

OVERVIEW

The *Within Reach*TM VA Down Payment Assistance Program (DAP) is a competitively priced government loan program that does not require a minimum down payment from the homebuyer(s), exclusively offered from Land Home Financial Services, Inc. (LHFS). *Within Reach*TM provides your borrower(s) with a choice of a 3% DAP or a 4% DAP.

Effective for all loans locked on or after 12/1/2018, the program will change from a grant to a down payment assistance program. This home loan program is a purchase money first lien mortgage with down payment assistance in the form of a subordinate soft second lien with a 3-year term, forgiven at 1/36TH of the loan repayment amount for each full calendar month over a 3-year period, for purchase buyers on their primary residence. Borrower(s) must remain current on their mortgage for the second mortgage to be forgiven.

The DAP should be ran through AUS as a second mortgage without a required payment. The dollar amount of the assistance will remain the same as a grant.

This product is designed for the borrower that has achieved financial stability as demonstrated by the file documenting that they have met the responsibilities associated with taking the next step to home ownership such as stability of employment and income, managing their finances and savings to a budget that exhibits responsible repayment patterns and a satisfactory credit history. The down payment assistance program is intended to help these families or individual that have been unable to save a sufficient amount for a down payment and do not have any other resources available for down payment assistance.

Due to the nature of the layered risk in the product offering LHFS will require an evaluation of the borrower's current housing payment history and the borrower must maintain a bank account which will be reviewed to insure the borrower is able to meet their monthly obligations based on their current income level in a timely manner. LHFS will require two months bank statements as part of the underwriting evaluation. While we will allow the down payment to be covered by the DAP and closing costs to be covered by eligible gifts or seller credits, bank statements will still be required as part of the credit evaluation.

In order to insure the borrower will be able to manage a new mortgage payment, the evaluation will include housing payment history. We consider payments made after the due date to be late, inconsistent payment amounts throughout the month and full 30-day lates in making a decision on both the borrower's ability and willingness to repay. We also generally see payment shock on the housing payment to the new required mortgage, so it is especially important to review the borrowers monthly budgeting and financial stability. New homeowners face increased costs when transitioning from a rental property into home ownership where they are responsible for covering all utilities, incidentals, and maintenance of the home.

As part of this review, borrower's that are unable to manage month to month and exhibit NSF (Non-Sufficient Funds) outside of an isolated incident are reviewed very carefully as this is an indication of excessive obligations or inability to manage current budget. Layered with limited assets, payment shock or other credit concerns, these factors may result in a loan denial for this program due to layered risk. It is our intention to help families achieve successful homeownership, not create a financial hardship and strain.

PROGRAM CODES

<i>Within Reach</i> TM VA 4% DPA Fixed 30	WGV30WRDPA4-000
<i>Within Reach</i> TM VA 3% DPA Fixed 30	WGV30WRDPA3-000
<i>Within Reach</i> TM VA Manufactured Housing 4% DPA Fixed 30	WGV30WRDPAMH4-000
<i>Within Reach</i> TM VA Manufactured Housing 3% DPA Fixed 30	WGV30WRDPAMH3-000



*Within Reach*TM VA Guidelines Summary

ELIGIBILITY	<ul style="list-style-type: none"> All VA agency guidelines apply. MCC's (Section 8) is ineligible. At least one of the borrowers to complete Hud Approved First Time Buyer Course.
MORTGAGE LOAN TYPES AND TERMS	<ul style="list-style-type: none"> 30-year fixed term with full amortization in accordance with VA guidelines.
DOWN PAYMENT AND CLOSING COST ASSISTANCE	DAP Funds available, either 3% or 4% of the Total Loan amount. DAP funds may be used for down payment and/or closing costs.
DISCLOSURES	1 st mortgage follows standard disclosure requirements, both LE and CD. 2 nd mortgage will require NHF Program – Partial Exemption Disclosure , with a final HUD-1 at settlement. Note: the 1% maximum allowed fees on the 2nd does not include recording or title transfer fees
FEES	<p>Borrower Paid Compensation Only: Up to 1.0% Borrower Paid Compensation Disclosed: LE must show "Mortgage Broker Compensation – Borrower Paid" Cancellation Fee: A fee of \$400 will apply to each expired lock / locked loan not delivered. Admin Fee: \$1,145</p> <p><u>2nd Mortgage:</u></p> <ul style="list-style-type: none"> Escrow/Settlement Agency fees may not exceed 1% of the loan amount. Recording fees and transfer tax are not included in the 1% tolerance. Avoid any potential delays: Contact title company for 2nd mortgage fee amounts, notify LHFS of cost.
LOCK STATUS	May lock at Conditionally Approved, with appraisal received. Please Note: If loan is locked, and DAP amount (%) needs to change, the lock will be cancelled, a \$400 cancellation fee will apply, and 30 days must elapse before locking to the new program.
MAXIMUM LOAN AMOUNT	Conforming Loan Limits as per State / County Requirements (Hawaii & Alaska up to \$726,525 in accordance with VA limits by county), not including funding fee.
SUBORDINATE FINANCING	The "soft second" will close in the name of National Homebuyers Funds and follow RESPA partial exemption: <ul style="list-style-type: none"> Initial Truth In Lending Disclosure Subordinate Loan Promissory Note Subordinate Deed of Trust 2nd HUD-1 at closing
PROPERTY ELIGIBILITY	<ul style="list-style-type: none"> 1-4 units allowed, Cooperative housing (co-op) not eligible. Manufactured housing eligible under the <i>Within Reach</i>TM VA MH Program.
BORROWER ELIGIBILITY	<ul style="list-style-type: none"> Maximum number of 4 borrowers, including accommodation mortgagors. Non-occupant co-borrowers/cosigners are not allowed. The loan file must demonstrate financial management based on credit patterns, bank statements showing withdraw/payment of current housing, and expense activity. Ineligible Borrowers <ul style="list-style-type: none"> Borrowers with ITIN numbers. Borrowers that are not legal residents including, but not limited to the following borrowers: <ul style="list-style-type: none"> Diplomatic Immunity/Embassy Personnel, Borrowers with deferred action status, which includes DACA, Foreign Nationals, Borrowers with Temporary Protected Status (TPS)

General Requirements

CREDIT	<ul style="list-style-type: none"> • <u>FICO 620 ≥ with AUS and DTI not exceeding 50.00%:</u> <ul style="list-style-type: none"> • 12 months housing history is required: <ul style="list-style-type: none"> ○ If the Borrower does not have current housing history then 3 months bank statements demonstrating the borrower has a consistent history of saving an amount greater than or equal to the new housing payment. • <u>FICO 620 ≥ with Manual Underwrite and DTI not exceeding 47.00%:</u> <ul style="list-style-type: none"> • Follow manual VA guidelines including front and back end ratios. • 1 compensating factor must be met. • 12 months housing history is required: <ul style="list-style-type: none"> ○ If the Borrower does not have current housing history then 3 months bank statements demonstrating the borrower has a consistent history of saving an amount greater than or equal to the new housing payment. • <u>FICO 680 ≥ with Manual Underwrite and DTI of 47.01% to 50.00%:</u> <ul style="list-style-type: none"> • Minimum FICO 680 required • Must follow manual underwriting VA guidelines including front and back end ratios. • 2 compensating factors must be met. • Max 50.00% DTI (borrower living rent free not allowed). • 12 months housing history is required and must be documented. • Paying off debt to qualify is not allowed. • Collections with aggregate total over \$2,500 must be paid or resolved regardless of age of collection account. <ul style="list-style-type: none"> • Medical Collections excluded from aggregate total • Collections under \$2,500 fall under standard VA requirements • No outstanding judgments, including repayment plan. All outstanding judgments must be paid in full. • Chapter 13: Bankruptcies must be fully discharged before eligible for financing • VOR supported by 12 months cancelled checks or withdraws from bank account. <ul style="list-style-type: none"> • If the Borrower does not have current housing history then 3 months bank statements demonstrating the borrower has a consistent history of saving an amount greater than or equal to the new housing payment. • IRS payment plans are not allowed. <ul style="list-style-type: none"> • Exceptions may be made by Underwriting or Risk Managers for IRS payment agreements submitted with the taxes filed by 4/15 of the current year only. • For consideration of exception request an explanation as to why the borrower owes the taxes, what was done to correct the underpayment from occurring in the future, copy of IRS agreement, IRS Record of Account Transcripts to confirm date of payment arrangement request and evidence of 3 consecutive timely payments will be required. • Tax-free income may be “grossed up” for purposes of calculating the debt-to-income ratio only (not residual income). <ul style="list-style-type: none"> • Tax-free income includes certain military allowances, child support payments, workers’ compensation benefits, disability retirement payments, and certain types of public assistance payments. <ul style="list-style-type: none"> ○ Verify that the income is indeed tax-free before “grossing up.” • Grossed up percentage is limited to the borrower(s) tax bracket.
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General Requirements

DEBT-TO-INCOME RATIO	<ul style="list-style-type: none"> • <u>Front and back end ratios:</u> <ul style="list-style-type: none"> • 31/43: <ul style="list-style-type: none"> ○ No Compensating Factors required, however must have verified/documented cash reserves equal to or exceeding 1 total monthly mortgage payment for 1-2 units. • 37/47: <ul style="list-style-type: none"> ○ Require 1 Compensating Factor • 40/50: <ul style="list-style-type: none"> ○ Require 2 Compensating Factors (One must be: "Minimal Increase in Housing Payment") • <u>Apply Compensating Factors if the ratio exceeds 41 percent:</u> <ul style="list-style-type: none"> • Compensating factors include, but are not limited to the following: <ul style="list-style-type: none"> ○ residual income of 120% or higher, ○ excellent credit history, ○ conservative use of consumer credit, ○ long-term employment, ○ low debt-to-income ratio, ○ tax credits for child care, ○ Verified/documented cash reserves equal to or exceeding 6 total monthly mortgage payment, or ○ Minimal increase in housing payment <ul style="list-style-type: none"> ▪ New total monthly mortgage payment doesn't exceed current total monthly housing payment by more than \$100 or 5% (whichever is less); and ▪ There is a documented 12-month housing payment history with no more than one 30-day late payment. ▪ May not be used as a compensating factor if the borrower has no current housing payment.
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General Requirements (Continued)

<p>ASSETS</p>	<ul style="list-style-type: none"> • Gift donors cannot be on title or purchase contract as they do not meet the definition of “Gift” per agency definition. • VOD’s are not acceptable for asset documentation alone. • Bank Checking Statements are required on primary borrower regardless of cash to close requirements and AUS findings. <ul style="list-style-type: none"> • Borrower with overdrawn accounts (negative balance at any time), NSF’s and/or overdraft charges will not be eligible <ul style="list-style-type: none"> ○ Exceptions may be made by Underwriting or Risk Managers for isolated NSF / overdraft charges only: ○ The following will be required for consideration: <ul style="list-style-type: none"> ▪ Detail explanation with supporting documentation demonstrating the event was a onetime occurrence unlikely to re-occur. Documentation provided must be consistent with the credit and asset profile of the borrower.
<p>EMPLOYMENT / INCOME</p>	<ul style="list-style-type: none"> • Income limit is 140% of Area Median Income (AMI) or maximum allowable by VA. Limit is based on qualifying income used for the transaction, not household income. For AMI refer to Income Limits • Borrowers who have new employment in the prior two years with increased earnings will require recent educational related experience to support the career and/or income change. • Positions with variable income or varying hours will require a minimum of twelve months to effectively calculate the stable monthly qualifying income. • Rental income received from a relative requires a documented 12-month payment history of rents. • Paystubs and W-2’s may not be substituted with a written verification of employment. • Amended tax returns are only acceptable for documented errors or omissions. • 4506T: Full 1040 transcripts required on all <i>Within Reach</i>TM loans, W2 Only transcripts not allowed.
<p>TITLE</p>	<ul style="list-style-type: none"> • Any borrower holding title only must be a legal U.S. Resident.
<p>OTHER CONSIDERATIONS</p>	<ul style="list-style-type: none"> • Borrower may receive the difference of their earnest money. No portion of the DAP nor seller credits (including tax proration credits) may be given back to the borrower and principal curtailments are not allowed. • Land Home Financial Services, Inc. will run Undisclosed Debt Monitoring (UDM) prior to closing which may require additional information or affect borrower’s loan approval if additional credit is obtained or late payments are reported. Prior to closing, any new inquiries and/or debt must be documented. • Maximum days allowed for seller rent back 60 days. • All loan documentation should not be over 90 days old at submission. • Property Assessed Clean Energy (PACE) aka: Home Energy Renovation Opportunity (HERO) subordination not permitted. Must be paid in full prior to closing. • Temporary Buy down loans not permitted. • Borrowers may not own other 1-4 family residential property at time of closing of the <i>Within Reach</i>TM transaction. A married Borrower purchasing a home separately from spouse will be eligible only if the spouse does not currently own the departing residence or other real estate outside of the exceptions listed below. This program is not for borrower’s intending to accumulate property, whether buying together or as sole and separate property. This applies regardless of whether the borrower is located in a community property or non-community property state. <ul style="list-style-type: none"> • Exceptions may be considered for relocated borrower(s) or borrower with property ownership in another state that has been a rental property for more than 12 months. • Processing fees are not allowed and include the following: <ul style="list-style-type: none"> • Contract processing • Third-party processing, or • Self-processing • Prepaid interest credits are not allowed.

General Requirements (Continued)

COLLATERAL	<p>Well & Septic:</p> <ul style="list-style-type: none"> Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority. Properties vacant 90+ days require a well and septic certification. <p>Condo Requirements: VA approved condominiums:</p> <ul style="list-style-type: none"> Approval Condo List: https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch Certification for individual unit financing dated within 30 days prior to date of closing is required to be present in the loan file. <p>Ineligible Properties / Locations:</p> <ul style="list-style-type: none"> LHFS does not offer financing to properties that are secured by community land trusts (i.e., Illinois Land Trust). Co-ops. 2-4 Units in the state of New Jersey. Mixed-Use Working farms/ranches Texas (a)(6) cash-out refinance Unincorporated territories of the United States (borrowers and properties) are ineligible for financing. <ul style="list-style-type: none"> Puerto Rico US Virgin Islands Guam American Samoa Swains Island
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Manufactured Home General Requirements

DEFINITION	<ul style="list-style-type: none"> A “manufactured home” (MH) is any dwelling that is built on a permanent chassis and installed on a permanent foundation system with the wheels, axles, and towing hitch removed. Must be titled as “real property” and not personal property (also referred to as “chattel”).
ELIGIBILITY	<ul style="list-style-type: none"> Multi-wide Properties Home placed on permanent foundations in the last 12 months must be treated as a purchase transaction and comply with all new construction requirements.
INELIGIBLE	<ul style="list-style-type: none"> MCC’s (Section 8) is ineligible Single-Wide Homes Leasehold Land Ownership High Balance Cash Out

Manufactured Home General Requirements (Continued)

**PROPERTY
 COLLATERAL**

Manufactured Home Property Requirements:

- 600 square feet or larger
- Multi-wide
- Constructed on or after June 15, 1976
- Built and remains on a permanent chassis
- Lightweight skirting (such as vinyl, metal, aluminum) must have a continuous backing made of concrete, masonry, treated wood or a product with similar strength and durability.
- Presence of HUD Certification Labels and Data Plate Require or IBTS.org report(s) provided.
- The finished grade elevation beneath the manufactured home or, if a basement is used, the lowest finished exterior grade adjacent to the perimeter enclosure, shall be at or above the 100-year return frequency flood elevation; Flood Zones A or V.
- Must meet the Model Manufactured Home Installation Standards.
- Must carry a one-year manufacturer's warranty if the unit is new.
- Be installed on a home site that meets established local standards for site suitability and has adequate water supply and sewage disposal facilities available.
- Anchoring system in compliance with HUD codes. If installed prior to October 20, 2008, the anchoring system complies with manufacturer's design or design of licensed engineer.
- Engineer Certification confirming the foundation meets HUD's Permanent Foundations Guide for Manufactured Housing (PFGMH) dated Sept 1996;
 - Must address the impact of any additions and modifications made to the structure
 - Must address if the subject is in its original location (never been moved)
- More than one dwelling of any type is strictly prohibited when property is zoned for multiple units.
 - Must be designed as one family dwelling.
 - Accessory Dwelling Units permitted.
- Chattel title must be retired/purged.
- Affidavit of Affixture must be recorded prior to or at closing.

Well & Septic:

- Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.
- Properties vacant 90+ days require a well and septic certification.

Building on Own Land:

Treated as a purchase transaction with minimum investment requirement met.

- Equity in the land may be used to meet MRI.
- Land owned six months or more the Closing Disclosure or similar legal document may be prepared as a refinance transaction.
- If the land was/is being given as a gift to the Borrower, the Mortgagee must verify that the donor was not a prohibited source. Gift letter is required.
- Cash back at closing prohibited.

Settlement Statement from purchase of land or purchase contract and Licensed General Contractor Contracts required.

- The builder's price to build must include the sum of the cost of the unit(s) and all on-site installation costs
- Must meet all New Construction Requirements

Maximum Mortgage Amount

Lessor of the Property Value or the documented Acquisition Cost used to determine the Adjusted Value.

The documented Acquisition Cost of the Property includes:

- builder's price or the sum of all subcontractor bids and materials and
- lessor of land purchase price (including land acquired less than 12 months before case assignment) or value of the land as shown in the site value of the appraisal.

General Requirements (Continued)

HELPFUL LINKS	<p><u>Land Home Financial Additional Resources:</u></p> <ul style="list-style-type: none"> • eScenarios • LHFSWholesale.com <p><u>VA <i>Within Reach</i>TM DAP Program:</u></p> <ul style="list-style-type: none"> • Within ReachTM VA Income and Mortgage Limits • Within ReachTM Submission Checklist • Within ReachTM - Lock Instructions <p><u>Agency Guidelines:</u></p> <ul style="list-style-type: none"> • VA Lender's Handbook • Certificate of Eligibility • Appraiser Fee Schedule • Instructions ordering VA Appraisals • VA 2018 & 2017 County Loan Limits • Guaranty Calculation Example
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Each loan files layers of risk (i.e., payment shock; gift funds; assets/reserves not verified; multiple layers of risk, etc.) may require additional documentation or explanations above and beyond the AUS requirements (i.e., rental history; budget letters; excessive commute detail, etc.).

Guidelines are for use by mortgage professionals only and subject to change without notice.

1003 DETAIL

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" information must also be provided (and the appropriate box checked) when the income or assets of a person other than the Borrower (including the Borrower's spouse or other person who has community property rights pursuant to state law will not be used for qualification or the income or assets of the Borrower's spouse or other person who has community property rights pursuant to applicable law and Borrower resides in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower		Co-Borrower	
I. TYPE OF MORTGAGE AND TERMS OF LOAN			
Mortgage Applied for:	<input type="checkbox"/> VA <input type="checkbox"/> FHA	<input type="checkbox"/> Conventional <input type="checkbox"/> USDA/Rural	<input type="checkbox"/> Other (explain): Agency Case Number
II. PROPERTY INFORMATION AND PURPOSE OF LOAN			
Subject Property Address (street, city, state & ZIP)			No. of Units
Legal Description of Subject Property (attach description if necessary)			Year Built
Purpose of Loan	<input type="checkbox"/> Purchase <input type="checkbox"/> Refinance	<input type="checkbox"/> Construction <input type="checkbox"/> Construction-Permanent	<input type="checkbox"/> Other (explain):
Property will be:		<input type="checkbox"/> Primary Residence	<input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment
<i>Complete this line if construction or construction-permanent loan.</i>			
Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot
	\$	\$	\$
		(b) Cost of Improvements	Total (a + b)
		\$	\$
<i>Complete this line if this is a refinance loan.</i>			
Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance
	\$	\$	
		Describe Improvements	<input type="checkbox"/> made <input type="checkbox"/> to be made
		Cost: \$	
Title will be held in what Name(s)		Manner in which Title will be held	Estate will be held in: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)			
Secured Borrowed Funds			

1003 Page 1 – Source of Down Payment – “Secured Borrowed Funds”



LOCK INSTRUCTIONS

Submit
Save to Pipeline

Within ReachTM DPA Amount

<p>Lien Information</p> <p>• First Lien Amt/Base Loan Amt <input type="text" value="200000"/></p> <p><input checked="" type="checkbox"/> Search for First</p>	<p>• Second Lien Amt <input type="text" value="8000"/></p> <p><input type="checkbox"/> Search for Second</p>	<p>• HELOC Line Amt. <input type="text" value="0"/></p> <p><input type="checkbox"/> Search for HELOC</p>	<p>• HELOC Drawn Amt. <input type="text" value="0"/></p>
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<p>Loan Information</p> <p>• Price/Estimated Value <input type="text" value="206200"/></p> <p>• LTV <input type="text" value="96.99"/></p> <p>Waive Escrows <input type="text" value="No"/></p>	<p>• Appraisal Amount <input type="text" value="206200"/></p> <p>CLTV <input type="text" value="100.87"/></p> <p>Lender Paid Compensation? <input type="text" value="Borrower Paid"/></p>	<p>Loan Purpose <input type="text" value="Purchase"/></p> <p>HCLTV (Line Amt) <input type="text" value="0"/></p> <p>• Date Submitted / Forward Lock <input type="text" value="07/24/2018"/></p>	<p>• Cash-Out Amount <input type="text" value="0"/></p> <p>HCLTV (Drawn Amt) <input type="text" value="0"/></p> <p>Include Admin Fee? <input type="text" value="No"/></p> <p>Secondary Financing <input type="text" value="Community/Affordable"/></p>
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Needs to be selected to receive pricing →

INPUT INTO DU INSTRUCTIONS

Quick 1003

Full 1003

- Borrower Information
- Previous Address Information
- Types, Terms & Property**
- Employment Information
- Income & Housing
- Assets
- Real Estate Owned
- Liabilities
- Details of Transaction
- Declarations
- Demographic Information
- Additional Data
- Government

[Link to Fannie Mae Selling Guide](#)

INSERT MORE THAN NUMBERS

Manner Held

Down Payment Information
 Amount

Source of Down Payment

If Refinance, Construction Or Construction-Permanent Loan
 Purpose of Refinance (if applicable)

ENTER SUBORDINATE FINANCING

Quick 1003		
Full 1003		
Borrower Information	a. Purchase Price	\$269,500.00
Previous Address Information	b. Alterations, Improvements, Repairs	\$0.00
Types, Terms & Property	c. Land	\$0.00
Employment Information	d. Refinance (inc. debts to be paid off)	\$0.00
Income & Housing	e. Estimated Prepaid Items	\$2,277.99
Assets	f. Estimated Closing Costs	\$10,765.45
Real Estate Owned	g. PMI, MIP, Funding Fee	\$4,551.17
Liabilities	h. Discount	\$0.00
Details of Transaction	i. Total Costs	\$287,094.61
Declarations	j. Subordinate Financing	\$10,585.00
Demographic Information	k. Closing Costs Paid By Seller	\$10,000.00
Additional Data	l. Other Credits (Sum of Other Credits section below)	\$1,000.00
Government	m. Loan Amount (exclude PMI, MIP, Funding Fee)	\$260,067.00
Link to Fannie Mae Selling Guide	n. PMI, MIP, Funding Fee Financed	\$4,551.00
	o. Total Loan Amount (m+n)	\$264,618.00
	p. Cash From (-)/To Borrower	\$891.61
	Other Credits	
	Description of Other Credits	Amount
	<input type="text"/>	<input type="text"/>
	Cash deposit on sales contract	\$1,000.00