

# LOAN PROGRAM SYNOPSIS

THIS PROGRAM SYNOPSIS IS INTENDED FOR USE BY LENDING PROFESSIONALS ONLY, AND IS NOT TO BE CONSTRUED AS THE FINAL AUTHORITY ON ELIGIBILITY OR LENDING DECISIONS.

**ODVA LOANS ARE CONVENTIONAL LOANS, DIFFERENT FROM FEDERAL VA LOANS. FEDERAL VA FORMS AND DISCLOSURES DO NOT APPLY. PROCESS THE FILE USING A 1008, NOT A VA LOAN ANALYSIS. AS A CONVENTIONAL LOAN, MORTGAGE INSURANCE IS REQUIRED FOR AN LTV IN EXCESS OF 80%. THERE IS NO FUNDING FEE.**

PROPERTY TYPE	MAXIMUM LTV	MAXIMUM CLTV	MAXIMUM LOAN AMOUNT
Site-built	<b>Lender loans:</b> 95% <u>if MI is obtainable.</u> <b>Brokered loans:</b> Up to 95% for first-time buyers with indicator score of 700+; Others 90% with indicator score of 700+. <b>TAKE NOTE: ODVA MAY NOT PARTICIPATE IN ANY REFI IN EXCESS OF 80% LTV IF THE NEW LOAN WILL PAY OFF ANY SECOND LIEN.</b>	100% (Note ODVA can neither originate nor place seconds)	\$417,000 or veteran's remaining eligibility amount.
Manufactured on land	80%	95%	\$417,000 or veteran's remaining eligibility amount.
Condo/Townhouse	80%	95%	\$417,000 or veteran's remaining eligibility amount.
Farms	Not eligible	Not Applicable	Not Applicable
Manufactured in parks	Not eligible	Not Applicable	Not Applicable

## GENERAL PROGRAM PARAMETERS

<p><b>LOAN PROGRAM AND ELIGIBILITY</b></p> <p>(Note 30-years-from-discharge application limitation)</p>	<p>ODVA offers a fixed-rate, primarily purchase-money, home loan program designed to provide some degree of economic parity to honorably discharged veterans <u>who are still within 30 years of their date of discharge</u>; and who have served a minimum period of active duty, generally considered to be 210 consecutive days of active duty exclusive of duty for training; <b>OR</b>, who were discharged prior to completion of such period of service due to service-connected injury or illness; <b>OR</b> who served in a theatre of operations for which an expeditionary medal or ribbon has been authorized by the US. <b>Note: The veteran must have received at least one DD 214 evidencing qualifying military service.</b></p> <p>To be program-eligible, veterans did not have to enter the service from Oregon nor be discharged back into the state.</p> <p>This information is general. For specifics, or to have an Eligibility Application e-mailed to you, call 1-888-673-8387 ext 2070. Eligibility turn-around time is usually under 24 hours.</p>
<p><b>PROPERTY TYPE</b></p>	<p>Property securing an ODVA loan is limited to owner-occupied, primary, single family residences. The property must be located within the State of Oregon. Multiple-use or multi-unit properties are not allowed. There are no add-ons for different property types. By federal law, value emphasis is on the dwelling; therefore the contributory value of significant excess acreage or significant ancillary outbuildings may have to be discounted for lending purposes. Contact the ODVA underwriter regarding specific properties.</p>
<p><b>LOAN TERM</b></p>	<p>15 to 30 years. <b>NOTE:</b> Lower interest rates for less than 30 year terms are not available.</p>
<p><b>LOAN AMOUNT LIMITATIONS</b></p>	<p><b>Minimum:</b> None. There are no add-ons for low loan amounts.</p> <p><b>Maximum:</b> Currently up to the greater of \$417,000, or the veteran's remaining eligibility. An eligible veteran is generally limited to two ODVA loans, which, in the aggregate, cannot exceed the maximum eligibility amount, or, \$417,000 for 2009. Thus, if a veteran borrows, say, \$100,000, the remaining eligibility amount is \$317,000.</p>
<p><b>INCOME LIMITATIONS</b></p>	<p>There are no income limitations for ODVA loan applicants, other than evidence of capacity.</p>
<p><b>NO RECAPTURE</b></p>	<p>ODVA loans are not subsidized; therefore, there is no recapture penalty.</p>
<p><b>NO</b></p>	

<b>PREPAYMENT PENALTY</b>	There are no prepayment penalties associated with ODVA loans.
<b>OCCUPANCY REQUIREMENT</b>	Federal regulations require that an ODVA borrower maintain the security as the principal residence. The property cannot be converted to a rental or vacation home without triggering a demand clause, requiring the borrower to pay the loan in full.
<b>MORTGAGE INSURANCE</b>	<p>An ODVA loan should be considered similar to any conventional conforming loan subject to Fannie Mae guidelines. LTV greater than 80% will require MI.</p> <p>Coverage requirements: <b>Note:</b> For loan terms greater than 20 years and less than or equal to 30 years with LTV of 85.01% or greater, a minimum of <b>20%</b> coverage is required even if DU findings indicate reduced MI coverage options.</p>
<b>NO REQUIRED SELLER-PAID CLOSING COSTS</b>	ODVA does not require the seller to pay any of the borrower's closing costs. Unlike FEDERAL VA loans, participating Lenders or Mortgage Brokers are not expected to pay any of the closing costs.
<b>SELLER CONTRIBUTIONS</b>	Parallel to Fannie Mae guidelines, the seller may contribute 3%, 6% or 9% of the transaction amount toward closing costs, depending upon the LTV. ODVA allows interested-party contributions to be applied to both one-time and recurring closing costs.
<b>LENDER AND MORTGAGE BROKER COMPENSATION AND FEE LIMITATIONS</b>	<p><b>Lenders</b> retain the loan origination fee tied to the interest rate and are limited to a single additional \$395 document preparation fee per federal rules. No other fees may be charged <u>and retained</u>. Lenders may not charge underwriting, administration, processing or other junk fees. Lenders <u>may</u> charge all true pass-through costs such as appraisal, credit, 442, and courier fees. ODVA will add a premium to the loan purchase price to bring the lender fee equivalent up to 1.8%.</p> <p><b>Mortgage Brokers</b> receive 1.375% of the loan amount, paid by ODVA, at closing. That, plus a \$395 processing fee, is the only income brokers are allowed by federal rule. Brokers may not charge underwriting, credit review, doc prep, or other junk fees. However, brokers may charge all true pass-through costs such as appraisal, 442, credit, and courier fees.</p>
<b>UNDERWRITING OPTIONS</b>	All loans are manually underwritten upon receipt by ODVA. Oregon Administrative Rules direct that, except for certain underwriting aspects, ODVA will conform to FNMA underwriting

	<p>guidelines. Applications processed through DU, which receive Approve/Eligible findings, are generally automatically accepted. The submitted file must support the data provided by the DU findings. ODVA does have some limitations on DU findings, e.g. ODVA requires a full 1004 Uniform Residential Appraisal Report. <b>Notes:</b> LP decisions do not carry the same weight. Any loan requiring mortgage insurance is subject to the underwriting requirements of the mortgage insurer.</p>
<p><b>CO-BORROWER LIMITATIONS</b></p>	<p>Federal rules governing the ODVA program require that any co-borrower be the lawfully wed spouse of the borrower. Thus, domestic partners, friends, parents, siblings, guarantors, or non-occupant co-borrowers are prohibited. The Oregon Attorney General has held that same-gender unions do not meet the “lawfully wed” requirement.</p>

<p><b>UNDERWRITING SPECIFICS</b> (Alphabetically listed)</p>	<p><b>AGE OF DOCUMENTATION:</b> Asset and credit documentation cannot be more than 120 days old at closing. ODVA reserves the right to request more current documentation.</p> <p><b>APPRAISAL</b> <b>Appraisers:</b> Must be licensed in the State of Oregon.</p> <p><b><u>No Approved Appraiser List:</u></b> ODVA does not maintain an Approved Appraiser List. Brokers may select any Oregon-licensed appraiser who is sufficiently knowledgeable in the subject marketplace to render an accurate opinion of value.</p> <p><b>Appraisal Format:</b> At this time ODVA requires a Uniform Residential Appraisal Report, or Form 1004, (Form 1073 for condos), for each loan. This is an exception to DU findings; that is, if DU specifies a form 2055 or other abbreviated format, ODVA will still require the full URAR.</p> <p><b>Photos:</b> When available, include three interior views of the subject property along with exterior and comparables photos.</p> <p><b>ASSET DOCUMENTATION</b> ODVA is sensitive to the source of funds. It is expected that each file will contain a minimum 60-day history of funds to be used for closing. Significant recently-acquired funds should be documented through a paper trail.</p>
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## **ASSUMABILITY**

ODVA loans are not assumable. They are due on sale.

## **AUTOMATED UNDERWRITING**

ODVA manually underwrites each application, however Oregon Administrative Rules direct ODVA's underwriter to pay special heed to Fannie Mae credit/capacity underwriting guidelines. A loan that has been approved by DU may be considered as being in strict compliance with such guidelines, and is unlikely to be challenged by the ODVA underwriter if the original variables provided to DU are documented in file. Mortgage Brokers and Lenders are encouraged to utilize DU prior to submitting loans to ODVA. HOWEVER, ODVA does not accept the reduced appraisal documentation requirements of DU. ODVA requires a full Uniform Residential Appraisal Report (URAR, form 1004) and cannot accept abbreviated appraisal format such as 2055.

**LP** Loan Prospector approvals, while welcome, do not carry the same weight as the DU findings.

## **AUTOMOBILES**

Because each ODVA loan is manually underwritten, please list the applicants' automobiles on the 1003.

## **BI-MONTHLY PAYMENTS**

ODVA does not offer a bi-monthly payment option. The agency's servicing software is not able to properly process bi-monthly payments.

## **BORROWERS**

Only a veteran who has established his or her ODVA eligibility as described under "Loan Program and Eligibility", above, is program eligible. Lawfully wed spouses may also be on the loan.

**Natural Persons Only:** Only a natural person may be a borrower. Trusts, corporations, and other such entities are not eligible.

## **BROKER-PAID CLOSING COSTS**

ODVA does not require a mortgage broker to pay any of the borrower's closing costs or prepaids.

## **BUSINESS USE OF HOME PROHIBITED**

Federal regulations strictly limit business use of property securing an ODVA loan. Not more than 14% of the square footage of the dwelling may be used for business purposes, and any income derived from such use must be “incidental” in nature. Any activity that allows a borrower to take a “business use of home” tax deduction, such as a daycare business, is sufficient to disqualify the property as ODVA loan security. Foster care for juveniles is an exception to this rule, as long as such foster care is not the principal source of income for the household.

## **CASH-OUT PURCHASE TRANSACTIONS**

ODVA cannot participate in cash-to-the-buyer purchases.

## **CLOSING COSTS AND PREPAIDS**

Any Fannie Mae approved source of funds for closing costs and prepaids is acceptable. ODVA does not prohibit interested-party contributions from paying recurrent costs or prepaids; however, such contributions must conform to the 3% / 6% / 9% rule.

## **CO-BORROWERS**

By Federal rule, only an eligible veteran’s lawfully wed spouse may be co-borrower on a loan. The borrower and co-borrower may be unmarried at time of application, but must be wed before the loan closes.

## **CONDOS**

The current maximum LTV for condos is 80%.

## **CONSTRUCTION LOANS**

ODVA does not offer course-of-construction loans.

## **CONTINUITY OF INCOME**

An applicant’s source of qualifying income is expected to remain reasonably stable for three years into the future. However, it is unrealistic to expect lenders and mortgage brokers to obtain documentation that Social Security Disability Income, Social Security Retirement benefits, VA Disability benefits, military retirement income, PERS benefits, and the like will continue. Thus, absent evidence to the contrary it is assumed that such income, if currently being received, will continue.

## **CREDIT**

**Adverse Credit:** Though not score-driven, ODVA is an “A” paper lender. However, the ODVA underwriter is willing to listen to reasonable documented explanations for derogatory reports.

If the LTV is in excess of 80% a mortgage insurer must also be willing to accept the loan. Remember, too, a large down payment may compensate for some negative history.

**Adverse credit stemming from military activation:** ODVA recognizes that recently thousands of individuals were unexpectedly ordered to extended military service; and that such service to country often resulted in financial hardship or ruin. ODVA will consider applications from impacted veterans on a documented case-by-case basis, and will attempt to exercise maximum underwriting latitude. However, mortgage insurers may limit our latitude in the underwriting process.

**Alternative credit:** ODVA will consider independently verifiable alternative credit, however, mortgage insurers may limit such consideration.

**Bankruptcy, Foreclosure, Deed-In-Lieu:** ODVA may have expanded latitude for considering applicants with a prior bankruptcy, foreclosure or deed-in-lieu and a minimum of 20% down. It is vital that such applicants be able to demonstrate to ODVA that the derogatory report arose from circumstances that were truly beyond the applicant's control and that are unlikely to recur. A history of re-established credit is a must. Generally, at least three years must have passed since the negative event. If MI is required, major adverse credit incidents must be at least 4 years old at the time of loan application.

**Collections, Judgments, Liens:** Collections aggregating in excess of \$500, or individual collections in excess of \$250, must be paid prior to documents. Ongoing judgments for child support, spousal support, and the like must be demonstrated to be paid current. All other judgments and liens must be paid prior to documents.

**Credit letters:** If an applicant is pleading extenuating circumstances for adverse entries on the credit report, a credit letter and ancillary documentation should be in the file when submitted.

**Credit report:** The credit report must be a tri-merge, or RMCR, with scores. The credit report cannot exceed 120 days in age at closing. For an LTV below 80% a minimum of 3 trade-lines is required. If a borrower does not have 3 trade-lines, a combination of least 4 trade-lines and/or alternative credit/payment references is required. Mortgage insurance credit history requirements may be more stringent.

**Extenuating Circumstances:** An extenuating circumstance is considered to be an event over which the applicant had no control, such as catastrophic medical bills, an extended period of

unemployment, divorce, and similar life blows. For consideration as a compensating factor, the extenuating circumstance must be documented, the applicant must show a strong credit standing prior to the triggering event, and the applicant must have re-established clean credit. Special consideration may be given to documented VA disability cases that were awarded significant disability compensation after financial failure, and who have subsequent satisfactory credit, however, loan approval is not guaranteed.

## **DEBT**

**Alimony, child support, spousal support:** Such obligations must be included in ratios unless the applicant can document that the obligation will terminate in 10 months or less.

**Business debt:** Business-paid debts may be excluded from the borrower's ratio if documentation is provided showing that the business actually pays the debt. Generally this will be at least 6-months of canceled checks, and a corresponding deduction on the business tax return.

**Co-signed debt:** Unless the applicant can furnish evidence that the primary obligor has been making the payments on the debt, i.e. 12 months canceled checks, or canceled checks for the entire life of the obligation if less than 12 months, the payments must be factored into ratio.

**Deferred debt:** Payments on deferred debt must be calculated into the ratios. Include the deferral or forbearance agreement.

**Divorce debt:** If the applicant can document that responsibility for an obligation has been assigned to another party by court order, such as a divorce decree or settlement agreement, the payment generally will not be factored into the ratio.

**401-K/IRA/Insurance loans:** Loans secured by the borrowers' own financial asset, such as 401-K accounts, IRAs, stocks, bonds, et al, are contingent liabilities. However, if the borrower provides a copy of the pertinent loan instrument, the contingent liability will likely not be included in the ratio. Note that if the borrower intends to use the same asset account as part of the reserve requirement, the value of the asset must be reduced by the outstanding loan amount.

**Student loans:** Deferred installment debt, including student loans, must be included as part of the applicant's recurring monthly debt. The monthly payment can be obtained from the

student's payment letter or forbearance agreement; a copy of which should be included in the loan file.

### **DESKTOP UNDERWRITER/ORIGINATOR**

Oregon Administrative Rules direct ODVA's underwriter to pay special heed to Fannie Mae credit/capacity underwriting guidelines. A loan that has been approved by DU may be considered as being in strict compliance with such guidelines, and is unlikely to be challenged by the ODVA underwriter if the original variables provided to DU are documented in file. Mortgage Brokers and Lenders are encouraged to utilize DU prior to submitting loans to ODVA. HOWEVER, ODVA does not accept the reduced appraisal documentation requirements of DU. ODVA requires a full Uniform Residential Appraisal Report (URAR, form 1004) and cannot accept abbreviated appraisal format such as 2055.

LP Loan Prospector approvals, while welcome, do not carry the same weight as the DU findings.

### **DOWN PAYMENT**

Down payment funds may come from any Fannie Mae-approved source for the same LTV ratio.

### **DOWN PAYMENT ASSISTANCE PROGRAMS**

True grant programs, agency silent seconds, tribal donations and the like are welcomed. However, ODVA will not participate in a transaction involving any down payment assistance program that requires an offsetting contribution from the seller or other interested party.

### **ELIGIBILITY**

A veteran must establish his or her eligibility for the ODVA loan program. This is different from Federal VA eligibility. For further details, see Page 1 of this matrix. For eligibility questions from within Oregon, call 1-888-673-8387 ext 2051. From outside of Oregon call 503-373-2051.

### **FEE ADD-ONS**

ODVA will add only the cost of a flood cert to a brokered transaction. Other than the loan origination fee there are no other ODVA fees associated with a transaction.

### **FUNDING FEE**

ODVA does not charge a "funding fee." ODVA loans in excess of

80% LTV do require mortgage insurance.

## **FUNDS TO CLOSE**

Funds to close may come from any source of closing funds approved by Fannie Mae for the same LTV ratio.

## **IMPOUNDS**

Property tax and insurance impounds are required if the LTV exceeds 80%. Loans with LTV ratios below 80% may have voluntary impounds.

## **INCOME DOCUMENTATION**

- ❑ Files for employed applicants should contain YTD paystubs covering the most recent 30-day period, plus W-2 statements for the last two years. Loans in excess of 80% LTV should include at least a verbal verification of employment.
- ❑ Social security, retirement, and disability income should be documented with a copy of the award letter, plus a most recent bank statement showing continuing deposit of the benefit. (Note: ODVA does not require that an originator try to obtain documentation that social security disability, social security retirement, PERS disability, PERS retirement, military retirement, or military disability income will continue for three years.)
- ❑ Self-employment, investment, rental, or other income sources shall be documented with copies of the most recent 2 years' personal and business federal tax returns. (Partnership, LLC, S and C Corp. the entire Tax Return must be included). Only the front page of the 1040, and applicable Schedules B, C, D, E, F need to be submitted for all other sole proprietor income. All tax returns must be signed. With an ODVA LTV of 80% or less, a DU finding may override this requirement.
- ❑ Trust income must be documented with a letter from the Trustee stating the amount, frequency and duration of payments, and affirming that such income will be stable and continue for at least three more years; accompanied by copies of the applicants' federal tax returns and schedules for the last two years. Lump-sum trust distributions may be used for down payments and closing costs if verified by a copy of the check and deposit slip or trustee's letter citing the distribution amount.

## **INCOME LIMITATIONS**

There are no income limitations with ODVA loans, other than demonstrated capacity to repay the loan.

## **LOAN-TO-VALUE RATIO**

ODVA's maximum loan-to-value/combined loan-to-value ratio for an Approved Lender loan is 100% of the lesser of the sales price or appraised value; except that manufactured homes on land are capped at 80% LTV/95% CLTV. The maximum LTV for condos is 80%. For Mortgage Broker loans the maximum LTV is 97%, except that manufactured homes on land are capped at 80% with a credit score of 680+, and condos are capped at 80%. There is no minimum LTV.

## **MANUFACTURED HOMES ON LAND**

ODVA does make or purchase loans secured by manufactured homes on land. The manufactured homes must be "double wides" or larger, and conform to Fannie Mae's requirements for manufactured housing. The current maximum ODVA LTV for a brokered loan secured by a manufactured home on land is 80% with an indicator score of 680.

## **MAXIMUM LOAN AMOUNT**

The ODVA maximum loan amount for 2009 is the lesser of \$417,000 or the veteran's remaining eligibility amount.

An eligible veteran is generally limited to two ODVA loans, which, in the aggregate, cannot exceed the maximum eligibility amount, which is \$417,000 for 2009. Thus, if a veteran borrows, say, \$100,000, his remaining eligibility amount is \$317,000. The original eligibility amount does not restore with payoff of a prior loan.

## **MINIMUM LOAN AMOUNT**

There is no minimum ODVA loan amount. There are no fee add-ons for low loan amounts.

## **MORTGAGE INSURANCE**

Since an ORVET loan is a conventional loan, mortgage insurance is required if the LTV exceeds 80%.

## **NUMBER OF PROPERTIES OWNED**

ODVA has no limit on the number of properties a borrower may own; however, the security for an ODVA loan must remain the veteran's primary residence for the life of the loan.

## **ODVA FEE ADD-ONS**

ODVA will add only the cost of a flood cert to a brokered transaction. Other than the loan origination fee there are no other ODVA fees associated with a transaction.

## **PRICING ADJUSTMENTS**

ODVA has no pricing adjustments.

## **PROPERTY REQUIREMENTS/LIMITATIONS**

Federal rules impose significant restrictions on the types of property that may secure an ODVA loan. These include:

- **Single-family only.** This generally rules out 2-3-and-4-plexes as well as mother-in-law units and properties with more than one dwelling on site.
- **Primary residence only.**
- **Owner-occupied.** The dwelling must remain the borrower's principal residence.
- Property securing an ODVA loan must be **within Oregon**. Value must vest in the residential improvements and the home site. Federal rules require that large outbuildings, arenas, significant barns, etc, have their contributory values discounted.
- **No multiple-use properties**, see "Business Use of Home Prohibited" elsewhere in this matrix.
- No significant income may be derived from any allowed business use of the home.
- **Real property only**, no personal property residences may be security for an ODVA loan.
- Manufactured homes on land must meet Fannie Mae general underwriting criteria.
- Maximum LTV on condominiums and manufactureds-on-land is 80%.

## **RATIOS**

ODVA has not established a fixed maximum ratio; however each file is evaluated to ensure that the proposed loan makes prudent economic sense. Without exception the back ratio is capped at 41% for any application requiring mortgage insurance.

## **REFINANCES**

**ODVA should not be viewed as a refinance lender**, we offer purchase loans primarily. Federal tax laws controlling ODVA's lending program severely restrict the agency's refinancing abilities. To briefly summarize those laws, ODVA cannot

refinance a property if the veteran has had an ownership of 18 months or more at the closing of ODVA's loan, or, in the case of Lender loans, at the time ODVA purchases the closed loan from the Lender. There is an exception to the 18-month timeline for construction loan take-outs, in which case prior ownership may extend to 24 months. The same laws prohibit ODVA from refinancing its own loans, prohibit ODVA from allowing so much as a single cent in cash back to the borrower, and prohibit ODVA from allowing loan proceeds to pay off a prepayment penalty. No refinance requiring mortgage insurance may exceed an 85% LTV/CLTV, nor may it pay off an existing subordinate lien. **BEFORE YOU PROCEED WITH A REFINANCE TRANSACTION, CALL THE ODVA UNDERWRITER.**

## **RESERVES**

**Liquid Reserves:** Generally, borrowers are expected to have two months PITI in reserve after closing. Exceptions may be approved on a case-by-case basis. For loans requiring mortgage insurance, two months of reserves is a MUST.

**Tax and Insurance Reserves (Impounds):** Impounds are required if the LTV exceeds 80%. Loans with LTV ratios below 80% may have voluntary impounds.

## **SECONDARY FINANCING**

While ODVA cannot offer second lien loans, ODVA does allow secondary financing in accordance with Fannie Mae guidelines. The maximum CLTV on any ODVA loan is 100%.

## **SELLER-PAID CLOSING COSTS**

ODVA does **NOT** require a seller, Lender or Broker to contribute to the buyer's closing costs, however, a voluntarily contribution up to 3%, 6% or 9% per Fannie Mae guidelines is allowed.

## **SOURCE OF FUNDS**

ODVA is sensitive to the source of funds. It is expected that each file will contain a minimum 60-day history of funds used for closing, or that a HUD-1 for a sale will be provided at closing. Significant recently acquired funds should be documented through a paper trail.

## **TAX RESERVES**

See "Impounds".

## **TRUSTS AS BORROWER PROHIBITED**

By law, ODVA may only lend to an eligible veteran. A Trust cannot be a veteran.

## **UNDERWRITING**

By Oregon Administrative Rule, ODVA underwrites essentially to Fannie Mae credit/capacity guidelines. Thus, if a Mortgage Broker submits an accurate transaction synopsis to Desktop Underwriter or Desktop Originator and receives an Accept Eligible or Accept Plus, ODVA credit approval, is very likely.

The ODVA underwriter may be reached at 503-373-2267.

## **UPCHARGING**

Upcharging is prohibited on any ODVA loan..

**END OF DOCUMENT**

6/22/2009