



SOUTHPOINT
FINANCIAL SERVICES, INC.

VA

PROGRAM GUIDELINES AND MATRICES



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VA PRODUCT MATRIX

Section 1 – Overview & Underwriting Criteria

This Product Eligibility Policy outlines the parameter requirements for residential mortgage loans submitted to Southpoint Financial. This document is an integral part of the loan underwriting review process and should be reviewed in conjunction with all potential findings.

All loans will be examined and evaluated to determine whether the proposed loans generally conform to these guideline parameters. The qualifying specifications and procedures are meant to serve as a principal foundation to qualify, and each borrower will be reviewed in its entirety on an individual basis.

Section 2 - Underwriting Criteria

Appendix is intended to reference and supplement the [VA Lender Handbook](#). Refer to the VA Handbook for specific information concerning qualification requirements that are not specifically referenced in the product appendix.

Section 3 - Product Eligibility

3.1 Available Products

- 5/1 Adjustable Rate Mortgage
- 10 yr. Fixed Rate Mortgage
- 15 yr. Fixed Rate Mortgage
- 20 yr. Fixed Rate Mortgage
- 25 yr. Fixed Rate Mortgage¹
- 25 yr. Fixed Rate Mortgage (High Balance)
- 30 yr. Fixed Rate Mortgage¹
- 30 yr. Fixed Rate Mortgage (High Balance)

¹ Odd terms are available, 26, 27, 28, 29 yr.

3.2 Adjustable Rate Criteria

Product	Index	Margin	Initial	Periodic	Life Cap	Floor
5/1 ARM	1 year LIBOR	2.00%	1%	1%	5%	Margin

Qualifying Rules
greater of Note Rate or the Fully Indexed Rate (rounded)

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Section 4 - Product Matrix

4.1 VA LTV/ CLTV Matrix

PURCHASE					
PROPERTY TYPE	OCCUPANCY	PURPOSE	LOAN AMOUNT	MIN FICO	LTV/CLTV
SFR, Condo, PUD, 2-4 Unit, Manufactured ¹	Primary	Purchase	\$2,500,000	700	100/100
			\$1,000,000 ²	580 ³	100/100

¹Singlewide not allowed | ²Manufactured and ARMs max loan amount \$548,250 or the county limit | ³Manufactured Minimum FICO 640

CASH OUT ²					
PROPERTY TYPE	OCCUPANCY	PURPOSE	LOAN AMOUNT	MIN FICO	LTV/CLTV
SFR, Condo, PUD, 2-4 Unit,	Primary	Cash Out	\$2,500,000	700	90/90
			\$1,500,000	700	100/100 ⁵
			\$1,000,000 ³	640	100/100 ⁵
			\$1,000,000 ³	580 ⁴	90/90
Manufactured ^{1,4}			\$1,000,000 ³	640	90/90

¹Singlewide not allowed | ²Adjustable Rate Mortgages (ARM) max LTV 90% | ³Manufactured and ARMs max loan amount \$548,250 or the county limit
⁴Manufactured Minimum FICO 640 | ⁵15 or 30 Year amortization only when LTV > 90

IRRRL ²					
PROPERTY TYPE	OCCUPANCY	PURPOSE	LOAN AMOUNT	MIN FICO	LTV/CLTV
SFR, Condo, PUD, 2-4 Unit, Manufactured ^{1,4}	All	IRRRL	\$2,500,000	700	130/130
			\$1,000,000 ³	580 ⁵	

¹Singlewide not allowed
²Six (6) consecutive monthly payments and 210 days from the actual 1st payment date to the new loan note date
³Manufactured and ARMs max loan amount \$548,250 or the county limit
⁴Manufactured Minimum FICO 640
⁵Mortgage only with score allowed

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Section 5 - VA Program Highlights	
5.1 AUS	<ul style="list-style-type: none"> All loans must be submitted through DU/LP Manual UW allowed – 50% maximum DTI
5.2 Borrower Eligibility	<ul style="list-style-type: none"> Must be a Veteran with eligibility documented with a Certificate of Eligibility (COE), which also indicates the Veteran's Entitlement Resident Alien permitted as long as primary borrower is a Veteran Joint loans with co-borrower other than a spouse are allowed by exception Title cannot be taken in the name of a trust
5.3 Condo Projects	<ul style="list-style-type: none"> Condos must be approved by VA (approved condo list is available on TAS; VA will also accept FHA Condominium Approval for complexes that received FHA approval prior to 12/07/2009) IRRRLs - Condo approval not required
5.4 Credit	<ul style="list-style-type: none"> Minimum FICO score of 580 <ul style="list-style-type: none"> 580-599: 0X30X12 required Mortgage only with FICO allowed Non-borrowing spouse's credit required in community property states Derogatory Credit - Per VA Guidelines IRRRL – Max 1 X 30 in the most recent 6 months
5.5 Entitlement	<ul style="list-style-type: none"> Entitlement is the amount of VA Guaranty available to a Veteran for use on a loan; the amount of entitlement will be displayed near the center of the COE Veterans with partial entitlement are allowed provided both of the following conditions are met The VA Guaranty covers at least 25% of the total loan amount The COE will never reflect any additional specific entitlement amount over \$36,000 for loans greater than \$144,000, but will reflect "Available"
5.6 Escrow Holdbacks	<ul style="list-style-type: none"> Allowed – see Escrow Holdback policy for details
5.7 Escrows/Impounds	<ul style="list-style-type: none"> An impound account for collection of taxes and insurance (or additional escrow items) is required

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<p>5.8 Fee Recoupment</p>	<ul style="list-style-type: none"> • Type I refinances (Incl. IRRRL) - the recoupment period of all fees, closing costs, expenses (other than taxes, escrow, insurance, and like assessments), and incurred costs must not exceed 36 months from the date of closing. • Type II refinances - are not subject to a recoupment period.
<p>5.9 Ineligible Income</p>	<p>If the income or asset source is not acceptable under all laws, such as income generated through marijuana sales, then the loan is ineligible for Southpoint Financial; this includes both self-employed borrowers and wage earners working for a company. Likewise, all use of the subject property must be in compliance with all laws. Properties that have mixed-use that do not meet all local, state or federal laws are ineligible for Southpoint Financial.</p>
<p>5.10 Ineligible Properties</p>	<ul style="list-style-type: none"> • Condotels/Hotel Conversions • Cooperatives • Geodesic Domes • Mobile Homes • Singlewide Manufactured Homes • Timeshares • Unimproved Land and property currently in litigation • Working Farms and Ranches
<p>5.11 Loan Seasoning</p>	<ul style="list-style-type: none"> • VA will not guarantee a refinance loan if the loan being refinanced is not properly seasoned. A loan is considered seasoned on the later of the two dates listed below: • 210 days after the first monthly payment is made, and • Six regularly scheduled monthly payments have been made (the note date of the new refinance loan must be dated after the existing loan is considered seasoned – 6 months payments & 210 days)
<p>5.12 Minimum Loan Amount</p>	<ul style="list-style-type: none"> • \$55,000
<p>5.13 Maximum Loan Amount</p>	<ul style="list-style-type: none"> • \$2,500,000

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<p>5.14 Net Tangible Benefit (Cash Out)</p>	<p>All cash-out refinance loans (Type I and II) must satisfy at least one of the following:</p> <ul style="list-style-type: none"> • New loan eliminates monthly mortgage insurance or monthly guaranty insurance • Reduction in term (Southpoint Financial offers off terms) • Lower interest rate • Lower monthly principal and interest payment • New loan results in an increase in the borrower's monthly residual income • New loan amount is equal to or less than 90% LTV • New loan refinances an adjustable rate loan to a fixed rate loan
<p>5.15 Net Tangible Benefit (IRRRL)</p>	<ul style="list-style-type: none"> • Fixed Rate to Fixed Rate: The new refinanced loan must have an interest rate that is not less than 50 basis points (.50% less in interest rate) less than the previous loan. • Fixed Rate to an ARM: The new refinanced loan must have an interest rate that is not less than 200 basis points (2.00% less in interest rate) less than the previous loan. The lower interest rate may not be produced solely from discount points, unless such points are paid at closing: <p>A. Discount points charged equal to or less than 1%; the loan balance after financing of fees and expenses may not exceed 100% LTV.</p> <p>B. Discount points charged that are greater than 1%; the loan</p> <ul style="list-style-type: none"> • For loans that are Fixed Rate to Fixed Rate refinances, discount points may be charged and are not subject to an appraisal and LTV limitations. • Fixed Rate to ARM refinances with discount points are subject to appraisal and LTV limitations
<p>5.16 State Restrictions</p>	<ul style="list-style-type: none"> • Texas 50 (a) (6) Refinance Mortgages are prohibited
<p>5.17 VVOE - VA IRRRL</p>	<ul style="list-style-type: none"> • TVVOE (or third party verification) for income source for salaried and self-employed borrowers. Non W2 and non-self-employed borrowers do not require a VVOE
<p>5.18 VA Resources</p>	<ul style="list-style-type: none"> • VA Lender Handbook