include a veteran-signed "Purchaser Acknowledgement and Release" form. For additional information, contact the local VA office.</p> <p><b>Rhode Island:</b> Manufactured Housing is not eligible.</p> <p><b>West Virginia:</b> Delegated deliveries only.</p>
<b>HUD Consultant</b>	<ul style="list-style-type: none"> <li>• A HUD Consultant is not required.</li> <li>• A HUD Consultant work write up WWU is allowable for the benefit of the borrower. However the cost may not be included.</li> </ul>
<b>Identity of Interest</b>	<p>Identity of Interest and Non-Arms Length describe certain transactions that may pose increased risk and warrant additional precautions when evaluating that risk. An example would be a transaction where the borrower has a relationship or business affiliation (any ownership interest, or employment) with any builder, contractor, or seller of the property. Sales transactions between family members are permitted; no other instances of Identity of Interest or conflict of interest between parties are allowed.</p> <p>No relationship may exist between the Contractor and any other party to the transaction.</p>
<b>Ineligible</b>	<ul style="list-style-type: none"> <li>• Temporary Buydowns</li> <li>• One-time close construction</li> <li>• Cash out Refinances where the borrower receives cash in hand at closing or pays off non-renovation related debt</li> <li>• Texas (a)(6) refinances (Refer to <b>Texas Properties</b>)</li> <li>• Properties listed for sale at time of application</li> <li>• Investment or Second Home occupancy</li> <li>• Builder spec foreclosures</li> <li>• Borrower may not act as an interested party to a sales transaction for the subject if the builder and/or property seller is a company owned by the borrower or where the borrower is a principal agent, sales agent, loan originator, mortgage broker or partner for the builder or property seller.</li> <li>• Realtor/loan broker acting as the listing agent as well as the mortgage originator/broker.</li> <li>• Borrower is a principal of the title company and/or settlement agent for the subject transaction.</li> </ul>
<b>Inspections</b>	<p>A maximum of 3 draws are allowed.</p> <p>A first and second draw inspection will be ordered by Plaza. The last and final draw will be performed by the VA appraiser. All Improvements must be completed according to local building codes and in a timely and workmanlike manner.</p> <p><b>Final inspection:</b> When the property is 100 percent complete, Plaza will contact the original VA fee appraiser to complete the VA final repair inspection. If the original VA fee appraiser is not available, Plaza will contact the RLC of jurisdiction for another VA appraiser to complete the VA final inspection. The final inspection must be in the form of an Appraisal Update and/or Completion Report (Form 1004D) and the fee for the final inspection will be per the <b>VA Appraisal Fee Schedule</b> based on property location.</p> <p><b>Note:</b> The VA final inspection is to certify all VA MPRs have been met and the house was improved according to the original plans, specifications, approved change orders, and the as-completed value from the appraisal was maintained.</p>
<b>Interested Party</b>	Any seller contribution or concession or combination of concessions which exceeds four percent of

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<b>Contributions / Seller Concessions</b>	the established reasonable value of the property is not allowed.  Normal discount points and payment of the buyer's closing costs is excluded for purposes of determining whether concessions exceed the four percent limit.																
<b>Loan Limits</b>	<table border="1"> <thead> <tr> <th colspan="4">Maximum Base Loan Amount</th> </tr> <tr> <th>Program</th> <th>Units</th> <th>Contiguous U.S.</th> <th>Alaska &amp; Hawaii</th> </tr> </thead> <tbody> <tr> <td>Conforming</td> <td>1-4</td> <td>\$484,350</td> <td>\$726,525</td> </tr> <tr> <td>Jumbo<sup>3</sup></td> <td>1-4</td> <td>\$726,525<sup>1</sup></td> <td>N/A<sup>2</sup></td> </tr> </tbody> </table> <p>1. Refer to <a href="#">FHFA's website</a> for specific counties and states eligible for higher loan limits. 2. There are no properties in Alaska and Hawaii with loan limits higher than the applicable base conforming limits for 2019. As a result, there are no Jumbo limits specific for these states. 3. Manufactured Housing not eligible for jumbo loan amounts.</p>	Maximum Base Loan Amount				Program	Units	Contiguous U.S.	Alaska & Hawaii	Conforming	1-4	\$484,350	\$726,525	Jumbo <sup>3</sup>	1-4	\$726,525 <sup>1</sup>	N/A <sup>2</sup>
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<b>Manufactured Housing</b>	<p><b>General Requirements:</b></p> <ul style="list-style-type: none"> <li>• Must be classified as Real Property</li> <li>• The Manufactured Home must have been built on or after June 15, 1976</li> <li>• Double-wide minimum width</li> <li>• Leasehold properties are ineligible</li> <li>• Condo projects comprised of manufactured homes are ineligible</li> <li>• The manufactured home may not have been previously installed or occupied at another location</li> <li>• All manufactured homes must meet VA guidelines, restrictions in these Program Guidelines, and <a href="#">Plaza's Manufactured Housing Guidelines</a>.</li> <li>• Manufactured housing not eligible in states of Hawaii and Rhode Island.</li> <li>• Manufactured homes located within a Special Flood Hazard Area are not eligible unless a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (<b>FEMA Form 086-0-33</b>) prepared by a licensed engineer or surveyor stating that the finished grade beneath the manufactured home is at or above the 100-year return frequency flood elevation is provided, and flood insurance under the NFIP is obtained.</li> </ul>																
<b>Max Financed Properties</b>	A maximum of four Plaza loans is permitted to one borrower.																
<b>Mortgage Payment Reserves</b>	Not allowed.																
<b>Occupancy</b>	Owner occupied primary residence only.																
<b>Property Eligibility</b>	<p><b>Ineligible Properties:</b></p> <ul style="list-style-type: none"> <li>• Commercial properties</li> <li>• Cooperatives</li> <li>• Condotels</li> <li>• Properties listed on the National Historical Register</li> <li>• Geothermal homes</li> <li>• Geodesic dome homes</li> <li>• Mobile homes</li> <li>• Mixed Use Properties in commercial zoning</li> <li>• Timeshares</li> <li>• Working farms, ranches, orchards</li> <li>• Homes that have never been completed</li> <li>• Homes that have been completely demolished, including the foundation</li> <li>• Homes being moved from one location to another</li> <li>• Refinance transactions for properties listed for sale on or after the date of the application.</li> </ul>																
<b>Property Flips / Resale Requirements</b>	<p>If the owner (individual or entity other than the Mortgage holder) sells a property within 12 months after the date of acquisition, the underwriter should ensure that value is supported.</p> <ul style="list-style-type: none"> <li>• Non arms length or Identity of Interest transactions are not permitted.</li> <li>• There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months.</li> <li>• No double escrows or assignment of sales contract.</li> <li>• Seller of record must own the property at the time of the purchase contract.</li> </ul>																
<b>Rehabilitation Period</b>	<ul style="list-style-type: none"> <li>• Rehabilitation construction must begin within 15 days of closing.</li> <li>• If work is not started within 15 days, or if the work ceases for more than 15 consecutive days, or</li> </ul>																

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	<p>is not progressing reasonably during the rehabilitation period, Plaza may consider the loan to be in default.</p> <ul style="list-style-type: none"> <li>The length of the rehabilitation period will be no longer than 120 days from the note date.</li> </ul>
<b>Repair Escrows</b>	Not applicable.
<b>Reserves</b>	<p><b>Cash Reserves:</b></p> <ul style="list-style-type: none"> <li>1 Unit Subject Property: No reserves are required unless borrower is retaining their prior residence. If borrower is retaining their prior residence, refer to requirement for Additional Rental Properties.</li> <li>2-4 Units Subject Property &amp; rental income is not used to qualify: No reserves are required.</li> <li>2-4 Units Subject Property &amp; rental income is used to qualify: 6 months PITIA reserves required.</li> <li>Additional rental properties owned: 3 months PITIA required for each additional property. <ul style="list-style-type: none"> <li>If there is not a lien on the property, 3 months reserves to cover expenses such as taxes, hazard insurance, flood insurance, homeowner's association fees and any other recurring fees should be documented for the property(ies).</li> </ul> </li> </ul>
<b>Refinance Seasoning</b>	<p><b>Refinance Transactions:</b></p> <p>The note date of the refinance loan must be on or after the later of:</p> <ul style="list-style-type: none"> <li>The date on which the borrower has made at least six consecutive monthly payments on the loan being refinanced; and</li> <li>The date that is 210 days after the first payment due date of the loan being refinanced.</li> </ul>
<b>Self-Help Requirements</b>	Self-help is not allowed.
<b>Specification of Repairs/VA Approved Contractors Bid</b>	<p>The file must contain a written proposal/Cost Estimate/bid from a contractor for each repair or improvement. The Cost Estimate must state:</p> <ul style="list-style-type: none"> <li>Location and nature and type of repair</li> <li>Quality and quantity of materials and cost for each work item, broken down by labor and materials</li> <li>Contractor's license number</li> <li>Identification of any work items that require permits and the expected time frame to obtain the permits</li> <li>The number of draws (max of 3) and the draw inspection schedule</li> <li>The Cost Estimate must be signed by both the contractor and borrower</li> </ul> <p><b>Note:</b> Refer to the VA Renovation Bid Template</p>
<b>Subordinate Financing</b>	<p><b>Loan amounts that do not exceed the VA loan limit:</b></p> <ul style="list-style-type: none"> <li>Existing subordinate financing is acceptable for as long as the veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA.</li> <li>New subordinate financing is not allowed.</li> </ul> <p><b>Property Assessed Clean Energy (PACE) obligations:</b></p> <ul style="list-style-type: none"> <li>Any PACE obligations or liens must be paid and satisfied at or prior to closing.</li> <li>PACE liens may not be subordinated.</li> </ul>
<b>Texas Properties</b>	<p><b>For properties located in Texas, the following restrictions apply:</b></p> <ul style="list-style-type: none"> <li>TX (a)(6) loans are not eligible. <ul style="list-style-type: none"> <li>All improvements must be performed by a third-party builder.</li> <li>Disclosures must be delivered to the borrower at least 1 day before closing.</li> <li>All closing documents must be delivered to the borrower not later than 1 business day before closing.</li> <li>The builder's contract must be signed by all owners and spouses.</li> <li>The builder's contract must be signed and closing must occur at the lender's office, a title company or an attorney's office.</li> <li>The builder's contract must not be signed before the 5th day after the written application.</li> <li>The builder's contract may be rescinded within 3 days after all parties have signed (purchase and refinance).</li> <li>No materials may be furnished or labor performed before the 3-day rescission period expires.</li> <li>A 10% statutory retainage must be withheld from each advance to cover any claim notices from subcontractors or suppliers. The entire retainage, representing 10% of construction costs, will be retained for 30 days after final completion. Subcontractors and suppliers have</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>only 30 days after completion to notify the borrower of nonpayment claims.</li> <li>o Additional monies requested for cost and upgrades are secured under the builder's contract only if they are evidenced by change orders signed by both parties. Any modification agreement to increase the loan amount must have original change orders attached.</li> <li>o Subject property must be a Texas homestead.</li> </ul> <p><b>Additional documents for Texas VA Renovation:</b></p> <ul style="list-style-type: none"> <li>• Texas Property Code 53.255 Disclosure</li> <li>• Builder's Note</li> <li>• Builder's Contract – signed by the builder and all owners and their spouses before any material is furnished or labor is performed.</li> <li>• Texas Notice of Right to Cancel the Builder's Contract (3-day rescission) required on purchase and refinance, in addition to the Federal Notice of Right-to-Cancel in a refinance transaction.</li> <li>• Texas Home Improvement Certification from originating lender</li> <li>• Renewal and Extension Exhibit to the Deed of Trust, describing the lien created by the Builder's Contract.</li> <li>• Borrower's Acknowledgement of Construction of Compliance Procedures</li> <li>• List of subcontractors and suppliers</li> <li>• Texas Disbursement Authorization</li> <li>• Texas Disbursement Statement (Draw Request)</li> <li>• Affidavit of Commencement</li> <li>• Affidavit of Completion</li> <li>• Lien Waiver</li> <li>• Final Bills-Paid Affidavit</li> </ul> <p>Additional local property requirements and restrictions may be found on the <a href="#">VA website</a>.</p>
<b>Transactions</b>	<p>Purchase and Refinance (non-IRRRL)</p> <p><b>Purchase:</b> To acquire and rehabilitate an existing structure that has been completed for at least 1 year. The initial certificate of occupancy must have been issued over 12 months ago.</p> <p><b>Refinance:</b> To rehabilitate an existing structure that has been completed for at least 1 year and to refinance the outstanding indebtedness.</p> <p>All VA refinances must meet the requirements outlined in <a href="#">VA Circular 26-19-5</a>. This is effective for all non-IRRRL refinances with application dates on or after February 15, 2019. Requirements include but are not limited to the following:</p> <ul style="list-style-type: none"> <li>• <b>Type I Cash-Out Refinance:</b> For refinances of loans guaranteed by the VA, the new loan amount, including the VA Funding Fee, does not exceed the payoff amount of the loan being refinanced. VA Renovation loans do not meet the definition of Type I Refinances.</li> <li>• <b>Type II Cash-Out Refinance:</b> The loan amount, including the VA Funding Fee, exceeds the payoff amount of the loan being refinanced.</li> </ul> <p><b>Refinance LTV:</b> For all refinance loans, the LTV is determined by dividing the total loan amount, including any financed VAFF, by the reasonable value per the NOV. The available VA guaranty plus the Veteran's equity must always be at least 25% of the Notice of Value (NOV).</p> <p><b>Refinance Net Tangible Benefit (NTB):</b> All refinances (Type I and Type II) must pass a NTB test and a NTB disclosure must be provided to the Veteran no later than the third business day after receiving the Veteran's loan application, and again at loan closing.</p> <p><b>Type I Refinance NTB –</b> One of the following NTB must exist for all Type I Refinances:</p> <ul style="list-style-type: none"> <li>• Fixed Rate to Fixed Rate refinance requires an interest rate reduction of at least .5%</li> <li>• Fixed Rate to ARM refinance requires an interest rate reduction of at least 2%</li> </ul> <p><b>Type II Refinance NTB –</b> One of the following NTB must exist for all Type II Refinances:</p>

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	<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 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; <ul style="list-style-type: none"> <li>◦ Fixed Rate to Fixed Rate refinance requires an interest rate reduction of at least .5%</li> <li>◦ Fixed Rate to ARM refinance requires an interest rate reduction of at least 2%</li> </ul> </li> <li>• The monthly principal and interest payment on the new loan is lower than the monthly principal and interest payment 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, or;</li> <li>• The new loan refinances an adjustable rate loan to a fixed rate loan.</li> </ul> <p><b>Properties Listed for Sale:</b> Refinances on properties that are listed for sale are not permitted. In all circumstances, the listing agreement must be cancelled prior to the application date.</p>
<b>Underwriting Method</b>	<p>Loans must be submitted to DU or LPA. Loans not receiving a DU or LPA approval may be manually underwritten if:</p> <ul style="list-style-type: none"> <li>• The loan meets all published loan program guidelines AND</li> <li>• The underwriter's evaluation has determined the loan is an investment quality mortgage AND</li> <li>• The loan file contains documentation to support the underwriting decision.</li> <li>• The property is not a manufactured home. Manufactured Housing is not eligible for manual underwriting.</li> </ul> <p><b>Downgrade Policy:</b> In the event that credit terms or loan information was not considered in the AUS decision, an Approve/Eligible or Accept decision must be downgraded to Refer and be manually underwritten. Circumstances requiring downgrade, if not considered in the AUS decision, include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Delinquent federal debt, CAIVRS and suspended and debarred individuals</li> <li>• Disputed accounts, significant inaccuracy or undisclosed debt</li> <li>• Previous mortgage foreclosure or bankruptcy within 2 years of application</li> <li>• Collection accounts, tax liens, charge-offs, judgments</li> <li>• Bank statements that indicate multiple non-sufficient funds (NSF) charges. Example: More than one or two isolated incidents over a 60 day period. An explanation for such NSF's will be required and additional assets statements may be required to decision the loan.</li> <li>• Failure to meet the specific conditions of an AUS approval</li> </ul>
<b>VA Loan Guaranty</b>	<p>VA Loan Guaranty is obtained after construction is complete and after the final inspection and, if applicable, occupancy certificate is obtained. Plaza will notify the correspondent once the final inspection is obtained and the correspondent will be responsible for obtaining the VA Loan Guaranty Certificate and providing the LGC to Plaza. If an LGC has been obtained prior to receipt of the final inspection the loan will be ineligible for purchase.</p> <p>Regardless of the loan amount, the VA guaranty plus the Veteran's down payment and/or equity must always be at least 25% of the lesser of the sales price or Notice of Value (NOV). The <b>VA County Loan Limits</b> are the amount a qualified Veteran with full entitlement may be able to borrow without making a down payment. The <b>VA Calculator</b> worksheet should be completed on every loan. The calculator assists in calculating any required down payment from the borrower on purchase or refinance transactions.</p>

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