



## VA RENOVATION PROGRAM

PROGRAM SPECIFICATIONS	
<b>Description</b>	The VA Renovation Program is a single-close loan that enables borrowers to purchase a home that needs repairs or refinance their existing home and include the necessary funds for renovation in the loan balance. There are no required improvements or a minimum dollar amount for the repairs. Repairs or improvements, however, must be permanently affixed to the real property. A VA Renovation mortgage may not be used for complete tear-down and reconstruction of the dwelling. Repairs must be non-structural in nature, not exceed \$100,000 and the home must be habitable during renovation. Renovations greater than \$50,000 require the use of an AFR approved 203(k) HUD Consultant.
<b>Channels</b>	<ul style="list-style-type: none"> <li>• Broker</li> <li>• Correspondent               <ul style="list-style-type: none"> <li>○ Table Funded</li> <li>○ Non-Delegated UW</li> </ul> </li> </ul>
<b>FICO</b>	<ul style="list-style-type: none"> <li>• 620 minimum qualifying credit score for all qualifying Borrowers.               <ul style="list-style-type: none"> <li>○ 620-659: A minimum of 2 qualifying credit scores are required for all qualifying borrowers. Use the middle score if 3 credit scores or the lower of the two if 2 credit scores.</li> <li>○ 660+: A minimum of 1 qualifying credit score is required for all required borrowers.</li> <li>○ Lowest representative score from all borrowers will be used for qualification purposes.</li> </ul> </li> </ul>
<b>UW Method</b>	<ul style="list-style-type: none"> <li>• Desktop Underwriter (DU)</li> <li>• Loan Product Advisor (LPA)</li> </ul>
<b>AUS Recommendation</b>	<ul style="list-style-type: none"> <li>• Approve/Eligible – DU</li> <li>• Refer/Eligible – DU</li> <li>• Accept/Accept – LPA</li> <li>• Refer/Accept– LPA</li> </ul>
<b>Eligible Terms</b>	<ul style="list-style-type: none"> <li>• 10Yr., 15Yr., 20Yr., 25Yr., 30Yr. Fully Amortizing Fixed</li> </ul>
<b>Eligible Transaction Types</b>	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Cash Out Refinance               <ul style="list-style-type: none"> <li>○ Follow VA Circular 26-19-05 for NTB requirements</li> <li>○ LTV calculations includes the VA funding fee</li> </ul> </li> </ul> <p>Note: Texas Renovation refinance transactions are not permitted</p>
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>• 1 Unit Primary Residence (attached/detached)</li> <li>• 2 Unit Primary Residence (attached/detached)</li> <li>• Manufactured Housing</li> <li>• <b>Note:</b> Condominium Units are not permitted</li> </ul>
<b>Maximum LTV</b>	<ul style="list-style-type: none"> <li>• Purchase, 100% LTV including renovation costs</li> <li>• Refinance, 90% LTV including renovation costs</li> </ul>
<b>Maximum Loan Amount</b>	<ul style="list-style-type: none"> <li>• The Maximum Mortgage Worksheet (MMW) must be completed in calculating the maximum loan amount.</li> <li>• Loan amounts may not exceed <a href="#">Conforming Loan limits</a> as published by the FHFA.</li> <li>• High Balance and Jumbo loan amounts are not permitted</li> </ul>
<b>Appraisal</b>	<p><b>Important:</b> The Appraisal cannot be ordered prior to the Builder/Contractor VA ID Number being obtained</p> <ul style="list-style-type: none"> <li>• Appraisal must be ordered with bid</li> <li>• Appraisal must be ordered subject to repairs or alterations</li> <li>• Final Inspection must be completed by a VA appraiser once property is 100% complete</li> <li>• 2nd level review by AFR Management on any property that is identified to have a current “As-is” property condition rating of C5 or C6. Loan is subject to additional requirements/conditions.</li> </ul> <p>Note: “As Completed” Property Condition Rating as determined by the Appraiser must be C1-C4.</p>
<b>Amount of Repairs</b>	<ul style="list-style-type: none"> <li>• Total renovation cost includes required contingency and reinspection fees (see below)</li> <li>• Total renovation costs may not exceed <b>\$100,000</b></li> <li>• There is no minimum rehabilitation cost</li> </ul>





<b>Ineligible</b>	<ul style="list-style-type: none"> <li>• Structural Modifications (tear downs, additions, etc.)</li> <li>• Oil Tanks (repair, removal, remediation)</li> <li>• Any repair/installation for private water systems –(Wells)</li> <li>• Any repair/installation private waste management system (Septic Systems, Lagoon, Cesspools, Pits, etc.)</li> <li>• Mold Remediation</li> <li>• Landscaping and site improvements</li> <li>• Recreational/Luxury Improvements (not limited to: new swimming pools, bath houses, tennis courts, hot tubs, barbeque pits, gazebos, satellite dishes, tree surgery)</li> <li>• Purchasing an existing structure on another site and moving it to a new foundation</li> <li>• Any repair that will take more than 9 months to complete</li> <li>• Any repair that prevents the borrower from occupying the property for more than 15 days during the renovation period</li> <li>• Any repair that is done as Self Help</li> </ul> <p><b>***Home must be habitable at the time of application</b></p>
<b>Renovations Greater than \$50,000</b>	<ul style="list-style-type: none"> <li>• <b>AFR approved 203(k) HUD Consultant required</b></li> </ul>
<b>Construction Timeframe</b>	<ul style="list-style-type: none"> <li>• <b>9 months from closing</b></li> </ul>
<b>Escrow Amount</b>	<ul style="list-style-type: none"> <li>• See Contingency Requirements below</li> <li>• Excess amount to be applied as a principal reduction</li> </ul>
<b>Contingency</b>	A contingency reserve equal to 15% of the alteration and/or repair cost is required on all loans.
<b>Draws</b>	<ul style="list-style-type: none"> <li>• AFR will allow for up to 3 draws</li> <li>• Initial Draw \$0, subsequent draw amounts will be based on inspections and percentage of completion</li> <li>• 3 inspections (\$600 will be included in the maximum mortgage amount calculation)</li> </ul>
<b>Title Updates</b>	<ul style="list-style-type: none"> <li>• 1 Title Update (\$150 will be included in the maximum mortgage amount calculation)</li> <li>• 1 Final Lien Waiver provided by General Contractor</li> </ul>
<b>General Contractors</b>	<ul style="list-style-type: none"> <li>• AFR permits for only 1 General Contractor/Builder; multiple Generals Contractors/Builders are not permitted.</li> <li>• The GC/Builder must be registered with the VA – See <a href="#">VA Builder Registration</a> for list of VA registered builders</li> <li>• There can be no identity or conflict of interest between the borrower and contractor.</li> <li>• Family members are not eligible; the borrower cannot be employed by or be an owner in the contractor’s business</li> <li>• The GC/Builder must carry sufficient insurance equal to the amount of \$100,000/per occurrence through a valid and current general liability insurance policy</li> <li>• GC/Builder must provide a detailed estimate/bid itemizing all of the repairs that are to be completed with costs broken down to material and labor, and not, if permits are going to be required.</li> </ul>
<b>Geographic Restrictions</b>	<p>The following states are ineligible:</p> <ul style="list-style-type: none"> <li>• Alaska</li> <li>• Hawaii <ul style="list-style-type: none"> <li>○ AFR does not operate in the states of Alaska or Hawaii and does not permit loans with a subject property in Alaska or Hawaii.</li> </ul> </li> </ul>
<b>Forms</b>	See FORMS Section in the Resource Center
<b>Underwriting Guidelines</b>	Follow VA Pamphlet 26-7 Chapter 7 for alteration and repair guidelines and the VA Pamphlet 26-7 Chapter 4 for credit and underwriting requirements
<b>Overlays</b>	
<p><b>Follow all overlays outlined in the VA Fully Amortizing Fixed &amp; Jumbo Program and:</b></p> <ul style="list-style-type: none"> <li>• The maximum timeframe for construction is <b>9 months</b></li> <li>• Any unused contingency must be applied to the principal balance of the loan; AFR does not permit monies to be refunded to the borrower.</li> <li>• AFR does not permit borrowers paying cash for the contingency</li> <li>• The Appraisal cannot be ordered prior to the Builder/Contractor VA ID Number being obtained</li> <li>• If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then a pressure test and electrical test is required and must be completed by an appropriately licensed professional.</li> <li>• AFR does not permit the renovation or construction of an Additional Dwelling Unit (A.D.U.).</li> <li>• Home must be habitable during construction</li> <li>• 2nd level review by AFR Management on any property that is identified to have a current “As-is” property condition rating of C5 or C6. Loan is subject to additional requirements/conditions. Note: “As Completed” Property Condition Rating as determined by the Appraiser must be C1-C4.</li> <li>• <b>Renovations greater than \$50,000 require the use of an AFR approved 203(k) HUD Consultant.</b></li> </ul>	





**Disclaimer:** All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow all guidelines outlined in the Lender's Handbook – VA Pamphlet 26-7.

