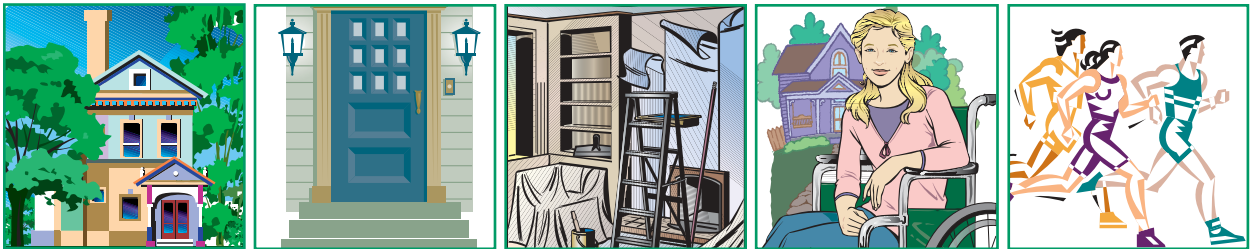


VHDA

Homeownership Program Guidelines for Realtors & Lenders



Affordable
Housing
Starts
Here



Updated 04/04

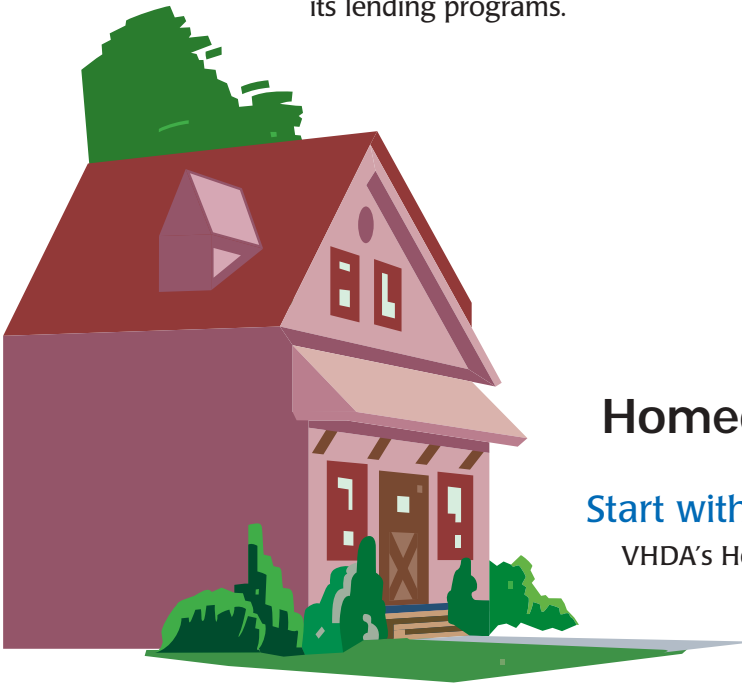
Benefits of a VHDA Loan:

- Creative financing programs
- Reduced interest rates
- Lower monthly payments
- More house for less money
- Less cash required for closing
- Guaranteed and extended rate locks at no additional cost
(Commitments are issued for 90 days for existing construction and for 120 days for new construction.)
- Assumable loans
- Focus on service—not rates (All VHDA lenders offer the same low interest rate.)
- Supports banks and other financial institutions in achieving their community lending goals.

VHDA's mission is to help our fellow Virginians obtain safe, sound and decent housing otherwise unaffordable to them.

What is VHDA?

The Virginia Housing Development Authority is a non-profit housing organization created by the Virginia General Assembly to help make housing more affordable to the state's low- and moderate-income residents. VHDA does this by offering a variety of loan products to assist Virginians in financing their homes with affordable loan terms. VHDA raises money by selling bonds to private investors. The authority receives no federal or state funds to finance any of its lending programs.



Homeownership Education

Start with an educated buyer!

VHDA's Homeownership Education classes provide valuable information to prepare first-time homebuyers for the homebuying process. Realtors and lenders find that clients who have completed the course experience a much quicker and easier transaction. Clients who complete the course may be eligible for special financing programs or reduction on insurance premiums. Classes are free, offered statewide and are available in English and Spanish.

Realtors and lenders also may provide Homeownership Education classes by attending a VHDA "Train the Trainer" class. For more information, call the toll-free Homeownership Hotline at (888) 643-2OWN (2696) or visit us at www.vhda.com for a class listing in your area.

Selecting the Right Program

VHDA offers a variety of home financing programs developed to provide special affordable features for first-time and repeat homebuyers. This booklet provides a broad overview of VHDA's homeownership programs and guidelines. It is designed to assist real estate and lending professionals in determining which programs best suit their clients' needs.

VHDA groups its mortgage loans under two primary product types: **VHDA's First-Time Homebuyer Bond Programs** and **Flexible Alternative Loan Programs**.

- **First-time Homebuyer Bond Programs** generally will have the lowest interest rates and are limited to first-time homebuyers (or to applicants who have not owned a home in the previous three years*) who have lower income limits and are purchasing homes with moderate sales prices.
- **Flexible Alternative Programs** are available for first-time homebuyers and current homeowners who want increased buying power and don't meet the eligibility requirements of our First-time Homebuyer Bond Programs. These loans have higher income and loan limits, and many include special financing features for home improvements.

Detailed information regarding these programs is available at www.vhda.com or by contacting the Homeownership Development Department.

Quick Start: On-Line Loan Eligibility Check

VHDA is offering a way for you and your customers to determine which of our loan programs are available to them. The Quick Start On-Line Loan Eligibility Check uses data about income, sales price and homeownership status to determine the appropriate loan program.



You'll find Quick Start through the "Homeownership" tab at www.vhda.com.

*This rule is waived if the home is in a Federal Targeted Area. See page 8 for program details.

First-time Homebuyer Bond Programs

VHDA's First-time Homebuyer Bond Programs are designed to meet the unique needs of first-time homebuyers or those who have not owned a home within the previous three years*. The low interest rates combined with reduced cash requirements and flexible underwriting guidelines make VHDA's loans a great choice for new homebuyers. VHDA's loan programs have maximum income and sales price limits that are based on the area of the state in which the home is located. Please refer to the enclosed Income Guidelines sheet or visit our website for current limits.

30-Year Fixed Rate Loan Programs—Below-Market Rates

Standard 30-year fixed rate loans are available at below market rates and offer lower monthly payments. Fees include: 1% origination fee and 1% discount point.

Conventional

- Maximum 103% loan-to-value.
- Private mortgage insurance required for loan exceeding 80% loan-to-value. Standard 25% coverage is required for all loan-to-values. (30% for LTV above 100%)
- Qualifying ratios: 32% payment-to-income/40% total debt-to-income
- Stable two-year employment verified.
- Acceptable credit history. (Loans in excess of 100% loan-to-value must have a minimum credit score of 680-700)
- Automated underwriting decision from Loan Prospector or Desktop Underwriter allowed in accordance with the private mortgage insurer guidelines for loans that are up to 100% loan-to-value.

FHA/VA/RHS Insured

- Loan must meet standard FHA/VA/RHS guidelines.
- Automated underwriting decision from Loan Prospector or Desktop Underwriter allowed in accordance with the insurer guidelines.
- Homeownership Education required on RHS loans.



Step Rate Loan Program—Increasing Affordability

VHDA's Step Rate Loan program offers reduced interest rates and payments for the first two years of the loan. The rate is reduced 1.5% below the VHDA standard, 30-year, fixed rate in the first year and .5% the second year. The interest rate is fixed for years 3 through 30. The program offers lower payments, less risk than adjustable rates and no buydown fees.

Insurance Types: Conventional PMI, FHA and VA

Qualifying Rate: Conventional/FHA: First year rate
VA: Second year rate

Fees: 1% origination fee
2% discount points

Same qualifying guidelines as previously noted for the VHDA 30-year, fixed-rate program.

FHA Plus Loan Program—Reducing the Cost of Buying a Home

The FHA Plus program provides funds for those borrowers who need assistance with the down payment and closing costs. FHA Plus offers an FHA first mortgage coupled with a 2nd mortgage for up to 5% of the sales price.

- Standard FHA qualifying guidelines. (LP and DU accepted.)
- Minimum borrower funds required is 1% of the sales price (may be funds paid toward closing, pre-paid items or cash reserves after closing).
- Interest rates for the first and second mortgages are .5% above the VHDA standard, 30-year fixed rate.
- Combined total of first and second mortgages may not exceed maximum sales price limit.
- Buydowns and Step Rate not allowed with the FHA Plus loan.
- Applicants are required to complete a Homeownership Education course prior to loan approval.



Special Programs

VHDA frequently allocates special funding to assist local initiatives and targeted populations. Detailed information regarding these programs is available at www.vhda.com.

Regional Loan Fund: This low-rate financing program is allocated regionally to organizations that work with local non-profits, lenders and Realtors to assist lower-income applicants (60% median income) in obtaining a home. To participate in this program, lenders must attend special training. A list of allocations and regional administrators is available at www.vhda.com.

SPARC (Sponsoring Partnerships and Revitalizing Communities): This program provides below-market rate loans to first-time homebuyers through special allocations that are made to local housing groups. SPARC funding is intended to encourage partnerships among local governments, redevelopment and housing authorities, non-profit advocates and for-profit developers. By combining this low funding with creative partnerships, the aim of the SPARC program is to address critical housing needs within communities. Detailed program information and a list of SPARC allocation recipients are available at www.vhda.com.

Fresh Start Loan Program—Helping Borrowers Make a Fresh Start

The VHDA Fresh Start program provides an affordable financing option for borrowers with past credit issues. By incorporating extensive pre- and post-purchase counseling, Fresh Start offers a low rate alternative to sub-prime lending products for borrowers with marginal credit.

Fresh Start Procedures:

- Applicant should first attend an individualized counseling session. Approved counselors are listed on VHDA's website.
- Counselors assist in resolving credit issues and establishing a budget.
- Applicant must attend at minimum one follow-up session (30 to 60 days from initial session).
- Applicant must complete VHDA's Homeownership Education course.
- Counselor verifies that the applicant is ready for homeownership.
- Applicant meets with lender for prequalification.

Program Terms:

- Interest rate is the same as that of the standard 30-year fixed bond rate.
- Private mortgage insurance through GE Mortgage Insurance is required (25% coverage).
- Delegated underwriting for GE or VHDA not allowed (submit to VHDA and GE).
- Delegated closing is allowed.
- Detailed credit requirement is available on VHDA's website.
- Maximum 97% loan-to-value.

Eligibility Requirements for VHDA First-Time Homebuyer Bond Programs

Because special funding allows VHDA to provide low interest rates for the first-time homebuyer loan programs, applicants must meet these eligibility bond requirements:

- First-time homebuyer requirement: applicant(s) cannot have owned a home within the past three years. (This does not apply when buying a home in a Federal Targeted Area.)
- Tax Returns: applicant(s) must provide copies of signed federal income tax returns for the past three years to document compliance with restrictions related to prior homeownership and business use of home.
- Applicant(s) cannot intend to use property in a trade, business or as an investment, recreational or second home.
- Applicant's(s) net worth cannot exceed 50% of the sales price of the property being purchased (clothing, household items and retirement funds are excluded).
- Lot size of property is limited to 2 acres (waiver may be granted for up to 5 acres where size is typical for the area).
- Single family properties only are eligible (no duplexes, triplexes or quads are allowed).
- Total gross household income must be equal to or less than the maximum allowable income noted on the chart. All household income, including that of household members not applying for the loan, (such as SSI and child support) must be used in applying these limits.
- Sales prices and loan amounts must not exceed the limits noted on the chart.

Federal Targeted Areas

Federal Targeted Areas are specifically designated neighborhoods located in 17 counties and 20 cities across the state where borrowers can qualify for VHDA's First-time Homebuyer Bond Programs even if they have previously owned homes. Additionally, the sales prices of homes and income limits of borrowers who purchase in Federal Targeted Areas can be higher than the standard sales prices and income limits. To determine if a property is in a Federal Targeted Area, go to www.vhda.com under the "Federal Targeted Area."

Federal Recapture Tax

Homes financed by these special first-time homebuyer bond programs may be subject to this IRS tax. Very few VHDA customers have been liable for this tax. It only affects buyers who have had rapid and significant increases in income and who sell or transfer their home within nine years of the purchase date. To determine the likelihood of your customer being subjected to this tax, you can now use VHDA's new Federal Recapture Calculator on our website. For questions or further clarification, please contact a tax advisor or the IRS.

Flexible Alternative Loan Programs

Not Just for First-time Homebuyers!

VHDA's Flexible Alternative Loan programs are available for first-time homebuyers or current homeowners who want to "move up" and purchase a home. These loan programs feature **no down payment** and **no mortgage insurance** and are the first choice for borrowers who exceed income and sales price criteria for other VHDA loans. Borrowers must have good credit and a stable employment history. The maximum income for VHDA's Flexible Alternative loan programs is based on the property's location. Please refer to the enclosed Income Guidelines sheet or visit our website for current data.

Flex Features

- Increases buying power
- Makes homeownership more affordable
- No down payment required
- No mortgage insurance needed
- Lower monthly payments
- Special tax benefits
- Refinances available (seasoned seconds can be included)
- Current homeowners and first-time homebuyers eligible
- No recapture tax
- 1% origination fee
- Discount points range from 0 to 1.5% - determined by loan-to-value and credit score
(Credit score of 700+ deduct .5%)
- Alternative pricing options now available
- 30-year, fixed-rate mortgage
- Loan limits up to \$417,000

Flexible Alt 100 – Increasing Buying Power

The Flexible Alternative is an affordable option because of the no down payment and no mortgage insurance features. This means lower monthly payments and less cash out of pocket at loan closing. Homebuyers can keep their funds that would normally be required for a down payment to use them to pay off debt, make improvements to their new home or for other household needs.



Flex Alt Program Qualifying Requirements

Quality Credit and Income History

- Quality credit required (660 credit score or alternative credit qualifying – visit www.vhda.com for details)
- Two years of stable employment required (education/training may be substituted for one year of employment)
- The equivalent of two months PITI in cash reserves is required
- Payment-to-income ratio maximum is 35%; Debt-to-income maximum is 43%

OR

- VHDA's FasTrak approvals accepted (See page 13 for more information)

OR

- Loan Prospector/Desktop Underwriter acceptable for up to 100% loan-to-value loans (Approve/Eligible (DU) or Accept/Freddie Eligible-Yes)

AND

- Homeownership Education required for first-time buyers with credit scores lower than 660
- The borrower's income must fall below the Flexible Alternative income limits

How the Flex Alt Works – Program Comparison

- No mortgage insurance means lower monthly payments
- 100% financing means no down payment is required

Example: Sales Price \$150,000

	VHDA Flex Alt	Conventional
Loan Amount	\$150,000	\$145,500
Down payment	\$0.00	\$4,500
P&I Payment	\$998	\$920
Mortgage Insurance	\$0.00	\$109
Total Payment	\$998	\$1,029
Interest Rate*	7.00%	6.50%

As the comparison above demonstrates, even with a higher interest rate, the Flexible Alternative program has a lower monthly payment, and it requires no cash for a down payment.

*Interest rate is for comparison only. Contact VHDA or visit www.vhda.com for current rates.

Flexible Alternative Advantage – Finance up to 104%

VHDA's newest Flex Alt product, the Flex Alt Advantage puts homeownership in one easy package. In addition to the no down payment and no mortgage insurance features, the Flex Advantage allows borrowers to finance up to 4% of the home's closing costs.

Program Procedures and Guidelines:

- Qualifying guidelines for Flex 100 apply
- LP/DU approvals **not** accepted
- VHDA FasTrak approvals are eligible
- Slightly higher interest rate
- Only standard pricing option available

Flexible Alternative Home Enhancer – 100% and More

The Flex Alt Home Enhancer offers the same benefits as the Flex Alt 100 and more. In addition to financing 100% of the purchase price of the home, the applicant can include up to 5% of the sales price of the home to pay for minor improvements of the homebuyer's choice.

Program Procedures and Guidelines:

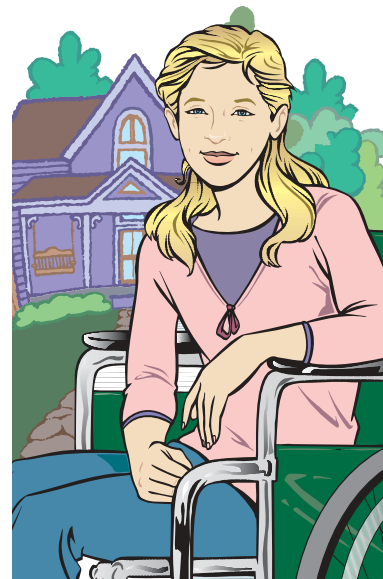
- Improvements may be made after loan closing
- Funds will be held in escrow until improvements are completed (120 days after closing)
- Applicant must obtain an estimate of improvements and provide it to the lender at application
- Interest rate will be .25% above the Flex Alt 100 rate
- Qualifying guidelines for Flex Alt 100 apply

Flexible Alternative Home Access – Affordable Accessibility

The Flex Alt Home Access loan offers an affordable way for borrowers to include the costs for minor home improvements and handicapped accessibility modifications in their mortgage. In addition to 100% financing, the applicant can include up to 10% of the sales price of the home to pay for home accessibility modifications.

Program Procedures and Guidelines:

All procedures, interest rate and qualifying guidelines are the same as the Flex Alt Home Enhancer.



Flexible Alternative Condominium Program—

Expanding the secondary market for non-conforming condos

VHDA's Flex Alt Condo program offers affordable financing for the purchase of a condominium in a project that falls slightly outside of the standard owner-to-investor occupancy ratio.

Program Procedures and Guidelines:

- Maximum investor ownership—60%
- Maximum 97% loan-to-value
- Standard Flex Alt 100 qualifying guidelines
- Additional 1% discount above Flex Alt 100
- Delegated underwriting is not allowed

FASTrak

VHDA's On-Line Automated Underwriting System

The FasTrak automated underwriting system provides quick approval and requires reduced documentation, making the origination of VHDA's Flexible Alternative loan products easier for lenders and borrowers.

System Features:

- Loan decisions in 30 seconds (including credit report)
- Available to all approved VHDA lenders
- No additional costs to customers
- Access available anywhere through the Internet
- Reduced documentation based on borrower qualifications
- Many loans approved requiring only a pay stub and an appraisal
- Available for approval only on VHDA's Flexible Alternative loans
- Lenders must establish a Credco account prior to using the system
- Expanded qualifying features



Frequently Asked Questions

Are VHDA's guidelines stricter than standard FHA/VA loans?

No. Other than the special first-time homebuyer bond eligibility requirements (i.e. maximum income, first-time homebuyer), VHDA accepts applicable FHA, VA, RHS or conventional PMI qualifying guidelines.

VHDA also accepts loan decisions rendered through Fannie Mae's Desktop Underwriter and Freddie Mac's Loan Prospector automated underwriting systems.

Do VHDA loans take longer to process and close?

No. Most VHDA loans are processed, underwritten and closed through the delegated process by authorized VHDA lenders and are closed within approximately the same time frame as a standard FHA or VA loan.

Do VHDA loans require a lot of paperwork?

No. VHDA's tax-exempt bond programs require one additional origination document to be executed, and the borrower(s) must provide three years of federal tax returns. The seller is required to execute a Seller's Affidavit. All other standard lender documents are used. VHDA's Flex/Alt loan program does not require these affidavits or tax returns, and reduced documentation is allowed with automated underwriting approvals.

Can VHDA-financed properties be rented?

Yes. Federal law requires that all properties financed be owner-occupied and used as a primary residence. However, VHDA's policies allow flexibility where changes in the borrower's circumstances occur. VHDA does not restrict the leasing of a home if it is evident that the borrower(s) intended to occupy the property as his/her/their primary residence at loan closing. For more information, borrowers should contact their loan servicer concerning the leasing of VHDA-financed properties.

Does VHDA require the seller to pay discount points?

No. Recent regulation changes now allow the seller and buyer to negotiate all discount points.

Are VHDA's loan programs restricted to first-time homebuyers?

No. The Flexible Alternative Loan program is available to current owners and first-time buyers.

Does VHDA have stricter property requirements?

No. VHDA follows standard industry property guidelines except that tax-exempt bond regulations limit the sales price and size of parcels financed. However, VHDA may consider waivers for lot sizes up to 5 acres. The Flexible Alternative Loan program follows industry guidelines. Manufactured homes have special requirements.

Does VHDA require personal property items to be deleted from the contract?

No. VHDA does not require typical appliances to be deleted from the contract if traditional closing costs are paid by the buyer, seller or third party and not financed from loan proceeds.

Contact Us

–On the Web @ www.vhda.com

VHDA's Web portal for homeownership lending programs –www.vhda.com– offers comprehensive home buying information to borrowers, lenders and Realtors. The site, which is accessed through the "Homeownership" tab, features:

- Financing information
- Interest rates
- General loan information
- Program guidelines
- Eligibility requirements
- VHDA's Origination Guide with all chapters in the manual
- The Homeownership Education Program's class schedule
- The Virginia Housing Newsletter
- Updates and announcements
- List of participating lenders by area
- Loan reservations by approved lenders (www.vhda.org)
- Quick Start: On-line loan eligibility check
- Recapture calculator
- VHDA forms and documents

For more information about VHDA's programs and services, call us toll-free at (800) 227-VHDA.

–On the Phone

VHDA Toll Free	(800) 227-8432
Homeownership Education	(888) 643-2696
Rate Line	(800) 637-7738
Underwriting	(804) 783-6725
Wytheville Office	(800) 447-5145

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Equal Housing Opportunity