

Section 2.23 – Veterans Administration (VA) Loan Program

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Overview

Product Summary

General Information

This product description describes SunTrust's Department of Veteran Affairs (VA) mortgage programs. VA loans are guaranteed by the Department of Veteran Affairs. Guidance not addressed in this product description will follow [VA Lender Handbook 26-7](#) and any other applicable Circulars or Handbooks not superseded by 26-7. Correspondent lenders with Automatic Authority direct questions for scenarios, guidelines or other requirements to VA. Questions regarding SunTrust credit overlays may be directed to the SunTrust Product Support Team at 800.382.2111.

Correspondent Lenders with Automatic Authority

- Correspondent lenders with VA Automatic Authority with SAR underwriters on staff may sell VA loans to SunTrust underwritten and closed in full compliance with all regulations. SunTrust is not responsible for training correspondent lenders or providing VA handbooks or Circulars.
 - Correspondent lenders are responsible for remitting funding fees and for obtaining a Loan Guarantee Certificate (LGC) on each loan. Additionally, the correspondent lender is responsible for reviewing the LGC for accuracy. ***SunTrust will enforce repurchase of VA loans that do not have an LGC.***
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General Information

- For government insuring and servicing requirements, the veteran utilizing VA entitlement in the transaction MUST be the "primary" borrower on a loan application when there is a non-veteran borrower, regardless of the amount of income or credit that is being used to qualify the borrower or the amount of assets contributed into the transaction.
 - Conforming and Jumbo fixed rate products are available.
- Note:** Loan amounts, less any financed funding fee, of \$484,351 to \$1,033,000 are eligible. These loans are considered "jumbo" and will be priced as "jumbo" loans.
- SunTrust sells VA loans on the secondary market by pooling them in Ginnie Mae pass-through mortgage-backed securities. The requirements of both VA and Ginnie Mae must be fulfilled without exception to produce a saleable loan.
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Related Bulletins

General

Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below.

- [2018](#)
 - [2017](#)
 - [2016](#)
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Ability-to-Repay Requirements

Ability-to-Repay Requirements

Reference: See [Section 1.05: Underwriting](#) to view the Ability-to-Repay requirements.

Loan Terms

Loan Terms

The following table shows loan terms for eligible loan types.

Type of VA Loan	Eligible Loan Term
Purchase, IRRRL, Other Refinance, and Cash-Out/Regular Refinances on loan amounts, less any financed funding fee, less than or equal to \$484,350.	Fixed Rate <ul style="list-style-type: none"> up to 30 years
Jumbo Loans: Purchase, IRRRL, Other Refinance and Cash-Out/Regular Refinances on loan amounts, less any financed funding fee, of \$484,351 to \$1,033,000.	Fixed Rate <ul style="list-style-type: none"> <u>Annual amortization terms 20 to 30 years</u>

Maximum Total Loan-to-Value (TLTV)

The maximum TLTV permitted for is 105% for a Purchase or cash-out/regular refinance transaction.

Maximum and Minimum Loan Amounts

The following table shows maximum and minimum loan amounts for eligible transaction types.

Transaction Type	Maximum Loan Amount	Minimum Total Loan Amount
Purchase	\$1,033,000 See notes below for Jumbo loan amounts.	None
Cash-Out/Regular Refinance and Other Refinances	\$1,033,000 See notes below for Jumbo loan amounts.	None
<p>Notes:</p> <ul style="list-style-type: none"> The maximum loan amount does not include the financed VA Funding Fee. To determine maximum loan amount, refer to the <i>VA Entitlement Worksheet (COR 0341)</i>. Ginnie Mae requires the amount of cash down payment or equity plus the amount of the veteran's available entitlement to equal at least 25% of the lesser of the purchase price or appraised value from the <i>Notice of Value</i>. To determine the amount of down payment required, refer to the <i>VA Entitlement Worksheet (COR 0341)</i>. <p>Lenders are required to independently verify the acceptability of the VA loan amount on each transaction.</p>		

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Loan Terms, Continued

Total Loan
Amounts of
\$484,351 to
\$1,033,000

"VA Entitlement Worksheet" (COR 0341) MUST be included in the loan file submission.

Maximum
Number of
Financed
Properties

- Maximum number of financed properties with any lender is (4)
 - The number of financed properties is combined for all borrowers on the loan
 - The following property types are **excluded** in the maximum number of financed properties:
 - Commercial real estate,
 - franchises,
 - multi-family properties(i.e., greater than 4 units),
 - joint or total ownership of a property held in the name of a corporation or S-corporation, even if the borrower is the owner of the corporation and the financing is in the *name of the corporation or S-corporation*,
 - vacant (residential) lots,
 - timeshares,
 - Ownership of a property that is held in the name of an LLC or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership of less than 25% and the financing is in the name of the LLC or partnership, and
 - manufactured home on a leasehold estate not titled as real property (chattel lien on the home).
-

Eligible Transactions

Energy Efficient Mortgage Program

All upgrades must be complete prior to purchase by SunTrust.

EASE-in Payment Reduction

General

- The “Ease-In” payment reduction feature where the seller/builder contributes interest payments up to the first six (6) months allowing the borrower to “ease-in” into a new home and to “ease-in” to the monthly payments for loan amounts, less any financed funding fee, less than or equal to **\$484,350**.
- The maximum interest subsidy may not exceed the four percent (4%) seller concession.
- The builder or seller may pay the interest portion beginning with the first payment up to the 6th month payment.

Requirements

- This feature is only available for a 30-year fixed rate VA purchase transaction.
- Borrower must qualify at the note rate.
- The maximum contribution of 4% of the sales price may be used towards the borrower’s interest, closing costs and/or prepaids.
- Any dollar amount over the 4% seller contribution limit must be subtracted dollar-for-dollar from the sales price.
- The seller/builder contribution, which is disbursed monthly must be a fixed amount (i.e., payments applied to the monthly interest cannot fluctuate from month to month).
- No portion of the funds may be applied to the principal balance.

Ineligible Transactions

- The following transactions are not eligible for use with the Ease-In Payment Reduction:
 - Adjustable Rate Mortgages
 - Temporary buydowns

Amortization Schedule

- An amortization schedule may be obtained on the SunTrust website located at, [SunTrust](#) or similar loan amortization programs can be used.
- The following items are determined by running an amortization schedule:
 - *Total Seller Paid Contribution*: the dollar amount of the seller paid interest,
 - *Reduced Payment Period*: the number of months during which interest payments are made, and
 - *Interest Payment*: a fixed dollar amount being paid monthly toward borrower interest from the seller/builder contribution.

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Eligible Transactions, Continued

EASE-in Payment Reduction, (continued)

Interest Payment Reduction Calculation

- An example of a 5-month interest payment reduction on a loan amount of \$97,000 at 6% interest is shown in the table below.
- The seller's interest contribution for the payment reduction is a fixed amount that cannot exceed the last month of the subsidy period.
- The maximum monthly interest contribution amount in the example below is \$483.00.

Monthly Payment	Principal	Interest	Total P & I	Buydown Contribution	Borrower Contribution
# 1	\$96.56	\$485.00	\$581.56	\$483.00	\$98.56
# 2	\$97.04	\$484.52	\$581.56	\$483.00	\$98.56
# 3	\$97.53	\$484.03	\$581.56	\$483.00	\$98.56
# 4	\$98.02	\$483.54	\$581.56	\$483.00	\$98.56
# 5	\$98.51	\$483.05	\$581.56	\$483.00	\$98.56

Loan Set-Up

- The following program and investor codes are applicable for the origination system. Additionally, they apply to Non-AUS or Fannie Mae DU.
 - Program Code = V30SPI
 - Investor Code = 000

The tables below show the origination system procedures.

The Origination System	
Field	Input
Program Code	V30SPI
Target Investor	000 (should pre-fill)
Buydown Code	SPI
Type	D (for dollar buydown)
Who Pays Buydown	S (for seller)
Amount	\$ Amount of monthly fixed interest payment fund
MOS	# of months seller will pay toward the interest portion of PITI payment

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Eligible Transactions, Continued

EASE-in Payment Reduction, (continued)

Closing

- The *Seller-Paid Interest Buydown Agreement* must be completed by the Loan Closer and signed by the borrower and sellers.
 - The Ease-In seller paid interest contribution must be shown on the settlement statement as a seller credit and be labeled “*Seller-Paid Interest Contribution, 5 months @ \$483.*” with \$2415 (per example above) under the seller’s column.
 - Additional funds paid by the seller over and above the cumulative interest calculation must be shown as a closing cost credit to the borrower on the settlement statement.
 - The servicing department will disburse the Ease-In seller-paid interest contribution shown on the settlement statement on a monthly basis and bill the borrower for the difference. As far as IRS reporting is concerned, servicing will back out the seller-paid interest buydown funds for year-end reporting purposes on Form 1098.
-

Ineligible Transactions

The following transactions are ineligible:

- Any ARM Program
 - Any IRRRL serviced by a lender other than SunTrust
 - Ease-In Payment Feature on Jumbo Loans
 - Borrower-paid temporary buydowns
-

PACE Financing

PACE Financing

- A purchase or cash-out/regular refinance loan transaction with a PACE loan **remaining** in a first or subordinate lien position to the new mortgage transaction is not eligible. All PACE obligations **must** be paid off as a condition to obtaining a new mortgage loan.
-

Refinances

Cash-Out / Regular Refinance

- The following additional requirements apply to cash-out/regular refinance transactions when the LTV exceeds 90%:
 - all existing liens (to be paid off or remain subordinate to the new first mortgage) require a satisfactory (0x30) six (6) month payment history, and
 - proceeds of the loan transaction may not be used for the following:
 - payoff other non-mortgage debt, and
 - the borrower may receive cash in hand at closing not to exceed \$500, or recalculation of the mortgage is required.
-

Interest Rate Reduction Refinance Loan/IRRRL

- Properties previously occupied by the veteran may be eligible for an IRRRL.
 - Only Mortgages currently serviced by SunTrust are eligible.
- See the topic for Credit Requirements for IRRRL in this product description for more information.
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Mortgage Seasoning

- For all refinance loans, the more restrictive of VA or the below GNMA requirements must be met:
 - The note date of the refinance loan must be on or after the later of:
 - the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced, and
 - the date on which 6 full monthly payments have been made on the mortgage being refinanced.
-

Other Refinances

- Other refinance loans can be in excess of 90% of the appraised value.
 - The existing loan must be in one of the following categories for other refinance:
 - an installment land sale contract, or
 - an existing loan assumed by the veteran provided the new VA loan is at a lower interest rate than the loan being refinanced.
-

Geographic Restrictions

General

The following table shows applicable Geographic Restrictions:

State	Restriction
Georgia	<u>Properties containing Georgia Power Company leasehold agreements are not eligible for financing with SunTrust.</u>
Texas	<u>Cash-out refinances are not eligible.</u>

Reference: See [Section 1.02: Eligible Mortgage Loans](#) guidelines in the *Correspondent Seller Guide* for general SunTrust geographic restrictions.

Occupancy/Property Types

Ineligible Property Types

The following types of properties are ineligible:

- Manufactured housing (mobile homes)
 - Sinkhole homes (even if repaired)
 - Methamphetamine homes (even if certified habitable)
 - Cooperatives
-

Properties Recently Listed for Sale

- If a property is listed for sale the following applies:
 - For cash-out/regular refinances:
 - The property must have been taken off the market for at least 60 days prior to loan application date, and
 - If the property was listed for sale within the six (6) months preceding the application (i.e., 1003) date, the maximum LTV/TLTV is limited to 85%.

Note: If the property is currently listed for sale, documentation must be provided that the listing agreement is terminated (it is NOT okay just to take the “For Sale” sign down!).

Eligible Borrower

Permanent Resident Aliens/Non-Permanent Resident Aliens

- The loan file must include evidence of the borrower's lawful permanent or non-permanent residency status.
 - A valid social security number is required.
-

Income

Income Documentation

- Verbal VOE completed within 10 business days for salaried borrowers.
 - IRS Form 4506-T executed by all borrowers at closing.
-

Ineligible Income

- Income derived from an activity that is deemed illegal by federal or state law (for example, income derived from a business that is legal by state law but illegal by federal law cannot be considered.
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Rental Income from Conversion of Existing Primary Residence

- A copy of the rental agreement and evidence of the security deposit and/or the first month's rent must be in the loan file.
 - Three months of PITIA required for new rental property.
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Section 8 Homeownership Vouchers

- Housing Voucher payments delivered directly to servicer (not to borrower) require special servicing handling. Contact Purchase Relations to ensure there are no client service failures.
-

Liabilities and Qualifying Ratios

Qualifying Ratio

The maximum DTI for SunTrust on any VA transaction is 50% regardless of AUS findings.

Credit Requirements

Bankruptcy No Chapter 7 or 13 bankruptcy in the last three (3) years based on discharge date allowed on Jumbo Purchase, Cash Out/Regular Refinance or Other Refinance.

Foreclosures, Deeds in Lieu of Foreclosure, and Short Sales No Foreclosure, Deeds in Lieu of Foreclosure in the last three (3) years allowed on Jumbo Purchase, Cash Out/Regular Refinance or Other Refinance.

Collections

- SunTrust requires that individual or multiple collection accounts that have a singular or cumulative balance greater than \$2000 must meet one of the following requirements:
 - be paid in full using an acceptable source of funds,
 - have documented payment arrangements with the creditor(s) and include the payment in the borrower's debt to income ratio
 - a satisfactory letter of explanation and appropriate supporting documentation if account(s) are disputed.

Credit Requirements for IRRRL The following requirements apply to IRRRL transactions:

- Current VA loan must be serviced by SunTrust (ST to ST)
- 12 month seasoning with no Mortgage (s) late payments (0x30) reporting.

Credit Requirements for Jumbo Loans For loan amounts, less any financed funding fee, of \$484,351 to \$1,033,000, no housing payment can be more than 0 x 30 days late in the past 12 months.

Credit Score Requirements

- 640 minimum credit score for all transactions except for IRRRL

Note: Borrower(s) with no credit score must meet VA Non-Traditional Credit Guidelines.

Validation of Parties to the Transaction/Program Participants

General

Transactions that involve parties found on the SunTrust Ineligible List are not eligible for purchase.

See the topic “SunTrust Ineligible List Certification” within [Section 1.19: Fraud Prevention Guidelines](#) of the *Correspondent Seller Guide* for additional information.

Rate, Points and Lock-Ins

CRA Incentive and Verification

Target Area

- Loan eligibility for CRA Incentive is limited to SunTrust Bank's Community Reinvestment Act (CRA) assessment areas. It is also based on the subject property being located in a low-or-moderate income census tract or the borrower's income being equal to or lower than SunTrust's maximum allowable income level for the property county.
- SunTrust's assessment areas are NOT located in all areas of the states.
- If the subject property is located within a SunTrust targeted state and county, proceed with the steps listed below to determine SunTrust qualifying results of the subject property and/or the borrower's income.

Step	Action
1	Access the following website: www.suntrustgeocoder.com
2	Enter CORRES for password and click the Login button.
3	Input the property address and annual income and click the Submit button.
4	Print the Geocoding Results and place in loan file.

- The geocoding system must be used to determine the census tract locations of individual subject properties.
- Your loan must receive a "Qualified" message in order for it to be eligible for the CRA incentive.
- A listing of maximum income limits is provided as a supplemental tool which may be used to inform users of the varying income limits by county, census tract, and product. [Click here](#) for the listings of eligible states/counties and maximum income limits.
- If the loan is eligible, complete the *CRA Census Tract Verification* form ([COR 0560a](#)).
 - Email completed form to SunTrust.Corr.CRA@suntrust.com **within 48 hours of locking the loan.**
 - Once the information is validated, the appropriate pricing adjustments will be made and the new lock confirmation will be available online.

Interest Rate and Price

- The initial interest rate and discount points are established by SunTrust. Refer to SunTrust's Rate Sheet.

Registration and Lock-In

Reference: See [Section 1.03: Loan Registration and Lock-in Procedures](#), of the *Correspondent Seller Guide* for additional requirements.

Rates, Points and Lock-Ins, continued

Program Codes The following table shows program codes

Product	Program Codes
VA 15 Yr. Fixed	V15FX
VA 30 Yr. Fixed	V30FX
VA Jumbo 30 Yr Fixed	V30JFX
VA 30 Yr (Fixed Rate Seller-Paid Interest Buydown (Ease-In Payment Reduction))	V30SPI

Application and Consumer Compliance

General

All consumer disclosures or notices required by all federal, state and local laws and regulations must be complied with. This includes, but is not limited to, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Flood Disaster Protection Act, the Truth-in-Lending Act, and the Fair Credit Reporting Act, all as amended and all applicable usury limitations. Further, all consumer disclosures relating to the mortgage loan must have been properly given on a timely basis in compliance with applicable laws, rules and regulations.

Closing and Loan Settlement Documentation

General

The following closing guidelines are specific to the end investor. Unless specified below, all closing forms and documentation should follow standard VA/SunTrust guidelines.

Closing Legal Documents

- The VA Note, Deed of Trust/Mortgage have state specific language as well as specific language required by VA.
- A VA Assumption Rider is required, whether it is a purchase or a refinance transaction.
- The following table shows the closing legal documents.

Fixed Rate		
Legal Documents	Investor Form	VMP Number
Fixed Rate Note (Amended for Veterans Affairs)	<i>Fannie Mae/Freddie Mac Multistate Form 3200</i>	VMP-5G
Security Instrument	<i>Fannie Mae/Freddie Mac state specific versions</i>	VMP-6A (state specific)
VA Guaranteed Loan and Assumption Policy Rider	<i>Multistate VA Guaranteed Loan And Assumption Policy Rider</i>	VMP-538R

Document Review Fee

For all loans, there is a document review fee that will be charged and will be deducted from the proceeds at closing. Refer to the *Correspondent Seller Guide Section 1.08: Purchase Review and Delivery* for information on the fee charges.

Property Insurance

General Property and Flood Insurance Requirements

- Evidence of Property insurance, including homeowners/hazard policies, fire policies and flood policies, is required for all loans.
 - The type of insurance required depends on varying factors such as property type, occupancy, the flood zone improvements are located
 - All required insurance must meet the more restrictive of:
 - Product requirements (FHA, GNMA, etc.)
 - Regulatory Requirements (Biggert-Waters, NFIP, etc)
-

Work Completion Escrow Holdback

An escrow holdback for weather-related postponed improvements must be prior approved by SunTrust.
